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OF

THE AUDITOR-GENERAL

ON

TEACHERS SERVICE COMMISSION

FOR THE YEAR ENDED
30 JUNE, 2020



TEACHERS SERVICE COMMISSION
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2020

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

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

I. KEY COMMISSION INFORMATION AND MANAGEMENT

(a) Background information

Teachers Service Commission is established under Article 237 of the Constitution of Kenya. The mandate of the Commission is buttressed by the TSC Act 2012 to perform teacher management functions.

Vision

To be a transformative teaching service for quality education

Mission

To professionalize the teaching service for quality education and development

Core Values

- Professionalism
- Customer focus
- Integrity
- Innovativeness
- Team spirit

Functions and Mandate

The Commission is mandated to perform the following functions:

- a) Register trained teachers
- b) Recruit and employ registered teachers
- c) Assign teachers employed by the Commission for service in any public school or institution
- d) Promote and transfer teachers
- e) Exercise disciplinary control over teachers
- f) Terminate the employment of teachers
- g) Review the standards of education and training of persons entering the teaching service
- h) Review the demand for and supply of teachers
- i) Advise the national government on matters relating to the teaching profession

**TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**



**Dr. Lydia Nzomo, CBS
Chairperson**



**Mbarak Twahir FKIM
Vice-Chairman**



**Tache Bonsa Gollo
Commissioner**



**Kinoti Imanyara
Commissioner**



**Albert Fred Ekirapa
Commissioner**



**Beatrice Marembo Adu, HSC
Commissioner**



**Mbage Njuguna Ng'ang'a
Commissioner**



**Leila Abdi Ali
Commissioner**



**Dr Nancy Njeri Macharia, CBS
Commission Secretary/CEO**

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(b) Key Management

The Commission's operations were carried out under the following Directorates during the period under review:

- Administrative Services
- Finance and Accounts
- Human Resource Management and Development
- Field Services
- Quality Assurance
- Information Communication Technology
- Internal Audit
- Staffing
- Legal Services

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30 June 2020 and who had direct fiduciary responsibility were:

Designation	Name
1. Secretary/CEO	Dr. Nancy Njeri Macharia, CBS
2. Deputy Secretary/CEO	Dr. Kennedy Mulunda
3. Director - Administration	Mr. Ibrahim Mumin Gedi, OGW
4. Director - Finance and Accounts	CPA. Cheptumo Ayabei
5. Director - HRM & D	Dr. Julius O. Olayo
6. Director - Field Services	Mrs. Mary Rotich
7. Director - ICT	Mr. Charles Gichira
8. Director - Internal Audit	CPA. Isaac K. Ng'ang'a
9. Director - QAS	Dr. Reuben Nthaburi
10. Director - Staffing	Mrs. Rita W. Wahome
11. Director – Legal Services	Mr. Timon Oyucho

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(d) Fiduciary Oversight Arrangements

Roles of Audit Committee: The Committee offers assurance to the Board that all financial and non-financial internal control and risk management functions are operating effectively and reliably. It also offers independent review of the Commission's reporting functions to assure the integrity of its financial reports in compliance with legislative and regulatory requirements.

(e) Headquarters

TEACHERS SERVICE COMMISSION
TSC House,
Kilimanjaro Road,
Upper Hill,
Nairobi, Kenya

(f) Contacts

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

(g) Bankers

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Haile Selassie Avenue
Box 60000 – 00200
Nairobi, Kenya

2. National Bank of Kenya
National Bank of Kenya Building
Harambee Avenue
Box 41862 – 00200
Nairobi, Kenya

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(h) Independent Auditors

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

(i) Principal Legal Adviser

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

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

II. FORWARD BY THE COMMISSION CHAIRPERSON

I am delighted to present the Annual Report and the Financial Statement of the Teachers Service Commission for the fiscal year 2019-2020. The preparation and presentation of the report is in line with Section 81 of Public Finance Management Act 2012.

In the 2019/2020 financial year, gross budget allocation from The National Treasury was Kshs. 256 Billion. This was mainly recurrent but included Kshs. 400 Million as Development Budget. The total recurrent expenditure for the period was Kshs. 256 Billion. While Kshs. 271.4 Million was spent on development, compensation to employees recorded the highest expenditure of Kshs. 255.4 Billion of the total budget allocated. Through these budgetary provisions, the Commission was able to execute its mandate and deliver services in teacher management.

In an effort to attain Sustainable Development Goal 4 (SDG 4) on provision of quality education, the Government has greatly supported the Commission's mandate of increasing the supply of qualified teachers in learning institutions. During the year under review, the Commission was able to recruit 11,918 teachers. This comprised of 5,000 additional teachers to support the 100% transition from Primary to Secondary school initiative, and 6,918 for replacement of teachers who exited service during the year. In addition, the Commission institutionalized teacher internship program as a strategy to cope with the ever growing teacher demand as well as giving prospective teachers an opportunity to acquire practical skills. Through this programme, the Commission recruited a total of 10,300 teacher interns which comprised of 4,300 primary school and 6,000 secondary school interns respectively.

The Commission has established a database on registered teachers by qualification and level of education. During the year under review a total of 48,218 new teachers were registered. This was a decrease of 15% from the 56,821 registered during the 2018/19 period. In addition, 76 teachers were deregistered due to violation of the Code of Regulations for Teachers.

During the year under review 1,000 primary school teachers who acquired bachelor's degree certificate and had prerequisite qualifications were promoted and deployed to teach in secondary schools where vacancies existed. In addition, the Commission implemented the third phase of the

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Collective Bargaining Agreement (CBA) (2017-2021), where teachers benefitted from the revised salary award at a cost of Ksh.8 Billion.

Capacity building for teachers in the roll out of the Competence Based Curriculum (CBC) was enhanced during the period under review. A total of 288,000 were equipped with necessary skills for effective implementation of the new curriculum, an increase from 138,733 teachers trained during the 2018/19 period.

The Teacher Performance Appraisal and Development (TPAD) process was introduced in 2016 as a measure to improve the performance of teachers in curriculum implementation. During the period under review the Commission launched a new on-line TPAD System. In addition, an impact assessment on the phase one of TPAD was concluded and the report disseminated to 3,593 stakeholders in the Education Sector across the country.

During the period the Commission encountered a few emerging issues and some implementation challenges as follows;

- i. Disruption of services as a result of the COVID 19 pandemic
- ii. Austerity measures and delayed funding for Commission's programmes and activities
- iii. Teacher shortage
- iv. Tenders reserved for Youth, Women and Persons with Disability were mostly non-responsive leading to low budget absorption.
- v. Inadequate office accommodation in the Counties and Sub-Counties
- vi. Inadequate funding to facilitate operations and to implement Commission programmes in the field.

