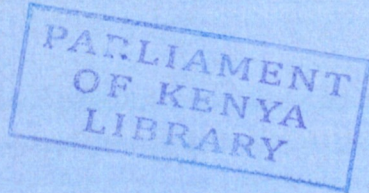


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



*Paper laid
by Hon. W. Njiru
m n j
7/6/2018*

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
PUBLIC SERVICE COMMISSION**

**FOR THE YEAR ENDED
30 JUNE 2017**

PUBLIC SERVICE COMMISSION
Reports and Financial Statements
For the year ended June 30, 2017



PUBLIC SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

A. Background information

The Public Service Commission is an Independent Commission established under Article 233 of the Constitution of Kenya. The Commission consists of a chairperson, vice-chairperson and seven other members appointed in accordance with Article 233 of the Constitution. The Commission is assisted by a Secretariat headed by a Secretary who is also the Chief Executive Officer.

The mandate of the Commission as set out under Article 234 include: establish and abolish offices in the public service; appoint persons to hold or act in those offices; exercise disciplinary control over and remove persons holding or acting in those offices; promote the values and principles referred to in Articles 10 and 232 throughout the public service; investigate, monitor and evaluate the organization, administration and personnel practices of the public service; ensure that the public service is efficient and effective; develop human resources in the public service; review and make recommendations to the national government in respect of conditions of service, code of conduct and qualifications of officers in the public service; evaluate and report to the President and Parliament on the extent to which the values and principles mentioned in Articles 10 and 232 are complied with in the public service; and hear and determine appeals in respect of county governments' public service. The Commission additionally performs its mandate under Articles 155 (2) (a), 158 (2) (3) and (4), 171 (2) and 230 (2) (b).

The Public Service Commission Act, 2017 prescribes the manner in which the Commission fulfils its mandate.

B. Key Management

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

- (i) The Commission Board sets general policy and strategic direction of the Commission and is chaired by the Chairperson of the Commission. The Commission does its business through nine committees each chaired by a Commissioner and draws membership from the Commission and senior Secretariat staff. Each Committee has specific terms of reference dealing with broad areas of the Commission mandate.
- (ii) The Secretary/Chief Executive Officer is the Secretary to the Commission Board. The Office of the Secretary/CEO is assisted by Director, Board Management Services who oversees secretarial responsibilities and follows up on implementation of the Commission's directives. The administration and corporate affairs of the Commission is directed by the CEO assisted by the Director of Corporate Services. The Office of the

Secretary is also assisted by the Chief Commission Counsel who heads the Legal Unit of the Commission and offers legal advisory services to the Commission;

(iii) The Management of the Commission is structured into five directorates, headed by directors, namely: Finance and Planning; Establishment and Management Consultancy Services; Recruitment and Selection; Human Resource Management and Development; and Compliance Audit and Quality Assurance; and

(iv) The Commission Chief Internal Auditor, who reports to the Audit Committee of the Commission, advises on internal control systems and fiduciary policy issues.

C. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibilities were:

No.	Designation	Name
1.	Accounting Officer	- Dr. Alice A. Otwala, (Mrs.), CBS
2.	Director, Finance and Planning	- CPA Dismas O. Ogot
3.	Deputy Director, Finance	- CPA Ezekiel O. Ohando
4.	Director, Corporate Services	- Simon K. Rotich, MBS
6.	Deputy Director, HRM Administration	- Loise W. Wainaina
8.	Assistant Director, Accounts	- CPA Elizabeth Irura, (Mrs.)
9.	Principal Supply Chain Management Officer	- Isaac K. Ruchuu

D. Fiduciary Oversight Arrangements

The Commission's board provides oversight arrangements through the following organs:

i. Commission Board and Committees

The Commission does its business through eight (8) standing committees and one (1) statutory committee namely; Governance and Information Communication Technology; Capacity and Capability Development; Compliance and Quality Assurance; Terms and Conditions of Service; Finance, Planning and General Purpose; Human Resource Planning, Recruitment and Selection; and Transition and Devolution Matters and the statutory Audit Committee.

The Committee's resolutions and recommendations are deliberated and decided on at the full Commission Board chaired by the Chairperson of the Commission and the decisions therefrom communicated by the Secretary of the Commission and/or the Chairperson.

During the year under review, the Committees held several meetings to deliberate and make recommendations on policy issues relating to the mandate of the Commission. The recommendations were considered and approved by the Commission during its weekly board meetings. In total, the Commission held forty five (45) board meetings while, the nine committees held several weekly meetings.

The committees and the respective terms of reference are as follows:-

a) Finance, Planning and General Purpose Committee

- (i) develops proposals on strategic direction of the Commission;
- (ii) monitors implementation of the Commission's strategic plan and performance contract;
- (iii) formulates proposals on re-structuring and staffing of the Commission Secretariat;
- (iv) analyses the budget proposals for the Commission and make recommendations for approval;
- (v) proposes modalities for collaboration and cooperation between the Commission and other Public Service Commissions in the region and other bodies;
- (vi) oversees the implementation and sustainability of the ISO 2008:9015 certification process; and
- (vii) addresses any other matter related to the function.

b) Devolution and Establishment Matters Committee

- (i) develops and review policy guidelines for secondment, transfer, deployment and other related issues of officers serving in the counties;
- (ii) develops mechanisms for transferring officers to and from the national government and across counties;
- (iii) develops and reviews policy guidelines, norms and standards on handling appeals in respect of county government public service;
- (iv) handles appeals in respect of county government public service;
- (v) develops a database for all the public officers serving in the counties and national governments; and
- (vi) addresses any other matter related to the function.

c) Human Resource Planning, Recruitment and Selection Committee

- (i) makes proposals for reviewing the recruitment and selection policy in the public service;
- (ii) analyses and scrutinizes indents submitted by state departments and make appropriate recommendations;
- (iii) analyses requests on appointments and promotions and make appropriate

recommendations:

- (iv) proposes criteria for ensuring that all appointments comply with the Constitution;
- (v) handles appeals on recruitment from the counties; and
- (vi) addresses any other matter related to the function.

d) Terms and Conditions of Service Committee

- (i) takes stock of the existing terms and conditions of service;
- (ii) develops modalities of receiving and reviewing terms and conditions of service;
- (iii) develops an institutional framework for reviewing terms and conditions of service;
- (iv) develops guidelines on review of terms and conditions of service for release to the service;
- (v) develops modalities/mechanisms of engaging trade unions in negotiations for improvement of terms and conditions of service;
- (vi) develops proposals on linkages with the Salaries and Remuneration Commission, and other relevant institutions;
- (vii) proposes mechanisms for reviewing qualifications in the public service;
- (viii) recommends for approval schemes of service and other career guidelines for release to the service;
- (ix) reviews policy issues related to disciplinary control in the public service; and
- (x) addresses any other matter related to the function.

e) Capacity and Capability Development Committee

- (i) aligns the Human Resource Development (HRD) policies to the Constitution and Vision 2030;
- (ii) develops modalities of carrying out training impact assessment in the Public Service;
- (iii) analyses training reports from ministries and state departments;
- (iv) develops mechanisms for collaborating with various training institutions on human resource development;
- (v) addresses all matters relating to the Commission's administered examinations; and
- (vi) addresses any other matter relating to the Human Resource Development function.

