

REPUBLIC OF KENYA



**KENYA NATIONAL AUDIT OFFICE**

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

**ON**

**THE FINANCIAL STATEMENTS OF  
TEACHERS SERVICE COMMISSION FOR  
THE YEAR ENDED 30 JUNE, 2008**

**ANNUAL REPORTS AND FINANCIAL STATEMENT FOR YEAR ENDED**  
**30TH JUNE 2008**

<b>CONTENTS</b>	<b>PAGE</b>
1. COMMISSION INFORMATION	1
2. REPORT OF THE COMMISSIONERS	2
3. STATEMENT OF COMMISSIONERS RESPONSIBILITIES	3
4. REPORT OF THE AUDITORS	4
5. INCOME AND EXPENDITURE STATEMENT	6
6. BALANCE SHEET	7
7. STATEMENT OF CHANGES IN ACCUMULATED FUND	8
8. CASHFLOW STATEMENT	9
9. ACCOUNTING POLICIES	10
10. NOTES TO FINANCIAL STATEMENTS	11 - 20

## **COMMISSION INFORMATION FOR THE YEAR ENDED 30TH JUNE, 2008**

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

The Commission has a corporate vision of “To be an Institution of excellence in the provision of efficient and effective service for quality teaching” and a mission “To Establish and Maintain a Sufficient Professional Teaching Service for Educational Institutions.”

### **COMMISSIONERS:**

1. Mr. I.M. Hussein, EBS, HSC      Commission Chairman
2. Mr. S. Ole Nkanae, MBS      Deputy Commission Chairman
3. Mrs. A.M. Kithimba
4. Mr. J. S. Cheloti
5. Mr. L. K. Sitienei
6. Mrs. M. M. Michira
7. Mr. E. R. Gichobi
8. Mr. A. C. Soi
9. Mr. M. Oyoo
10. Mrs. Z.M. Haji
11. Miss P.J. Kiteto
12. Mr. I.C. Aluku
13. Mr. I.E. Ethuro
14. Mr. J. S. O'bonyo
15. Mr. J. N. Thairu
16. Amb. D. I. Kathambana
17. Mrs. P. O. Were
18. Mr. J.W. Manje
19. Mrs. R.A. Onyuka
20. Mrs. M.N. Mwanasaid
21. Mr. M. K. Llanziva
22. Mrs. R. M. Sereti
23. Mrs. L. W. Njeru
24. Mr. D. A. Kuno
25. G.K. Lengoiboni – Commission Secretary/Chief Executive

**Registered Office**                      Teachers Service Commission.

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

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

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

## **REPORT OF THE COMMISSIONERS FOR THE YEAR ENDED 30TH JUNE 2008**

The Commissioners submit their report and the audited financial statements for the year ended 30th June 2008.

### **1. PRINCIPAL ACTIVITY**

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

### **2. RESULTS**

The results for the year are set out on Page 6

### **3. DIVIDENDS**

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

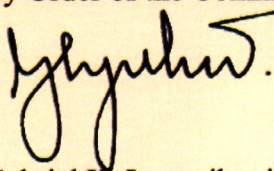
### **4. COMMISSIONERS**

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

### **5. AUDITORS**

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

By Order of the Commission



Gabriel K. Lengoiboni EBS  
Commission Secretary/Chief Executive  
NAIROBI

23rd September 2008

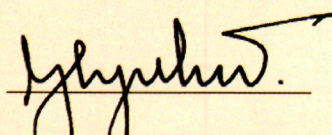
## STATEMENT OF THE COMMISSIONERS RESPONSIBILITIES

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

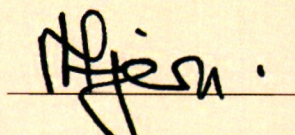
The Commissioners accepts responsibility for the annual financial statements, which have been prepared in accordance with appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of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

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

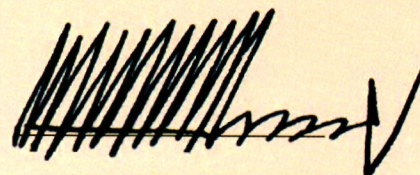
So far nothing has come to the attention of the Commissioners to indicate that the Teachers Service Commission will not remain a going concern for at least the next twelve months from the date of this statement.



