

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
TEACHERS SERVICE COMMISSION

FOR THE YEAR ENDED
30 JUNE 2014

Paper Laid
*By the Leader of
Majority Party
on Wednesday*

26/8/2015







TEACHERS SERVICE COMMISSION
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014

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 operationalized by TSC Act No. 20 of 2012 with the mandate to perform teacher management functions.

(b) Vision and Mission

The Commission has a corporate vision is to be an institution of excellence in the provision of efficient and effective service for quality teaching. Our mission is to establish and maintain a sufficient professional teaching service for educational institutions.

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30 June 2014 and who had direct fiduciary responsibility were:

S/No.	Designation	Name
1.	Secretary/CEO	Mr. Gabriel K. Lengoiboni, CBS
2.	Director (Administration)	Mr S.M.Kavisi, OGW
3.	Director (Finance)	Mr Cheptumo Ayabei
4.	Director (HRM & D)	Mrs. Josephine M. Maundu
5.	Director (Teacher Management)	Mrs Nancy Macharia
6.	Director (Internal Audit)	Mr Patrick Mang'atu
7.	Director (Accounts)	Ms Grace W. Ngure
8.	Director (ICT)	Mr Francis Mwarucha

(e) 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.

(f) Headquarters

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TSC House
Kilimanjaro Road,
Upper Hill
NAIROBI, KENYA

(g) Contacts

Telephone: (254) 020 289 2000

E-mail: info@tsc.go.ke

Website: www.tsc.go.ke

(h) Bankers**1. Central Bank of Kenya**

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

Nairobi, Kenya

2. National Bank of Kenya

National Bank of Kenya Building

Harambee Avenue

P.O. Box 41862

Nairobi, Kenya

(i) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General

State Law Office



Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

II. THE COMMISSIONERS

	<p>Chairperson Dr. Lydia N. Nzomo OGW</p> <p>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 Counseling psychology from United States International University (USIU) and a Bachelor of Arts degree with Diploma in Education option form University of Nairobi. In addition, she has undertaken several courses in Education Management and Administration both locally and internationally</p> <p>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.</p> <p>Dr Nzomo was decorated with the Order of Golden Warrior (OGW) by the President in 2003.</p> <p>She has a wealth of experience in Administration, Management, Education and Curriculum development and implementation.</p> <p>She was sworn in as the Chairperson of the Commission on 9th December 2014</p>
	<p>Vice Chairperson Cleopas Tirop, OGW</p> <p>Commissioner Cleopas Tirop is the Vice Chair of the Commission from 10th December, 2014.</p> <p>He holds a Master of Education (in Educational Administration and Planning) from University of Nairobi and Bachelors 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.</p>




Commissioner Dr Salome Gichura OGW

Dr Gichura was Ag. Chairperson of the Commission from 12th August 2013 to 3rd December 2014. She holds a PhD in education Management (UK), Masters 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 (34) in the Education Sector. She was appointed a member of Teachers Service Commission on 6th August 2013.



Commissioner Saadia Abdi Kontoma, OGW

She holds Master of Education (E.C.E) from University of Nairobi, Bachelors Degree in Education (E.C.E) from Kenyatta University. She has a wealth of experience in teaching service with over 20 years' experience. She taught in various Public and Private Kenyan Universities. She served in various Non-Governmental Organizations in Education Sector including Forum for African Women Education Kenya Chapter (FAWEK). She was appointed a member of Teachers Service Commission on 6th August, 2013.

	<p>Mr. Gabriel K. Lengoiboni, CBS</p>
	<p>Mr. Gabriel K. Lengoiboni born in 1955. He was appointed the Secretary Teachers Service Commission on 22nd July, 2004. He has a wealth of experience in the teaching service. He worked in the Ministry of Foreign Affairs and the Ministry of Education, Science and Technology. He served as Head of University Division of MOES & Tech. He holds Master of Science (Statistics) - University of London (London School of Economics and Political Science), Bachelor of Education (Science) - University of Nairobi, Advanced Diploma in Education (Educational Statistics/Computing Education)- University of London (Institute of Education) and SI (Science) - Kenya Science Teachers College.</p>

