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TEACHERS SERVICE COMMISSION



AUDITED

Financial Statements

for the year ended 30th June

2006

effective service for quality teaching

657.3
TSC



“Effective Service for Quality Teaching”



***“To Establish and Maintain, in Partnership with
all Stakeholders, a Sufficient Professional
Teaching Service for Educational Institutions –
Responsive to Environmental Changes”.***

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT
OF
THE CONTROLLER
AND AUDITOR-GENERAL**

ON

**THE FINANCIAL STATEMENTS OF THE
TEACHERS SERVICE COMMISSION FOR
THE YEAR ENDED 30 JUNE 2006**

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ANNUAL REPORTS AND FINANCIAL STATEMENT FOR YEAR ENDED
30TH JUNE 2006

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CORPORATE INFORMATION FOR THE YEAR ENDED 30TH JUNE, 2006

The Teachers Service Commission is a body Corporate established in 1967 through an Act of Parliament (Cap 212 Laws of Kenya).

The Commission has a Corporate vision of "Effective Service for Quality Teaching" and a mission "To Establish and Maintain Sufficient Professional Teaching Service for Educational Institutions – Responsive to Environmental Changes".

COMMISSIONERS:

- | | |
|---|----------------------------|
| 1. Mr. I.M. Hussein, EBS, HSC | Commission Chairman |
| 2. Mr. S. Ole Nkanae, MBS | Deputy Commission Chairman |
| 3. Mr. R. Kilavuka | |
| 4. Mr. B.G. Mogaka | |
| 5. Mrs. C.W. Gichuru, HSC | |
| 6. Mrs. S. Adan | |
| 7. Mrs. A.K. Kithimba | |
| 8. Mr. J.S. Cheloti, SS | |
| 9. Mr. J.M. Mukoma | |
| 10. Mr. J.I. Kinyua, HSC | |
| 11. Mr. L.K. Sitienei | |
| 12. Mr. M. Oyoo | |
| 13. Mrs. Z.M. Haji | |
| 14. Miss P.J. Kiteto | |
| 15. Mr. I.C. Aluku | |
| 16. Mr. I.E. Ethuro | |
| 17. Mr. D.K. Rono | |
| 18. Mr. J. O'Bonyo | |
| 19. Mrs. P.O. Were | |
| 20. Mr. J.N. Thairu | |
| 21. Mr. J.W. Manje | |
| 22. Mrs. R.A. Onyuka | |
| 23. Mrs. M.N. Mwanasaid | |
| 24. Amb. D.I. Kathambana | |
| 25. G.K. Lengoiboni – EBS, Commission Secretary/Chief Executive | |

Registered Office Teachers Service Commission.

Principal place of Business: The Bazaar,
Moi Avenue/Biashara Street,
Private Bag,
NAIROBI, KENYA

Auditors: Controller and Auditor General
Anniversary Towers
P.O. Box 30084 – 00100
NAIROBI

Bankers: National Bank of Kenya Ltd.,
National Bank of Kenya Building
Harambee Avenue
P.O. Box 41862
NAIROBI

REPORT OF THE COMMISSIONERS FOR THE YEAR ENDED 30TH JUNE, 2006

The Commissioners submit their report and the audited financial statements for the year ended 30th June, 2006.

1. PRINCIPAL ACTIVITY

The Commission's Principal activity is to register, recruit, remunerate, Promote and discipline teachers and to maintain the teaching standards.

2. RESULTS

The results for the year are set out on Page 5

3. DIVIDENDS

The Commissioners do not recommend payment of dividends as the Commission is a Service Organization.

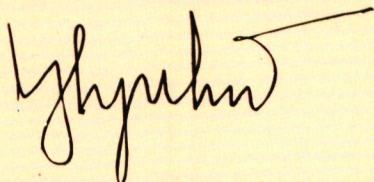
4. COMMISSIONERS

The Commissioners who held office during the year and to the date of this report are shown on Page 1.

5. AUDITORS

The Controller and Auditor-General is responsible for the Statutory audit of the Commission.

By Order of the Commission



Commission Secretary/Chief Executive
NAIROBI

28TH SEPTEMBER, 2006

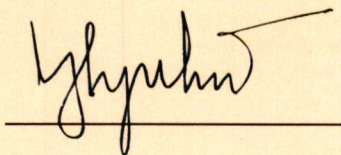
STATEMENT OF THE COMMISSIONERS RESPONSIBILITIES

The State Corporations Act Cap 446 of the laws of Kenya requires the Commission to keep proper books of Accounts that disclose with reasonable accuracy, its financial position. The Act also requires the Commission to prepare financial statements for each financial year that give a true and fair view of the state of affairs and to submit such financial statements to Kenya National Audit Office for the purpose of Audit. The Commission is also responsible for safeguarding its assets.