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



LUCY W. NJERU (MRS)  
COMMISSIONER  
T.S.C.



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

DATE: 23.09.08

DATE: 23.09.08

DATE: 23.09.08

REPUBLIC OF KENYA

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P.O Box 30084-00100  
NAIROBI

## **KENYA NATIONAL AUDIT OFFICE**

### **REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF TEACHERS SERVICE COMMISSION FOR THE YEAR ENDED 30 JUNE 2008**

I have audited the financial statements of Teachers Service Commission set out on pages 5 to 19 which comprise the balance sheet as at 30 June 2008 and the income and expenditure statement, statement of changes in equity and cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **The Commissions' Responsibility for the Financial Statements**

The Commission is responsible for the preparation of financial statements which give a true and fair view of the Commission's state of affairs and its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Responsibility of the Controller and Auditor General**

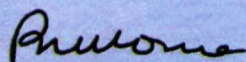
My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal controls. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commission as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

### Opinion

In my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the financial position of the Commission as at 30 June 2008 and of its surplus and cashflows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Teachers Service Commission Act, Cap 212 of the Laws of Kenya.



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

Nairobi

29 December 2008

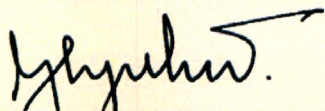
**INCOME AND EXPENDITURE STATEMENT FOR YEAR  
ENDED 30TH JUNE 2008**

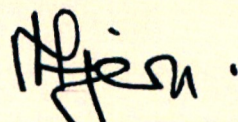
<b><u>INCOME</u></b>	<b><u>NOTES</u></b>	<b><u>2007 / 2008</u></b>	<b><u>2006 / 2007</u></b>
		<b>Kshs.</b>	<b>Kshs.</b>
Total Income	(1)	<b>77,603,301,720.40</b>	<b>70,407,793,096.75</b>
<b><u>EXPENDITURE</u></b>			
<b><u>PERSONAL EMOLUMENTS</u></b>			
T.S.C. Secretariat	(2)	1,254,123,057.70	1,175,258,514.25
Primary, Secondary & Special Institutions	(3)	73,555,276,266.40	66,629,388,159.75
Technical Institutions	(4)	1,743,417,098.95	1,629,110,151.40
		<b>76,552,816,423.05</b>	<b>69,433,756,825.40</b>
Operation Expenses	(5)	56,823,469.65	55,012,320.40
Maintenance Expenses	(6)	214,867,674.70	174,178,189.00
Other Expenses	(7)	153,558,196.65	143,638,188.15
Depreciation	(8)	53,287,412.00	30,750,114.00
<b>Total Expenditure</b>		<b>77,031,353,176.05</b>	<b>69,837,335,636.95</b>
Deficit / Surplus		571,948,544.00	570,457,459.80
<b>TOTALS</b>		<b>77,603,301,720.05</b>	<b>70,407,793,096.75</b>

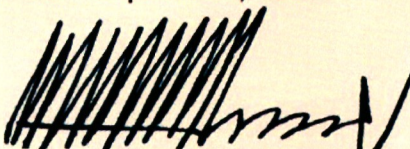
**BALANCE SHEET AS AT 30-06-2008**

<u>ASSETS</u>	<u>NOTES</u>	<u>2007/ 2008</u>	<u>2006/2007</u>
<u>NON-CURRENT ASSETS</u>		<u>KSHS.</u>	<u>KSHS.</u>
Property, plant and Equipments	(8)	883,233,845	637,395,518
<b><u>CURRENT ASSETS</u></b>			
Inventory	(9)	6,408,417	10,097,927
Trade and other Receivables	(10)	1,752,961,516	1,529,972,559
Cash on Hand and Bank Balances	(11)	3,018,290,221	1,040,358,160
Short Term Deposits Pioneer Building Society	(12)	6,618,980	6,618,980
Interest Receivable - P.B.S.	(13)	1,194,270	1,194,270
<b>Total Current Assets</b>		<b>4,785,473,404</b>	<b>2,588,241,896</b>
<b><u>CURRENT LIABILITIES</u></b>			
Trade and other Payables	(15)	3,508,237,525	1,658,553,881
Provision for bad debts	(16)	13,700,208	13,700,207
Provision for Contingency Liability	(18)	1,019,379	1,019,379
<b>Total Current Liabilities</b>		<b>3,522,957,112</b>	<b>1,673,273,467</b>
<b>Net Current Assets</b>		<b>1,262,516,292</b>	<b>914,968,429</b>
<b>TOTAL ASSETS</b>		<b>2,145,750,137</b>	<b>1,552,363,947</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
Revaluation Surplus Fund	(14)	42,000,000	42,000,000
Accumulated Fund	(17)	2,103,750,137	1,510,363,947
<b>Total Equity</b>		<b>2,145,750,137</b>	<b>1,552,363,947</b>