f) Compliance and Quality Assurance Committee

- (i) proposes programmes for promotion of values and principles in Articles 10 and 232 of the Constitution;
- (ii) proposes modalities for monitoring and evaluating the effectiveness of the programmes in promoting the values and principles in the public service;
- (iii) receives and analyses the preliminary reports to the President and Parliament on the extent to which values and principles are complied with in the public service;
- (iv) proposes mechanisms for reviewing codes of conduct in the public service;
- (v) analyses the wealth declaration reports and make appropriate recommendations;
- (vi) analyses reports on investigation, monitoring and evaluation of the organization, administration and personnel practices in the public service;
- (vii) makes appropriate recommendations emanating from the reports in (vi) above to

- facilitate decision making;
- (viii) proposes monitoring and evaluation framework for discharge of the Human Resource function;
- (ix) makes proposals on improvement in the discharge of delegated powers;
- (x) identifies, evaluates and proposes modalities of mitigation of risks in the discharge of human resource functions; and
- (xi) addresses any other matter related to the function.

g) Information Communication Technology (ICT) Governance Committee

- (i) oversees the operations of the ICT steering committee;
- (ii) identifies, evaluates and proposes modalities of mitigation of risks in the discharge of ICT function;
- (iii) oversees implementation of the ICT Risk Management Policy;
- (iv) recommends for approval policy proposal for embracing ICT in the discharge of Commission's mandate;
- (v) recommends proposals on automating the Commission's operations and activities;
- (vi) recommends for review of ICT audit policy, strategy execution and reporting framework to the Commission; and
- (vii) addresses any other matter relating to the ICT function.

h) Audit Committee

The Committee is established in accordance with section 73(5) of the Public Finance Management Act, 2012 and Kenya Gazette notice number 5440 of 2012. This is an advisory committee that assists the Commission and the Secretary/CEO with respect to financial reporting, adequacy and effectiveness of Commission's risk management, internal controls, governance processes, and audit affairs. The Terms of Reference of the Committee are as follows:-

- (viii) approves the internal audit unit charter;
- (ix) reviews the charter of the internal audit function and recommend to the Commission for approval;
- (x) reviews the annual audit plan and make recommendations to the Commission for approval;
- (xi) receives and reviews reports from the internal audit/external audit, and make appropriate recommendations to the Commission;
- (xii) evaluates the adequacy of management responses to audit queries;
- (xiii) monitors the implementation of audit-based recommendations approved by the Commission;
- (xiv) reviews audit reports of the Auditor-General that have implications on the Commission and makes recommendations to the Commission;
- (xv) advises the Commission on risk management and ensure that the Commission has in place an institutional risk management policy framework; and
- (xvi) initiates special audit/investigation on any allegations, concerns

and complaints

ii. Internal Oversight Arrangements

The Accounting Officer authorises and approves all activities of the Commission and ensures that all Government regulations and policies are followed in execution of Commission's activities. The Authority to Incur Expenditure (AIE) holder certifies that all the expenditure of the Commission is incurred for authorised purposes and properly charged. Further, the oversight arrangements are undertaken through the following Committees;

- Evaluation Committees: The Accounting Officer of the Commission appoints ad-hoc evaluations committees for works, goods or services in accordance to the Procurement and Disposal Act, 2015 and the regulations thereof;
- Budget Implementation Committee: Oversees budget implementation process and advises the Accounting Officer on the budget performance of the Commission periodically during the financial year; and
- Commission Ministerial Human Resources Management Advisory Committee: Considers and approves staff development strategies, training needs and projections, and Secretariat's human resource discipline and other terms and conditions of service.

iii. External Oversight Arrangements

The National Assembly Departmental Committee on Administration and National Security oversaw the Commission's budget estimates for the Financial Year 2016/17. The activities of the Commission were also overseen by the Offices of the Controller of Budget by continuously approving Commission's expenditure requests through exchequer approvals. Further, the Office of the Auditor General undertook annual audit of Commission's Financial Statements.

E. PSC Headquarters

Commission House
Harambee Avenue
P.O. Box 30095 - 00100
NAIROBI, KENYA

PSC Contacts

Telephone: (254) 020 2223901-5, 2227471-5
E-mail: psck@publicservice.go.ke
Website: www.publicservice.go.ke

F. PSC Bankers

Central Bank of Kenya
Haile Selassie Avenue

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P.O. Box 60000-00200
NAIROBI, KENYA

G. Independent Auditors

The Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084-00100
NAIROBI, KENYA

H. Principal Legal Adviser

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

II. FORWARD BY THE CHAIRPERSON

The Constitution envisages a public service that is ethical, professional and guided by values, principles, ethics and norms that builds Kenya's nationhood, accommodates national diversity and delivers its mandate of nation building. In line with these tenets, the Commission is committed to transforming the public service to become dynamic, efficient and effective for the realization of the national development goals.

To achieve this, the Commission put in place appropriate strategic objectives, strategies, programmes and activities aimed at addressing the expectations of the Kenyan Citizenry in its Strategic Plan 2013/14 -2017/18, whose implementation is realized through annual work plans and performance contracts signed between the Secretariat and the Commission. On its part, the Commission has endeavoured to facilitate the management with resources, which, although limited aims at satisfactorily realizing the Commission's mandate and efficient and effective service delivery to all the Commission's stakeholders.

To effectively discharge its mandate, the Commission implemented specific programmes and activities in respect of each function.

1.1 Budget Performance

1.1.1 Summary of Budget Performance

During the year under review, the Commission had three programmes namely, general administration, planning and support services; human resource management and development; and governance and national values which were allocated gross estimates of Kshs.1.27 billion comprising of recurrent estimates of Kshs.1.23billion and development estimates of Kshs.39 million. The Commission utilized Kshs.1.25 billion, representing 98.3 per cent budget absorption rate comprising of Kshs1.21 billion or 98.3 per cent and Kshs.38.3 million or 98.3 per cent for recurrent and development estimates, respectively.

From the recurrent expenditure of Kshs.1.21billion, Kshs.568.2 million was used on compensation of employees while Kshs.676.8 million was used on operations and maintenance. The development sum of Kshs.38.3 million was used for settlement of pending bills for construction of additional offices and re- painting of the old Commission House. The summarized budget performance is as shown in table 1, figure1 and figure 2.

Table 1: Summary Budget Performance 2016/17 FY

Title and Details	Printed Estimates 2016/17	Expenditure 2016/17	Overall Absorption Rate
Recurrent	Kshs.	Kshs.	Percentage (%)
Compensation of Employees	568,156,147	568,152,986	99.9
Use of goods and services	406,036,485	403,971,585	99.5
Other grants and transfers	1,000,000	1,000,000	100
Social Security Benefits	95,016,211	94,658,221	99.6
Acquisition of Assets	158,320,622	139,291,746	99.9
Gross Recurrent	1,228,529,465	1,207,074,537	99.8%
AIA	727,868	748,668	102.8
Net Recurrent	1,227,801,597	1,206,325,869	98.3
Development	Kshs.	Kshs.	Percentage (%)
Acquisition of Assets	39,000,000	38,339,399	98.3
Gross Development	39,000,000	38,339,399	98.3
TOTAL	1,266,801,597	1,244,665,268	98.3

Figure 1 shows the overall budget performance for recurrent and development expenditure while figure 2 indicates expenditure by economic classification for the period under review