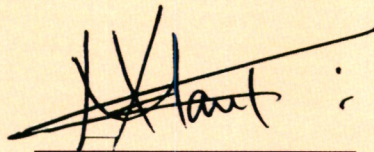
The Commissioners accepts responsibility for the annual financial statements, which have been prepared in accordance with appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of Government Financial Regulations and Procedures.

The Commissioners are of the opinion that these financial statements give a true and fair view of the Commission's state of affairs and further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements as well as adequate systems of internal financial controls.


So far 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.



GABRIEL K. LENGOIBONI
EBS, SECRETARY/
CHIEF EXECUTIVE
T.S.C.



JOSEPH W. MANJE
COMMISSIONER
T.S.C.



I.M. HUSSEIN, HSC, EBS
CHAIRMAN
T.S.C.

DATE 28.09.06

DATE: 28.09.06

DATE: 28.09.06

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: cag@kenyaweb.com



P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE TEACHERS SERVICE COMMISSION FOR THE YEAR ENDED 30 JUNE 2006

I have audited the financial statements of Teachers Service Commission for the year ended 30 June 2006 in accordance with the provisions of 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. The financial statements are in agreement with the books of account.

Respective Responsibilities of the Commission and the Controller and Auditor General

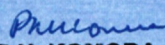
The Commission is responsible for the preparation of financial statements which give a true and fair view of the Commission's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

Basis of Opinion

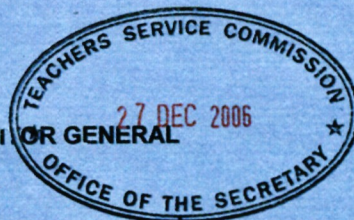
The audit was conducted in accordance with the International Standard on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and the significant estimates made by the Commission as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

Opinion

In my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of affairs of the Commission as at 30 June 2006 and of its surplus and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with Teachers Service Commission Act, Cap 212 of Laws of Kenya.


P.N. KOMORA
CONTROLLER AND AUDITOR GENERAL

Nairobi
13 December 2006



1

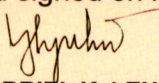
INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 30TH JUNE 2006

<u>INCOME</u>	<u>NOTES</u>	<u>2005/2006</u> <u>KSH.</u>	<u>2004/2005</u> <u>KSH.</u>
Total Income	(1)	62,587,846,989.30	56,585,081,259.00
EXPENDITURE			
PERSONAL EMOLUMENTS			
T.S.C. Secretariat	(2)	1,200,723,497.25	1,089,298,196.00
Primary, Secondary & Special Institutions	(3)	59,227,128,188.50	54,149,479,332.00
Technical Institutions	(4)	1,485,731,129.50	1,371,241,354.00
		61,913,582,815.25	56,610,018,882.00
Operation Expenses	(5)	59,928,514.60	38,546,902.00
Maintenance Expenses	(6)	155,551,442.65	130,023,747.80
Other Expenses	(7)	116,622,833.10	97,617,907.00
Depreciation	(8)	29,704,175.65	28,099,895.15
		62,275,389,781.25	56,904,307,333.95
Deficit / Surplus		312,457,208.05	-319,226,074.95
		62,587,846,989.30	56,585,081,259.00

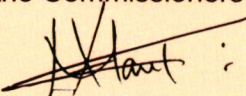
BALANCE SHEET AS AT 30-06-2006

ASSETS	NOTES	2005/2006 (KSHS)	2004/2005 (KSHS)
NON-CURRENT ASSETS			
Property, plant and Equipments	(8)	345,487,898	303,287,025
Total Fixed Assets		345,487,898	303,287,025
CURRENT ASSETS			
Stationery Stock	(9)	8,630,849	11,857,554
Debtors	(10)	1,291,621,742	1,398,429,935
Cash on Hand and Bank	(11)	45,439,267	1,005,277,722
Short Term Deposits Pioneer Building Society	(12)	6,618,980	6,618,980
Interest Receivable - P.B.S.	(13)	1,194,270	1,194,270
Total Current Assets		1,353,505,108	2,423,378,461
TOTAL ASSETS		1,698,993,006	2,726,665,486
GENERAL FUND AND LIABILITIES			
Revaluation Surplus Fund	(14)	42,000,000	42,000,000
Accumulated Fund	(17)	936,766,069	599,519,475
		978,766,069	641,519,475
CURRENT LIABILITIES			
Creditors	(15)	705,507,351	2,069,834,731
Provision for bad debts	(16)	13,700,207	15,311,280
Provision for Contingency Liability	(18)	1,019,379	-
Total Current Liabilities		720,226,937	2,085,146,011
GENERAL FUND AND LIABILITIES		1,698,993,006	2,726,665,486