The financial Statements were approved by the Commissioners on 23th September, 2008 and signed on its behalf by :-

  
**GABRIEL K. LENGOIBONI - EBS.**  
**SECRETARY/CHIEF EXECUTIVE**  
**T.S.C.**  
 Date: 23/9/2008

  
**LUCY WANJERU (MRS)**  
**COMMISSIONER**  
**T.S.C.**  
 23/9/2008

  
**I.M. HUSSEIN, EBS, HSC**  
**CHAIRMAN**  
**T.S.C.**  
 23/9/2008

**STATEMENT OF CHANGES IN EQUITY AS AT 30-06-2008**

	2007/2008			2006/2007
	SECRETARIAT	TEACHERS	TOTAL	KSHS
	KSHS	KSHS	KSHS.	
Balance B/F	2,183,677,140.95	(673,313,194.10)	1,510,363,946.85	936,766,068.70
Adjustment for Statutory barred State cheques - 6 years old.	2,001,440.65		2,001,440.65	3,140,418.40
Adjustment for service charge credit balances outstanding during the year transferred to accumulated fund	223,651.05	18,931,955.20	19,155,606.25	
Adjustment for two(2) stale cheques credited to statutory barred cheques in 2006 / 2007 while already paid under stale cheques JE No.86/06/07, JE No.12/07/08 and JE No121 and 122 of 07/08 and cheque No 006124 dd 25.5.2001 and cheque No 018855 dd 6.9.2001 for kshs 46,960.20 and kshs 5,333.30 respectfully refers	(52,613.50)		(52,613.50)	
Adjustment of famine Relief fund outstanding during the year vide JE No.136/07/08 and JE No135/07/08	333,213.75		333,213.75	
Adjusted balance	<b>2,186,182,832.90</b>	<b>-654,381,238.90</b>	<b>1,531,801,594.00</b>	<b>939,906,487.10</b>
<b>Add: Excess Deficit /Surplus</b>	<b>(484,781,115.10)</b>	<b>1,056,729,659.10</b>	<b>571,948,544.00</b>	<b>570,457,759.75</b>
<b>Balance Carried Forward</b>	<b>1,701,401,717.80</b>	<b>402,348,420.20</b>	<b>2,103,750,138.00</b>	<b>1,510,364,246.85</b>

**CASH FLOW STATEMENT FOR YEAR ENDED 30TH JUNE, 2008**

	YEAR ENDED 30-6-08		YEAR ENDED 30-6-2007	
	TOTAL		TOTAL	
<b><u>OPERATING ACTIVITIES</u></b>	KSHS.	KSHS.	KSHS.	KSHS.
Excess Income/ Over Expenditure/Income		571,948,544		570,457,460
Adjustments for items not involving cash movement				
<b>Add:</b> Depreciation - Motor Vehicles	4,888,553		5,318,189	
-Furniture & Equipment	12,913,216		25,431,925	30,750,114
-Computer Equipments	35,485,643	53,287,412		
		<b>625,235,956</b>		<b>601,207,574</b>
<b>Adjustment for changes in working Capital/Operational balances</b>				
Increase in working capital on cancellation of a debt with MOE				
Decrease / Increase in stationery	3,689,510		(1,467,078)	
Decrease / Increase in Debtors	(222,988,956)		(151,434,853)	
Decrease / Increase in Creditors	1,849,683,644		866,130,566	
		<b>1,630,384,197</b>		<b>713,228,635</b>
<b>Net cash inflow - operating activities</b>				
<b><u>INVESTING ACTIVITIES</u></b>				
Work In Progress	(233,852,982)		(283,725,374)	
Purchase - Permanent Equipment	(65,272,757)	(299,125,739)	(38,932,361)	(322,657,735)
<b><u>FINANCING ACTIVITIES</u></b>				
Statutory Barred Stale Cheques	2,001,441			3,140,418
Capitalised Service charge	19,155,606			
Adjustment for stale cheques Account of cheques already cleared by the bank but were erroneously treated as stale cheques in 2006 / 2007	(52,614)			
Adjustment for famine relief fund	333,214	21,437,647		
<b>Decrease In Cash</b>		<b>1,977,932,062</b>		<b>994,918,892</b>
<b>Change in cash</b>				
Closing cash balance NOTE 11		3,018,290,222		1,040,358,159
Less: Opening cash balance		1,040,358,159		45,439,267
<b>Decrease in Cash</b>		<b>1,977,932,063</b>		<b>994,918,892</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### a. Basis of Preparation of Accounts