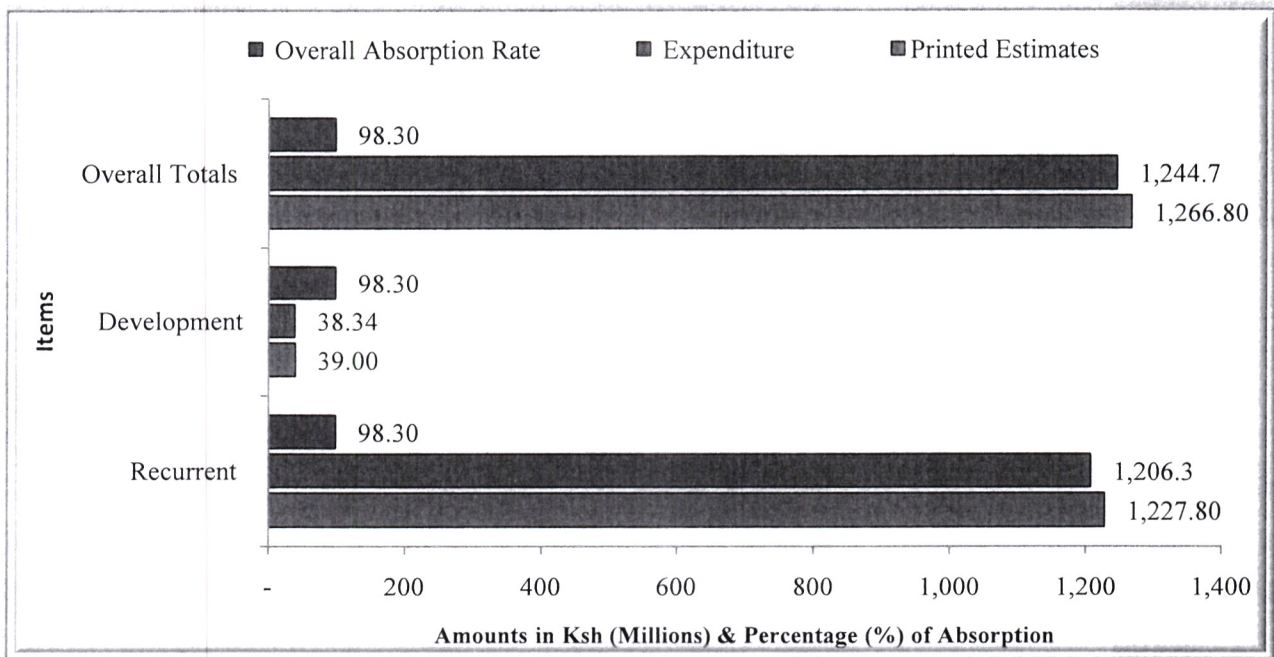


Figure 1: Overall budget performance

Figure 1 shows that the overall absorption of the Commission's voted funds for 2016/17 financial year stood at 98.3 per cent depicting Commission's commitment to undertaking planned programmes within the set timelines and allocated ceilings.

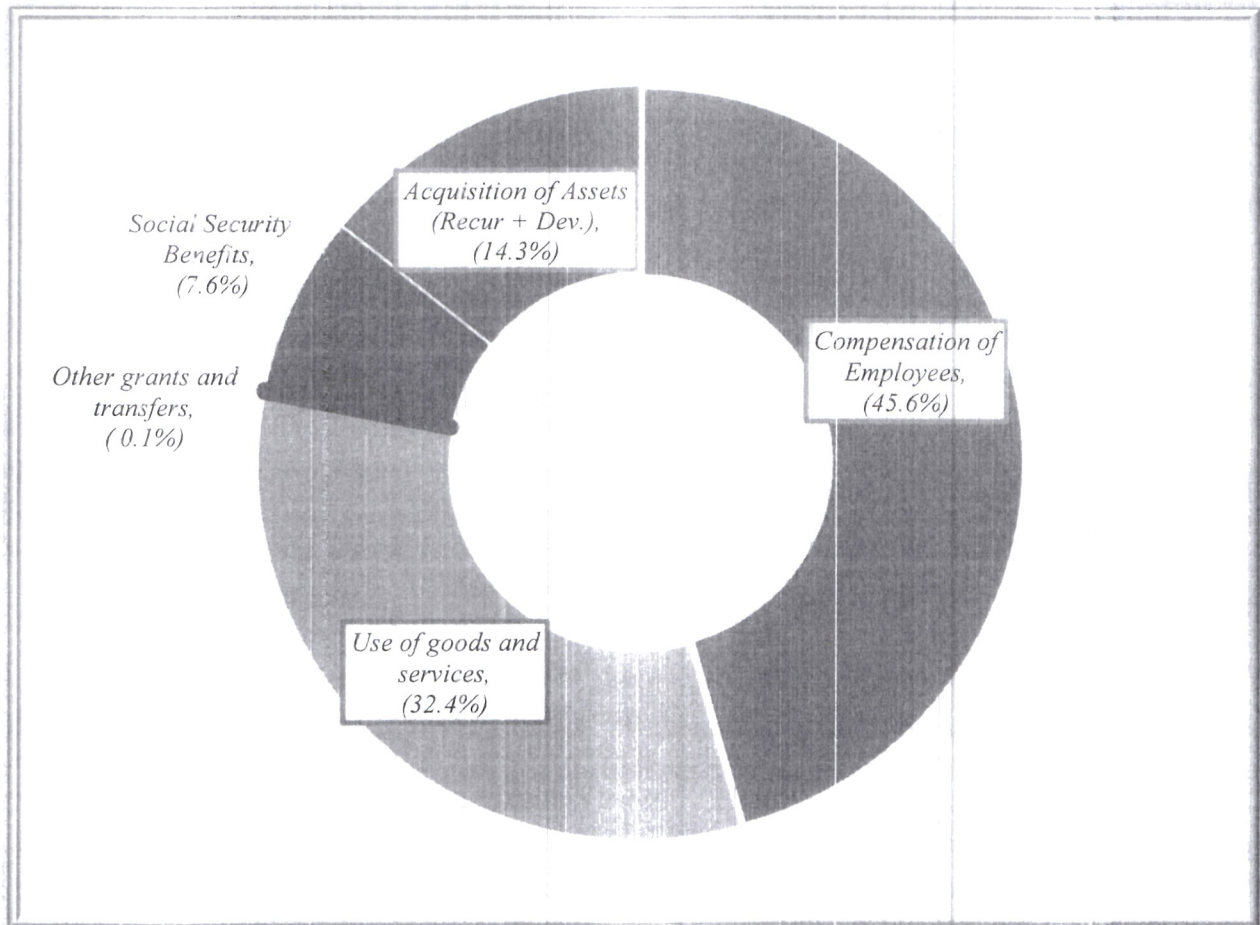


Figure 2: Summary of Expenditure by Economic Classification

In figure 2 the compensation to employees consumed the highest percentage of Commission expenditure for the period under review at 45.6 per cent or almost half. This is evident because the Commission is a service Commission which sets overall strategic policy directions on human resource matters in the Public service. This means a good number of staff are senior policy formulators thus consuming higher percentage of the voted funds. 32.4 per cent of the expenditure was on use of goods and service. This is the amount used by the commission in support of its programmes that ensure delivery of the mandate.

Acquisition of assets at 14.3 per cent was made up of expenditure for the implementation of ICT projects including Integrated Management InformationSystem (IMIS) to enhance Commission's efficiency in service delivery and refurbishment of the old commission building to improve work environment for the staff and Commission's customers including candidates attending interviews. Social security benefits at 7.6 per cent relates to commission's pension contributions and gratuity to the staff. The commission has a contributory pension scheme for the staff, where it contributes 20 per

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cent while the staff contributes 10 per cent. Lastly, Other grants and transfers at 0.1 per cent related to subscriptions to international bodies such as , Commonwealth Association for Public Administration and Management(CAPAM and African Association for Public Administration and Management(AAPAM).