III. MANAGEMENT TEAM

	<p>Mr. Gabriel K. Lengoiboni, CBS Secretary/Chief Executive Officer</p>
	<p>Mr S.M. Kavisi, OGW- Director (Administration)</p> <p>Mr S.M. Kavisi, OGW is a holder of Bachelor of Education degree from the University of Nairobi, Executive Master of Business of Administration from ESAMI in Collaboration with Maastricht School of Management (Netherlands)</p>

	<p>CPA Cheptumo Ayabei- Director Finance</p> <p>He holds Master of Science in Finance and Banking - University of Stirling United Kingdom, Bachelor of Education Arts option from Kenyatta University, Certified Public Accountant of Kenya (CPAK), Certificate in Public Finance and Accounts from University of Connecticut and Stratlyclyde University Scotland UK and is a member of Institute of Certified Public Accountants of Kenya (ICPAK).</p>
	<p>Mrs. Josephine M. Maundu- Director (Human Resource Management and Development)</p> <p>She holds Master of Business Administration 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.</p>
	<p>Mrs Nancy Macharia – Director (Teacher Management)</p> <p>She holds Master of Education (M.Ed) from the University of Bristol (UK), Bachelor of Education (B. Ed) from Kenyatta University.</p>
	<p>Mr Patrick Mang'atu- Ag. Director (Internal Audit)</p> <p>He holds a Bachelor of Commerce in Accounting from Daystar University. He is a member of Institute of Internal Auditors (UK) and also a member of Institute of Internal Audit (Kenya Chapter)</p>

	<p>CPA Grace W. Ngure - Ag. Director (Accounts)</p> <p>She holds Masters 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).</p>
	<p>Mr Francis Mwarucha - Ag. Director Information Communication Technology</p> <p>He holds Masters of Commerce in Business Administration and Bachelor of Commerce from Mohanla Isukhadia University (India), Graduate Diploma In Leadership Development in ICT and the knowledge society from Dublin City University (UK) and Post Graduate Diploma in Computer Science from Indian Institute of Computer Training (India).</p>

IV. CHAIRPERSON'S STATEMENT

It gives me great pleasure to present to you the Teachers Service Commission Annual Report for the financial year 2013-2014. The Report focuses on the contribution of the Commission towards efficiency in service delivery in the public service. During the 2013-2014 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.

Significantly 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 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.

In line with the Government Policy on devolution, the Commission undertook decentralization of Teacher Management functions in all the 47 counties. However, this has not been done without challenges as it led to increased financial burden of the Commission especially on Operation and Maintenance. Under the vision 2030 flagship project, the Medium Term Plan 2013-2017 targets the recruitment of 100,000 teachers over the 5-year period to address the current teacher shortage. In the financial year 2013/2014 the Commission recruited 12,571 teachers. This will certainly go a long way in improving the quality of education offered to Kenyans.

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

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Teachers Service Commission is currently undergoing major reforms of decentralization and implementation of the TSC Act 2012 and other related regulations. TSC is required to review its structures in line with the Kenya Constitution 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 implementation of the Quality Management System (QMS) (ISO9001:2008) has greatly improved documentation of the Commission's processes, procedures and service delivery. The Commission is currently working on the recertification process.

During the year under review the Commission undertook programmes in order to improve service delivery. In line with the e-governments initiative to automate the education sector, the Commission successfully automated some of its systems and processes namely; online registration of teachers, online application for advertised posts, the file tracking system, document management system and customer relationship management system among others. The Commission promoted 29,900 and registered 19,646 teachers.

The Commission utilizes 15% of the total government recurrent expenditure budget and over 50% of the Education Sector Budget. As at 2013/14 financial year budgetary allocation to the Commission stood at Kshs.153.9 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 low hampering effective service delivery.

The Commission faced several challenges in fulfilment of its mandates as provided under Article 237 of the Constitution. The main challenges facing the Commission include, agitation for higher remuneration by the trade unions which may not be sustainable or affordable by the economy. Teacher shortages remains one of the biggest challenges to the Commission. The availability of devolved funds though welcome, continue to pose a challenge 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 about 80,000 teachers. This is aggravated by desertion, absenteeism, HIV/AIDS pandemic, operationalization of decentralization to the counties, inadequate ICT infrastructure and inadequate funding.