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

#### b. Accruals and Prepayments

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

#### c. Property, Plant, Equipment And Depreciation

Property, Plant and Equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a reducing balance basis at annual rates estimated to write off the assets over their expected useful lives.

The annual depreciation rates in use are:

##### (i) Office Equipment and Furniture

At the rate of 12.5% per annum or part thereof on the written down value or from the date of purchase. The value of Office Equipment and Furniture has been adjusted from 1.7.07 and separated into Computer Equipment and other Office Equipment and Furniture.

##### (ii) Motor Vehicles

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

##### (iii) Computer Equipment

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

##### (iv) Bad and Doubtful Debts

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

##### (v) Stocks of Stationery

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

##### (vi) Employee Benefits

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

**NOTES TO THE FINANCIAL STATEMENTS****NOTE 1: TOTAL GRANTS AND MISCELLANEOUS REVENUE**

	SECRETARIAT KSHS.	TEACHERS KSHS.	2007/2008		2006/2007	
			TOTAL KSHS.	TOTAL KSHS.	TOTAL KSHS.	TOTAL KSHS.
Grants from Ministry of Education	1,233,069,198.65	74,505,515,496.85	75,738,584,695.50	68,697,277,711.20		
Grants from MOST		1,833,636,995.00	1,833,636,995.00	1,709,015,675.55		
Miscellaneous Revenue	14,809,497.30		14,809,497.30	1,499,710.00		
Teacher Registration Receipts		16,270,532.60	16,270,533.60			
<b>Total</b>	<b>1,247,878,695.95</b>	<b>76,355,423,024.45</b>	<b>77,603,301,721.40</b>	<b>70,407,793,096.75</b>		

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

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

Teacher Registration receipts is made up of amounts received from teachers on application for registration.

**NOTES TO THE FINANCIAL STATEMENT**

**NOTE 2 - TSC SECRETARIAT**

**2007/2008**

**2006/2007**

<b>DESCRIPTION</b>	<b>ACTUAL EXPENDITURE KSHS.</b>	<b>ACTUAL EXPENDITURE KSHS.</b>
Personal Emoluments Gratuity & Pension Contribution	671,253,424.75	650,440,018.50
House Allowance	179,372,814.40	171,460,145.20
Other Personal Allowances	227,672,702.70	226,414,049.45
Medical Allowance	123,851,396.25	76,250,119.45
	51,972,719.60	50,694,181.65
<b>SUB TOTAL</b>	<b><u>1,254,123,057.70</u></b>	<b><u>1,175,258,514.25</u></b>

**NOTE 3 - PRIMARY, SECONDARY AND SPECIAL INSTITUTIONS**

Personal Emoluments Gratuity & Pension Contribution	46,612,155,054.85	41,755,246,489.05
House Allowance	7,273,373.55	5,370,136.65
Other Personal Allowances	15,040,213,274.45	14,969,031,188.10
Medical Allowance	8,013,230,919.35	6,033,817,784.45
Transfer Allowance	3,879,965,360.20	3,860,133,359.25
	2,438,284.00	5,789,202.30
<b>SUB TOTAL</b>	<b><u>73,555,276,266.40</u></b>	<b><u>66,629,388,159.80</u></b>