1.1.2 Budget Performance by Programmes

During the period under review, the Commission discharged its functions through three programmes namely: general administration, planning and support services programme; human resource management and development programme; and governance and national values programme. The expenditure trends for the 2016/17 financial year is as shown in Table 2 and figure 3

Table 2: Summary Budget Performance 2016/17 FY by Programmes

Programme/Sub-programme	Approved Estimates	Actual Expenditure	Budget utilization difference
	2016/17	2016/17	2016/17
	Kshs	Kshs	Kshs
Programme 1:General Administration, Planning and Support Services	979,628,878	960,002,208	19,626,670
Programme 2: Human Resource Management and Development	179,462,294	178,694,118	768,176
Programme 3: Governance and National Values	108,438,293	107,466,278	972,015

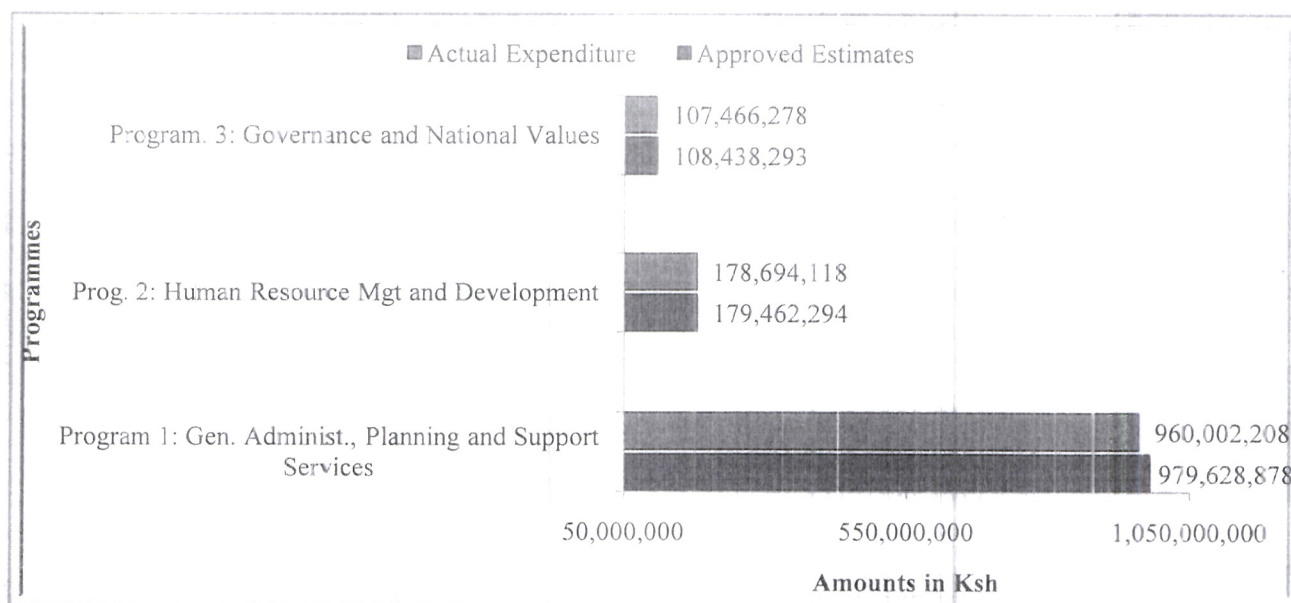


Figure 3: Budget Performance 2016/17 FY by Programmes

Figure 3 shows that the general administration, planning and support programme was allocated a higher percentage of the Commission's budgetary allocation compared to the other two programmes of human resource management and development, and governance and national values. This resulted from the fact that the programme supports the Commission in areas that cut across the departments. The areas include staff pension, gratuity, and medical insurance, and vehicles maintenance, maintenance of buildings and implementation of IMIS, among others.

1.1.3 Comparative performance for the Medium Term (2014/15, to 2016/17 Financial Years)

Table 3 shows the budget performance in terms of expenditure absorption by economic classifications for the last three financial years

Table 3: Comparative Performance for the Medium Term (2014/15, to 2016/17 FYs)

Title and Details	Expenditure 2014/15 Kshs.	Expenditure 2015/16 Kshs.	Expenditure 2016/17 Kshs.
Compensation of Employees	461,778,529	535,869,971	568,152,986
Use of goods and services	454,307,174	390,248,430	403,971,585
Other grants and transfers	797,695	1,741,485	1,000,000
Social Security Benefits	62,628,623	80,626,909	94,658,221

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Title and Details	Expenditure 2014/15	Expenditure 2015/16	Expenditure 2016/17
	Kshs.	Kshs.	Kshs.
Acquisition of Assets	171,397,170	117,038,914	177,631,145
Total Net Expenditure	1,150,909,191	1,125,525,709	1,245,413,937

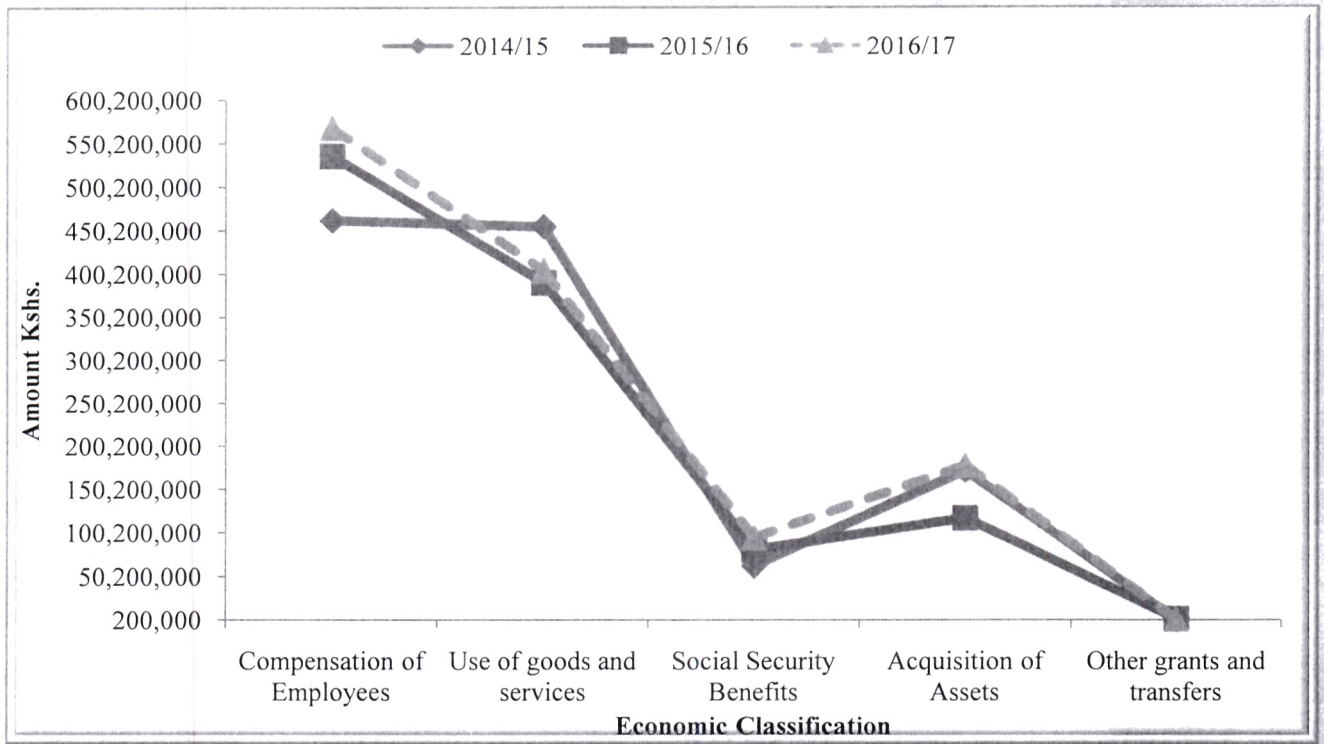


Figure 4: Comparative performance for the Medium Term (2014/15, to 2016/17 FYs)

The chart in figure 3 indicates that the budgetary provision for the last three years for the compensation of employees and social benefits has recorded steady growth over the period resulting from annual salary increments. This has however not been matched in the use of goods that shows that the allocation has reduced in 2016/17 and 2015/16 financial years compared to 2014/15 financial year. This has generally affected the discharge of the Commission’s mandate due to constrain in budgetary allocations. The growth in acquisition of assets was mainly driven by the allocation of funds by the National Treasury for implementation of Integrated Management Information System (IMIS). This is envisaged would enhance service delivery by the Commission.