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 the support that they gave, which enabled us to achieve increased success in service delivery.



GABRIEL K. LENGOI BONI, CBS
COMMISSION SECRETARY/CEO
TEACHERS SERVICE COMMISSION

VI. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure by which an organization 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 organization by abiding with the laws and statutory regulations.

The employees of the Commission are guided by the code of conduct approved by the Commissioners and Management. The code of conduct stipulates the acceptable behaviour standards for all procedures, and core ethics.

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 to enable them to contribute in their capacities as members. Currently there are three Commissioners who work on full time basis. 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. He implements the decisions of the Commission.

Duties of the Commissioners

The Commissioners provide strategic directions, objectives and values that ensures 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.

Audit Committee:

The Audit Committee is composed of two Commissioners of whom one of them chairs, others members are; Directors of Human Resource Management and Development, Information Communication and Technology, Finance, Accounts, Internal Audit, Teacher Management, Administration and a representative from National Treasury.

The Committee with written terms of reference, facilitate effective assistance to the Commissioners to enable efficient decision making in executing their duties and responsibilities. The Audit Committee meets quarterly.

The duties and responsibilities are to review advice 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

S/no	Office	Responsibility
1	Commissioner	Chairperson
2	Commissioner	Member
3	Director Teacher Management	Member
4	Director ICT	Member
5	Director Administration	Member
6	Director Human Resource Management and Development	Member
7	National Treasury Representative	Member
8	Director Finance	Technical
9	Director Accounts	Technical
10	Director Internal Audit	Secretary

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Commission takes ultimate responsibility for Corporate Social Responsibilities (CSR) and are 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. 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 employee 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: customers, suppliers and employees. We conduct regular customer satisfaction surveys, monitor supplier performance and actively encourage feedback from our employees.

There is an elaborate program through our Wellness Division to provide information, education and psychosocial support on HIV/AIDS and VCT services to our employees. We are reviewing our CSR strategy with a view of expanding it to benefit more teachers and the community in general.

TSC Corporate Social Responsibility (2013-2014)

In the year under review, the Commission undertook the following Corporate Social Responsibility activities:

The Teachers Service Commission sponsored ten members of its Fitness Club to participate in the 2013 Standard Chartered Marathon dubbed ‘Seeing is believing’ that aims to raise funds for the needy in the community.

Every year, the Commission participates in charitable activities in an effort to support members in distress. For example, in December 2013, the Commission made a donation of Ksh 80,000 to eight (8) members of staff with disability as a Christmas gift.

Further, the Commission’s staff paid a visit to two children’s homes; Divine Children’s Home in Huruma and Beat the Drums orphanage in Maai Mahiu for children affected by HIV & AIDS where they played and danced with the children. They gave donations of food and clothing.

The Commission also contributed Ksh 300,000 to a charity organized by Deputy President’s wife, Her Excellency Rachel Ruto for people afflicted by hunger in West Pokot and Turkana Counties.

VIII. 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, 2014 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, 2014 are set out on page 20.

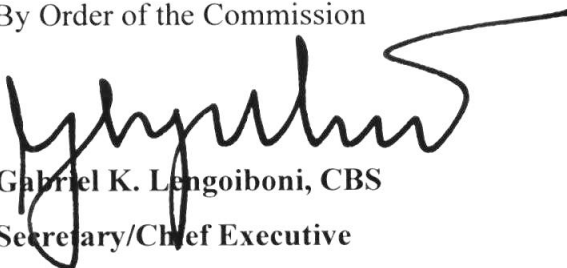
Commissioners

The Commissioners who served during the year are shown on page 4.

Auditors

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

By Order of the Commission



Gabriel K. Lengoiboni, CBS
Secretary/Chief Executive

Teachers Service Commission

Date 27.04.2015

IX. STATEMENT OF COMMISSIONERS' RESPONSIBILITIES

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

The Commissioners are responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2014. 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 and the TSC Act. 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, 2014, 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 27th April, 2015 and signed on its behalf.