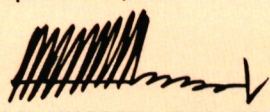
The financial Statements were approved by the Commissioners on 28th September, 2006 and signed on its behalf by :-


**GABRIEL K. LENGOIBONI - EBS
 SECRETARY/CHIEF EXECUTIVE
 T.S.C.**

Date: 28/9/2006


**JOSEPH W. MANJE
 COMMISSIONER
 T.S.C.**

Date: 28/9/2006


**I.M. HUSSEIN, EBS, HSC
 CHAIRMAN
 T.S.C.**

Date: 28/9/2006

STATEMENT OF CHANGES IN ACCUMULATED FUND AS AT 30-06-2006

	<u>2005/2006</u> <u>KSHS</u>	2004/2005 <u>KSHS</u>
Balance B/F	599,519,475.60	912,970,555.00
Adjustment for Statutory barred Stale cheques - 6 years old.	5,291,976.25	4,580,725.45
Adjustment for prior year items (Fundamental error on accrued interest from Pioneer Building Society.		1,194,270.15
Adjustment for prior year items - cancellation of indebtedness between MOE and TSC on consultancy fee paid for TSC Building	19,184,209.00	-
Adjustment for prior year item (fundamental error on inclusion of 10 light laser printers in Income Statement as an expenditure instead of fixed assets)	313,200.00	-
Adjusted balance	624,308,860.85	918,745,550.60
Add: Excess Deficit /Surplus	312,457,208.05	-319,226,075.00
Balance Carried Forward	<u>936,766,068.90</u>	<u>599,519,475.60</u>

CASH FLOW STATEMENT FOR YEAR ENDED 30TH JUNE, 2006

	<u>YEAR ENDED 30-6-2006</u>		<u>YEAR ENDED 30-6-2005</u>	
<u>OPERATING ACTIVITIES</u>	<u>KSH.</u>	<u>KSHS.</u>	<u>KSH.</u>	<u>KSH.</u>
Excess Income/Expenditure Over Expenditure/Income		312,457,208		-319,226,075.00
Less Gain on Sale of Motor Vehicles		(1,030,457)		
Less Gain on Sale Other Assets		(167,800)		
Adjustments for items not involving cash movement				
Add: Depreciation - Motor Vehicles	7,090,919		5,094,526	
-Furniture & Equipment	22,613,257	29,704,176	23,005,369	28,099,895.00
		340,963,127		-291,126,180.00
Adjustment for changes in working Capital/Operational balances				
Decrease in Bad Debts	(1,611,073)			
Provision for Contingent Liability	1,019,379			
Increase in working capital on cancellation of a debt with MOE	19,184,209			
Decrease in stationery	3,226,705		-6,123,149	
Decrease in Debtors	106,808,193		-340,458,737	
Decrease in Creditors	-1,364,327,380		-51,192,346	
Adjustment of Fixed Assets	313,200	(1,235,386,767)		
Net cash inflow - operating activities				-397,774,232
INVESTING ACTIVITIES				
Work In Progress	-29,855,939		-9,435,942	
Purchase - Permanent Equipment	-42,290,652		-19,560,149	
Adjustments On Equipments (Note 8)			1,061,416	
Disposal of Motor Vehicles	1,272,000		-14,532,697	-42,467,372
Disposal of Other Assets	167,800	-70,706,791		
FINANCING ACTIVITIES				
Statutory Barred Stale Cheques	5,291,976	5,291,976	4,580,725	
Increase in RD cheques -			-620,739	3,959,986
Decrease In Cash		-959,838,455		-727,407,798
Change in cash				
Closing cash balance NOTE 11		45,439,267		1,005,277,722
Less: Opening cash balance		1,005,277,722		-1,732,685,520
Decrease in Cash NOTE 11		(959,838,455)		-727,407,798

ACCOUNTING POLICIES

1. Basis of Accounting

The Commission's accounts are prepared on the historical cost basis of Accounting.

2. Accruals and Prepayments

Grants, which have been received during the Financial Year but were not so received until the subsequent financial year and were considered significant, have been recognized as Grants Receivable; while outstanding costs on N.S.S.F. Employer's Contribution also considered significant have been considered likewise. Pre-payments for residential house is not significant.

3. PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION

Property, Plant and Equipment are stated at cost less accumulated depreciation. 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

At the rate of 25% per annum or part thereof on the written down value or from the date of purchase.

4. Bad and Doubtful Debts

Specific provisions are made against Bad and Doubtful debts when in the opinion of the Commission, recovery is doubtful and cannot be foreseen. In addition, write-offs are only effected with authority of the Treasury through the Ministry of Education for specifically identified cases.

5. Stocks of Stationery

The amount of the stock of stationery in Financial Statements has been stated as the total of costs of the separate items of stationery stock at the end of the financial period.

6. Employee Benefits

The Commission operates a defined contribution plan known as TSC Staff Superannuation Pension Fund. The Fund was established on 1st January 1993 and operates in accordance with the provisions of the Retirement Benefits Authority Act. The Fund is managed by a Board of Trustees and is funded by the contributions of employees @ 5% per employee and employers' @ 25% per month. An Actuary occasionally values the fund and the Commission pays the actuarial liability into the fund.

7. Grants

The Commission operates through grants received from the Treasury through the Ministry of Education, to meet expenditure on Teachers' Salaries and Allowances and also expenses on Operation and Maintenance. The Accounting for the grants is governed by the requirements of TSC Act, Government Financial Regulations and Procedures, the Public Audit Act, the Exchequer and Audit Act (Cap 412) and International Financial Reporting Standards I.A.S. 20.

NOTE 1 INCOME- GRANTS AND MISCELLENEOUS REVENUE

	<u>2005/2006</u> <u>KSHS.</u>	<u>2004/2005</u> <u>KSHS.</u>
Grants from Ministry of Education Science and Technology	62,585,836,072.05	56,584,300,033.95
Miscellaneous Revenue	812,660.00	781,225.10
Disposal of Equipments, Motor Vehicles and others	1,198,257.25	-
Total	62,587,846,989.30	56,585,081,259.05

Grants represents amounts receivable annually from the Exchequer through the Ministry of Education (Parent Ministry) to finance the Commission's operations.

Miscellaneous Revenue was mainly collected from sale of tender documents. Disposal of motor vehicles and equipments through competitive tendering contributed to additional income to the Commission during the year.

The grants received after 30th June are journalized back to the year with a view to matching the income with the expenditure and in compliance with International Accounting Standard (IAS 18) on Revenue Recognition. The composition of Kshs.1,000,000,000 is as follows:-

<u>Date of Receipt</u>	<u>Cheque No.</u>	<u>Date of cheque</u>	<u>From whom Received</u>	<u>Kshs.</u>
10.07.06	136606	30.06.06	MOEST	700,000,000.00
18.07.06	138987	30.06.06	MOEST	300,000,000.00
Total Grants Receivable				1,000,000,000.00

NOTE 2 - TSC SECRETARIAT

DESCRIPTION	2005/2006	2004/2005
	ACTUAL EXPENDITURE KSHS.	ACTUAL EXPENDITURE KSHS.
Personal Emoluments	482,277,847.25	399,625,067.10
Gratuity & Pension Contribution	362,878,621.15	345,130,435.70
House Allowance	210,919,908.00	194,506,306.75
Other Personal Allowances	97,741,852.45	107,419,956.25
Medical Allowance	46,905,268.40	42,616,430.45
SUB TOTAL	1,200,723,497.25	1,089,298,196.25

NOTE 3 - PRIMARY, SECONDARY AND SPECIAL INSTITUTIONS

Personal Emoluments	35,563,801,535.50	31,769,400,066.20
Gratuity & Pension Contribution	5,931,334.15	7,634,445.75
House Allowance	14,959,343,103.55	14,898,988,484.50
Other Personal Allowances	4,840,572,729.60	3,646,430,465.60
Medical Allowance	3,853,529,903.10	3,825,930,712.90
Transfer Allowance	3,949,582.60	1,095,156.25
SUB TOTAL	59,227,128,188.50	54,149,479,331.20

NOTE 4 - TECHNICAL INSTITUTIONS

Personal Emoluments	825,015,974.50	738,290,100.70
Gratuity & Pension Contribution	177,030.10	208,340.00
House Allowance	508,977,591.50	504,770,270.40
Other Personal Allowance	58,198,432.60	37,466,868.30
Medical Allowance	92,674,130.60	90,335,470.10
Transfer Allowance	687,970.20	170,305.00
SUB TOTAL	1,485,731,129.50	1,371,241,354.50
GRAND TOTAL	61,913,582,815.25	56,610,018,881.95