1.2 Key Achievements

1.2.1 Strategic and Operational

During the financial year under review, the Commission made major achievements as categorized below:

(a) Organization structures, staff establishment and career progression

In order to facilitate delivery of service and harmonize organization structures across the service, the Commission reviewed organization structures and determined optimal staff establishment for all Ministries and State Departments.

(b) Recruitment and Selection

In its pursuit for Constitutional requirement for ensuring equal employment opportunities to all the ethnic groups, regions, gender, youth, disability, historical marginalisation, the Commission appointed a total of thirteen thousand and forty one (13,041) persons to various positions in the public service. Among those appointed eight thousand seven hundred and six (8,706) 66.8% were male while four thousand three hundred and thirty three (4,333) 33.2% were female. Out of the total appointments two thousand six hundred and seventy nine (2,679), 20.5% were from the marginalized and minority communities while thirty seven (37) 0.28% were Persons with Disability (PWDs).

(c) Performance management

In an effort to entrench performance management culture in the public service, the Commission developed guidelines to facilitate implementation of the Performance Rewards and Sanctions Framework for the Public Service and held the 2nd Public Servant of the Year Award (PSOYA) ceremony where five (5) public officers from across the service were recognized for exemplary performance.



Winners of the PSOYA 2016 with the Chairperson of the Commission, Prof Margaret Kobia and Cabinet Secretary Ministry of state for Public Service, youth and gender affairs, Sicily Kariuki.

(d) Values and Principles

The Commission prepared and submitted to the President and Parliament the 2015/2016 report on the extent of compliance with the Values and Principles in Articles 10 and 232 in the public service. The compliance baseline index stood at 68.1% while the citizen satisfaction baseline index was 42.6%.

(e) Policies and guidelines

The commission developed and/or reviewed various policies and guidelines which include: guidelines on establishment and abolition of offices and design of organization structures to streamline the design of organization structures in the public service for enhanced efficiency and effectiveness; rolled out the implementation of internship policy in MDAs and issued guidelines to facilitate its implementation; issued the Public Service Commission staff human resource policies and procedures manual to guide staff on human resource management and development matters; reviewed the induction handbook for the public service to equip fresh entrants into the public service with a broad spectrum of understanding of Government organization and operations, work procedures, rules and regulations.

(f) Financial

The Commission received Financial Reporting (FiRe) award, Second Runners-up position in Public Sector (Cash Basis) under the Independent and Constitutional Offices category for 2014/15 financial year in recognition of preparation of financial statements in accordance with the International Public Sector Accounting Standards. The Commission also received unqualified audit opinion from the Auditor General for financial statements for 2015/16 implying proper management of the Commission's voted funds. In addition the Commission achieved Budget absorption rate of 99.7 per cent in the period under review indicating effective implementation of Commission's programmes

(g) Information Communication Technology (ICT)

The Commission recognises the importance of Information Communication Technology (ICT) as an enabler of service delivery. In this regard the Commission improved internal communication through upgrading of the Local Area Network, thus enhancing reliability of information technology services and ensuring faster user and interdepartmental communication; improved data storage capacity through installation of a modern data center that ensures reliability, confidentiality and security of information technology services; and improved access to Commission's services through implementation of video conferencing facility that has enabled online interviewing of candidates in the diaspora.

(h) Legislation

Enactment of the the Public Service Commission Act, 2017 was a great mile stone for the Commission. This Act operationalizes the discharge of the Commission's mandate as spelt out in the Constitution and enables the Commission to enact the Public Service Commission Regulations.

1.2.2 Environmental and Social Activities

During the period under review, the Commission conducted staff awareness program on occupational health and safety, sustainable work environment and annual work place safety inspection and audit in compliance with the provisions of the Occupational Safety and Health Act, 2007 and Environmental Management and Coordination Act, 1999. Further, the Commission carried out bi-annual fire mock drills and undertook annual servicing of firefighting facilities including fire alarm and smoke detector systems.

In addition, the Commission participated in the 91st Edition of the Kenya National Music Festival held at Masinde Muliro University of Science and Technology in Kakamega County. The theme for the festival was: **Enhancing National Unity, Cohesion and Integration through Kenya Music Festival**. The Commission donated a total of thirteen (13) trophies that were presented to winners in categories of the Commission's sponsored theme of **Promotion of the National and Public Service Values**. This is a strategic programme that the Commission sponsors with the aim of inculcating positive values and ethical behaviours in the youth as a means of instilling values and principles of the public service under article 10 and 232 as well as Chapter 6 on Leadership and

Integrity.

Further, the Commission awarded procurement of goods and services to the special groups (youth, women and persons with disability) valued at Kshs.62 million in 2016/17 financial year. The procurement of goods and services by the Commission was undertaken fully from the local contractors and suppliers.

Lastly, the Commission improved the welfare of the staff through a defined contributory pension scheme, outsourced group medical, group life and Group Personal Accident (GPA)/WIBA insurance covers for the Secretariat staff. The Commission also developed and implemented internal Staff Performance Appraisal System (SPAS) in order to establish performance management culture within the Commission.



Director, Compliance and Quality Assurance, Mr. Simon Wachingawith Assistant Director Compliance and Quality Assurance, Mr. Francis Lemarkat, presenting the overall winner award to the Students of St. Peters Mwiruti Girls secondary school during the Kenya National Music Festivals

1.3 Emerging Issues

- a) **Citizen Service Delivery Charter for the Public Service:** The Commission recognises the need to develop Citizen Service Delivery Charter to prescribe the minimum service delivery standards in the public service. This, it is envisaged, will form a core strategic area for the Commission in its pursuit to ensure that the public service is efficient and effective.
- b) **Public Service Commission Regulations:** Following the enactment of Public Service Commission Act, 2017 in April 2017, the Commission has embarked on development of

Public Service Commission Regulations which are currently at public participation stage. The Regulations will give effect to the provisions of the Act and provide guidelines on how the Commission ought to perform its functions. The provisions in the Regulations will require the Commission to undertake a number of activities that will require human and fiscal resources.