Following the above challenges, the Commission recommends the following: -

- i. Government to provide additional funds for teacher recruitment and other priority programmes.
- ii. Timely release of allocated funds by the National Treasury to fast track the training of teachers on CBC and other priority programmes.
- iii. On its part, the Commission will continually
 - i. Undertake stakeholder engagement and sensitization on the Commission's mandate.

**TEACHERS SERVICE COMMISSION
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- ii. Continuously sensitize women groups, youth and persons living with disabilities to increase the level of awareness and encourage these groups to participate in government tenders reserved for them.
- iii. Construct/lease more offices in the counties and sub-counties and establish common standards to ensure that all offices have a similar work space and furnishings across the Counties to save on costs.

In conclusion, I wish to register our appreciation to the Government, various State and Non-State institutions, partners and stakeholders for the invaluable support throughout this period.

My profound gratitude goes out to the Commissioners, the Management and staff of the Teachers Service Commission for their dedication and commitment that led to remarkable achievements during the year.



**DR. LYDIA N. NZOMO, CBS
COMMISSION CHAIRPERSON**

Date: 28-09-2020

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III. STATEMENT OF PERFORMANCE AGAINST PREDETRMINED OBJECTIVES

The Teachers Service Commission is mandated under article 237 of the Constitution to register trained teachers, recruit and deploy teachers, assign teachers employed by the Commission, exercise disciplinary control over registered teachers, terminate employment of teachers, review the standards of education and training of persons entering the teaching service, review demand for and supply of teachers and advice the National Government on matters relating to the teaching profession.

In executing this mandate, the Commission identified three key strategic goals as stipulated in its 2019-2023 strategic plan. Each of the goals has strategic objectives which form the basis of its programs and effectively the budget execution.

The Commission's key development objectives as stipulated in the strategic plan 2019-2023 are:

Goal 1: Teacher Competency Conduct and performance Management

- a) To improve the level of legal compliance on teaching standards
- b) To improve the quality of teaching services in basic education learning institutions
- c) To improve professionalism in the teaching service and reduce cases of indiscipline among teachers
- d) To improve the quality of teacher support infrastructure and data management at the County and Sub-county levels

Goal 2: Reforms and Innovations in provision of teaching services

- a) To reduce the teacher shortage at the basic education learning institutions
- b) To improve equity and efficiency in utilization of the teaching resource
- c) To grow the TSC Financial resource base
- d) To improve Corporate Governance in teacher management

Goal 3: Service Delivery Re-engineering

- a) To optimize the human resource and productivity in the Commission
- b) To establish information security and ICT Disaster Recovery Systems
- c) To Automate the core TSC processes

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Progress made on attainment of the strategic development objectives

For purposes of implementing and cascading the above development objectives to specific Directorates, the objectives were made specific, measurable, achievable, and realistic and time bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement.

The progress made in attaining the stated objectives based on each program is shown in table below:

Program	Objective	Outcome	Indicator	Performance
Teacher Resource Management- primary	To reduce the teacher shortage at the basic education learning institutions	Improved Teaching Service	Number of intern teachers recruited	In the FY 19/20 we recruited 4,300 intern teachers
Teacher Resource Management- Secondary	To reduce the teacher shortage at the basic education learning institutions	Improved Teaching Service	i. Number of teachers recruited ii. Number of intern teachers recruited	In the FY 19/20 we recruited 5,000 teachers and 6,000 intern teachers
Teacher Resource Management- Tertiary	To improve the quality of teaching services in basic education learning institutions	Improved Tutoring Service	Number of tutors deployed	A total of 60 tutors were deployed
Quality Assurance and standards	i)To improve the level of legal compliance on teaching standards ii)To improve the quality of teaching services in basic education learning institutions	Quality teaching service	i. %age of teachers complying with teaching standards ii. %age level of implementation of PC by learning institutions.	In the FY 19/20, 99% of teachers were complying with the teaching standards 100% of all the learning institutions were on PC.
Teacher Professional Development	i)To improve the quality of teaching services in basic education learning institutions ii)To improve professionalism in the teaching service and	Improved professionalism in the teaching service	Number of teachers on mentorship program. Percentage of Teachers Complying with	In the FY 19/20 the activity was not achieved due to COVID -19 pandemic In the FY 19/20, 100% of teachers were complying

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	reduce cases of indiscipline among teachers		the Code of Regulations and Code of Conduct and Ethics. Number of field officers and BoMs trained on regulation and skills on management of teacher conduct	with the code of regulation and code of conduct and ethics. In the FY 19/20 the activity was not achieved due to COVID -19 Pandemic.
Teacher Capacity Development	To improve equity and efficiency in utilization of the teaching resource	Enhanced Teacher Capacity in curriculum delivery	Number of teachers trained in Competency Based Curriculum	In the FY 19/20 a total of 228,000 teachers were trained.
Policy Planning and support Services	i) To improve the quality of teacher support infrastructure and data management at the County and Sub-county levels ii) To optimize the human resource and productivity in the Commission	Enhanced service delivery	Number of County offices constructed Number of furniture and equipment procured for county offices Number of vehicles procured for Counties Number of staff trained	In the FY/19/20 the budget for construction of county offices was withdrawn during the supplementary In the FY 19/20 717 items of furniture were procured for county office furnishings 20 Vehicles were procured during the year 19/20 for Counties In the FY 19/20 1,600 staff were trained in different specialized areas of service delivery

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Field Services	To improve professionalism in the teaching service and reduce cases of indiscipline among teachers	Disciplined teaching service.	Percentage reduction on the number of indiscipline cases reported.	Number of cases registered reduced by 7% from 1251 in FY 18/19 to 1165 in FY 19/20
Automation of TSC operations	i) To establish information security and ICT Disaster Recovery Systems	Data Security and Business continuity	Percentage reduction of incidences of system compromise	In the FY 19/20 Commission data was 100% secure.
	ii) To Automate the core TSC processes	Efficiency in service delivery	Number of records digitized	142000 records were digitized
	iii) To improve the quality of teacher support infrastructure and data management at the County and Sub-county levels	Enhanced service delivery	Number of modules rolled out on HRMIS	3 Modules of the HRMIS were rolled out in FY 19/20.
			Number of Counties on Local Area Network (LAN)	In the FY 19/20 a total of 8 Counties were put on Local Area network.

Some of the challenges experienced by the Commission during the implementation of its programmes during the Financial year include; austerity measures by the National Treasury reducing most of the budget items by 50%, the withdrawal of the development budget and effect of the outbreak of COVID-19 pandemic and the resultant guidelines on its management by the Ministry of Health on cessation of movements in the country.