Teachers Service Commission

NOTE 5 - OPERATION EXPENSES	2005/2006	2004/2005
	KSHS	KSHS.
Computer charges	3,954,082.00	216,533.00
Postage and Telegram Charges	8,889,718.50	6,712,170.90
Telephone Charges	12,248,167.00	10,351,820.15
Printing charges	5,536,258.10	5,381,384.80
Stationery Expenses	19,861,443.95	9,654,801.50
Advertising Expenses	7,882,786.80	5,613,172.05
Uniforms and Clothing	1,603,513.00	617,020.00
Miscellaneous Other Charges	-47,454.75	-
Sub-Total	59,928,514.60	38,546,902.40
NOTE 6 - MAINTENANCE EXPENSES		
Rent and Rates	85,646,865.00	83,225,995.20
Audit Fees (Controller & Auditor General)	1,250,000.00	1,250,000.00
Library Expenses	1,992,247.00	2,000,233.10
Compensation and Ex-gratia Payments	1,479,527.20	348,241.70
Repair and Maintenance Expenses - Other Assets	15,495,210.35	10,680,449.40
Purchase of Consumable Stores	628,716.00	205,257.00
Official Entertainment	303,512.00	243,936.00
Bank Charges	178,557.95	238,581.60
Staff Development	32,514,563.55	21,790,441.60
Discipline Promotion Panel Costs	9,700.00	-
Electricity Water Conservancy	3,501,865.90	3,279,379.70
Vehicle Insurance	686,882.00	2,056,303.00
Passages and Leave Expenses	1,161,391.70	982,272.45
HIV/AIDS Awareness Campaign	2,171,783.70	1,424,639.95
Contracted Professional Services	580,000.00	-
Routine Maintenance Expenses - Motor Vehicles	4,206,257.00	-
Expenses of Boards, Commissions & Conferences	3,744,363.30	2,298,017.10
Sub Total	155,551,442.65	130,023,747.80
NOTE 7 - OTHER EXPENSES		
Transport Operating Expenses	4,104,274.50	9,258,305.95
Travelling & Accommodation Expenses	40,245,533.30	26,637,478.70
Teachers and Staff Medical Expenses	72,273,025.30	61,722,121.90
	116,622,833.10	97,617,906.55
Depreciation for Motor Vehicles, Furniture, Fittings & Permanent Equipment	29,704,175.65	28,099,895.15
GRAND TOTAL	361,806,966.00	294,288,451.90

NOTE 8:
STATEMENT OF FIXED ASSETS FOR THE YEAR ENDED 30.06.2006

ASSETS	T.S.C LAND KSHS	W.I.P. BUILDING KSHS	MOTOR VEHICLES KSHS	FITTINGS AND EQUIPMENTS KSHS	TOTAL KSHS
Cost/Valuation 1.7.2005	42,000,000.00	57,613,151.60	58,134,570.65	321,077,576.95	478,825,299.20
Add: Additions during the year		29,855,939.10	-	42,290,652.00	72,146,591.10
Less: Disposals as at 1.7.2005			(2,861,309.65)	-	(2,861,309.65)
Cost/Valuation 30.06.2006	42,000,000.00	87,469,090.70	55,273,261.00	363,368,228.95	548,110,580.65
DEPRECIATION					
As at 1.7.2005	-	-	29,529,353.50	146,008,920.55	175,538,274.05
Add: Charge for the year	-	-	7,090,918.60	22,613,257.05	29,704,175.65
Less: Disposal during the year	-	-	(2,619,766.90)	-	(2,619,766.90)
Net Book Values 30.6.2006	42,000,000.00	87,469,090.70	21,272,755.80	194,746,051.35	345,487,897.85
Net Book Values 30.6.2005	42,000,000.00	57,613,151.60	28,605,217.15	175,068,656.40	303,287,025.15

NOTE 8: FURNITURE FITTINGS & PERMANENT EQUIPMENT AS AT 30TH JUNE, 2006

	TOTAL COST KSHS.	ACCUMULATED DEPRECIATION KSHS.	BALANCE AFTER DEPRECIATION KSHS.	DEPRECIATION FOR YEAR@12.5% KSHS.	BALANCE AS AT 30.6.2006 KSHS.
Cost/Valuation 1.7.2005	321,077,576.95	46,008,920.55	175,068,656.40	21,883,582.05	153,185,074.35
Add: Additions during the year	42,290,651.20	-	42,290,651.20	729,675.00	41,560,977.00
Balance on 30.06.2006	-	-	-	-	-
	363,368,228.15	146,008,920.55	217,359,307.60	22,613,257.05	194,746,051.35

NOTE 9: STATIONERY STOCK

	<u>2005/2006</u> <u>KSHS.</u>	<u>2004/2005</u> <u>KSHS.</u>
Stationery Stock	8,630,849.15	11,857,554

The Stock of Stationery is valued at the lower of cost and net realisable value.