1.4 Challenges and Recommended Way forward

Despite of the aforementioned achievements, the Commission faced a number of challenges including:

- i. **Devolution human resource matters:** Following the end of the Transition period on 4th March 2016, the Commission issued a circular delinking the National Government staff seconded to County Governments with effect from 1st July, 2016. However, some county governments refused to absorb the devolved staff. In addition there have been increased industrial actions by staff of the county governments. In this regard, the Commission will continue to engage the Intergovernmental Relations Technical Committee (IGRTC) to deliberate on management of human resource matters in the County Public Service
- ii. **Freezing of recruitment in the service:** This has affected succession management in the service. The Commission will engage the National Treasury to ease the freezing to facilitate new recruitment of technical and professional staff to address deserving needs or gaps and at the same time using delegated powers in state departments, for the authorised officers to fast-track promotion of stagnating staff and approve waivers for deserving cases.
- iii. **Incompleteness of the transactions in the IFMIS system:** The system does not capture all transaction especially below the lines accounts rendering it difficult to prepare timely financial statements. The Commission will continue to engage the National Treasury on improvement of the functionality of the IFMIS system and continuous and frequent training of the Commission accounting, finance and procurement staff to address IFMIS challenges.
- iv. **Inadequate budgetary provisions:** the Commission will continue to engage the National Treasury for additional budgetary allocations for Commission's programmes.
- v. **Inadequate office accommodation for the secretariat staff:** To address inadequate office accommodation, the Commission will be seeking budgetary provision to acquire a piece of land outside the crowded central business district to construct a suitable office block with attendant facilities for the Commission and staff in the medium term.
- vi. **Delays in determining disciplinary cases by law courts** thus affecting human resource planning. The Commission will seek budgetary allocation to enable it to engage contracted legal services to enhance fast-tracking of the court cases and propose alternative dispute resolution mechanisms on observance of fair administrative action to reduce on the litigations.

Finally, I wish to reiterate our firm commitment to fully serve the public in order to promote continuous growth of our country.

AMB. PETER OLE NKURAIYIA
Ag. CHAIRPERSON

DATE:.....

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

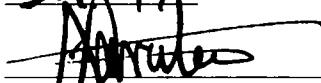
The Accounting Officer in charge of the Public Service Commission is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2017. 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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the Public Service Commission accepts responsibility for the Commission's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Commission's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2017, and of the entity's financial position as at that date. The Accounting Officer charge of the Public Service Commission further confirms the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Public Service Commission confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

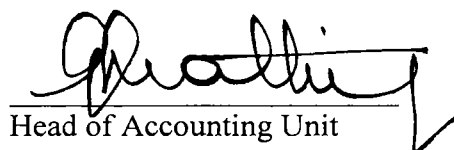
Approval of the financial statements

The Commission's financial statements were approved and signed by the Accounting Officer on 30/09/2017.



Accounting Officer/CEO

Name: Dr. Alice A. Otwala (Mrs), CBS



Head of Accounting Unit

Name: Elizabeth Irura

ICPAK Member Number: 12114

IV. REPORT OF THE INDEPENDENT AUDITOR ON THE PUBLIC SERVICE COMMISSION

We have audited the accompanying financial statements of Public Service Commission for the year ended June 30, 2017, which comprise: (i) a statement of receipts and payments; (ii) a statement of financial assets and liabilities; (iii) a statement of comparative budget and actual amounts; (iv) a statement of pending bills as at June 30, 2017; and (v) a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Commission's Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit 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 auditors' 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 Commission'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 management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at June 30, 2017, and its receipts and payments, as well as cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Auditor General

Date

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON PUBLIC SERVICE COMMISSION FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Public Service Commission set out on pages 22 to 40, which comprise the statement of assets as at 30 June, 2017, and the statement of receipts and payments, statement of cash flows and summary statements of appropriation – recurrent, development and combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Service Commission as at 30 June, 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standard (Cash Basis) and comply with the Public Finance Management Act, 2012 and Public Service Commission Act, 2012.

In addition, as required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that public money has been applied lawfully and in an effective way.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Public Service Commission in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financials statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no Key Audit Matters to report in the year under review.

Report of the Auditor-General on the Financial Statements of Public Service Commission for the year ended 30 June 2017

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standard (Cash 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.

In preparing the financial statements, management is responsible for assessing the Commission's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

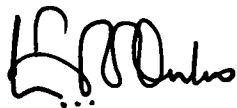
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Commission to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

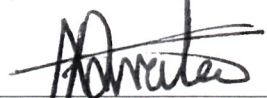
Nairobi

30 April 2018

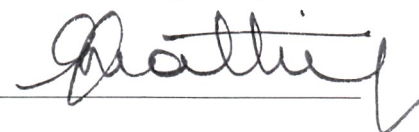
V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017	2015-2016
		Kshs	Kshs
RECEIPTS			
Transfers from National Treasury	1	1,263,100,000.00	1,124,800,000.00
Proceeds from Sale of Assets	2	748,668.00	-
Other Receipts	3	535,231.00	34,757.00
TOTAL REVENUES		1,264,383,899.00	1,124,834,757.00
PAYMENTS			
Compensation of Employees	4	568,152,985.60	543,869,969.15
Use of goods and services	5	403,971,585.00	390,248,426.00
Other grants and transfers	6	1,000,000.00	1,741,485.00
Social Security Benefits	7	94,658,221.30	72,626,909.00
Acquisition of Assets	8	178,380,064.45	115,338,148.55
Other Expenses	11.1	7,033,232	
Below Line Accounts		-	-
TOTAL PAYMENTS		1,253,196,088.35	1,123,824,937.70
SURPLUS/DEFICIT		11,187,810.85	1,009,819.30

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 2017 and signed by:



Accounting Officer/CEO
 Name: Dr. Alice A. Otwala (Mrs), CBS

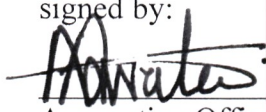


Head of Accounting Unit
 Name: Elizabeth G. Irura
 ICPAK Member Number: 12114

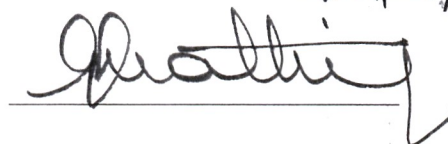
VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2016-2017	2015-2016
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	9	18,356,382	21,146,657
Cash Balances	10	39,563	503,660
Total Cash and Cash Equivalent		18,395,945	21,650,317
Accounts Receivable - Advances	11	277,733	92,067
TOTAL FINANCIAL ASSETS		18,673,678	21,742,384
LESS: FINANCIAL LIABILITIES			
Accounts Payable	12	9,650,857	16,874,142
TOTAL FINANCIAL LIABILITIES		9,650,857	16,874,142
NET FINANCIAL ASSETS		9,022,821	4,868,242
Fund balance b/fwd	13	4,868,242	865,305
Surplus/Deficit for the year		11,187,811	1,009,819
Prior Year Adjustment	14	-7,033,232	2,993,118
NET FINANCIAL POSITION		9,022,821	4,868,242

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09/ 2017 and signed by:



Accounting Officer/CEO
 Name: Dr. Alice A. Otwala (Mrs), CBS

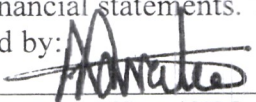


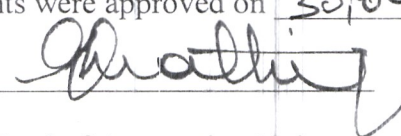
Head of Accounting Unit
 Name: Elizabeth G. Irura
 ICPAK Member Number: 12114

STATEMENT OF CASH FLOW

	Note	2016 - 2017	2015 - 2016
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Transfers from National Treasury	1	1,263,100,000	1,124,800,000
Other Receipts	3	535,231	34,757
Payments for operating expenses			
Compensation of Employees	4	(568,152,986)	(543,869,969)
Use of goods and services	5	(403,971,585)	(390,248,426)
Other grants and transfers	6	(1,000,000)	(1,741,485)
Social Security Benefits	7	(94,658,221)	(72,626,909)
Other Expenses		(7,033,232)	-
Adjusted for:			
Changes in receivables		-185,666	(2,931)
Changes in payables		(7,223,285)	(21,466,501)
Prior year adjustment	14	(7,033,232)	2,993,118
Net cashflow from operating activities		174,377,025	97,871,653
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	748,668	-
Acquisition of Assets	8	(178,380,064)	(115,338,149)
Net cash flows from Investing Activities		(177,631,396)	(115,338,149)
CASHFLOW FROM BORROWING ACTIVITIES			
Domestic Currency and Domestic Deposits		-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		(3,254,372)	(17,466,495)
Cash and cash equivalent at BEGINNING of the year		21,650,317	39,116,812
Cash and cash equivalent at END of the year		18,395,945	21,650,317