		
GABRIEL K. LENG'OIBONI, CBS SECRETARY/ CEO	Ms SAADIA KONTOMA COMMISSIONER	DR LYDIA N. NZOMO, OGW COMMISSION CHAIRPERSON

REPUBLIC OF KENYA

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NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON TEACHERS SERVICE COMMISSION FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Teachers Service Commission as set out on pages 20 to 39, which comprise the statement of financial position as at 30 June 2014, 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 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 (IPSAS) 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 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 report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. 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 entity'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. Property, Plant and Equipment

The property, plant and equipment balance of Kshs.1,515,585,862 as at 30 June 2014 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 2014 appears way below their market value. Further, the commission's Headquarter building which was completed on 24 September 2009 at a cost value of Kshs.1,082,791,853 has since not been depreciated as at 30 June 2014 contrary to IPSAS No. 17 which states that buildings have a limited useful life and therefore are depreciable assets. Therefore, the net book value of the building and the surplus for the year is overstated by the extent of the unrecognized depreciation.

In the circumstances, it has not been possible to confirm that the property, plant and equipment balance of Kshs.1, 575,585,862 is fairly stated as at 30 June 2014.

2. Stores and Cash Losses

Included in the receivables from non-exchange transactions balance of Kshs.1,197,956,053 as at 30 June 2014, are unrecovered losses of stores and cash losses amounting to Kshs.10,487,516 and Kshs.2,928,398 respectively, which occurred between the years 1989 and 2000. Although 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, no evidence was availed for audit review to show that the suspect was charged in a court of Law.

In addition, included in the balance of Kshs.1,197,956,053 is a long outstanding Pay As You Earn (PAYE) figure 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 full recoverability of the receivables from non-exchange transactions balance of Kshs.1,197,956,053 as at 30 June 2014.

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 Commission as at 30 June 2014, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Teachers Service Commission Act 2012, of the Laws of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

13 May 2015

XI.

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
Revenue from non-exchange transactions			
Public contributions and donations	3	-	2,469,830
Exchequer Releases	4	153,919,000,000	140,010,000,000
Revenue from exchange transactions			
Rental revenue from facilities and equipment	5	3,781,444	4,716,768
Finance income - external investments	6	2,550,000	-
Agency fees	7	121,199,747	150,936,020
Other income	8	33,643,858	16,699,842
Total revenue		154,080,175,049	140,184,822,460
Expenses			
Employee costs	9	152,967,161,239	139,251,648,166
Depreciation and amortization expense	10	102,488,998	53,864,065
Repairs and maintenance	11	58,787,387	49,138,525
General expenses	12	730,720,731	357,646,760
Total expenses		153,859,158,354	139,712,297,515
Surplus before tax		221,016,694	472,524,945
Surplus for the period		221,016,694	472,524,945

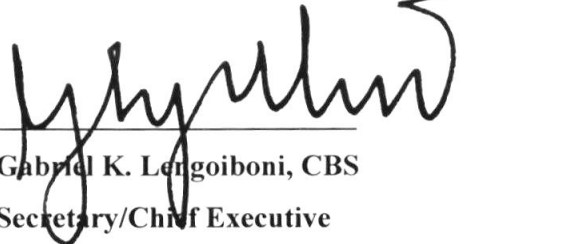
XII.


STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
Assets			
Current assets			
Cash and cash equivalents	13	1,324,654,238	1,015,271,796
Receivables from non-exchange transactions	14	1,197,956,053	388,593,516
Inventories	15	11,437,800	11,654,249
		2,534,048,091	1,415,519,561
Non-current assets			
Property, plant and equipment	16	1,515,585,862	1,559,474,409
		1,515,585,862	1,559,474,409
Total assets		4,049,633,953	2,974,993,970
Liabilities			
Current liabilities			
Trade and other payables	17	1,259,246,739	799,881,419
Provisions	18	767,938,879	382,838,879
Total liabilities		2,027,185,618	1,182,720,298
Net assets		2,022,448,335	1,792,273,672
Reserves		42,000,000	42,000,000
Accumulated surplus		1,980,448,335	1,750,273,672
Total net assets and liabilities		2,022,448,335	1,792,273,672