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IV. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Commission takes ultimate responsibility for Corporate Social Responsibilities (CSR) and is committed to developing and implementing appropriate policies while adhering to a fundamental commitment to create and sustain long term value for teachers and all stakeholders.

We recognize that our social, environmental and ethical conduct has an important impact to our clients, we, therefore, take our CSR seriously and are committed to advancing our policies and systems to ensure we address and monitor all aspects of CSR that are relevant to our mandate. These include good ethical behavior, concern for employees' health and safety, care for the environment and community involvement.

We strive to maintain a productive and open dialogue with all parties who may have an interest in our activities including; key stakeholders, suppliers and employees. We conduct regular customer satisfaction surveys and actively encourage feedback from our employees.

There is an elaborate programme through our Wellness section to provide information, education and psychosocial support on HIV and AIDS and Voluntary Counselling and Testing (VCT) services to our employees and members of the community. We are reviewing our CSR strategy with a view of expanding it to benefit more teachers and the community in general.

TSC Corporate Social Responsibility (2019-2010)

During the year 2019/2020 the Commission sponsored the following activities;

1. Covid-19 Kitty

In an endeavour to support the National Emergency Response Committee on Corona pandemic the Commission fraternity raised Ksh 10 Million as part of its Corporate Social Responsibility (CSR). It is envisaged that the contribution will go a long way in coordinating Kenya's preparedness, prevention and response to the threat of COVID-19.

2. Donation to families of deceased teachers

The Commission made a donation of Ksh 150, 000 each to families of three teachers who were killed in a terrorist attack in Kamuthe Primary school, Garissa County in January 2020.

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

V. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 and Section 40 of the Teachers Service Commission Act, 2012 requires that, at the end of each financial year, the accounting officer for Teachers Service Commission shall prepare financial statements in respect of the Commission. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the Teachers Service Commission is responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2020. This responsibility includes:

- i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity.
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.
- iv) Safeguarding the assets of the Commission.
- v) Selecting and applying appropriate accounting policies.
- vi) Making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the Teachers 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, 2020, and of the Commission's financial position as at that date. The Accounting Officer in charge of the Teachers Service Commission further confirms the completeness of the accounting records maintained for the Commission, which have been relied upon

TEACHERS SERVICE COMMISSION
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in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Teachers Service Commission confirms that the Commission has complied fully with applicable Government Regulations and the terms of external financing covenants and that the Commission'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 Commission'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 28th September, 2020.



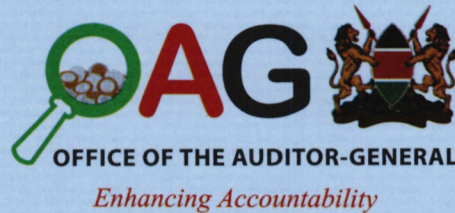
DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY
Date: 28-09-2020



CPA. CHEPTUMO AYABEI
DIRECTOR (FINANCE AND ACCOUNTS)
ICPAK MEMBER NUMBER: 8372
Date: 28-09-2020

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON TEACHERS SERVICE COMMISSION FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Teachers Service Commission set out on pages 20 to 44, which comprise of the statement of assets and liabilities as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the summary statement of appropriation-recurrent and development 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Teachers Service Commission as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Teachers Service Commission Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Stores and Cash Losses

The statement of assets and liabilities reflects an accounts receivable balance of Kshs.847,227,279 which includes stores and cash losses amounting to Kshs.10,487,516 and Kshs.2,928,398 respectively, which as previously reported, occurred between the years 1988 and 2000. The matter was investigated and the Director of Public Prosecutions directed the suspect to be charged with the offence of stealing by person employed in the Public Service contrary to Section 280 of the Penal Code. A review of the matter during the year under review indicates that the Court ruling on 12 March, 2019 determined that the accused had a case to answer and the next defense hearing date was set for 12 June, 2019 which was adjourned to 23 December, 2019 and later to January, 2020. The Management has however, indicated that on 6 March, 2020 the judgement was delivered where the court exonerated the accused from all the charges.

It has therefore not been possible to confirm the recoverability of Kshs.10,487,516 and Kshs.2,928,398 being the value of stores and cash losses respectively. Consequently, the accuracy of accounts receivable balance of Kshs.847,227,279 reflected in the statement of assets and liabilities as at 30 June, 2020 could not be confirmed.

2. Property, Plant and Equipment Schedule

As reported in the previous years, the property, plant and equipment schedule balance of Kshs.4,556,808,968 under Annex XVI, other important disclosures as at 30 June, 2020, includes a balance of Kshs.88,096 being the residual value of one (1) motor vehicle procured in 2004 at a cost of Kshs.2,085,869. A review of the matter in January, 2018 revealed that the vehicle had earlier been taken and auctioned by the auctioneers after obtaining a duplicate log book No.20063490279 from the Kenya Revenue Authority.

Although the Commission repossessed the vehicle, the case has been pending before Court. A review of the matter in 2018/19 indicated that, the Commission (Defendant) prepared an application to dismiss the suit for want of prosecution which was heard on 22 November, 2018. According to Management, the plaintiff objected on the ground that the failure for the matter to proceed was due to the file missing from the registry. The case was not dismissed but set for hearing on 3 October, 2019. The case was later adjourned to 20 February, 2020. On 15 September, 2020 the Court ruled that the motor vehicle be released to the plaintiff but the Commission appealed the ruling on 20 November, 2020. No further updates on the case had been presented for audit review as at the date of this report.

In the circumstances, it has not been possible to confirm that the property, plant and equipment schedule balance of Kshs.4,556,808,968 as at 30 June, 2020 is fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Teachers Service Commission Management in accordance with ISSAI 130 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 financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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.

Other Matter

Budget Control and Performance

The Commission had an approved development receipts budget and actual on comparable basis of Kshs.400,000,000 and Kshs.347,526,000 respectively resulting to

an under-funding of Kshs.52,474,000 or 13% of the budget. Similarly, the Commission expended an amount of Kshs.271,066,000 or 68% of the development budget of Kshs.400,000,000 resulting to under-utilization of Kshs.128,934,000 or 32% of the budget. The under-expenditure mainly occurred under SEQUIP expenditure where the Commission expended Kshs.271,066,000 against an approved budget of Kshs.400,000,000 resulting to an under-expenditure of Kshs.128,934,000.

Management has attributed the utilization to the reduced activities due to the effects of the COVID 19 pandemic.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non Compliance with One Third Basic Pay Rule

A review of the payrolls for the months of March and June, 2020 reflects that two hundred and fifteen (215) teachers and twelve (12) secretariat staff received net salaries lower than a third of their basic salary. This is Contrary to Human Resource Policies and Procedures Manual for the Public Service dated May, 2016 Section C.1 (3) which states that Public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance.