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09/2017 2017 and signed by:


 Accounting Officer/CEO
 Name: Dr. Alice A. Otwala (Mrs), CBS


 Head of Accounting Unit
 Name: Elizabeth G. Irura
 ICPAK Member Number: 12114

VII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

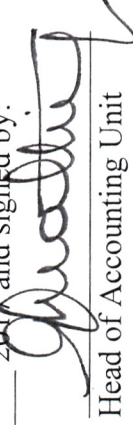
Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
Revenues/Receipts						
Transfers from National Treasury & Other Government Entities	1,217,870,000	48,931,597	1,266,801,597	1,263,100,000	(3,701,597)	99.7
Proceeds from Sale of Non-Financial Assets (AIA)	500,000	227,868	727,868	748,668	20,800	102.9
Total Revenues/Receipts	1,218,370,000	49,159,465	1,267,529,465	1,263,848,668	(3,680,797)	99.7
Payments/Expenses						
Compensation of Employees	556,070,000	12,086,147	568,156,147	568,152,986	(3,161)	100.0
Use of goods and services	385,308,617	20,727,868	406,036,485	403,971,585	(2,064,900)	99.5
Other grants and transfers	1,500,000	(500,000)	1,000,000	1,000,000		100
Social Security Benefits	89,070,761	5,945,450	95,016,211	94,658,221	(357,990)	99.6
Acquisition of Assets	186,420,622	10,900,000	197,320,622	178,380,064	(18,940,558)	90.0
Total Payments/Expenses	1,218,370,000	49,159,465	1,267,529,465	1,246,162,856	(21,366,609)	98.0

The overutilization in proceeds from sale of Non-Financial Assets arose because of the rounding off error and is not material. The underutilization of acquisition of fixed assets is because the contract for acquisition of assets was delayed.

The entity financial statements were approved on _____ 2017 and signed by:



Accounting Officer/CEO
Name: Dr. Alice A. Otwala (Mrs), CBS



Head of Accounting Unit
Name: Elizabeth G. Irura

ICPAK Member Number:12114

VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
Revenues/Receipts						
Transfers from National Treasury & Other Government Entities	1,178,870,000	48,931,597	1,227,801,597	1,224,100,000	(3,701,597)	99.7
Proceeds from Sale of Non-Financial Assets (AIA)	500,000	227,868	727,868	748,668	20,800	102.9
Total Revenues/Receipts	1,179,370,000	49,159,465	1,228,529,465	1,224,848,668	(3,680,797)	99.7
Compensation of Employees	556,070,000	12,086,147	568,156,147	568,152,986	(3,161)	100.0
Use of goods and services	385,308,617	20,727,868	406,036,485	403,971,585	(2,064,900)	99.5
Other grants and transfers	1,500,000	(500,000)	1,000,000	1,000,000	-	100.0
Social Security Benefits	89,070,761	5,945,450	95,016,211	94,658,221	(357,990)	99.6
Acquisition of Assets	147,420,622	10,900,000	158,320,622	140,040,665	(18,279,957)	88.5
Other Expenses						
Total Payments/Expenses	1,179,370,000	49,159,465	1,228,529,465	1,207,823,457	(20,706,008)	98

The overutilization in proceeds from sale of Non-Financial Assets arose because of the rounding off error and is not material. The underutilization of acquisition of fixed assets is because the contract for acquisition of assets was delayed.

The entity financial statements were approved on _____
 Accounting Officer/CEO
 Name: Dr. Alice A. Otwala (Mrs), CBS

2017 and signed by: _____
 Head of Accounting Unit
 Name: Elizabeth G. Irura

ICPAK Member Number: 12114

IX. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
Revenues/Receipts						
Transfers from National Treasury & Other Government Entities	39,000,000	-	39,000,000	39,000,000	-	100
Payments/Expenses						
Acquisition of Assets	39,000,000	-	39,000,000	38,339,399	(660,601)	98.3
Total Payments/Expenses	39,000,000	-	39,000,000	38,339,399	(660,601)	98.3

The financial statements were approved on 2017 and signed by:



Accounting Officer/CEO
Name: Dr. Alice A. Otwala (Mrs), CBS



Head of Accounting Unit
Name: Elizabeth G. Irura
ICPAK Member Number: 12114

X. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	2016/17		2016/17	2016/17	2016/17
	Kshs	Kshs	Kshs	Kshs	Kshs
Programme 1: General Administration, Planning and Support Services	922,361,963	57,266,915	979,628,878	960,002,208	1,368,017
Sub-programme 1: Administration	881,290,724	57,555,145	938,845,869	919,575,443	1,011,773
Sub-programme 2: Board Management Services	41,071,239	(288,230)	40,783,009	40,426,765	356,244
Programme 2: Human Resource Management and Development	183,856,044	(4,393,750)	179,462,294	178,694,118	768,176
Sub-programme 1: Establishment and Management Consultancy Services	69,918,308	(1,513,785)	68,404,523	67,507,065	897,458
Sub-programme 2: Human Resource Management	60,507,055	(663,630)	59,843,425	60,201,852	(358,427)
Sub-programme 3: Human Resource Development	53,430,681	(2,216,335)	51,214,346	50,985,201	229,145
Programme 3: Governance and National Values	112,151,993	(3,713,700)	108,438,293	107,466,278	972,015
Sub-programme 1: Compliance and Quality Assurance	72,813,129	(2,779,450)	70,033,679	69,281,071	752,608
Sub-programme 2: Ethics Governance and National values	39,338,864	(934,250)	38,404,614	38,185,207	219,407

XI. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below.

This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

2. Reporting entity

The financial statements are for the Public Service Commission The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2013.

3. Recognition of receipts and payments

a) Recognition of receipts

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

b) Transfers from the Exchequer

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

c) Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

d) Recognition of payments

PSC recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

SIGNIFICANT ACCOUNTING POLICIES

e) Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

f) Use of goods and services

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

g) Acquisition of fixed assets

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

A fixed asset register is maintained by each public entity and a summary provided for purposes of disclosure. This summary is disclosed as an annexure to the entity's financial statements.

4. In-kind contributions

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

5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya at the end of the financial year.

6. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

7. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements.

SIGNIFICANT ACCOUNTING POLICIES

8. Non-Current Assets

Non-current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the entity fixed asset register a summary of which is provided as a memorandum to these financial statements.

9. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods during the year. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the entity at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

10. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. PSC's budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A detailed analysis of PSC's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

11. Comparative figures

Comparative figures for the previous financial year have been restated where necessary, to conform to the required changes in presentation format.

12. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

XII. NOTES TO THE FINANCIAL STATEMENTS

1. Exchequer Releases

Description and reference of the transfer	Date of transfer	2016 - 2017	2015 - 2016
		Kshs	Kshs
1st quarter transfer	Jul - Sept 2016	292,000,000	387,000,000
2nd quarter transfer	Oct - Dec 2016	322,000,000	181,000,000
3rd quarter transfer	Jan - Mar 2017	318,000,000	221,800,000
4th quarter transfer	Apr - June 2017	331,100,000	335,000,000
Total		1,263,100,000	1,124,800,000

2. PROCEEDS FROM SALE OF ASSETS

	2016 – 2017	2015 - 2016
Kshs		
Receipts from the Sale of Inventories, Stocks and Commodities	748,668	-
Proficiency Exams for Clerical Officers	-	-
Total	748,668	

3. Other Receipts

	2016 – 2017	2015 - 2016
Other Receipts	535,231	34,757
Total	535,231	34,757

4. Compensation of Employees

	2016 – 2017	2015 - 2016
Basic salaries of permanent employees	568,152,986	535,869,969
Personal allowances paid as part of salary		8,000,000
Total	568,152,986	543,869,969

5. Use of Goods and Services

Item	2016 -2017 Kshs.	2015 -2016 Kshs.
Utilities, supplies and services	10,943,648	7,709,997
Communication, supplies and services	18,685,412	18,705,374
Domestic travel and subsistence	63,465,883	53,422,444
Foreign travel and subsistence	15,924,034	8,884,078
Printing, advertising and information supplies & Service	34,830,132	33,283,456
Rentals of produced assets	7,586,790	9,398,629
Training expenses	31,177,519	35,949,872
Hospitality supplies and services	54,757,787	53,400,924
Insurance cost	73,436,466	68,313,908
Specialised materials and services	20,095,731	24,800,093
Office and general supplies and services	12,808,737	13,347,726
Fuel	5,550,017	6,695,000
Other operating expenses	42,320,472	44,065,809
Routine maintenance – vehicles and other transport equipment	4,677,834	4,963,288
Routine maintenance - other assets	7,711,123	7,307,823
Total	403,971,585	390,248,425

6. Other Payments
 Kshs. Kshs.

2016 - 2017 2015 – 2016

Membership Fees and Dues and Subscriptions to
 International Organizations

1,000,000 1,741,485

Total

1,000,000 1,741,485

These are the membership fees for commissioners and other senior members of staff to
 international professional organisations

7. Social Security Benefits

Item	2016 – 2017 Kshs.	2015 – 2016 Kshs.
Government pension and retirement benefits	94,658,221	72,626,909
Total	94,658,221	72,626,909

8. Acquisition of Assets

Item	2016 – 2017 Kshs	2015 - 2016 Kshs
Non-Financial Assets		
Construction of Buildings	29,811,989	29,226,677
Refurbishment of Buildings	12,322,464	1,463,000
Construction and Civil Works	8,527,411	20,802,151
Purchase of Vehicles and Other Transport Equipment		12,615,448
Overhaul of Vehicles and Other Transport Equipment	495,200	494,515
Purchase of Household Furniture and Institutional Equipment	585,203	636,436
Purchase of Office Furniture and General Equipment	2,066,407	3,600,653
Purchase of Specialised Plant, Equipment and Machinery	124,571,391	46,143,869
Rehabilitation and Renovation of Plant, Machinery and Equip.		355,400
Total	178,380,064	115,338,149

9. Bank Accounts

Name of Bank, Account No. &
 currency

	2016– 2017 Kshs	2015-2016 Kshs
Central Bank of Kenya Rec A/c no. 1000181297	5,678,479	2,846,382
Central Bank of Kenya Dev A/c no. 10000182199	3,027,047	1,426,132
Central Bank of Kenya Dep A/c no. 1000182113	9,650,857	16,874,142
Total	18,356,382	21,650,317

10. Cash in Hand

	2016 – 2017 Kshs	2015 - 2016 Kshs
Public Service Commission Head office	39,563	503,660
Total	39,563	503,660

11. Advances

	2016-2017 Balance	2015-2016 Balance
2016/2017 Outstanding advances	383,481	-
2015/2016 Outstanding advances	-	92,067
Suspense	-105,748	-
Total	277,733	92,067

11.1 OTHER EXPENSES

	7,033,232
Total	7,033,032

Name of Officer	Amount Taken	Amount Surrendered	Balance
Mildred A Akello	183,917	30,652	153,265
Mrs.WoyengoMunala Pamela	527,584	474,831	52,753
Miss Emily KeruboMokoro	193,597	16,133	177,464
Total	905,098	521,616	383,482

12. Accounts Payable

	2016 - 2017 Kshs	2015 - 2016 Kshs
Deposit and Retentions	9,650,857	16,874,142
Total	9,650,857	16,874,142

13. Balances Brought Forward

	2016- 2017 Kshs	2015 - 2016 Kshs
Bank account	21,146,657	39,068,039
Cash in hand	503,660	48,773
Accounts Receivable – Advances	92,067	89,136
Accounts Payable – Deposits	(16,874,142)	(38,340,643)
Total	4,868,242	865,305

14. Prior Year Adjustment

	2016 - 2017 Kshs	2015 - 2016 Kshs
Prior Year Adjustment	7,033,232	2,993,118
Total	7,033,232	2,993,118

Prior Year Adjustment relates to funds in the Rec. and Dev. Bank accounts for the financial year 2015/2016 (unutilized) which were transferred to treasury in the financial year 2016/2017.

15. Other Important Disclosures

15.1 Pending Accounts Payable

	2016 - 2017 Kshs	2015 - 2016 Kshs
Construction of civil works	-	7,340,339
Total	-	7,340,339

16. OTHER IMPORTANT DISCLOSURES

16.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2016 – 2017 Kshs	2015 – 2016 Kshs
Supply of goods	10,968,499	7,340,339
	10,968,499	7,340,339

16.2: PENDING STAFF PAYABLES

There were no pending staff payables.

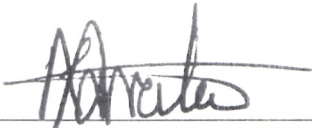
16.3: OTHER PENDING PAYABLES

There were no other pending payables

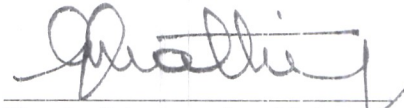
17. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, 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.

There were no issues raised by the external auditor



Accounting Officer/CEO



Head of Accounting Unit

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
	a	B	c	d=a-c		
Supply of goods						
1. Kippra	7,457,500	31/12/2016	-	7,457,500		Not yet cleared
2. Conference Caterers	980,462	30/12/2017	-	980,462		Not yet cleared
3. Conference Caterers	830,907	31/05/2017	-	830,907		Not yet cleared
4. Conference Caterers	663,042	30/06/2017	-	663,042		Not yet cleared
5. Fresh Paradise	71,460	31/05/2017	-	71,460		Not yet cleared
6. Fresh Paradise	95,280	30/06/2017	-	95,280		Not yet cleared
7. Crown Beverages	150,523	30/06/2017	-	150,523		Not yet cleared
8. Ride On Agencies Ltd	624,425	21/06/2017	-	624,425		Not yet cleared
9. Eseriani Hotel	94,900	21/06/2017		94,900		Not yet cleared
Grand Total	10,968,499			10,968,499	7,340,339	"

ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset Class	Historical Cost b/f (Kshs) 2015/2016	Additions during the year (Kshs)	Disposals during the year (Kshs)	Total Cost c/f (Kshs) 2016/2017
Land	-	-	-	-
Buildings and structures	329,633,279	6,546,278.10	-	336,179,557.10
Transport equipment	197,493,813	-	-	197,493,813.00
Office equipment, furniture and fittings	46,048,161	-	-	46,048,161.00
ICT Equipment, Software and Other ICT Assets	65,371,177	63,374,401.15	-	128,745,578.15
Other Machinery and Equipment	-	-	-	-
Heritage and cultural assets	-	-	-	-
Intangible assets	-	-	-	-
Total	638,546,430	69,920,679.25	-	708,467,109.25

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year.