The Financial Statements set out on pages 20 to 39 were signed on behalf of the Commissioners by


 Gabriel K. Lengoiboni, CBS
 Secretary/Chief Executive
 Date 27.04.2015


 Dr Lydia N. Nzomo, OGW
 Commission Chairperson
 Date 27.04.2015

XIII

**TEACHERS SERVICE COMMISSION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2014**

Attributable to the owners of the controlling entity

	Kshs	Kshs	Kshs
	Accumulated surplus Kshs	Revaluation Reserve Kshs	Total Kshs
Balance as at 30 June 2012	1,276,398,217	42,000,000	1,318,398,217
Adjustment for Statutory barred Stale cheques	1,350,510		1,350,510
Surplus/(deficit) for the period	472,524,945	-	472,524,945
Transfers to/from accumulated surplus	-	-	-
Balance as at 30 June 2013	1,750,273,672	42,000,000	1,792,273,672
Adjustment for Statutory barred Stale cheques	9,157,968		9,157,968
Surplus for the period	221,016,694	-	221,016,694
Transfers to/from accumulated surplus	-	-	-
Balance as at 30 June 2014	1,980,448,335	42,000,000	2,022,448,335

XIV

TEACHERS SERVICE COMMISSION
STATEMENT OF CASHFLOW
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
Net cash flows from operating activities	19	342,574,716	523,757,060
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(58,600,451)	(215,687,481)
Proceeds from sale of property, plant and equipment		-	-
Decrease in non-current receivables		-	-
Increase in investments		-	-
Net cash flows used in investing activities		(58,600,451)	(215,687,481)
Cash flows from financing activities			
Finance income (Interest)		2,550,000	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Increase in deposits		-	-
Net cash flows used in financing activities		2,550,000	-
Net increase/(decrease) in cash and cash equivalents		309,382,442	308,069,580
Cash and cash equivalents at 1 JULY	13	1,015,271,796	705,851,708
Cash and cash equivalents at 30 JUNE	13	1,324,654,238	1,015,271,796

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Government grants and subsidies	148,492,870,015	5,426,166,217	153,919,036,232	153,860,208,274	58,827,958
Sale of goods	120,000,000	-	120,000,000	120,000,000	
Total income	148,612,870,015	5,426,166,217	154,039,036,232	153,980,208,274	58,827,958
Expenses					
Compensation of employees	148,095,000,000	5,127,198,002	153,222,198,002	153,158,948,239	63,249,763
Goods and services	417,855,988	237,061,348	654,917,336	695,159,785	(40,242,449)
Rent paid	49,939,200	7,800,000	57,739,200	14,086,675	43,652,525
Other payments	50,074,827	54,106,867	104,181,694	112,013,575	(7,831,881)
Total expenditure	148,612,870,015	5,426,166,217	154,039,036,232	153,980,208,274	58,827,958
Surplus for the period		-			

XVI. NOTES TO THE FINANCIAL STATEMENTS

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. 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 recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Commission and can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The Commission recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

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

Sale of goods

Revenue from the sale of goods is recognized 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 entity.

XVI. NOTES TO THE FINANCIAL STATEMENTS (continued)**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 each period.

Rental income

Rental income arising from operating leases on investment properties 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.

e) Property, plant and equipment – IPSAS 17

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

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.

XVI. NOTES TO THE FINANCIAL STATEMENTS (continued)**(iii) Computer Equipment**

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

f) Leases – IPSAS 13

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Commission. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Commission also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Commission will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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 payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

h) 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 amortized cost using the effective interest method, less impairment. Amortized 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 recognized in the surplus or deficit.

XVI. NOTES TO THE FINANCIAL STATEMENTS (continued)**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 amortized cost using the effective interest method, less impairment. Amortized 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 recognized 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 a entity of financial assets is impaired. A financial asset or a 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 a 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 reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

i) 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.

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

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

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

XVI. NOTES TO THE FINANCIAL STATEMENTS (continued)

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

j) Provisions – IPSAS 19

Provisions are recognized 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 recognized as a separate asset only when the reimbursement is virtually certain.

