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**PUBLIC SERVICE COMMISSION**

# **FINANCIAL STATEMENTS**

For Year Ended 30 June 2015

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

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## **Vision**

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To be the lead service Commission in the provision, management and development of competent human resource in the Public Service.

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## **Mission**

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To transform the public service to be dynamic, professional, efficient and effective for the realization of national development goals.



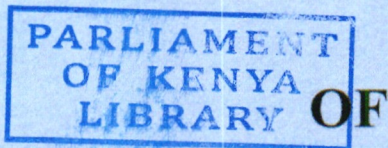
REPUBLIC OF KENYA



*Paper laid*  
*By LOMD Hon David, MP*  
*on 11/4/2018*

OFFICE OF THE AUDITOR-GENERAL

REPORT



THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF PUBLIC  
SERVICE COMMISSION

FOR THE YEAR  
ENDED 30 JUNE 2015

MINISTRY OF DEVOLUTION AND PLANNING

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# I. KEY ENTITY INFORMATION AND MANAGEMENT

## (a) Background information

The Constitution of Kenya, 2010 established the Public Service Commission under Article 233 of the Constitution and set out its mandate under article 234. The mandate of the Commission was considerably expanded compared to the Commission that was enshrined in the Constitution at the independence in 1964. The Commission consists of a chairperson, vice-chairperson and seven other members appointed in accordance with Article 233 of the Constitution. The current Commission took office on 14th January, 2013. The mandate of the reconstituted Commission is set out in Articles 234, 155 (2)(a), 158 (2)(3) and (4), 171 (2) and 230 (2)(b). The Commission is assisted by a Secretariat headed by a Secretary who is also the Chief Executive Officer.

The Public Service Commission Act, 2012 prescribes the manner in which the Commission fulfils its mandate. The Commission Board sets general policy and strategic direction of the Commission and conducts its business through nine (9) committees which have specific terms of reference. In addition, ad hoc committees are formed to deal with specific issues as and when they arise.

The nine committees of the commission comprise of: Audit; Governance and ICT; Capacity and Capability Development; Compliance and Quality Assurance; Terms and Conditions of Service; Finance, Planning and General Purpose; Human Resource Planning, Recruitment and Selection; and Transition and Devolution Matters. During the year under review, the Committees held several meetings to deliberate and make recommendations on policy issues relating to the mandate of the Commission. The recommendations were considered and approved by the Commission during its weekly board meetings. In total the Commission held 53 board meetings of which 47 were ordinary and 6 were special board meetings. The nine committees however, held several weekly meetings.

## (b) Key Management

- (i) The Commission Board is chaired by the Chairperson of the Commission. The Commission does its business through nine committees each chaired by a Commissioner and draws membership from the Commission and senior Secretariat staff;
- (ii) The Secretary/Chief Executive Officer is the Secretary to the Commission Board. The Office of the Secretary/CEO is assisted by Director, Board Management Services who oversees

secretarial responsibilities and follows up of implementation of the Commission's directives. The administration and corporate affairs of the Commission is directed by the CEO assisted by the Director of Corporate Services. The Office of the Secretary is also assisted by the Chief Commission Counsel who heads the Legal Unit of the Commission. The Chief Commission Counsel offers legal advisory services to the Commission;

- (iii) The Management of the Commission is structured into five directorates, headed by directors, namely: Finance and Planning; Establishment and Management Consultancy Services; Recruitment and Selection; Human Resource Management and Development; and Compliance Audit and Quality Assurance; and
- (iv) The Commission Chief Internal Auditor, who reports to the Audit Committee of the Commission, advises on internal control systems and fiduciary policy issues.

## (c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Alice A. Otwala, (Mrs.), CBS
2.	Director, Finance and Planning	CPA Dismas O. Ogot
3.	Director, Corporate Services (Chair Tender Committee)	Simon K. Rotich, MBS
4.	Deputy Director, Finance	CPA Ezekiel O. Ohando
5.	Deputy Director, HRM Admin	Pamela M. Woyengo (Mrs.), HSC
6.	Deputy Director, administration (Chair Procurement Committee)	Gerald G. Kuhaka ,OGW
7.	Head of Accounting Unit	CPA Elizabeth Irura, (Mrs.)
8.	Head of Procurement Unit	Isaac K. Ruchuu

#### (d) Fiduciary Oversight Arrangements

The Commission's fiduciary activities are conducted through the Commission's board provides oversight arrangements through the aforementioned nine Committees. The key fiduciary role during the year was assured through the Finance, Planning and General Purpose Committee that approves the proposals for programmes formulation, execution, monitoring and evaluation as well as the Strategic Plan, Performance Contract and Financial reporting prior to their consideration and approval by the Commission Board. In addition, the Audit and Governance and ICT Committees designed and approved road maps to ensure fiduciary compliance to objective and systemic governance and internal control.

