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TEACHERS SERVICE COMMISSION

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KENYA NATIONAL ASSEMBLY
2008
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MAIN BUILDING

AUDITED Financial Statements for the year ended 30th June 2007

VISION

“To be an Institution of excellence in the provision of Efficient and Effective Service for Quality Teaching.”

MISSION

“To establish and maintain a sufficient Professional Teaching Service for Educational Institutions.”

VISION & MISSION

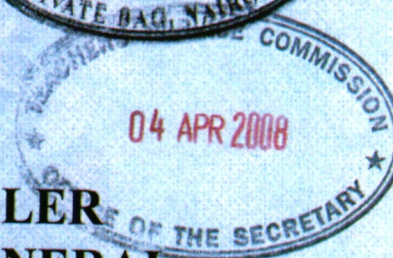
REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

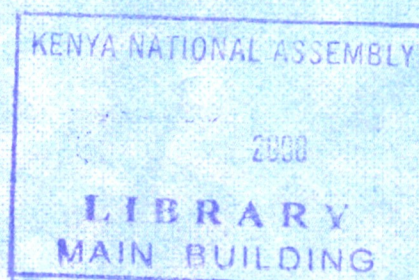


**REPORT
OF
THE CONTROLLER
AND AUDITOR-GENERAL**



ON

**THE FINANCIAL STATEMENTS OF
TEACHERS SERVICE COMMISSION FOR
THE YEAR ENDED 30 JUNE 2007**



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TEACHERS SERVICE COMMISSION

COMMISSION INFORMATION FOR THE YEAR ENDED 30TH JUNE, 2007

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. | Mrs. A.M. Kithimba | |
| 4. | Mr. J.S. Cheloti, SS | |
| 5. | Mrs. M. M. Michira | |
| 6. | Mr. E. R. Gichobi | |
| 7. | Mr. L.K. Sitienei | |
| 8. | Mr. M. Oyoo | |
| 9. | Mrs. Z.M. Haji | |
| 10. | Miss P.J. Kiteto | |
| 11. | Mr. I.C. Aluku | |
| 12. | Mr. I.E. Ethuro | |
| 13. | Mr. D.K. Rono | |
| 14. | Mr. J. O'Bonyo | |
| 15. | Mrs. P.O. Were | |
| 16. | Mr. J.N. Thairu | |
| 17. | Mr. J.W. Manje | |
| 18. | Mrs. R.A. Onyuka | |
| 19. | Mrs. M.N. Mwanasaid | |
| 20. | Amb. D.I. Kathambana | |
| 21. | Mr. M. K. Llanziva | |
| 22. | Mrs. R. M. Sereti | |
| 23. | Mrs. L. W. Njeru | |
| 24. | Mr. D. A. Kuno | |
| 25. | G.K. Lengoiboni – 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 2007**

The Commissioners submit their report and the audited financial statements for the year ended 30th June 2007.

1. PRINCIPAL ACTIVITY

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

2. RESULTS

The results for the year are set out on Page 5

3. DIVIDENDS

The Teachers Service Commission is a non-profit making organization established to undertake functions listed in (1) above and does not declare dividends.

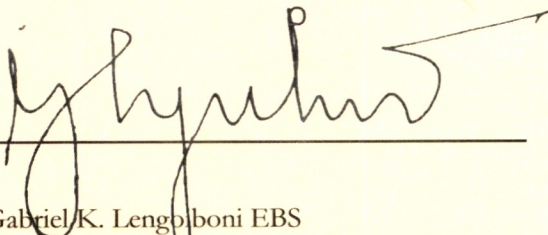
4. COMMISSIONERS

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



A handwritten signature in blue ink, appearing to read 'Gabriel K. Lengoboni', is written over a horizontal line. An arrow points to the right from the end of the signature.

Gabriel K. Lengoboni EBS
Commission Secretary/Chief Executive
NAIROBI

28th September 2007

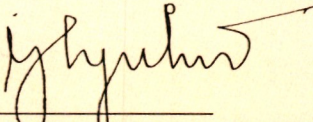
STATEMENT OF THE COMMISSIONERS RESPONSIBILITIES

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.