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

The Commission has a revaluation reserve on the land occupied in Upper Hill L.R No. 2009/11422 valued by the Commissioner of lands vide letter reference VAL.852/V/85 dated 23rd October 2001.

XVI. NOTES TO THE FINANCIAL STATEMENTS (continued)**l) Changes in accounting policies and estimates – IPSAS 3**

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

m) 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.

n) 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 recognized as income or expenses in the period in which they arise.

r) 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.

s) Comparative figures

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

XVI. NOTES TO THE FINANCIAL STATEMENTS (continued)

t) Significant judgments and sources of estimation uncertainty – IPSAS 1

Provisions

i. 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 Ksh 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 Ksh. 382.6 million was awarded bringing the total outstanding bill to Ksh. 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 Ksh. 839,052.00 as compensation. The amount of storage charges incurred by 26th March 2006 was Ksh. 180,327.40. On 11th December 2008, the commission reached an agreement with the auctioneers and paid them Ksh. 780,500.00. The balance of Ksh. **238,879.40** is outstanding as a contingent liability.

u) 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, 2014.

3. Public contributions and donations

	2014	2013
	Shs	Shs
Cash donations	-	1,769,830
Non -cash donations		<u>700,000</u>
Total transfers and sponsorships	-	<u>2,469,830</u>

4. Exchequer Releases

	2014	2013
	Shs	Shs
Operational grant	<u>153,919,000,000</u>	<u>140,010,000,000</u>
Total government grants and subsidies	<u>153,919,000,000</u>	<u>140,010,000,000</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Rental revenue from facilities and equipment

	2014	2013
	Shs	Shs
Straight-lined operating lease receipts	3,781,444	4,716,768
Total rentals	<u>3,781,444</u>	<u>4,716,768</u>

6. Finance income - external investments

	2014	2013
	Shs	Shs
Cash investments and fixed deposits	2,550,000	-
Total finance income – external investments	<u>2,550,000</u>	-

7. Agency fees

	2014	2013
Commission on third parties	120,473,247	113,019,520
Service Charge	<u>726,500</u>	<u>37,916,500</u>
Total Agency fees	<u>121,199,747</u>	<u>150,936,020</u>

8. Other income

	2014	2013
	Shs	Shs
Teacher Registration	32,418,858	12,460,101
Medical Recoveries	500,000	2,117,338
Sale of Tender Documents	725,000	1,928,500
Disposal of assorted items	-	78,965
Courier and postal services	-	<u>114,939</u>
Total other income	<u>33,643,858</u>	<u>16,699,842</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Employee cost

DESCRIPTION	ACTUAL EXPENDITURE 2013/2014 KSHS.	ACTUAL EXPENDITURE 2012/2013 KSHS.
TSC SECRETARIAT		
Basic Salary	1,269,031,775	1,226,517,691
Gratuity & Pension Contribution	374,276,332	1,242,158,685
House Allowance	365,211,983	363,162,234
Other Personal Allowances	378,643,963	344,985,410
Medical Aid	379,334,943	317,211,989
SUB TOTAL	2,766,498,996	3,494,036,009
PRIMARY, SECONDARY AND SPECIAL INSTITUTIONS		
Basic Salary	103,305,749,400	97,155,289,694
Gratuity & Pension Contribution	4,023,296	1,865,901
House Allowance	21,342,532,720	20,411,041,121
Other Personal Allowances	19,962,059,632	12,919,336,134
Medical Allowance	5,480,173,552	5,270,079,307
Medical Aid	106,123,643	
SUB TOTAL	150,200,662,242	135,757,612,157
GRAND TOTALS	152,967,161,239	139,251,648,166

10. Depreciation and amortization expense

	2014 Shs	2013 Shs
Property, plant and equipment	102,488,998	53,864,065
Total depreciation and amortization	<u>102,488,998</u>	<u>53,864,065</u>

XVI. NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Repairs and maintenance

	2014	2013
	Shs	Shs
Property	17,740,681	22,913,222
Equipment	6,449,265	9,408,626
Vehicles	23,694,174	4,458,979
Other	10,903,266	12,357,698
Total repairs and maintenance	58,787,387	49,138,525