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

- Tender Committee : undertakes functions which includes; review, verify and ascertain that all procurement and disposals are undertaken in accordance with the Act and Regulations; approve the selection of the successful tender or proposal; award procurement contracts; ensure that funds are available for the procurement under consideration; review and approve the procurement method to be used; approve amendments of contracts previously awarded by the Tender Committee; and review the quarterly reports on quotations that have been awarded by the Procurement Committee.
- Procurement Committee: is responsible for contracts below the Tender Committee thresholds as set out in the Procurement Act and regulations and ensure that the selection of suppliers invited to submit quotations are based on fair competition and in compliance with the legal and regulatory framework for the supply of goods, works and services
- Budget Implementation Committee: oversees budget implementation process and advises the Accounting officer on the budget performance of the commission during each financial year
- Ministerial Human Resources Management Advisory Committee : Considers and approves training objectives , staff development strategies, training needs, training projections, skills inventory and training data for the Service

The activities of the Commission were also oversighted by the Offices of the Controller of Budget and Auditor General that continuously approved expenditure requests through Exchequer approvals and authorization as well as continuous audit during the Financial Year.

#### (e) PSC Headquarters

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

#### (f) PSC Contacts

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

#### (g) PSC Bankers

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000-00200  
NAIROBI, KENYA

#### (h) Independent Auditors

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

#### (i) Principal Legal Adviser

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

## II. FOREWORD BY THE CHAIRPERSON

The Public Service Commission is an independent constitutional body established under Article 233 of the Constitution. Article 234, stipulates the mandate and functions of the Public Service Commission. The functions as spelt out under this Article are a major departure from the mandate in the previous Constitution. In line with this, Kenyans expect a transformed Public Service Commission that will not only discharge the expanded mandate effectively, but also one that is committed and upholds high professional standards, promotes inclusivity, equity and strives for excellence; and delivers impartial, efficient and effective services in a predictable manner. The Commission has therefore put in place appropriate strategies and programmes aimed at enhancing service delivery to the public.

In addition the Commission is also mandated under Articles 234(2)(h) and 254 to report to the President and Parliament on the extent to which the Values and Principles in Articles 10 and 232 are complied with in the Public Service as well as report annually on its operations. To effectively discharge its mandate, the Commission implemented specific programmes and activities in respect of each function.

### 1.1 Summary of Budget Performance

During the year under review, the Commission had three programmes namely, General Administration, Planning and Support Services; Human Resource Management and Development; and Governance and National Values which were allocated gross estimates of Kshs. 1.05 billion comprising of recurrent estimates of Kshs.882 million and development estimates of Kshs.168 million. The recurrent estimates were, however, revised upwards to Kshs. 1.04 billion, while the development estimates were maintained at Kshs. 168 million during the Revised Estimates I. In the second Revised Estimates in June 2015, the recurrent estimates were revised downwards to Kshs. 1.01 billion, whereas the development estimates remained at Kshs 168 million resulting in a gross estimate of Kshs. 1.18 billion, out of which the Commission utilized Kshs 1.14 billion, representing approximately 96 per cent budget absorption rate.

From the recurrent expenditure of Kshs. 990 million, Kshs. 470 million was used on compensation of employees while Kshs.520 million was used on operations and maintenance. The development sum of Kshs. 152 million was spent on construction of additional offices against an allocation of Kshs. 168 million, representing 91 per cent absorption.

### 1.2 Key Achievements

During the financial year under review, the Commission made remarkable achievements namely:

developed various guidelines and policies that included participation of the public in policy making process, negotiation, conciliation and mediation on complaints from the public or the public service; advised and participated in the process of establishing and abolishing offices in public service; conducted organization studies in ministries, agencies and departments (MDA's); developed and disseminated policies and procedures for hearing and determining appeals from County Public Service Boards and MDAs to ensure efficiency and effectiveness of the public service; re-engineered the online recruitment and selection database system thus reducing paper work; developed and disseminated guidelines for implementation of policy on decentralization of human resources management to enable authorized officers and heads of human resource management and development in state departments to implement the expanded delegated authority; recruited 248 persons in to the service out of which 150 or (61 per cent) were male and 98 or (39 per cent) female; promoted 1,211 persons in various ministries out of which 766 or (63 per cent) were male and 445 or (37 per cent) were female, out of these, 4 male and 2 female officers promoted were persons with disability; offered capacity building to county public service and county assembly boards; finalized the transfer of the examination function to the Kenya School of Government and prepared an annual report on the operations of the Commission and Evaluation Report on the extent of the public service compliance with Values and Principles in Articles 10 and 232 of the Constitution and submitted to the President and Parliament.

The Commission improved the welfare of the staff through a defined contributory pension scheme and outsourced group medical, Group Personal Accident (GPA) and Work Injury Benefits Act (WIBA) insurance covers for the Secretariat staff.