NOTE 10: DEBTORS

	<u>2005/2006</u> <u>KSH</u>	<u>2004/2005</u> <u>KSH</u>
D.P.M. Training	856,848.35	12,329,827.80
Outstanding Car Loans	-	202,328.30
Losses of Cash	4,210,254.50	5,393,634.30
Salary Overpayments	118,572,988.10	162,297,911.95
Temporary Imprests	391,376.80	715,851.50
unallocated difference	4,000.00	-
Salary Advances	4,808,125.95	3,738,799.80
Net Salary Advance	1,868,378.50	36,421,725.90
Recoveries/Payments Ministry of Education	177,705.60	177,505.60
Grants Receivable	1,000,000,000.00	1,132,978,389.65
University Loans	8,507,143.70	-
National Aids Control Council	-	30,050.00
Teachers Management (Steps	-	33,600.00
Unpaid RD Cheques	579,556.20	1,160,526.00
Bomb Disaster Fund	-	20.00
Famine Relief Fund	344,898.60	65,568.60
Clearance Accounts	151,300,465.65	42,884,195.75
	1,291,621,741.95	1,398,429,935.15

For further details on Clearance Account refer to Note 15. on page 18

NOTE 11 CASH AND BANK BALANCES

	<u>2005/2006</u> KSHS.	<u>2004/2005</u> KSHS.
Cash in Hand	961.05	76,762.50
Bank Balance	45,438,306.25	1,005,200,959.00
Total	45,439,267.30	1,005,277,721.50

For purposes of Cash Flow Statement, cash and cash equivalents comprise of cash in hand and at bank. In the Balance Sheet, cash and bank balance is made up of the same components. This year's balance comprises of the above amount.

NOTE 12 SHORT TERM DEPOSITS - PIONEER BUILDING SOCIETY AS AT 30-06-2006

<u>FIXED DEPOSIT NO.</u>	<u>DATE</u>	<u>AMOUNT DEPOSITED (KSHS.)</u>	<u>DATE</u>
1789	29.7.85	2,518,479.00	29.7.86
2049	16.12.85	2,814,933.60	16.12.86
2048	9.12.85	6,000,000.00	10.6.86
TOTAL		11,333,412.60	
		4,348,058.35	
		366,374.00	
		6,618,980.25	

Less: Receipts vide cheque No.426616, 426617, 426618, 001435 dated 15.8.2003

Short Term Deposit balance of Kshs.6,618,980.25 represents Investment at cost with the collapsed Pioneer Building Society.

Interest was received in form of dividend from the Official Receiver and Provisional Liquidator. Department of Registrar- General. The Official Receiver did not declare dividend during the year.

NOTE 13 **INTEREST RECEIVABLE - PIONEER BUILDING SOCIETY AS AT 30-06-2006**

<u>FIXED DEPOSIT NO.</u>	<u>DATE</u>	<u>INTEREST</u>	<u>DATE OF MATURITY</u>
1789	29.7.85	365,179.45	29.7.86
2049	16.12.85	394,090.70	16.12.86
2048	9.12.85	435,000.00	10.6.86
TOTAL		<u>1,194,270.15</u>	

NOTE 14 **REVALUATION SURPLUS**

	AMOUNT (KSHS.)
T.S.C. Land at Upper Hill L.R. No.2009/11422 valued by the Commissioner of Lands vide letter Reference VAL.852/V/85 dated 23-10-2001	42,000,000.00
	<u>42,000,000.00</u>

NOTE 15:

CREDITORS AS AT 30-06-2006

	<u>2005/2006</u>	<u>2004/2005</u>
Clearance Accounts	648,962,242.90	1,983,111,914.85
Returned Salaries	13,657,535.55	8,637,487.00
Teachers Registration Fees	4,260,460.45	2,439,937.20
Stale cheques	22,901,318.10	25,526,556.70
University Loans (HELB)	-	19,454,036.70
Unallocated Difference	-	104,618.20
Teachers I/D Cards	19,687.00	19,667.20
Recoveries for other Institutions	288,149.40	256,292.60
Mwalimu Sacco Dividend	11,528,804.90	10,835,064.45
Miscellaneous Cash Excess	163,758.00	156,916.90
Value Added Tax	11,445.80	1,928.55
10% Retention money on TSC Building	3,650,925.00	-
Payment due to MOE	-	19,184,209.00
Refund to African Teachers Pension Fund	63,023.75	63,023.75
Workshop for Clerical Officers	-	43,078.40
TOTAL	<u>705,507,350.85</u>	<u>2,069,834,731.50</u>

Clearance Account

Clearance Account are composed of payroll deductions due to statutory bodies such as PAYE, NSSF, NHIF etc and third parties such as KNUT dues, Burial and Benevolen funds, Hire-Purchase Schemes, Sacco Societies, Insurance Companies etc and loans to teachers by Financial Institutions.