Consequently, the Management is in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Commission

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Commission's ability to continue to sustain its services, disclosing as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to dissolve the Commission or to cease operations.

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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Commission is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Commission monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

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.
- 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 applicable 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 Commission's ability to continue 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 to continue to sustain 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi


31 December, 2020


**TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

VII. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020 Kshs '000'	2018/2019 Kshs'000'
RECEIPTS			
Exchequer Releases (Recurrent)	1A	255,340,526	240,466,353
Exchequer Releases (Development-SEQIP)	1B	347,526	-
Proceeds from Sale of Assets	2	-	1,195
Other Revenues	3	634,097	710,058
TOTAL REVENUES		<u>256,322,149</u>	<u>241,177,606</u>
PAYMENTS			
Compensation of Employees	4	254,450,752	239,773,469
Use of goods and services	5	844,115	1,162,893
SEQIP Expenses	6	271,066	9,790
Acquisition of Assets	7	366,408	201,123
TOTAL PAYMENTS		<u>255,932,341</u>	<u>241,147,275</u>
SURPLUS		<u>389,809</u>	<u>30,331</u>

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 28th September 2020 and signed by:


DR NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY/CEO
Date: 28-09-2020


CPA CHEPTUMO AYABEI
DIRECTOR (FINANCE & ACCOUNTS
ICPAK NUMBER: 8372
Date: 28-09-2020

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

VIII. STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2020

	Note	2019/2020 Kshs '000'	2018/2019 Kshs '000'
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8A	1,543,696	1,562,925
Cash Balances	8B	23	17
Total Cash And Cash Equivalents		<u>1,543,719</u>	<u>1,562,942</u>
Accounts Receivables	9	847,227	376,686
TOTAL FINANCIAL ASSETS		<u>2,390,946</u>	<u>1,939,628</u>
LESS: FINANCIAL LIABILITIES			
Accounts Payables	10	457,530	396,020
NET FINANCIAL ASSETS		<u>1,933,416</u>	<u>1,543,608</u>
REPRESENTED BY			
Fund balance b/fwd	11	1,543,608	1,513,277
Surplus for the year		389,809	30,331
NET FINANCIAL POSITION		<u>1,933,416</u>	<u>1,543,608</u>

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 28th September 2020 and signed by:


DR NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY/CEO

Date: 28-09-2020


CPA CHEPTUMŌ AYABEI
DIRECTOR (FINANCE & ACCOUNTS)

ICPAK NUMBER: 8372


Date: 28-09-2020

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

IX. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020 Kshs '000'	2018/2019 Kshs '000'
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts for operating income			
Exchequer Releases (Recurrent)	1A	255,340,526	240,466,353
Exchequer Releases (Development-SEQIP)	1B	347,526	-
Other Revenues	3	634,097	710,058
		<u>256,322,149</u>	<u>241,176,411</u>
Payments for operating expenses			
Compensation of Employees	4	254,450,752	239,773,469
Use of goods and services	5	844,115	1,162,893
SEQIP Expenses	6	271,066	9,790
		<u>255,565,933</u>	<u>240,946,152</u>
Adjusted for:			
Changes in receivables		(470,541)	(105,626)
Changes in payables		61,510	(393,998)
Net cash flows from operating activities		<u>347,185</u>	<u>(269,365)</u>
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	-	1,195
Acquisition of Assets	7	(366,408)	(201,123)
Net cash flows from Investing Activities		<u>(366,408)</u>	<u>(199,928)</u>
NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENT		<u>(19,223)</u>	<u>(469,293)</u>
Cash and cash equivalent at BEGINNING of the year		1,562,942	2,032,235
Cash and cash equivalent at END of the year		<u>1,543,719</u>	<u>1,562,942</u>

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 28th September 2020 and signed by:


DR NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY/CEO

Date: 28-09-2020


CPA CHEPTUM AYABEI
DIRECTOR (FINANCE & ACCOUNTS)

ICPAK NUMBER: 8372

Date: 28-09-2020

**TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

X. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Revenue/Expense Item	Original Budget a Kshs '000'	Adjustments b Kshs '000'	Final Budget c=a+b Kshs '000'	Actual on Comparable Basis d Kshs '000'	Budget Utilization Difference e=c-d Kshs '000'	% of Utilization Difference f=d/c %
RECEIPTS						
Exchequer Releases (Recurrent)	252,380,000	2,960,526	255,340,526	255,340,526	-	100%
Exchequer Releases (Development-SEQIP)	54,000	346,000	400,000	347,526	52,474	87%
Receipts Collected as AIA	517,000	93,000	610,000	634,097	(24,097)	104%
Total Receipts	<u>252,951,000</u>	<u>3,399,526</u>	<u>256,350,526</u>	<u>256,322,149</u>	<u>28,377</u>	100%
Payments						
Compensation of Employees	251,176,000	3,336,000	254,512,000	254,450,752	61,248	100%
Use of goods and services	1,241,772	(267,223)	974,549	844,115	130,434	87%
SEQIP Expenditure	-	400,000	400,000	271,066	128,934	68%
Acquisition of Assets	533,228	(69,251)	463,977	366,408	97,569	79%
Grand Total	<u>252,951,000</u>	<u>3,399,526</u>	<u>256,350,526</u>	<u>255,932,341</u>	<u>418,185</u>	100%