### 1.3 Emerging Issues

- (a) Rationalization of staffing levels and roles: During the year under review, the Commission in collaboration with the Ministry of Devolution and Planning supported the Capacity Assessment and Rationalization Programme (CARPS) Committee and consultants in undertaking the capacity assessment and rationalization of the public service implementation guidelines. The Commission is awaiting to study the CARPS recommendations with a view to advising Government on the appropriate steps and way forward.
- (b) Aligning the Human Resource Management Policies and Instruments to the Constitution: The Commission will adhere to the Constitutional provisions and other relevant legislation

in the discharge of its mandate by progressively developing, reviewing and aligning all human resource management and development policies, regulations, guidelines, among other instruments to the Constitution.

- (c) **Oversight Functions:** On delegation, the Commission will strengthen its capacity to undertake the oversight role to ensure that the delegated powers and functions are discharged in line with existing laws, policies and legislation for effective service delivery. To effectively play this role, the Commission will implement and elaborate monitoring and evaluation framework.
- (d) **Public Participation in Policy Making:** The Commission recognizes the critical role played by the public and other key stakeholders in policy making. In this respect, the Commission will involve stakeholders at every stage of its policy making.
- (e) **Promotion of Values and Principles in Articles 10 and 232:** The Commission will continue to promote values and principles as stipulated in Articles 10 and 232 of the Constitution. The Commission has consequently developed strategic policies to spearhead the promotion, monitoring, and evaluation and reporting on the extent to which these values have been complied with in the public service. These programmes would ordinarily require enormous financial resources.
- (f) **Devolution and Transition Matters:** In line with the provision under schedule four of the Constitution, the Commission continued to facilitate County Governments through various county visits and hosting a number of County Public Service Boards for provision of technical support. This arrangement gave the Commission an opportunity to, where necessary, assist the boards develop appropriate strategies, structures and systems for effective discharge of their mandates.
- (g) **Hearing and determining of appeals from the County Governments Public Services:** The Commission is mandated to hear and determine appeals from the County Governments. The

Commission is strengthening structures to hear and determine appeals from county governments and ensure fast dispensation of justice through the proposed acquisition of equipment for video conferencing and Hansard. These, it is envisaged will not only reduce the costs for the National Government but also the County Governments who will not have to be physically present at the Commission's offices.

#### 1.4 Challenges and Recommended Way forward

In spite of the aforementioned achievements, the Commission faced a number of challenges including inadequate funding for Commission's programmes; non release of the exchequer request at the end of Financial year leading to pending bills; freezing of recruitment in the service thus affecting succession management; delays in the enactment of the revised Public Service Commission Bill and Regulations; inadequate office accommodation for the Commission and secretariat staff; and delays in determining disciplinary cases by law courts thus affecting human resource planning.

The Commission will continue to engage the National Treasury for additional funding to address the challenges. Further, the commission will liaise with the Cabinet Secretary to fast track the enactment of Public Service Commission Bill 2015. To address inadequate office accommodation, the Commission will be seeking budgetary provision to acquire a piece of land outside the crowded Central business District to construct suitable office block with attendant facilities for the Commission and staff in the medium term.

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



**PROF. MARGARET KOBIA, PhD, FKIM, CBS  
CHAIRPERSON**

DATE: 26.1.2016

### III. STATEMENT MANAGEMENT RESPONSIBILITIES

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

The Accounting Officer in charge of the Public Service Commission is responsible for the preparation and presentation of the 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 (period) ended on June 30, 2015. 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 Commission; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Commission, (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the Public Service Commission accepts responsibility for the Commission's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2015, and of the Commission's financial position as at that date. The Accounting Officer in charge of the Public Service Commission further confirms the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Public Service Commission confirms that the Commission has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the 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 30/9/ 2015.



Accounting Officer/CEO



Head of Accounting Unit

# IV. REPORT OF THE AUDITOR GENERAL ON THE REPORTS AND FINANCIAL STATEMENT OF THE PUBLIC SERVICE COMMISSION

## REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

### OFFICE OF THE AUDITOR-GENERAL REPORT OF THE AUDITOR-GENERAL ON PUBLIC SERVICE COMMISSION FOR THE YEAR ENDED 30 JUNE 2015

#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Public Service Commission set out on pages 12 to 31, which comprise the statement of assets and liabilities as at 30 June 2015, and the statement of receipts and payments, statement of cash flows, and summary statement of appropriation for the year then ended, recurrent development and combined summary statement of provisioning 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 8 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 4 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with provisions of Section 9 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Auditing Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

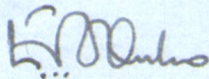
## IV. REPORT OF THE AUDITOR GENERAL ON THE REPORTS AND FINANCIAL STATEMENT OF THE PUBLIC SERVICE COMMISSION (CONT.)

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Service Commission as at 30 June, 2015 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 Public Finance Management Act, 2012.