Acts of Parliament for various Statutory bodies and other third parties stipulate deductions from employers should be remitted, by 10th of the month following the deductions. The Commission complies to Acts of Parliament by ensuring that deductions are remitted by 10th of the month following the month of deduction.

The Commission operates twenty-six payroll allocation summary deductions into primary, secondary, technical, special and Secretariat allocation summaries for earnings (payment) and deductions (remittances), deductions are paid after the end of the month and before 10th of the succeeding month.

NOTE 16: PROVISION FOR BAD DEBTS AS AT 30.06.2006

<u>Overpayment Account</u>	<u>Province/ Institution</u>	<u>Amount (Kshs)</u>
02-700-540	Central	591,734.75
02-700-541	Eastern	533,403.00
02-700-542	Coast & N/Eastern	741,650.35
02-700-543	Rift Valley	2,896,338.85
02-700-544	Western	573,065.30
02-700-545	Nyanza	547,884.05
02-700-548	Nairobi & Mombasa	120,805.00
03-700-747	Post Pry Institutions	1,442,142.20
03-700-549	Technical Institutions	<u>51,006.20</u>
	SUB TOTAL	7,498,029.70
 Add:		
01-700-573 , 01-700-574	Investments with Pioneer Building Society under Liquidation	<u>7,813,250.40</u>
	SUB TOTAL	15,311,280.10
 LESS: Provision for bad debts from irrecoverable losses of cash and dishonoured cheques		
02-700-551 - Eastern		72,837.10
02-700-552 - Coast		62,215.00
02-700-553 - Rift Valley		77,581.65
02-700-556 - Nairobi, Mombasa & N. Eastern		41,311.00
02-700-557 - Secondary Dept 44- 58		272,219.60
02-700-597 - All Institutions		428,949.00
02-700-590 <i>unpaid (RD) Cheque</i>		<u>655,959.00</u>
	TOTAL	<u>13,700,207.75</u>

The Commission has made a full provision (for Bad Debts for Unpaid (Dishonoured) RD Cheques amounting to Kshs.655,959.00 and Provincial losses of cash amounting to Kshs.955,113.35 which the Controller and Auditor-General considered as irrecoverable in the report on the T.S.C. Audited Accounts for the Financial Year ended 30th June, 2006.