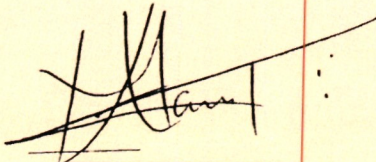
The Commissioners accepts responsibility for the annual financial statements, which have been prepared in accordance with appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of 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 accept 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.
DATE: 28.09.07



JOSEPH W. MANJE
COMMISSIONER
T.S.C.
DATE: 28.09.07



I.M. HUSSEIN, HSC,
CHAIRMAN
T.S.C.
DATE: 28.09.07

REPUBLIC OF KENYA

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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 TEACHERS SERVICE COMMISSION FOR THE YEAR ENDED 30 JUNE 2007

I have audited the financial statements of Teachers Service Commission set out on pages 5 to 19 which comprise the balance sheet as at 30 June 2007, the income and expenditure statement, the statement of changes in equity and the cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes 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 Commissions' Responsibility for the Financial Statements

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 in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and 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 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 controls relevant to the entity's preparation and fair presentation of the financial

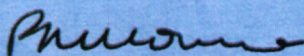
statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commission as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

Trade and Other Receivables

Included in the trade and other receivables figure of Kshs.1,529,972,559 are salary overpayments of Kshs.156,980,979.75. However, detailed supporting schedules for these overpayments were not produced for audit verification. Consequently, it was not possible to ascertain how the overpayment of salaries occurred and the recoverability of the amount or that Trade and Other receivables balance of Kshs.1,529,972,559 is fairly stated as at 30 June 2007.

Opinion

Except for the matter referred to in the preceding paragraph, in my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the state of the financial affairs of the Commission as at 30 June 2007 and of its surplus and cashflows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Teachers Service Commission Act, Cap 212, of the Laws of Kenya.



**P. N. KOMORA
CONTROLLER AND AUDITOR GENERAL**

Nairobi

20 March 2008

TEACHERS SERVICE COMMISSION**INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED
30TH JUNE 2007**

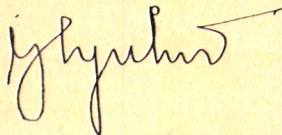
INCOME	NOTES	2006/2007 KSHS	2005/2006 KSHS
Total Income	(1)	70,407,793,096.75	62,587,846,989.30
EXPENDITURE			
PERSONAL EMOLUMENTS			
T.S.C. Secretariat	(2)	1,175,258,514.25	1,200,723,497.25
Primary, Secondary & Special Institutions	(3)	66,629,388,159.75	59,227,128,188.50
Technical Institutions	(4)	1,629,110,151.40	1,485,731,129.50
		69,433,756,825.40	61,913,582,815.25
Operation Expenses	(5)	55,012,320.40	59,928,514.60
Maintenance Expenses	(6)	174,178,189.00	155,551,442.65
Other Expenses	(7)	143,638,188.15	116,622,833.10
Depreciation	(8)	30,750,114.00	29,704,175.65
Total Expenditure		69,837,335,636.95	62,275,389,781.25
Deficit / Surplus		570,457,459.80	312,457,208.05
TOTALS		70,407,793,096.75	62,587,846,989.30

TEACHERS SERVICE COMMISSION

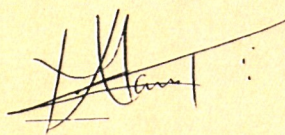
BALANCE SHEET AS AT 30-06-2007

ASSETS		2006/2007	2005/2006
	NOTES	KSHS.	KSHS
NON-CURRENT ASSETS			
Property, plant and Equipments	(8)	637,395,518	345,487,898
CURRENT ASSETS			
Inventory	(9)	10,097,927	8,630,849
Trade and other Receivables	(10)	1,529,972,559	1,291,621,742
Cash on Hand and Bank Balances	(11)	1,040,358,160	45,439,267
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		2,588,241,896	1,353,505,108
TOTAL ASSETS		3,225,637,414	1,698,993,006
EQUITY AND LIABILITIES			
Revaluation Surplus Fund	(14)	42,000,000	42,000,000
Accumulated Fund	(17)	1,510,363,947	936,766,069
Total Equity		1,552,363,947	978,766,069
CURRENT LIABILITIES			
Trade and other Payables	(15)	1,658,553,881	705,507,351
Provision for bad debts	(16)	13,700,207	13,700,207
Provision for Contingency Liability	(18)	1,019,379	1,019,379
Total Current Liabilities		1,673,273,467	720,226,937
EQUITY AND LIABILITIES		3,225,637,414	1,698,993,006