**NOTE 4 - TECHNICAL INSTITUTIONS**

Personal Emoluments Gratuity & Pension Contribution	1,022,662,345.55	939,454,212.15
House Allowance	297,363.00	363,724.00
Other Personal Allowance	516,941,481.25	516,109,431.35
Medical Allowance	110,950,792.55	80,080,749.45
Transfer Allowance	92,538,271.60	92,703,927.05
	26,845.00	398,107.40
<b>SUB TOTAL</b>	<b><u>1,743,417,098.95</u></b>	<b><u>1,629,110,151.40</u></b>

**GRAND TOTAL**

**76,552,816,423.05**

**69,433,756,825.45**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 - OPERATION EXPENSES**

	<b><u>2007/2008</u></b>	<b><u>2006/2007</u></b> <b><u>KSHS</u></b>
Computer Expenses	360,100.00	3,300,600.00
Courier and Postal Services	9,798,050.00	7,532,002.00
Telephone, Telex, Facsimile & Mobile phones	14,279,811.00	14,010,370.30
Publishing & Printing Services	5,891,267.50	6,864,279.25
Stationery Expenses	18,228,880.85	10,358,882.85
Advertising Expenses	7,532,978.40	11,419,339.00
Uniforms and Clothing	732,381.90	1,526,847.00
Miscellaneous Other Charges		
<b>Sub-Total</b>	<b><u>56,823,469.65</u></b>	<b><u>55,012,320.40</u></b>

**NOTE 6 - MAINTENANCE EXPENSES**

Rent and Rates	100,152,830.80	89,608,146.00
Audit Fees (Controller & Auditor General)	1,250,000.00	1,250,000.00
Education & Library Supplies	204,344.00	1,919,317.00
Legal dues ,Compensation and Ex-gratia Payments	9,665,158.00	317,724.00
Repair and Maintenance Expenses - Other Assets	14,707,899.00	14,488,434.45
Purchase of Consumable Stores	1,069,541.00	1,169,102.00
Office Entertainment	262,740.00	190,577.00
Bank Charges		171.30
Staff Development	54,123,135.55	41,159,798.45
Burial Expenses	440,000.00	
Electricity Water Conservancy	4,316,452.40	3,888,412.75
Vehicle Insurance	873,473.00	1,214,197.00
Leave Expenses	7,380.00	201,934.15
HIV/AIDS Awareness Campaign	2,094,306.30	6,690,699.55
Contracted Professional Services	9,306,036.00	
Routine Maintenance Expenses - Motor Vehicles	3,746,350.70	4,320,853.30
Boards, Commissions, Conferences & Seminars	12,648,027.95	7,758,822.05
<b>Sub Total</b>	<b><u>214,867,674.70</u></b>	<b><u>174,178,189.00</u></b>

**NOTE 7 - OTHER EXPENSES**

Refined Fuels & Lubricants for Transport	4,123,532.40	4,498,819.35
Travelling, Accommodation & Foreign Travel	48,582,897.10	37,733,233.70
Teachers and Staff Medical Expenses	100,851,767.15	101,406,135.10
	<b><u>153,558,196.65</u></b>	<b><u>143,638,188.15</u></b>
Depreciation for Motor Vehicles, Furniture, Fittings & Permanent Equipment	53,287,412.35	30,750,114.00
<b>GRAND TOTAL</b>	<b><u>478,536,753.35</u></b>	<b><u>403,578,811.55</u></b>

**NOTES TO THE FINANCIAL STATEMENTS****NOTE 8: SCHEDULE OF MOVEMENT OF PROPERTY, PLANT AND EQUIPMENT**

ASSETS	T.S.C LAND		W.I.P. BUILDING		MOTOR VEHICLES		COMPUTER EQUIPMENTS		FURNITURE, FITTINGS AND EQUIPMENTS		TOTAL	
	KSHS		KSHS		KSHS		KSHS		KSHS		KSHS	
Cost/Valuation 1.7.2007	42,000,000.00		371,194,464.65		55,273,261.00		179,234,705.25		223,065,884.10		870,768,315.00	
Add: Additions during the year			233,852,981.75		14,615,016.00		24,720,572.00		25,937,169.40		299,125,739.15	
Cost/Valuation 30.06.2008	42,000,000.00		605,047,446.40		69,888,277.00		203,955,277.25		249,003,053.50		1,169,894,054.15	
<b>DEPRECIATION</b>												
As at 1.7.2007	-		-		39,318,694.25		66,108,931.07		127,945,171.58		233,372,796.90	
Add: Charge for the year					4,888,553.40		35,485,642.80		12,913,216.16		53,287,412.36	
					44,207,247.65		101,594,573.87		140,858,387.74		286,660,209.26	
Net book value as at 30.6.2008	42,000,000.00		605,047,446.40		25,681,029.35		102,360,703.38		108,144,665.77		883,233,844.89	
Net Book Values 30.6.2007	42,000,000.00		371,194,464.65		15,954,566.85		113,125,774.18		95,120,712.52		637,395,518.20	