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

Nairobi

07 January 2016

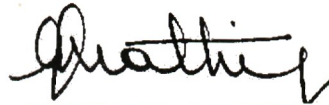
## V. STATEMENT OF RECEIPTS AND PAYMENTS

RECEIPTS	Note	2014-2015	2013-2014
Transfers from National Treasury	1	1,133,670,000	871,744,115
Proceeds from Sale of Assets	2	5,954,400	9,668,510
<b>TOTAL REVENUES</b>		<b>1,139,624,400</b>	<b>881,412,625</b>
PAYMENTS			
Compensation of Employees	3	469,578,529	417,156,404
Use of goods and services	4	449,081,025	244,430,602
Other grants and transfers	5	797,695	864,321
Social Security Benefits	6	62,628,623	265,237
Acquisition of Assets	7	159,406,749	215,987,265
Other Expenses	8	-	6,457,944
<b>TOTAL PAYMENTS</b>		<b>1,141,492,621</b>	<b>885,161,773</b>
<b>SURPLUS/DEFICIT</b>	<b>16</b>	<b>(1,868,221)</b>	<b>(3,749,148)</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/9/ 2015 and signed by:



Accounting Officer/CEO



Head of Accounting Unit

## VI. STATEMENT OF ASSETS AND LIABILITIES

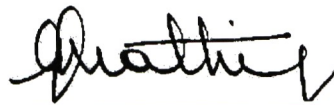
	Note	2014-2015	2013-2014
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	9	39,068,039	22,384,726
Cash Balances	10	48,773	559,590
<b>Total Cash and Cash Equivalent</b>		<b>39,116,812</b>	<b>22,944,316</b>
Accounts Receivable - Advances	11	89,136	324,176
<b>TOTAL FINANCIAL ASSETS</b>		<b>39,205,948</b>	<b>23,268,492</b>
<b>LESS: FINANCIAL LIABILITIES</b>			
Accounts Payable	12	38,340,643	20,534,966
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>38,340,643</b>	<b>20,534,966</b>
NET FINANCIAL ASSETS		865,305	2,733,526
<b>REPRESENTED BY</b>			
Fund balance b/fwd	14	2,733,526	6,482,674
Surplus/Deficit for the year	13(a)	3,749,148	(1,868,221)
<b>NET FINANCIAL POSITION</b>		<b>865,305</b>	<b>2,733,526</b>

The Fund balance b/fwd for the previous year (FY 2013/14) was split to show the Deposit component (Accounts payable) separately due to the change in Reporting Template

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30/9/ 2015 and signed by:



Accounting Officer/CEO



Head of Accounting Unit

## VII. STATEMENT OF CASH FLOW

	Note	2014-2015	2013-2014
		Kshs	Kshs
<b>RECEIPTS FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Transfers from National Treasury	1	1,133,670,000	871,744,115
Change in receivables		235,040	16,825
Change in payables		17,805,677	15,510,201
Compensation of Employees	3	(469,578,529)	(417,156,404)
Use of goods and services	4	(449,081,025)	(244,430,602)
Other grants and transfers	5	(797,695)	(864,321)
Social Security Benefits	6	(62,628,623)	(265,237)
Other Expenses	8		(6,457,944)
<b>Total Receipts</b>		<b>1,151,710,717</b>	<b>887,271,141</b>
<b>Total Payments</b>		<b>(982,085,872)</b>	<b>(669,174,508)</b>
<b>Net cash flow from operating activities</b>		<b>169,624,845</b>	<b>218,096,633</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	2	5,954,400	9,668,510
Acquisition of Assets	7	(159,406,749)	(215,987,265)
<b>Net cash flows from Investing Activities</b>		<b>(153,452,349)</b>	<b>(206,318,755)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceedings from Domestic Borrowings			-
Proceeds from Foreign Borrowings		-	-
Repayment of principal on Domestic and Foreign borrowing		-	-
<b>Net cash flow from financing activities</b>			
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>16,172,496</b>	<b>11,777,878</b>
Cash and cash equivalent at beginning of the year		22,944,316	11,166,438
Cash and cash equivalent at end of the year		<b>39,116,812</b>	<b>22,944,316</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30/9/ 2015 and signed by:



Accounting Officer/CEO



Head of Accounting Unit

## VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=d-c	% of Utilisation Difference to Final Budget f=d/c %
<b>Revenues/Receipts</b>						
Opening balance				2,409,350		
Transfers from National Treasury & Other Government Entities	1,042,204,313	134,000,000	1,176,204,313	1,133,670,000	(42,534,313)	96%
Proceeds from Sale of Non-Financial Assets (AIA)	8,000,000	-	8,000,000	5,954,400	(2,045,600)	74%
<b>Total Revenues/Receipts</b>	<b>1,050,204,313</b>	<b>134,000,000</b>	<b>1,184,204,313</b>	<b>1,142,033,750</b>	<b>(44,579,913)</b>	<b>96%</b>
<b>Payments/Expenses</b>						
Compensation of Employees	429,000,000	41,000,000	470,000,000	469,578,529	(421,471)	100%
Use of goods and services	442,682,313	29,571,377	472,253,690	449,081,025	(23,172,665)	95%
Other grants and transfers	1,000,000	-	1,000,000	797,695	(202,305)	80%
Social Security Benefits	200,000	62,428,623	62,628,623	62,628,623	-	100%
Acquisition of Assets	177,322,000	1,000,000	178,322,000	159,406,749	(18,915,251)	89%
<b>Total Payments/Expenses</b>	<b>1,050,204,313</b>	<b>134,000,000</b>	<b>1,184,204,313</b>	<b>1,141,492,621</b>	<b>(42,711,692)</b>	<b>96%</b>

The financial statements were approved on 30/9/ 2015 and signed by:



Accounting Officer/CEO




Head of Accounting Unit

## IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Compa- rable Basis d	Budget Utilisa- tion Difference e=d-c	% of Utilisation Differ- ence to Final Budget f=d/c %
<b>Revenues/Receipts</b>						
Opening balance				1,483,923		
Transfers from National Treasury & Other Government Entities	874,204,313	134,000,000	1,008,204,313	980,040,000	(28,164,313)	97%
Proceeds from Sale of Non-Financial Assets (AIA)	8,000,000	-	8,000,000	5,954,400	(2,045,600)	74%
<b>Total Revenues/Receipts</b>	<b>882,204,313</b>	<b>134,000,000</b>	<b>1,016,204,313</b>	<b>987,478,323</b>	<b>(30,209,913)</b>	<b>97%</b>
Compensation of Employees	429,000,000	41,000,000	470,000,000	469,578,529	(421,471)	100%
Use of goods and services	442,682,313	29,571,377	472,253,690	449,081,025	(23,172,665)	95%
Other grants and transfers	1,000,000	-	1,000,000	797,695	(202,305)	80%
Social Security Benefits	200,000	62,428,623	62,628,623	62,628,623	-	100%
Acquisition of Assets	9,322,000	1,000,000	10,322,000	7,306,284	(3,015,716)	71%
<b>Total Payments/Expenses</b>	<b>882,204,313</b>	<b>134,000,000</b>	<b>1,016,204,313</b>	<b>989,392,156</b>	<b>(26,812,157)</b>	<b>97%</b>

The utilisation of the budget was not complete because the report for 2014/2015 on compliance to extent to which values and principles were compiled with was partly paid for. Computers for the new staff were delivered but not paid. The financial statements were approved on 30/9/ 2015 and signed by:

  
Accounting Officer/CEO

  
Head of Accounting Unit

## X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Com- parable Basis d	Budget Utilisa- tion Difference e=d-c	% of Utilisation Difference to Final Budget f=d/c %
<b>Revenues/Receipts</b>						
Opening balance				925,427		
Transfers from National Treasury & Other Government Entities	168,000,000	-	168,000,000	153,630,000	(14,370,000)	91%
<b>Total Revenues/Receipts</b>	<b>168,000,000</b>	<b>-</b>	<b>168,000,000</b>	<b>154,555,427</b>	<b>(14,370,000)</b>	<b>91%</b>
<b>Payments/Expenses</b>						
Acquisition of Assets	168,000,000	-	168,000,000	152,100,465	(15,899,535)	91%
<b>Total Payments/Expenses</b>	<b>168,000,000</b>	<b>-</b>	<b>168,000,000</b>	<b>152,100,465</b>	<b>(15,899,535)</b>	<b>91%</b>

Total budget for development could not be absorbed in full because the contractor did not issue the final certificate towards the end of the year  
The financial statements were approved on 30/9/ 2015 and signed by:



Accounting Officer/CEO




Head of Accounting Unit

## XI. SUMMARY STATEMENT OF PROVISION

Details of General Account on Vote	2014 - 2015	2013 - 2014
	Kshs	Kshs
GAV Provisioning account balance	43,484,624	33,011,639
<b>TOTAL</b>	<b>43,484,624</b>	<b>33,011,639</b>
Details on Exchequer Account		
Exchequer Provisioning account balance	45,425,082	34,970,348
<b>TOTAL</b>	<b>45,425,082</b>	<b>34,970,348</b>



Accounting Officer/CEO



Head of Accounting Unit

## XII. 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 and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

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

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by PSC.

### 2. Recognition of revenue and expenses

PSC recognises all revenues from the various sources when the event occurs and the related cash has actually been received by PSC. In addition, PSC recognises all expenses when the event occurs and the related cash has actually been paid out by PSC.

### 3. 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 at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term advances to authorised public officers and which were not accounted for at the end of the financial year.