Commentary on significant underutilization/overutilization

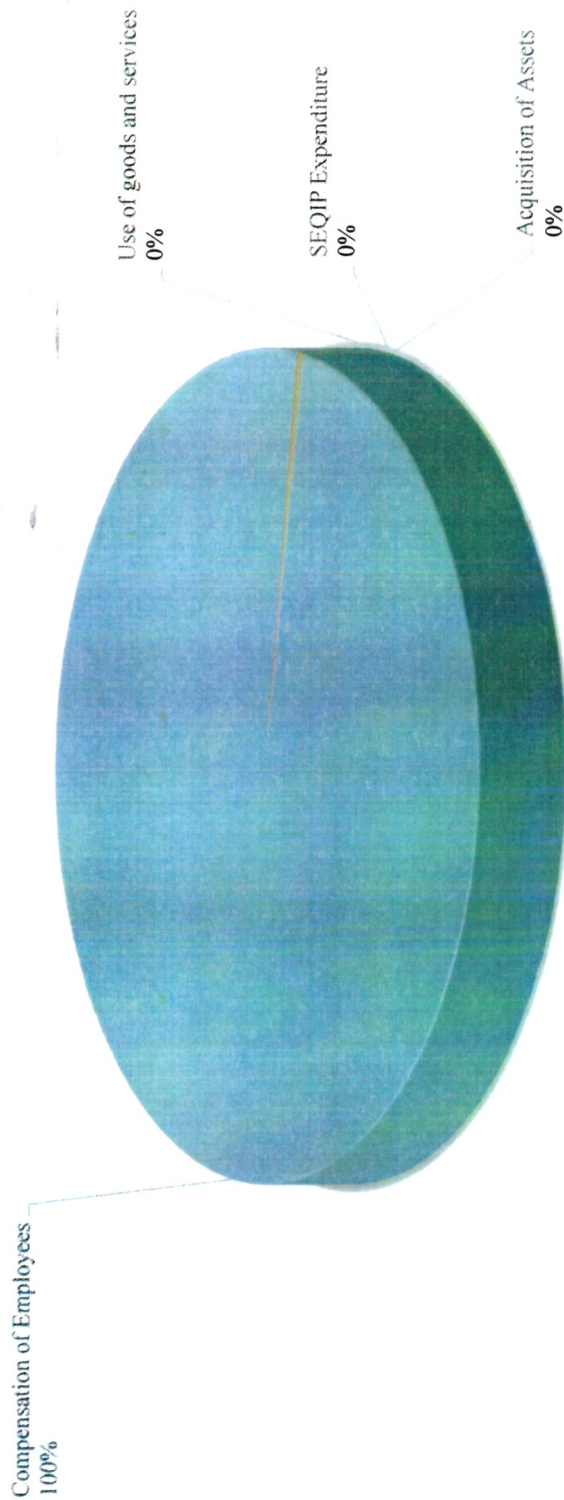
- i. The under absorption at 87% of the budget for operations and maintenance was due reduced operations as a result of the COVID – 19 pandemic.
- ii. The under absorption at 79% of Acquisition of the fixed assets budget was as a result of the rigorous procurement processes and effects of the COVID – 19 pandemic.
- iii. The underutilization at 68% for SEQIP was as a result of late loading of the budget and reduced project activities as a result of the COVID – 19 pandemic.

**TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

iii. The underutilization at 68% for SEQIP was as a result of late loading of the budget and reduced project activities as a result of the COVID – 19 pandemic.

BUDGET UTILIZATION AS PER ECONOMIC ITEMS

ECONOMIC ITEMS	Actual Payments Kshs '000'
Compensation of Employees	254,450,752
Use of goods and services	844,115
SEQIP Expenditure	271,066
Acquisition of Assets	366,408
Total Payments	<u>255,932,341</u>



**TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

XI. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Revenue/Expense Item	Original Budget a Kshs '000'	Adjustments b Kshs '000'	Final Budget c=a+b Kshs '000'	Actual on Comparable Basis d Kshs '000'	Budget Utilization Difference e=d-c Kshs '000'	% of Utilization Difference f=d/c %
RECEIPTS						
Exchequer releases	252,380,000	2,960,526	255,340,526	255,340,526	-	100%
Receipts Collected as AIA	517,000	93,000	610,000	634,097	(24,097)	104%
Total Receipts	<u>252,897,000</u>	<u>3,053,526</u>	<u>255,950,526</u>	<u>255,974,623</u>	<u>(24,097)</u>	100%
PAYMENTS						
Compensation of Employees	251,176,000	3,336,000	254,512,000	254,450,752	61,248	100%
Use of goods and services	1,241,772	(267,223)	974,549	844,115	130,434	87%
Acquisition of Assets	479,228	(15,251)	463,977	366,408	97,569	79%
Grand Total	<u>252,897,000</u>	<u>3,053,526</u>	<u>255,950,526</u>	<u>255,661,275</u>	<u>289,251</u>	100%

Commentary on significant underutilization/overutilization

- i. The under absorption at 86% of the budget for operations and maintenance was due reduced operations as a result of the COVID – 19 pandemic.
- ii. The under absorption at 79% of Acquisition of the fixed assets budget was as a result of the rigorous procurement processes and effects of the COVID – 19 pandemic.

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

XII. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Revenue/Expense Item	Original Budget a Kshs '000'	Adjustments b Kshs '000'	Final Budget c=a+b Kshs '000'	Actual on Comparable Basis d Kshs '000'	Budget Utilization Difference e=c-d Kshs '000'	% of Utilization Difference f=d/c %
RECEIPTS						
Exchequer releases	54,000	346,000	400,000	347,526	52,474	87%
Total Receipts	54,000	346,000	400,000	347,526	52,474	87%
Payments						
SEQIP Expenditure	-	400,000	400,000	271,066	128,934	68%
Acquisition of Assets	54,000	(54,000)	-	-	-	-
Grand Total	54,000	346,000	400,000	271,066	128,934	68%

Commentary on significant underutilization/overutilization

The underutilization at 68% for SEQIP was as a result of late provision of the budget and reduced project activities as a result of the COVID – 19 pandemic.

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

XIII. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget Kshs '000'	Adjustments Kshs '000'	Final Budget Kshs '000'	Actual on comparable basis Kshs '000'	Budget utilization difference Kshs '000'
Teacher Resource Management	245,725,880	3,316,039	249,041,919	248,972,405	69,514
Teacher Management- Primary	164,840,985	2,740,375	167,581,360	167,511,846	69,514
Teacher Management- Secondary	76,156,475	479,792	76,636,267	76,636,267	-
Teacher Management- Tertiary	4,728,421	95,871	4,824,292	4,824,292	-
Governance and Standards	419,501	(17,533)	401,968	385,675	16,293
Quality assurance and standards	7,850	(4,425)	3,425	2,029	1,396
Teacher professional development	5,748	(2,874)	2,874	2,520	354
Teacher capacity development	405,903	(10,234)	395,669	381,126	14,543
General Admin, Planning and Support Services	6,805,618	101,020	6,906,639	6,574,260	332,378
Policy, Planning and Support Service	6,065,078	257,585	6,322,663	6,093,586	229,077
Field Services	476,968	(130,190)	346,778	317,343	29,436
Automation of TSC Operations	263,571	(26,374)	237,197	163,331	73,866
TOTAL	252,951,000	3,399,526	256,350,526	255,932,341	418,185