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9: INVENTORY**

	<u>2007 / 2008</u>	<u>2006 / 2007</u>
	<u>KSHS.</u>	<u>KSHS.</u>
Inventory	6,408,416.65	10,097,926.65

The Stock of Stationery is valued at the lower of cost and net realisable value. The inventory does not include obsolete stock valued at Kshs. 216,623.00 that the Board of Survey recommended for disposal.

**NOTE 10: TRADE & OTHER RECEIVABLES**

	<u>2007 / 2008</u>	<u>2006/2007</u>
	<u>SECRETARIAT</u>	<u>TEACHERS</u>
	<u>TOTAL KSHS.</u>	
Losses of Cash	4,329,034.80	4,893,905.75
Salary Overpayments	98,225,087.50	156,980,979.75
Temporary Imprests	620,022.45	888,352.30
Salary Advances	978,369.95	4,849,451.10
Medical Advance	2,501,251.65	
Net Salary Advance	1,453,705.85	11,170,189.80
Payments Ministry of Education	256,533.45	256,533.45
Grants Receivable	609,795,491.00	1,128,047,093.00
Service Charge	45,799.00	
Recoveries for other Institutions		28,740.00
Value Added Tax	233,855.00	1,142,149.40
Unpaid RD Cheques	452,021.80	452,021.80
Famine Relief Fund - Teachers	381,449.60	381,519.60
Recoveries for Ministry of Education	94,635.00	55,904.20
Clearance Accounts	12,859,832.00	220,825,719.20
<b>TOTAL</b>	<b>633,525,916.95</b>	<b>1,529,972,559.35</b>

**NOTE 11: CASH AND BANK BALANCES**

	2007 / 2008		2006/2007
	SECRETARIAT KSHS	TEACHERS KSHS	TOTAL KSHS.
Cash in Hand	216,364.60	-	216,364.60
Cash at Bank	322,185,059.80	2,695,888,797.10	3,018,073,856.90
<b>Total</b>	<b>322,401,424.40</b>	<b>2,695,888,797.10</b>	<b>3,018,290,221.50</b>
			<b>1,040,358,159.15</b>

The Commission operates two separate bank accounts at the National Bank of Kenya Harambee Avenue A/c No. 0100105707400 (TSC Secretariat) and A/C No. 010010090500 (TSC Teachers) For purposes of Cash Flow Statement, cash and cash equivalents comprise of cash in hand and at bank. In the Balance Sheet, cash and bank balance is made up of the same components. This year's balance comprises of the above amount.

**NOTE 12** SHORT TERM DEPOSITS - PIONEER BUILDING SOCIETY AS AT 30-06-2008

<u>FIXED DEPOSIT NO.</u>	<u>DATE</u>	<u>AMOUNT DEPOSITED (KSHS.)</u>	<u>DATE</u>
1789	29.07.85	2,518,479.00	29.07.86
2049	16.12.85	2,814,933.60	16.12.86
2048	09.12.85	6,000,000.00	10.06.86
<b>TOTAL</b>		<b>11,333,412.60</b>	
		4,348,058.35	
		<b>6,618,980.25</b>	

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 13: INTEREST RECEIVABLE - PIONEER BUILDING SOCIETY AS AT 30-06-2008**

<u>FIXED DEPOSIT NO.</u>	<u>DATE</u>	<u>INTEREST (KSHS)</u>	<u>DATE OF MATURITY</u>
1789	29.07.85	365,179.45	29.07.86
2049	16.12.85	394,090.70	16.12.86
2048	09.12.85	435,000.00	10.06.86
<b>TOTAL</b>		<b><u>1,194,270.15</u></b>	