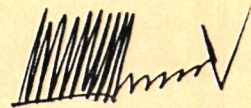
The financial Statements were approved by the Commissioners on 28th September, 2007 and signed on its behalf by :-



GABRIEL K. LENGOIBONI - EBS.
SECRETARY/CHIEF EXECUTIVE
T.S.C.
Date: 28/9/2007



JOSEPH W. MANJE
COMMISSIONER
T.S.C.
Date: 28/9/2007



I.M. HUSSEIN, EBS, HSC
CHAIRMAN
T.S.C.
Date: 28/9/2007

STATEMENT OF CHANGES IN EQUITY AS AT 30-06-2007

	2006/2007			2005/2006
	SECRETARIAT	TEACHERS	TOTAL	TOTAL
	KSHS	KSHS	KSHS.	KSHS
Balance B/F	707,678,901.75	229,087,166.95	936,766,068.70	599,519,475.60
Adjustment for Statutory barred Stale cheques - 6 years old.	3,140,418.40		3,140,418.40	5,291,976.25
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	710,819,320.15	229,087,166.95	939,906,487.10	624,308,860.85
Add: Excess Deficit / Surplus	1,472,857,820.80	(902,400,361.05)	570,457,459.75	312,457,208.05
Balance Carried Forward	2,183,677,140.95	-673,313,194.10	1,510,363,946.85	936,766,068.90

TEACHERS SERVICE COMMISSION

CASH FLOW STATEMENT FOR YEAR ENDED 30TH JUNE, 2007

	YEAR ENDED 30-6-07		YEAR ENDED 30-6-2006	
	TOTAL		TOTAL	
	KSHS.	KSHS.	KSHS.	KSHS.
OPERATING ACTIVITIES				
Excess Income/Expenditure Over Expenditure/Income		570,457,460		312,457,208
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	5,318,189		7,090,919	
-Furniture & Equipment	25,431,925	30,750,114	22,613,257	29,704,176
		601,207,574		340,963,127
Adjustment for changes in working Capital/Operational balances				
Decrease in Bad Debts			(1,611,073)	
Provision for Contingent Liability			1,019,379	
Statutory Barred Stale Cheques	3,140,418		5,291,976	
Increase in working capital on cancellation of a debt with MOE			19,184,209	
Decrease / Increase in stationery	(1,467,078)		3,226,705	
Decrease / Increase in Debtors	(238,350,817)		106,808,193	
Decrease / Increase in Creditors	953,046,530		-1,364,327,380	
Adjustment of Fixed Assets	0		313,200	
Net cash inflow - operating activities		716,369,053		(1,230,094,791)
INVESTING ACTIVITIES				
Work In Progress	(283,725,374)		-29,855,939	
Purchase - Permanent Equipment	(38,932,361)		-42,290,652	
Disposal of Motor Vehicles	-		1,272,000	
Disposal of Other Assets	-	(322,657,735)	167,800	-70,706,791
Increase/Decrease In Cash		994,918,892		-959,838,455
Change in cash				
Closing cash balance		1,040,358,159		45,439,267
NOTE 11				
Less: Opening cash balance		45,439,267		1,005,277,722
Increase/Decrease In Cash		994,918,892		(959,838,455)

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of Accounts

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

b. 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 are not significant.

c. 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.

NOTES TO THE FINANCIAL STATEMENTS

d. 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.

e. 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.

f. 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE: 1

			2006/2007	2005/2006
	SECRETARIAT	TEACHERS	TOTAL	TOTAL
	KSHS.	KSHS.	KSHS.	KSHS.
Grants from Ministry of Education	3,050,195,436.60	65,647,082,274.60	68,697,277,711.20	62,585,836,072.05
Grants from MOST		1,709,015,675.55	1,709,015,675.55	
Miscellaneous Revenue	1,499,710.00		1,499,710.00	812,660.00
Disposal of Equipments, Motor Vehicles and others				1,198,257.25
Total	3,051,695,146.60	67,356,097,950.15	70,407,793,096.75	62,587,846,989.30

The Commission operates through grants received from the Treasury through the Ministries of Education and Science and Technology to meet expenditure on 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.