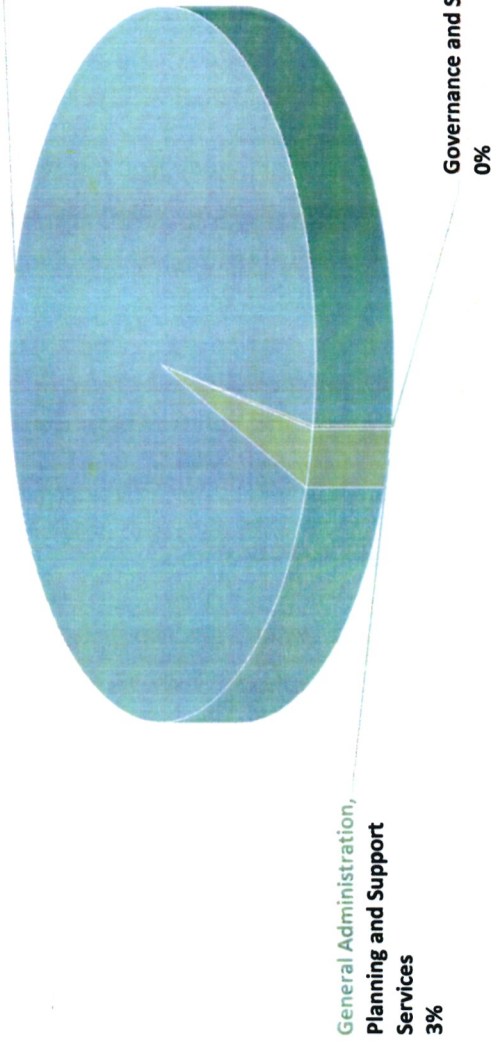
**TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

BUDGET ALLOCATION BY PROGRAMMES

PROGRAMMES	Approved Budget Allocation Kshs '000'	Actual Payments Kshs '000'	Variance Kshs '000'
Teacher Resource Management	249,041,919	248,972,405	69,514
Governance and Standards	401,968	385,675	16,293
General Administration, Planning and Support Services	6,906,639	6,574,260	332,378
	<u>256,350,526</u>	<u>255,932,341</u>	<u>418,185</u>

BUDGET ALLOCATION BY PROGRAMMES

Teacher Resource
Management
97%



TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

XIV. 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 International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note 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 financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

2. Reporting Entity

The financial statements are for the Teachers Service Commission. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

- i) Kenya Secondary Education Quality Improvement Project (SEQIP) - Component 1: Subcomponents 1.1 and 1.2*
- ii) Kenya Primary Education Development (PRIEDE) project - Component 2: Sub component 2.2*

3. Reporting Currency

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Commission and all values are rounded to the nearest one thousand Kenya Shillings.

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Commission for all the years presented.

XIV. SIGNIFICANT ACCOUNTING POLICIES Cont'd

a) Recognition of Receipts

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

- **Transfers from the Exchequer**

Transfers from the exchequer are 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 Commission.

- **External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the Commission.

During the year ended 30th June 2020, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

- **Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from Commission on 3rd parties, rental income, disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

b) Recognition of payments

The Commission recognises all payments when the event occurs and the related cash has actually been paid out by the Commission.

- **Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

- **Use of Goods and Services**

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

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

XIV. SIGNIFICANT ACCOUNTING POLICIES Cont'd

- **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 the Commission and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

5. In-kind contributions

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

6. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Central Bank of Kenya and at National Bank of Kenya as at the end of the financial year.

7. 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. The financial statements have been modified to include historical balances that were outstanding when the commission was reporting using IPSAS Accrual. Other accounts receivables are disclosed in the financial statements.

XIV. SIGNIFICANT ACCOUNTING POLICIES Cont'd

8. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (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. The financial statements have been modified to include historical balances that were outstanding when the commission was reporting using IPSAS Accrual. Other liabilities including pending bills are disclosed in the financial statements.

9. Pending Bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they 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 a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2019 for the period 1st July 2019 to 30th June 2020 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

11. Comparative Figures

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

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 30 June 2020

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

XIV. SIGNIFICANT ACCOUNTING POLICIES Cont'd

13. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

14. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

XV. NOTES TO THE FINANCIAL STATEMENTS

1A EXCHEQUER RELEASES - RECURRENT

Description	2019/2020	2018/2019
	Kshs	Kshs
Total Exchequer Releases for quarter 1	62,643,529,043	58,186,850,880
Total Exchequer Releases for quarter 2	63,101,453,963	59,390,661,900
Total Exchequer Releases for quarter 3	61,807,333,758	57,309,995,770
Total Exchequer Releases for quarter 4	67,788,209,163	65,578,844,518
TOTAL	<u>255,340,525,928</u>	<u>240,466,353,068</u>

1B EXCHEQUER RELEASES - DEVELOPMENT (SEQIP)

Total Exchequer Releases for quarter 1	-	-
Total Exchequer Releases for quarter 2	-	-
Total Exchequer Releases for quarter 3	347,526,267	-
Total Exchequer Releases for quarter 4	-	-
TOTAL	<u>347,526,267</u>	=

2 PROCEEDS FROM SALE OF ASSETS

Receipts from the Sale of Vehicles and Transport Equipment	-	1,195,000
TOTAL	=	<u>1,195,000</u>

3 OTHER REVENUES

Interest Received	9,139,670	8,986,893
Rental Income - Collected as AIA	6,947,616	5,718,242
Commission on Third Parties - Collected as AIA	609,979,734	695,352,649
Other Receipts - Collected as AIA	8,030,120	-
TOTAL	<u>634,097,140</u>	<u>710,057,784</u>

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

XV. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 COMPENSATION OF EMPLOYEES

Description	2019/2020	2018/2019
	Kshs	Kshs
Basic salaries of permanent employees	164,718,732,879	157,009,711,825
Basic wages of Contractual employees	1,215,413,998	15,060,396
Personal allowances paid as part of salary	78,192,344,978	73,433,214,202
Personal allowances paid as reimbursements	99,999,999	88,613,292
Employer Contributions to Staff Pension Schemes	849,999,999	858,609,778
Employer Contributions to Compulsory Social Security Schemes	8,259,992	8,259,992
Employer Contributions to Compulsory Health Insurance Schemes	9,365,999,985	8,359,999,998
TOTAL	<u>254,450,751,830</u>	<u>239,773,469,483</u>

5 USE OF GOODS AND SERVICES

Utilities, supplies and services	36,347,962	26,552,827
Communication, supplies and services	22,352,920	43,978,847
Domestic travel and subsistence	41,764,437	143,971,641
Foreign travel and subsistence	8,292,119	19,756,292
Printing, advertising and information supplies & services	4,045,281	10,627,100
Rent Expenses (County Offices)	29,316,051	34,177,354
Training expenses	425,346,858	495,758,322
Hospitality supplies and services	30,897,608	42,630,575
Insurance costs-Motor Vehicle	91,839,685	73,630,572
Specialized materials and services	1,962,022	4,449,040
Office and general supplies and services	5,696,713	13,731,431
Fuel Oil and Lubricants	32,361,257	62,702,149
Other operating expenses	59,542,321	100,028,067
Routine maintenance – vehicles and other transport equipment	33,181,581	57,696,445
Routine maintenance – other assets	21,168,433	33,201,848
TOTAL	<u>844,115,249</u>	<u>1,162,892,510</u>