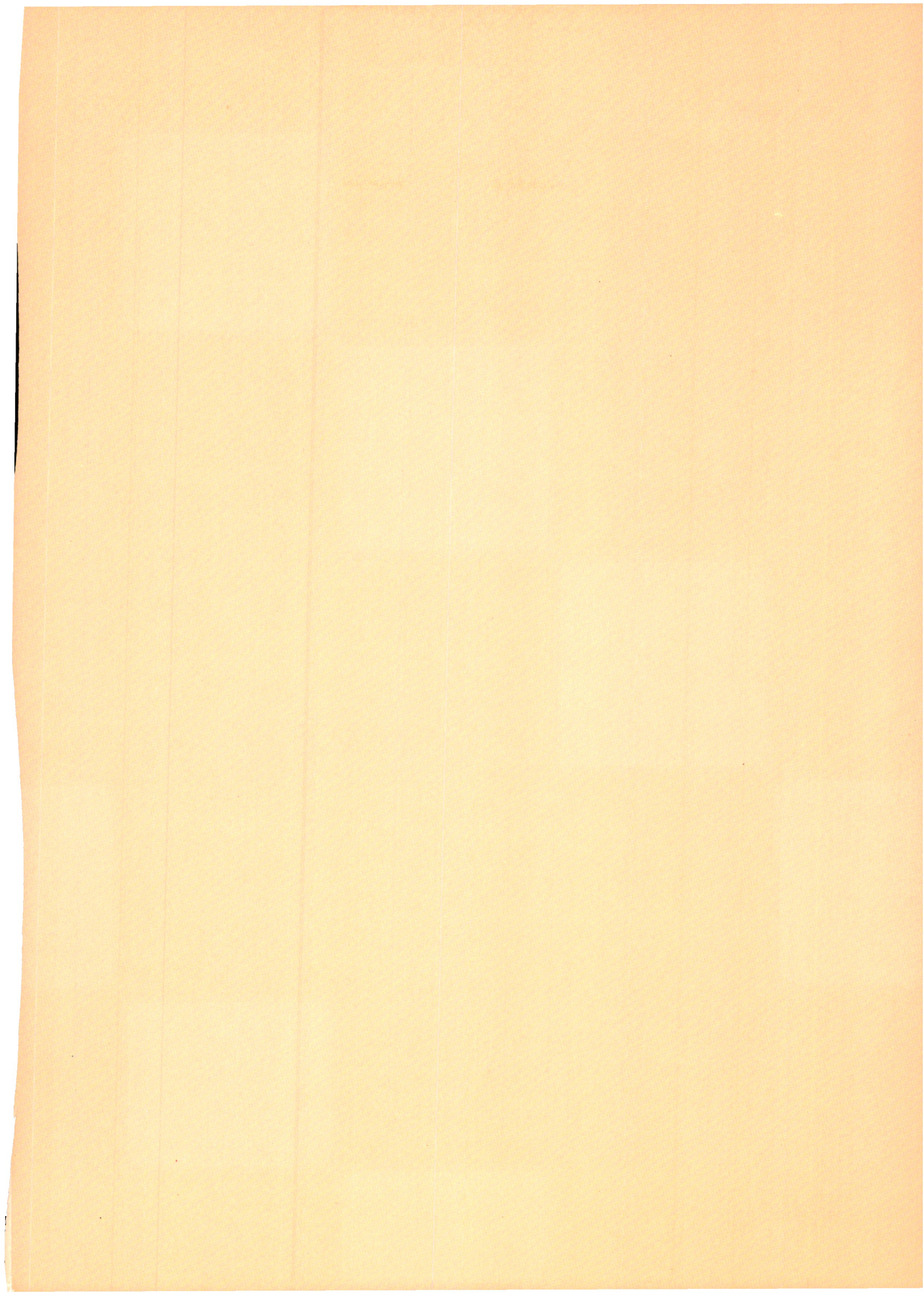
NOTE 17: ACCUMULATED FUND AS AT 30-06-2006

	<u>2005/2006</u> <u>KSH.</u>	<u>2004/2005</u> <u>Ksh.</u>
Adjusted balance brought forward	624,308,860.85	918,745,550.60
Add: Excess Expenditure Over income		
Excess Income over expenditure	<u>312,457,208.05</u>	<u>-319,226,075.00</u>
Accumulated Fund carried forward	<u><u>936,766,068.90</u></u>	<u><u>599,519,475.60</u></u>

NOTE 18 PROVISION FOR CONTINGENCY LIABILITY

Storage charges for KAR 246 L	180,327.40	-
Court Award for KAR 246 L	<u>839,052.00</u>	<u>-</u>
Total Provision	<u><u>1,019,379.40</u></u>	<u><u>-</u></u>

The Commission's vehicle KAR 246 L valued at Kshs.1,950,000 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.832,052 as compensation in the absence of the Commission. The Commission appealed after depositing a decretal amount of Kshs.154,080.00 with the court. In the course of the Commission pursuing the case in court, the amount of storage charges incurred by 26th March 2006 increased to Kshs. 180,327.40. The Commission recognises that a liability exists to the tune of Kshs.1,019,379.40 hence the provision for the contingency Liability in compliance of paragraph 14 of I.A.S. No. 37 and International Financial Reporting Standards.







Core Values

The Teachers Service Commission is a highly professional service delivery organization driven by the following guiding philosophy:

- Core Values**
- ** Striving for quality service delivery
 - ** Embracing best work practices
 - ** Promotion, protection and respecting human rights including the right to acquire knowledge.
 - ** Non-discrimination against employees.
 - ** Providing equal opportunities to all employees.
 - ** Upholding professionalism and integrity at all times.
 - ** Prompt response to customer needs.
 - ** Cherishing good citizenship.
 - ** Compliance to government policy



Core Functions:

The core functions of the Commission are to:

- Core Functions**
- ** Register all qualified teachers.
 - ** Recruit and employ registered teachers.
 - ** Assign teachers employed by the Commission for service in any public educational institution.
 - ** Remunerate teachers.
 - ** Promote teachers in accordance with the relevant schemes of service.
 - ** Ensure maintenance of discipline in the teaching force.
 - ** Maintain quality standards appropriate to persons entering the teaching service

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