**NOTE 14: REVALUATION SURPLUS**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 15 - TRADE & OTHER PAYABLES AS AT 30.06.08**

	<u>2007 / 2008</u>	<u>2006/2007</u>
	<u>SECRETARIAT</u>	<u>TEACHERS</u>
Clearance Accounts	61,347,180.85	3,180,045,690.45
Returned Salaries	2,661.70	35,188,189.40
Loss of Cash		60,194.00
Teachers Registration Fees	-	8,862,010.80
Stale cheques	19,051,876.25	23,867,902.85
University Loans (HELB)	141,667.90	20,140,119.10
Teachers I/D Cards		19,687.00
Recoveries for other Institutions		329,163.40
Mwalimu Sacco Dividend	307,214.90	11,872,816.60
Miscellaneous Cash Excess		145,500.30
Teacher management (STEPS)	170,449.65	
Installation of Computer software	5,430,400.00	
Payment due to MOE		28,631.80
Gender Policy Implimentation	78,762.00	
Refund to African Teachers Pension Fund withholding tax		63,023.75
Advance net salary		790,222.20
salary Advance		
Receipts in suspense	8,667,375.85	94,395,003.60
Family Relief Fund		270,190.00
Temporary Imprest		3,700.00
Recoveries from MOE	63,960.25	92,700.25
<b>TOTAL</b>	<b>95,261,549.35</b>	<b>3,412,975,975.35</b>
		<b>3,508,237,524.70</b>
		<b>1,658,553,880.90</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 16: PROVISION FOR BAD DEBTS AS AT 30.06.2008**

<b><u>Overpayment Account</u></b>	<b><u>Province/ Institution</u></b>	<b><u>Amount (Kshs)</u></b>
02-700-540	Central	591,734.75
02-700-541	Eastern	533,403.00
02-700-542	Coast & N/Eastern	741,650.35
02-700-543	Rift Valley	2,896,338.85
02-700-544	Western	573,065.30
02-700-545	Nyanza	547,884.05
02-700-548	Nairobi & Mombasa	120,805.00
03-700-747	Post Pry Institutions	1,442,142.20
03-700-549	Technical Institutions	51,006.20
		<b>7,498,029.70</b>
<b>Less: Write-Offs</b>		<b>1,611,072.35</b>
		<b>5,886,957.35</b>
<b>Add:</b>		
	Investments with Pioneer Building Society under Liquidation	
01-700-573 , 01-700-574		<b>7,813,250.40</b>
<b>TOTAL</b>		<b>13,700,207.75</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 17: ACCUMULATED FUND AS AT 30-06-2008**

	<b><u>2007/2008</u></b> <b><u>KSH.</u></b>	<b><u>2006/2007</u></b> <b><u>KSH.</u></b>
Adjusted balance brought forward	1,531,801,594.00	939,906,487.10
<b>Add:</b> Excess Expenditure Over income		
Excess Income over expenditure	571,948,544.00	570,457,459.80
<b>Accumulated Fund carried forward</b>	<b><u>2,103,750,138.00</u></b>	<b><u>1,510,363,946.90</u></b>

**NOTE 18: PROVISION FOR CONTINGENCY LIABILITY**

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

The Commission's vehicle KAR 246 L valued at Kshs.1,950,000 was attached by auctioneers as a result of a court order filed by a teacher who had sued the Commission over an unfair dismissal. The Court awarded the teacher Kshs.839,052 as compensation in the absence of the Commission. The Commission appealed after depositing a decretal amount of Kshs.154,080.00 with the court. In the course of the Commission pursuing the case in court, the amount of storage charges incurred by 26th March 2006 increased to Kshs. 180,327.40. The Commission recognises that a liability exists to the tune of Kshs.1,019,379.40 hence the provision for the contingency Liability in compliance of paragraph 14 of I.A.S. No. 37 and International Financial Reporting Standards.

On 16th October, 2007, the Chief Magistrate Nakuru issued an order for the vehicle to be released to Teachers Service Commission. It was later confirmed that the vehicle was sold and transferred to Ashford Travel Ltd. on 30th June 2007. We managed to repossess the vehicle forcefully on 15th November 2007 and the matter is being followed up with the Court and Registrar of Motor Vehicles.







## **Core Values**

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

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



## **Core Functions:**

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

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