12. General expenses

The following are included in general expenses:

	2014	2013
	Shs	Shs
Advertising	11,615,705	11,790,246
Admin fees	3,889,857	2,136,408
Audit fees	1,450,000	1,450,000
Conferences and delegations	29,566,672	32,480,583
Consulting fees	18,460,618	37,597,914
Consumables	2,313,290	4,935,120
Electricity and water	25,225,348	22,492,608
Fuel and oil	25,180,373	21,718,930
Insurance	9,280	-
Legal expenses	6,977,538	828,267
Licenses and permits	3,850,045	2,867,703

XVI. NOTES TO THE FINANCIAL STATEMENTS (continued)

Postage	14,170,565	17,747,368
Printing and stationery	22,401,239	29,732,291
Rental	14,238,103	3,345,600
Security costs	8,426,100	-
Skills development levies	1,070,430	390,350
Telecommunication	41,620,770	22,436,714
Training	44,881,481	46,627,012
Travelling and accommodation	54,272,613	86,999,894
Foreign travel	14,010,911	8,744,285
Court fines and similar payments	385,100,000	-
Other	1,989,793	3,325,467
Total general expenses	730,720,731	357,646,760

XVI. NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Cash and cash equivalents

	2014 Shs	2013 Shs
Bank	1,324,547,251	1,015,104,280
Cash-in-hand	106,987	167,516
Total cash and cash equivalents	<u>1,324,654,238</u>	<u>1,015,271,796</u>

14. Receivables from non-exchange contracts

	2013/2014			2012/2013
	SECRETARIAT	TEACHERS	TOTAL	KSHS.
Losses of Cash	2,928,398		2,928,398	4,329,035
Salary Overpayments	0	152,401,101	152,401,101	48,657,207
Temporary Imprests	1,840,197	0	1,840,197	3,477,128
Salary Advances	931,090	4,047,787	4,978,877	5,643,146
Medical Advance	11,562,701	655,324	12,218,024	24,301,087
Net Salary Advance	1,524,854	33,014,869	34,539,722	37,525,439
Grants Receivable	800,000,000	0	800,000,000	0
University Loans	0	1,647,775	1,647,775	9,413,805
Returned Salaries		0	0	50,647
Prepayments	38,812,021	0	38,812,021	60,194,914
Loss of Stores	10,467,519	0	10,467,519	9,281,160
Value Added Tax		0	0	678,377
Unpaid RD Cheques	452,022	136,653	588,675	3,145,592
Clearance Accounts	7,630	129,712,863	129,720,493	181,895,981
Pioneer Building/ investment	7,813,250		7,813,250	
TOTAL	876,339,682	321,616,372	1,197,956,053	388,593,516

15. Inventories

	2014 Shs	2013 Shs
Consumable stores	<u>11,437,800</u>	<u>11,654,249</u>

Total inventories are at the lower of cost and net realizable value.

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.

TEACHERS SERVICE COMMISSION – KENYA

XVI. NOTES TO THE FINANCIAL STATEMENTS (continued)						
16. Property, plant and equipment movement schedule						
	Land			Computer	Furniture and	Total
		Buildings	Motor Vehicles	Equipments	Fittings	
Cost	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2012	42,000,000	1,082,791,853	71,897,047	327,209,617	382,732,266	1,906,630,783
Additions			196,807,000	21,502,566	7,359,075	225,668,641
Disposals						-
Transfers/adjustments	-	-	-	(17,678,400)	-	(17,678,400)
At 30 June 2013	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
Disposals	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-
At 30 June 2014	42,000,000	1,082,791,853	307,596,856	346,905,474	393,927,292	2,173,221,475
Depreciation and impairment						
At 1 July 2012			56,339,654	235,259,199	218,080,937	509,679,790
Depreciation			3,889,348	28,927,310	21,047,407	53,864,065
Impairment/written off assets	-	-	-	(8,397,240)	-	(8,397,240)
At 30 June 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
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-
At 30 June 2014	-	-	119,050,448	280,431,098	258,154,067	657,635,613
Net book values						-
At 30 June 2014	42,000,000	1,082,791,853	188,546,408	66,474,376	135,773,224	1,515,585,862
At 30 June 2013	42,000,000	1,082,791,853	208,475,045	75,244,514	150,962,997	1,559,474,409