### 4. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties has been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending

fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements.

### 5. Non-Current Assets

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

### 6. Pending bills

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

### 7. Budget

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

### 8. Comparative figures

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

### 9. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015.

# XIII. NOTES TO THE FINANCIAL STATEMENTS

## 1 EXCHEQUER RELEASES

	2014 – 2015	2013 – 2014
	Kshs	Kshs
Total Exchequer Releases for quarter 1	243,940,000	145,500,000
Total Exchequer Releases for quarter 2	291,340,000	212,000,000
Total Exchequer Releases for quarter 3	226,390,000	214,000,000
Total Exchequer Releases for quarter 4	372,000,000	300,244,115
<b>TOTAL</b>	<b>1,133,670,000</b>	<b>871,744,115</b>

## 2. PROCEEDS FROM SALE OF ASSETS

	2014 – 2015	2013 - 2014
	Kshs	Kshs
Sale of Prequalification Tender Documents	92,300	9,668,510
Proficiency Exams for Clerical Officers	5,862,100	-
<b>TOTAL</b>	<b>5,954,400</b>	<b>9,668,510</b>

## 3. COMPENSATION OF EMPLOYEES

	2014 – 2015	2013 – 2014
	Kshs	Kshs
Basic salaries of permanent employees	461,778,529	115,685,644
Personal allowances paid as part of salary	7,800,000	301,470,760
<b>TOTAL</b>	<b>469,578,529</b>	<b>417,156,404</b>

## 4. USE OF GOODS AND SERVICES

	2014 – 2015	2013 – 2014
	Kshs	Kshs
Utilities, supplies and services	7,869,278	5,072,028
Communication, supplies and services	14,280,153	9,964,218
Domestic travel and subsistence	43,345,147	25,623,436
Foreign travel and subsistence	17,949,094	3,966,666
Printing, advertising and information supplies & Services	60,726,608	42,919,248
Rentals of produced assets	11,857,102	10,578,531
Training expenses	45,721,193	46,551,251
Hospitality supplies and services	50,960,272	32,091,778
Insurance cost	73,874,259	5,688,921
Specialised materials and services	27,863,596	8,395,138
Office and general supplies and services	12,370,026	10,788,897
Fuel	10,029,990	4,846,660
Other operating expenses	56,881,870	29,075,969
Routine maintenance - vehicles and other		
Transport equipment	6,842,980	1,928,000
Routine maintenance - other assets	8,509,457	6,939,861
<b>TOTAL</b>	<b>449,081,025</b>	<b>244,430,602</b>

**5. OTHER GRANTS AND OTHER PAYMENTS**

Membership Fees and Dues and Subscriptions to International Organizations	797,695	864,321
<b>TOTAL</b>	<b>797,695</b>	<b>864,321</b>

**6. SOCIAL SECURITY BENEFITS**

	2014 – 2015	2013 – 2014
Government pension and retirement benefits	62,628,623	265,237
<b>TOTAL</b>	<b>62,628,623</b>	<b>265,237</b>

**7. ACQUISITION OF ASSETS**

	2014 – 2015	2013 - 2014
	Kshs	Kshs
<b>Non-Financial Assets</b>		
Construction of Buildings	152,100,465	144,510,976
Refurbishment of Buildings	1,141,435	6,855,901
Construction and Civil Works		61,563,597
Purchase of Vehicles and Other Transport Equipment	-	-
Overhaul of Vehicles and Other Transport Equipment	403,434	497,312
Purchase of Household Furniture and Institutional Equipment	578,722	610,054
Purchase of Office Furniture and General Equipment	1,506,497	-
Purchase of Specialised Plant, Equipment and Machinery	3,336,675	1,733,000
Rehabilitation and Renovation of Plant, Machinery and Equip.	339,521	216,425
<b>TOTAL</b>	<b>159,406,749</b>	<b>215,987,265</b>

**8. OTHER EXPENSES**

	2014 – 2015	2013 - 2014
	Kshs	Kshs
Transfer to treasury - Exchequer returns		6,299,738
Other expenses	-	193,828
General Suspense	-	(35,622)
<b>TOTAL</b>	<b>-</b>	<b>6,457,944</b>

**9. BANK ACCOUNTS**

Name of Bank, Account No. & currency	Amount in foreign currency	Exchange rate	2014 - 2015	2013 –2014
			Kshs	Kshs
Central Bank of Kenya Rec A/c no. 1000181297			1,265,552	924,333
Central Bank of Kenya Dev A/c no. 10000182199			2,454,962	925,427
Central Bank of Kenya Dep A/c no. 1000182113			35,347,525	20,534,966
<b>TOTAL</b>			<b>39,068,039</b>	<b>22,384,726</b>

**10. CASH IN HAND**

	2014 - 2015	2013 - 2014
	Kshs	Kshs
PSC Head office	48,773	559,590
<b>TOTAL</b>	<b>48,773</b>	<b>559,590</b>