Miscellaneous Revenue was mainly collected from sale of tender documents and surcharges on lost library books etc.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: TSC SECRETARIAT

ITEM	DESCRIPTION	ACTUAL EXPENDITURE	ACTUAL EXPENDITURE
		2006/2007	2005/2006
		KSHS.	KSHS.
000	Personal Emoluments	650,440,018.50	482,277,847.25
040	Gratuity & Pension Contribution	171,460,145.20	362,878,621.15
050	House Allowance	226,414,049.45	210,919,908.00
060	Other Personal Allowances	76,250,119.45	97,741,852.45
065	Medical Allowance	50,694,181.65	46,905,268.40
	SUB TOTAL	1,175,258,514.25	1,200,723,497.25

NOTE 3: PRIMARY, SECONDARY AND SPECIAL INSTITUTIONS

301	Personal Emoluments	41,755,246,489.05	35,563,801,535.50
302	Gratuity & Pension Contribution	5,370,136.65	5,931,334.15
303	House Allowance	14,969,031,188.10	14,959,343,103.55
304	Other Personal Allowances	6,033,817,784.45	4,840,572,729.60
305	Medical Allowance	3,860,133,359.25	3,853,529,903.10
306	Transfer Allowance	5,789,202.30	3,949,582.60
	SUB TOTAL	66,629,388,159.80	59,227,128,188.50

NOTE 4: TECHNICAL INSTITUTIONS

301	Personal Emoluments	939,454,212.15	738,290,100.70
302	Gratuity & Pension Contribution	363,724.00	208,340.00
303	House Allowance	516,109,431.35	504,770,270.40
304	Other Personal Allowance	80,080,749.45	37,466,868.30
305	Medical Allowance	92,703,927.05	90,335,470.10
306	Transfer Allowance	398,107.40	170,305.00
	SUB TOTAL	1,629,110,151.40	1,371,241,354.50
	GRAND TOTAL	69,433,756,825.45	61,799,093,040.25

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: OPERATION EXPENSES

	2006/2007 KSHS	2005/2006 KSHS.
Computer charges	3,300,600.00	3,954,082.00
Courier and Postal Services	7,532,002.00	8,889,718.50
Telephone, Telex, Facsimile & Mobile phones	14,010,370.30	12,248,167.00
Publishing & Printing Services	6,864,279.25	5,536,258.10
Stationery Expenses	10,358,882.85	19,861,443.95
Advertising Expenses	11,419,339.00	7,882,786.80
Uniforms and Clothing	1,526,847.00	1,603,513.00
Miscellaneous Other Charges		-47,454.75
Sub-Total	55,012,320.40	59,928,514.60

NOTE 6: MAINTENANCE EXPENSES

Rent and Rates	89,608,146.00	85,646,865.00
Audit Fees (Controllor & Auditor General)	1,250,000.00	1,250,000.00
Education & Library Supplies	1,919,317.00	1,992,247.00
Legal dues ,Compensation and Ex-gratia Payments	317,724.00	1,479,527.20
Repair and Maintenance Expenses - Other Assets	14,488,434.45	15,495,210.35
Purchase of Consumable Stores	1,169,102.00	628,716.00
Office Entertainment	190,577.00	303,512.00
Bank Charges	171.30	178,557.95
Staff Development	41,159,798.45	32,514,563.55
Discipline Promotion Panel Costs	-	9,700.00
Electricity Water Conservancy	3,888,412.75	3,501,865.90
Vehicle Insurance	1,214,197.00	686,882.00
Leave Expenses	201,934.15	1,161,391.70
HIV/AIDS Awareness Campaign	6,690,699.55	2,171,783.70
Contracted Professional Services	-	580,000.00
Routine Maintenance Expenses - Motor Vehicles	4,320,853.30	4,206,257.00
Boards, Commissions, Conferences & Seminars	7,758,822.05	3,744,363.30
Sub Total	174,178,189.00	155,551,442.65