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REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

XV. NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT (SEQIP)

Description	2019/2020 Kshs	2018/2019 Kshs
Domestic travel and subsistence	19,171,759	7,999,769
Communication, supplies and services	1,767,315	-
Training expenses	245,790,835	1,790,420
Office and general supplies and services	2,296,000	-
Other operating expenses	2,040,013	-
TOTAL	<u>271,065,923</u>	<u>9,790,189</u>

7 ACQUISITION OF ASSETS

Construction of Buildings	-	6,849,256
Refurbishment of Buildings	9,458,865	918,922
Purchase of Vehicles and Other Transport Equipment	189,386,675	94,905,000
Purchase of Office Furniture and General Equipment	28,044,507	1,628,040
Purchase of ICT Equipment, Software and Other ICT Assets	139,517,775	96,821,795
TOTAL	<u>366,407,822</u>	<u>201,123,013</u>

8A Bank Accounts

Name of Bank, Account No. & currency	Type of Account	2019/2020 Kshs	2018/2019 Kshs
National Bank of Kenya- Secretariat A/C No.01001005707400 ,KShs	Recurrent	15,779,773	15,785,948
National Bank of Kenya- Teachers A/C No.01001000905000 ,KShs	Recurrent	858,192,879	875,779,988
Central Bank of Kenya - Recurrent A/C1000181117,KShs	Recurrent	13,270,924	89,958
Central Bank of Kenya-PRIEDE A/C No. 1000291133,KShs	Project	8,720,207	9,492,416
Central Bank of Kenya-SEQIP A/C No. 1000370882,KShs	Project	100,964,534	124,148,431
National Bank of Kenya- Fixed Deposit A/C No.01300083109300 ,KShs	Fixed Deposit	546,767,316	537,627,647
National Bank of Kenya- Teachers Registration Fees A/C No.0100100050001 ,KShs	Revenue	-	-
Total		<u>1,543,695,633</u>	<u>1,562,924,388</u>

TEACHERS SERVICE COMMISSION
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XV. NOTES TO THE FINANCIAL STATEMENTS (Continued)

8B Cash in hand	2019/2020	2018/2019
	Kshs	Kshs
Location and Currency		
Teachers Service Commission HQS – Held in domestic currency	23,451	17,335
TOTAL	<u>23,451</u>	<u>17,335</u>
9 Accounts Receivables		
Government Imprests	14,920,238	7,198,210
Salary advances	8,210,390	13,769,703
County Disbursement Balances	291,979,799	69,461,766
Other Receivables	532,116,853	286,256,272
TOTAL	<u>847,227,279</u>	<u>376,685,951</u>
10 Accounts Payables		
AP liabilities	10,734,330.90	4,889,580
Clearance accounts	405,121,295	381,243,670
Agency Accounts (PRIEDE)	41,674,381	9,886,579
TOTAL	<u>457,530,008</u>	<u>396,019,829</u>
11 BALANCES BROUGHT FORWARD		
Bank accounts	1,562,924,388	2,032,185,051
Cash in hand	17,335	50,954
Accounts Receivables	376,685,951	271,058,723
Accounts Payables	396,019,829	790,017,540
TOTAL	<u>1,543,607,845</u>	<u>1,513,277,188</u>
12 RELATED PARTY DISCLOSURES		
Related party Transactions		
Transfers from Related Parties		
Transfers from Ministry of Education (PRIEDE Project)	28,786,590	83,285,000
TOTAL	<u>28,786,590</u>	<u>83,285,000</u>

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

XVI. OTHER IMPORTANT DISCLOSURES

1. PROPERTY PLANTS AND EQUIPMENTS (PPE) SCHEDULE 2019/2020

ASSET CLASS	Historical Cost b/f (Kshs) 2018/2019	Additions during the year (Kshs) 2019/2020	Disposals during the year (Kshs) 2019/2020	Historical Cost c/f (Kshs) 2019/2020
land	1,000,000,000	-	-	1,000,000,000
Construction of Buildings	1,208,895,070	-	-	1,208,895,070
Refurbishment of Buildings	70,940,018	9,458,865	-	80,398,882
Purchase of Vehicles and Other Transport Equipment	775,830,847	189,386,675	-	965,217,522
Purchase of Office Furniture and General Equipment	439,430,082	28,044,507	-	467,474,589
Purchase of ICT Equipment, Software and Other ICT Assets	695,305,130	139,517,775	-	834,822,905
Total	<u>4,190,401,146</u>	<u>366,407,822</u>	<u>-</u>	<u>4,556,808,968</u>

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

XVI. OTHER IMPORTANT DISCLOSURES (Continued)

2. PENDING BILLS SCHEDULE 2019/2020

Description	Balance b/f FY 2018/2019 (Kshs)	Additions during the year 2019/2020 (Kshs)	Paid during the year 2019/2020 (Kshs)	Balance c/f 2019/2020 (Kshs)
Construction of buildings	-	-	-	-
Construction of civil works	75,192,339	-	75192339	-
Supply of goods	137,107,511	-	137107511	-
Supply of services	35,959,126	-	35,959,126	-
Total	<u>248,258,976</u>	=	<u>248,258,976</u>	=

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

XVII. PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS

The following is the summary of issues raised by the external auditor in their letter and the management comment. Focal persons have been nominated to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Ref No. on external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Time frame
1	<p>Stores and Cash Losses</p> <p>Note 9 to the financial statements reflects accounts receivables balance of Kshs. 271,058,723 as at 30 June 2018. The figure of Ksh. 271,058,723 includes unrecoverable losses of stores and cash losses amounting to Kshs. 10,487,516 and Kshs. 2,928,398 respectively, which as previously reported occurred between the years 1988 and 2000. The matter was investigated and the Director of Public Prosecutions directed the suspect to be charged with the offence of stealing by person employed in the Public Service contrary to Section 280 of the penal code. A review of the matter during the year under review indicates that the suspect was charged and the case is</p>	<p>Loss of Stores Ksh. 10,487,516</p> <p>These were losses occasioned by theft of stores which the Commission followed up and the suspect was charged at the Kibera Law Courts vide O.B. NO.46/3/6/2013 with the offence of stealing by person employed in public service contrary to section 280 of the penal code. Though the Commission does not have control over the progress of the case, our legal office followed up on the matter and has been able to ascertain from the court records that;</p> <p>The Court heard all prosecution's witnesses and delivered the final ruling on 6/3/2020 where the accused (John Kithome) was acquitted. The court exonerated the accused from all the charges.</p> <p>Cash Losses Ksh. 2,928,398</p> <p>(i) These were cash losses which occurred in the period 1988-2000 and the Commission followed up the matter in the Courts over several years culminating with the Investigating Officer's letter Ref: CID/IB/SEC/4/3/1/A/VOL.III/64 dated 5/9/2014 indicating the</p>	<p>Director Legal</p> <p>• Director Finance • Director Legal</p>	<p>Concluded</p> <p>In Progress</p>	