**11. ADVANCES**

	2014-2015	2013-2014
	Balance	Balance
	Kshs	Kshs
2014/2015 Outstanding advances	89,136	
2013/2014 Outstanding advances		324,176
<b>TOTAL</b>	<b>89,136</b>	<b>324,176</b>

**12. ACCOUNTS PAYABLE**

	2014 - 2015	2013 - 2014
	Kshs	Kshs
Deposit and Retentions	35,347,525	20,534,966
Other Payables	2,993,118	-
<b>TOTAL</b>	<b>38,340,643</b>	<b>20,534,966</b>

**13. PRESENTATION RESTATEMENT FOOTNOTE ON PRIOR YEAR FINANCIALS**

	2014-2015	2013-2014
	Kshs	Kshs
<b>a) SURPLUS/DEFICIT FOR THE YEAR</b>	<b>(1,868,221)</b>	<b>(3,749,148)</b>
<b>b) STATEMENT OF RECEIPTS AND PAYMENTS</b>		
	<b>Audited</b>	<b>Restated</b>
	<b>2013-2014</b>	<b>2013-2014</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>RECEIPTS</b>		
Transfers from National Treasury	871,744,115	871,744,115
Domestic Currency and Domestic Deposits	15,510,201	(15,510,201)
Proceeds from Sale of Assets	9,668,510	9,688,510
<b>TOTAL RECEIPTS</b>	<b>899,922,826</b>	<b>881,412,625</b>
<b>PAYMENTS</b>		
Compensation of Employees	417,156,404	417,156,404
Use of goods and services	244,430,602	244,430,602
Other grants and transfers	864,321	863,321
Social Security Benefits	265,237	265,237
Acquisition of Assets	215,987,265	215,987,265
Other Payments	6,457,944	6,457,944
<b>TOTAL PAYMENTS</b>	<b>885,161,773</b>	<b>885,161,773</b>
<b>SURPLUS/DEFICIT</b>	<b>11,761,053</b>	<b>(3,749,148)</b>

c) STATEMENT OF ASSETS AND LIABILITIES			
	Audited		Restated
	2013-2014	Adjustment	2013-2014
	Kshs	Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	22,384,726	22,384,726	
Cash Balances	559,590		559,590
Outstanding Advances	324,176	(324,176)	-
<b>Total Cash and cash equivalent</b>	<b>23,268,492</b>	<b>(324,176)</b>	<b>22,944,316</b>
Accounts receivables – Advances	-	324,176	324,176
<b>TOTAL FINANCIAL ASSETS</b>	<b>23,268,492</b>	<b>-</b>	<b>23,268,492</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payables – Deposits and Retentions	-	20,534,966	20,534,966
<b>NET FINANCIAL ASSETS</b>	<b>23,268,492</b>	<b>20,534,966</b>	<b>2,733,526</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	11,507,439	(5,024,765)	6,482,674
Surplus/Deficit for the year	11,761,053	(15,510,201)	(3,749,148)
Prior Year Adjustment	-	-	-
<b>NET FINANCIAL POSITION</b>	<b>23,268,492</b>	<b>(20,534,966)</b>	<b>2,733,526</b>

In the current year, the previous year comparatives amounts as audited have been restated due to change in presentation format.

#### 14. BALANCES BROUGHT FORWARD

	2014 - 2015	2013 - 2014
	Kshs	Kshs
Bank accounts	22,384,726	11,103,013
Cash in hand	559,590	63,425
Accounts Receivable – Advances	324,176	341,001
Accounts Payable – Deposits	(20,534,966)	(5,024,765)
<b>TOTAL</b>	<b>2,733,526</b>	<b>6,482,674</b>

#### 15. OTHER IMPORTANT DISCLOSURES

##### 15.1 PENDING ACCOUNTS PAYABLE

	2014 - 2015	2013 - 2014
	Kshs	Kshs
Construction of civil works	64,564,291	2,228,700
<b>TOTAL</b>	<b>64,564,291</b>	<b>2,228,700</b>

**16. Reconciliation of the Surplus/Deficit**

	Kshs
<b>Opening Balance: Recurrent in year 2014/2015</b>	
Bank Balance	924,333
Cash in Hand	559,590
<b>Development in year 2014/2015</b>	
Bank Balance	925,427
Total	2,409,350
Less: Surplus/Deficit as per receipts and payments	(1,868,221)
<b>Net Surplus for the year</b>	<b>541.129</b>

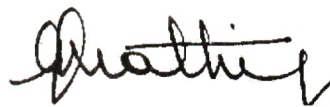
**16. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Exchequer and GAV balances for 2013/2014 outstanding.	Treasury Authority needed to clear the Balances	Head of Accounting Unit, CPA Elizabeth Irura (Mrs.)	Cleared up to 2012/2013 Financial Year	Not yet determined