NOTE 7: OTHER EXPENSES

Refined Fuels & Lubricants for Transport	4,498,819.35	4,104,274.50
Travelling, Accommodation & Foreign Travel	37,733,233.70	40,245,533.30
Teachers and Staff Medical Expenses	101,406,135.10	72,273,025.30
Sub Total	143,638,188.15	116,622,833.10
Depreciation for Motor Vehicles, Furniture, Fittings & Permanent Equipment	30,750,114.00	29,704,175.65
GRAND TOTAL	403,578,811.55	361,806,966.00

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: SCHEDULE OF MOVEMENT OF PROPERTY, PLANT AND EQUIPMENT

ASSETS	T.S.C LAND		W.I.P. BUILDING		MOTOR VEHICLES		FITTINGS AND EQUIPMENTS		TOTAL	
		KSHS		KSHS		KSHS		KSHS		KSHS
Cost/Valuation 1.7.2006		42,000,000.00		87,469,090.70		55,273,261.00		363,368,228.15		548,110,579.85
Add: Additions during the year				283,725,373.95				38,932,361.20		322,657,735.15
Cost/Valuation 30.06.2007		42,000,000.00		371,194,464.65		55,273,261.00		402,300,589.35		870,768,315.00
DEPRECIATION										
As at 1.7.2006		-		-		34,000,505.20		168,622,177.60		202,622,682.80
Add: Charge for the year		-		-		5,318,188.95		25,431,925.07		30,750,114.02
						39,318,694.15		194,054,102.67		233,372,796.82
Net book value as at 30.6.2007		42,000,000.00		371,194,464.65		15,954,566.85		208,246,486.68		637,395,518.18
Net Book Values 30.6.2006		42,000,000.00		87,469,090.70		21,272,755.80		194,746,051.35		345,487,897.05

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: INVENTORY

	2006 / 2007 KSHS.	2005 / 2006 KSHS.
Inventory	10,097,926.65	8,630,849.15

The Stock of Stationery is valued at the lower of cost and net realisable value. The inventory does not include obsolete stock valued at Kshs. 212,222 that the Board of Survey recommended for disposal.

NOTE 10: TRADE & OTHER RECEIVABLES

	2006/2007		2005/2006
	SECRETARIAT	TEACHERS	TOTAL KSHS.
D.P.M. Training	4,893,905.75		856,848.35
Losses of Cash			4,210,254.50
Salary Overpayments		156,980,979.75	118,572,988.10
Temporary Imprests	888,352.30		391,376.80
Unallocated difference			4,000.00
Salary Advances	1,526,051.25	3,323,399.85	4,808,125.95
Net Salary Advance	1,767,249.30	9,402,940.50	1,868,378.50
Payments Ministry of Education	256,533.45		177,705.60
Grants Receivable	1,128,047,093.00		1,000,000,000.00
University Loans			8,507,143.70
Recoveries for other Institutions	28,740.00		
Value Added Tax	1,142,149.40		28,740.00
Unpaid RD Cheques	452,021.80		1,142,149.40
Famine Relief Fund - Teachers		381,519.60	452,021.80
Recoveries for Ministry of Education		55,904.20	381,519.60
Clearance Accounts	700,049.50	220,125,669.70	55,904.20
TOTAL	1,139,702,145.75	390,270,413.60	1,529,972,559.35
			151,300,465.65
			1,291,621,741.95

For further details on Clearance Account refer to Note 15.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: CASH AND BANK BALANCES

	2006 / 2007		2005/2006	
	SECRETARIAT KSHS	TEACHERS KSHS	TOTAL KSHS.	KSHS.
Cash in Hand	3,334.95	500,000,000.00	500,003,334.95	961.05
Cash at Bank	523,130,239.50	17,224,584.70	540,354,824.20	45,438,306.25
Total	523,133,574.45	517,224,584.70	1,040,358,159.15	45,439,267.30

The Commission operates two separate bank account at the National Bank of Kenya Harambee Avenue A/c No. 0100105707400 (TSC Secretariat) and A/C No. 010010090500 (TSC Teachers) 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

FIXED DEPOSIT NO.	DATE	AMOUNT DEPOSITED (KSHS.)	DATE
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	
Less: Receipts vide cheque No.426616,		4,348,058.35	
426617, 426618, 001435 dated 15.8.2003		366,374.00	
		6,618,980.25	

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.