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Ref No. on external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Time frame
	<p>pending and that although the case was set for hearing on 19 March 2018, it was adjourned to 25 June 2018. The management has however, indicated that their legal officer is following up on the matter to ensure that it is finalized as soon as possible.</p> <p>In addition, included in the balance of Ksh. 271,058,723 is a long outstanding Pay As You Earn (PAYE) amount of Kshs. 68,802,494 still outstanding which was paid to Kenya Revenue Authority (KRA) on account of former teachers who deserted their jobs and their salaries were returned to the Commission. Available information indicate that KRA carried out an audit on the PAYE amount and as a result adjusted the figure downwards from Kshs. 128,392,939 to Kshs. 46,060,915 as at 30 June 2017. A review of the matter in February 2018 revealed that the Commission had received a refund of Kshs. 46,057,935 from</p>	<p>insurmountable challenges in charging the culprits. The Commission recommended and sought for the National Treasury's approval for write off vide letter Ref: TSC/FIN/32/VOL.IX/34 dated 9/6/17, followed with a reminder Ref: TSC/FIN/60/VOL.IV/109 dated 30/ 1/18 before recognizing the write off in our books.</p> <p>(ii) The National Treasury vide their letter Ref: AG/3/149/Vol.1/ (47) dated 6th March, 2018 responded and advised on the procedure to be followed when writing off losses and the Commission vide letter Ref:TSC/FIN/60/VOL.V/5 dated 11th July, 2018 followed the outlined procedure and attached additional evidence as requested. The National Treasury vide letter Ref: AG/3/149/Vol.1/ (54) dated 13th February, 2019 gave further guidelines that the Commission needed to follow in order to conclude the matter and the Commission has followed these new guidelines, re-submitted the request vide letter Ref: TSC/FIN/60/VOL.V/20 dated 5th March, 2019 and is awaiting conclusion of this matter.</p> <p>(iii) The Commission introduced a policy which requires that teachers' monthly salary be paid through bank accounts and currently there are no cash losses</p>			

TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020


Ref No. on external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Time frame
	<p>KRA on 23rd February 2018 and that it has sought authority to write-off the un-recoverable balance of Kshs. 68,802,494 from the National Treasury on 10 April 2017 and a reminder on 30 January 2018. A review of the matter in 2017/2018 indicates the balance of Kshs. 68,802,494 is still outstanding. The National Treasury responded to the letters from the Commission on 6 March 2018 and advised on the procedures to be followed when writing off losses. The commission wrote back on 11 July 2018 to the Principal Secretary, National Treasury requesting for authority to write-off the unrecoverable balance with the outlined procedure and additional evidence. However, no response from Treasury was availed for audit review as at the date of this report in the month of December 2018. In the circumstances, it has not been possible to confirm the recoverability of the</p>	<p>since all teachers are paid by Electronic Funds Transfer through their respective bank accounts.</p> <p>Refund of PAYE Ksh. 128,392,939</p> <p>(i) The Commission, as per Regulation 148(6) of the PFM Act Regulations, 2015 for the National Government sought approval for the write off of the un-recoverable balance of Kshs. 68,802,494.55 from the National Treasury vide letter Ref:TSC/FIN/32/VOL.IX/34 dated 9/6/17,followed with a reminder Ref: TSC/FIN/60/VOL.IV/109 dated 30/ 1/18.</p> <p>(ii) The National Treasury reviewed documents submitted by the Commission and vide letter Ref: AG/3/149/Vol.1/ (56) dated 19th March, 2019 approved the write off and concluded this matter after concurring that the threshold and procedure required by section 69(2) and Regulation 148(6) of the PFM Act (2012) had been met.</p>	<p>• Director Finance</p>	<p>Resolved</p>	

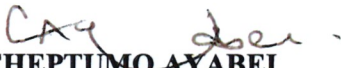
TEACHERS SERVICE COMMISSION
REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Ref No. on external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Time frame
2	<p>accounts receivables balance of Kshs. 271,058,723 for the year ended 30 June, 2018.</p> <p>Property, Plant & Equipment</p> <p>As reported in the previous years, the property, plant and equipment schedule balance of Kshs. 3,662,965,318 under Annexure XX as at 30 June 2018 includes kshs. 88,096 being the residual value of one (1) motor vehicle procured in 2004 at a total cost of Kshs. 2,085,869. A review of the matter in January 2018 revealed that the vehicle had earlier been taken and auctioned by the auctioneers after obtaining a duplicate log book No. 20063490279 from KRA. Although the Commission repossessed the vehicle, a case is pending before a court of law. A review of the matter in 2017/2018 indicate that, to date the plaintiff has yet to set down the suit for the hearing hence the Commission has prepared an application</p>	<p>Motor vehicle Net Book Value of Ksh. 88,096</p> <p>Revaluation of the Motor Vehicle registration KAR 246L- Nissan Urvan whose net book value was Ksh. 88,096 by the Ministry of Public Works & Infrastructure is as follows: The vehicle was repossessed from auctioneers. The original log book was submitted to KRA on 30/6/2011 to verify the rightful owner upon their request vide letter ref: KRA/RTD/TRANS-DUP/10027/0-11 dated 13/6/2011.</p> <p>The matter was fully heard by the court on 26/2/2020 and judgement will be delivered on 11th September, 2020.</p>	<ul style="list-style-type: none"> • Director Legal 	In Progress	

TEACHERS SERVICE COMMISSION
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Ref No. on external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Time frame
	<p>to dismiss the suit for want of prosecution. However, no outcome of the case has been presented for audit review as at the date of this report in the month of December 2018.</p> <p>In the circumstances, it has not been possible to confirm that the property plant and equipment schedule balance of Kshs. 3,662,965,318 under Annexure XX as at 30 June 2018 is fairly stated.</p>				


DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY
DATE: 28-09-2020


CPA. CHEPTUMO AYABEI
DIRECTOR (FINANCE AND ACCOUNTS)
ICPAK MEMBER NUMBER: 8372
Date: 28-09-2020