Accounting Officer/CEO



Head of Accounting Unit

## ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLES

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2014	Comments
	a	b	c	d=a-c		
Supply of goods						
1. Jonca Enterprises	322,000	19/05/2015		322,000		Paid in full in Aug. & Sep. 2015
2. Jonca Enterprises	98,000	18/06/2015		98,000		"
3. On Time Technics	561,000	26/05/2015		561,000		"
4. Electro Digital Computers Kenya	1,850,500	19/05/2015		1,850,500		"
5. Openfield Business Systems	15,410,000	21/05/2015		15,410,000		"
6. Kenya Pipeline Corporation	1,186,600	25/06/2015		1,186,600		"
7. Sunbeam Computers Systems E.A Ltd	1,299,500	20/05/2015		1,299,500		"
8. Actsure Office Solutions	4,707,325	21/05/2015		4,707,325		"
9. Sunbeam Computers Systems E.A Ltd	6,599,500	20/05/2015		6,599,500		"
10. Viable Solutions Enterprises	235,300	29/05/2015		235,300		"
11. Telkom Kenya Ltd	56,535	18/05/2015		56,535		"
12. Magicwave Communications Ltd	882,726	18/05/2015		882,726		"
13. Magicwave Communications Ltd	882,726	21/05/2015		882,726		"
14. Ephah General Agency	166,720	26/05/2015		166,720		"
15. Nairobi Water and Sewerage Company Ltd	113,457	26/05/2015		113,457		"
16. AndyAdams Ltd	2,159,618	22/05/2015		2,159,618		"
17. Kenya Web Com Ltd	139,700	16/10/2014		139,700		"
18. Musline Communications Ltd	1,856,000	10/06/2015		1,856,000		"
19. Pridein Hotels & Investments Ltd	1,436,000	16/03/2015		1,436,000		"
20. Fresh Paradise	628,475	13/05/2015		628,475		"
21. Toyota Kenya Ltd	151,927	22/05/2015		151,927		"
22. Toyota Kenya Ltd	207,387	22/05/2015		207,837		"
23. D.T. Dobie and Company Ltd	75,500	11/11/2014		75,500		Not yet cleared
24. The Hotsun Shelter Ventures	218,000	21/05/2015		218,000		Paid in full in Aug. & Sep. 2015
25. Anyika Boaz Enterprises	62,800	22/05/2015		62,800		"
26. Sunbeam Computers Systems E.A Ltd	45,000	18/05/2015		45,000		"
27. Bidii Enterprises	105,000	21/05/2015		105,000		"
28. Bob Kopira Enterprises	360,000	21/05/2015		360,000		"
29. Kenya Literature Bureau Ltd	350,000	29/05/2015		350,000		"
30. Limuda Enterprises	71,040	17/06/2015		71,040		"

## ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLES (CONT.)

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2014	Comments
	a	b	c	d=a-c		
31. Gata Ltd	920,000	10/04/2015		920,000		"
32. Sunbeam Computers Systems E.A Ltd	1,993,500	10/04/2015		1,993,500		"
33. Nakumatt Holdings Ltd	23,995	22/04/2015		23,995		"
34. Keswick Books and Gifts Ltd	33,570	22/04/2015		33,570		"
35. UAP Insurance Company Ltd	1,118,604	11/06/2015		1,118,604		"
36. Kacha Enterprises	346,311	30/06/2015		346,311		"
37. M/S Muga Enterprises Ltd	5,341,805	22/06/2015		5,341,805		Not yet cleared
38. M/S Pong Agencies Ltd	3,832,475	22/06/2015		4,077,163		"
39. Anthopi Mechanical Engineering and Refcon Engineering Services	2,839,673	22/06/2015		2,839,673		"
40. Hypertech Electrical Services Ltd	4,563,440	22/06/2015		4,563,440		"
41. Prestige Bookshop Ltd	102,445	30/06/2015		102,445		"
42. M/S Marryat & Scott (K) Ltd	1,210,137	22/06/2015		1,210,137		"
<b>Grand Total</b>	<b>64,564,291</b>			<b>64,564,291</b>		"

## ANNEX 2 – SUMMARY OF FIXED ASSET INVENTORY

ASSET CLASS	Historical Cost (Kshs) 2014/15	Historical Cost (Kshs) 2013/14
Land	-	-
Buildings and structures	329,633,279	-
Transport equipment	184,878,365	184,878,365
Office equipment, furniture and fittings	32,842,767	20,299,550
ICT Equipment, Software and Other ICT Assets	59,802,677	39,411,822
Other Machinery and Equipment	-	-
Heritage and cultural assets	-	-
Intangible assets	-	-
<b>TOTAL</b>	<b>607,157,088</b>	<b>244,589,737</b>



**PUBLIC SERVICE COMMISSION**

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