XVI. NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Trade and other payables from exchange transactions

	2013 / 2014			2012 / 2013
	SECRETARIAT	TEACHERS	TOTAL(KSHS)	KSHS.
Clearance Accounts	22,776,867	1,115,170,370	1,137,947,236	390,708,958
Returned Salaries	9,177	18,415,931	18,425,108	15,796,407
KNUT Union Dues		28,008,527	28,008,527	12,125,210
Stale cheques	12,500,355	31,493,305	43,993,659	58,850,207
Returned EFT payments	491,939	3,890,297	4,382,237	7,248,935
University Loans (HELB)			-	62,847
Recoveries for other Institutions		885,953	885,953	744,856
Mwalimu Sacco Dividend	307,215	11,356,970	11,664,185	12,256,577
Teacher Management (STEPS)	25,308		25,308	25,308
Gender Policy Implementation	11,260		11,260	11,260
Sundry Creditors	709,618	12,322,140	13,031,758	12,764,838
Advance net salary			-	48,908,851
Salary Advance			-	616,222
Salary Overpayment			-	239,677,987
Teacher Proficiency Course	754,319		754,319	82,956
Library Charges	117,189		117,189	
TOTAL	37,703,246	1,221,543,493	1,259,246,739	799,881,419

XVI. NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Current provisions

	Legal fees	Audit fees	Total
	Shs		Shs
Balance as at 1.7.13	382,838,879		382,838,879
Add:		2,500,000	2,500,000
Audit fees			
Legal fees	382,600,000		382,600,000
Balance as at 30 June 2014	<u>765,438,879</u>	<u>2,500,000</u>	<u>767,938,879</u>

19. Cash generated from operations

	2014	2013
	Shs	Shs
Surplus for the year before tax	221,016,694	472,524,946
Adjusted for:		
Depreciation	102,488,998	53,864,065
Donations		(700,000)
Finance income	(2,550,000)	-
Working capital adjustments:		
Increase/Decrease in inventory	216,449	(1,739,924)
Increase in receivables	(809,362,537)	2,390,808,472
Increase in provisions	385,100,000	-
Decrease in provision for bad debts	(13,700,208)	-
Increase/decrease in payables	459,365,320	(2,391,000,499)
Net cash flows from operating activities	342,574,716	523,757,060


XVII. 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 time frame within which we expect the issues to be resolved.

Ref No. on external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
1	The Commission received excess grants of Ksh 58,010,298.00	The excess receipts were disclosed in the Financial Statements.	ADD FC	Resolved	-
2 (i)	94 Teachers have overpayment recovery periods that extends beyond their retirement age making their recoverability doubtful.	Any outstanding overpayment as at retirement date is usually recorded in the GP 178 and the amount recovered from the lump sum pension.	DD IPPD	Resolved	-
(ii)	23 Teachers have not been recovered the overpaid amount of ksh 789,843.50 despite being captured in the system.	The teachers are on payroll but on zero salary due to interdictions and any deferred overpayments are effected on reinstatement. To date 3 teachers have been reinstated and overpayment is being recovered on payroll.	DD IPPD	Resolved	-
(iii)	Comparison of the balances as at 30th June 2012 against that of 30 th June 2013 shows that overpayment to 26 teachers had significantly reduced by an amount Ksh 4,235,788.10. The deduction was not however not supported by either monthly deduction or cash payments in the cash book. It was therefore not explained how the teachers cleared the overpayments	The overpayment amounts were overstated which were later corrected and in some cases the affected teachers refunded their money.	DD(Revenue)	Resolved	-


GABRIEL K. LENGOIBONI, CBS
SECRETARY/ CHIEF EXECUTIVE

Date 27/04/2015


DR LYDIA N. NZOMO, OGW
COMMISSION CHAIRPERSON

Date 27/04/2015