	Kshs.
Fixed Deposit	6,618,980.25
Interest Receivable	1,194,270.15
Gross Amount	7,813,250.40
Less: Provision for Bad Debts	7,813,250.40
Balance	Nil

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13: INTEREST RECEIVABLE - PIONEER BUILDING SOCIETY AS AT 30-06-2007

FIXED DEPOSIT NO.	DATE	INTEREST (KSHS)	DATE OF MATURITY
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		1,194,270.15	

NOTE 14: REVALUATION SURPLUS

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

AMOUNT (KSHS.)
42,000,000.00
42,000,000.00

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15: TRADE & OTHER PAYABLES AS AT 30.6.07

	2006 / 2007			2005/2006
	SECRETARIAT	TEACHERS	TOTAL (KSHS)	TOTAL (KSHS)
Clearance Accounts	48,952,470.00	1,421,560,078.10	1,470,512,548.10	648,962,242.90
Returned Salaries	414,497.10	26,685,970.05	27,100,467.15	13,657,535.55
Loss of Cash		60,194.00	60,194.00	
Teachers Registration Fees	-	8,862,010.80	8,862,010.80	4,260,460.45
Stale cheques	19,259,089.40	4,608,813.45	23,867,902.85	22,901,318.10
University Loans (HELB)	111,557.35	20,028,561.75	20,140,119.10	-
Teachers I/D Cards		19,687.00	19,687.00	19,687.00
Recoveries for other Institutions		329,163.40	329,163.40	288,149.40
Mwalimu Sacco Dividend	307,214.90	11,565,601.70	11,872,816.60	11,528,804.90
Miscellaneous Cash Excess	1,984.10	143,516.20	145,500.30	163,758.00
Value Added Tax			-	11,445.80
10% Retention money on TSC Building			-	3,650,925.00
Payment due to MOE		28,631.80	28,631.80	-
Refund to African Teachers Pension Fund	63,023.75		63,023.75	63,023.75
Withholding TAX	790,222.20		790,222.20	-
Salary Overpayment	7,482,739.40	86,912,264.20	94,395,003.60	-
Family Relief Fund	270,190.00		270,190.00	
Temporary Imprest		3,700.00	3,700.00	
Recoveries from MOE	92,700.25		92,700.25	
TOTAL	77,745,688.45	1,580,808,192.45	1,658,553,880.90	705,507,350.85

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 Benevolent 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 that 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16: PROVISION FOR BAD DEBTS AS AT 30.06.2007

Overpayment Account	Province/ Institution	Amount (Kshs)
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	51,006.20
		7,498,029.70
Less: Write-Offs		1,611,072.35
		5,886,957.35
Add:		
01-700-573 , 01-700-574	Investments with Pioneer Building Society under Liquidation	7,813,250.40
TOTAL		13,700,207.75

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17: ACCUMULATED FUND AS AT 30-06-2007

	2006/2007 KSH.	2005/2006 KSH.
Adjusted balance brought forward	939,906,487.10	624,308,860.85
Add: Excess Expenditure Over income		
Excess Income over expenditure	570,457,459.80	312,457,208.05
Accumulated Fund carried forward	<u>1,510,363,946.90</u>	<u>936,766,068.90</u>

NOTE 18: PROVISION FOR CONTINGENCY LIABILITY

Storage charges for KAR 246 L	180,327.40
Court Award for KAR 246 L	839,052.00
Total Provision	<u>1,019,379.40</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.839,052 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 persuing 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 FUNCTIONS

Teachers Service Commission is legally mandated to perform the following core teacher management functions:-

- 1) Registration;
- 2) Recruitment;
- 3) Deployment;
- 4) Promotion;
- 5) Renumeration;
- 6) Discipline; and
- 7) Maintenance of teaching standards.

CORE VALUES

Teachers Service Commission in its quest to achieve its Vision and Mission, is guided by the following core values:-

- 1) Professionalism;
- 2) Customer focus;
- 3) Integrity;
- 4) Team spirit; and
- 5) Innovativeness.

**CORE VALUES &
FUNCTIONS**

TEACHERS SERVICE COMMISSION

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