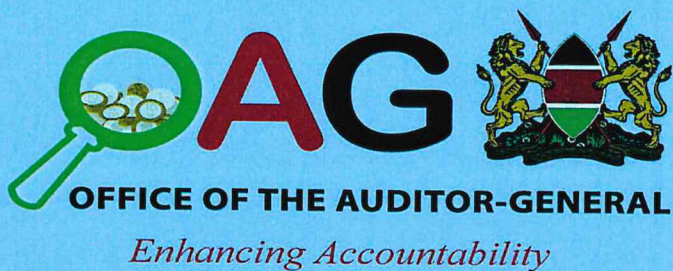


REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY
PAPERS TABLE

DATE: 10 OCT 2020 DAY: Thurs

FILED: h.o.m

BRIGAT: Mocio Minam

REPORT

OF

THE AUDITOR-GENERAL

ON

TEACHERS SERVICE COMMISSION

FOR THE YEAR ENDED
30 JUNE, 2019



TEACHERS SERVICE COMMISSION
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2019

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

TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 ANNUAL REPORT AND FINANCIAL
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**Dr. Lydia Nzomo, CBS
Chairperson**



**Cleophas Tirop, OGW
Vice-Chairman**



**Mbarak Twahir FKIM
Commissioner**



**Tache Bonsa Gollo
Commissioner**



**Dr Salome Gichura, OGW
Commissioner**



**Kinoti Imanyara
Commissioner**



**Albert Fred Ekirapa
Commissioner**



**Beatrice Marembo Adu, HSC
Commissioner**



**Saadia Abdi Kontoma, OGW
Commissioner**



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

TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(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

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30 June 2019 and who had direct fiduciary responsibility were:

Designation	Name
1. Secretary/CEO	Dr.Nancy Njeri Macharia, CBS
2. Deputy Secretary/CEO	Mr. S.M.Kavisi, OGW
3. Director -Administration	Mr. Ibrahim Mumin Gedi, OGW
4. Director –Finance and Accounts	CPA. Cheptumo Ayabei
5. Director -HRM & D	Mrs. Josephine M. Maundu
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. Ag. Director Staffing	Mrs.Rita W. Wahome

TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(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

Private Bag -00100

Nairobi.

Telephone: (254) 020 289 2000

E-mail: info@tsc.go.ke

Website: www.tsc.go.ke

(g) Bankers

1. Central Bank of Kenya

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

TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

strategic plan are Teacher Competence, Conduct and Performance Management, Reforms and Innovations in provision of teaching Services and Service Delivery re-engineering.

The Commission is implementing an Electronic Document Management System (EDMS) that would manage business processes using indexed scanned staff documents of the Commission. This will present real-time information for planning, budgeting and decision making, hasten business processes (improve turn-around time), cut cost on paper use and advise national government promptly. By the end of the financial year, 142,015 out of 325,247 active staff records were digitized. Further, the Commission has rolled out an Interactive communication system through implementation of the Bulk SMS Solution, mobile application and Unstructured Supplementary Service Data (USSD).

However, during the period the commission encountered few emerging issues and some implementation challenges as follows;

- i. Austerity measures and delayed funding for Commission's programmes and activities
- ii. Teacher shortage
- iii. Insecurity in certain parts of the country
- iv. Increase in number of court cases affected the execution of the Commission mandate
- v. Tenders reserved for Youth, Women and Persons with Disability were mostly non-responsive leading to low budget absorption.
- vi. Inadequate office accommodation in the Counties and Sub-Counties
- vii. Inadequate transport facilities in the sub-counties

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

- i. Government to provide additional funds for teacher recruitment
- ii. Enhance collaboration with government security agencies and the local communities
- iii. Undertake comprehensive stakeholder engagement and sensitization on the Commission's mandate.
- iv. Construction/leasing of 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.

**TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL
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v. Provide additional vehicles to facilitate movement and monitoring activities in the sub-counties.

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 great effort to achieve all this during the year.



DR. LYDIA N. NZOMO, CBS

COMMISSION CHAIRPERSON

Date: 12.09.2019

TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

III. STATEMENT OF COMMISSION 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, 2019. 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, 2019, 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

TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 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 12th September, 2019.



DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY

DATE: 12.09.2019



CPA. CHEPTUMO AYABEI
DIRECTOR (FINANCE AND ACCOUNTS)

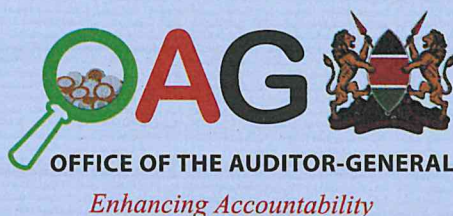
ICPAK MEMBER NUMBER: 8372

Date: 12.09.2019

**TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON TEACHERS SERVICE COMMISSION FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Teachers Service Commission set out on pages 14 to 39, which comprise the statement of assets and liabilities as at 30 June, 2019, and the statement of receipts and payments, statement of cash flows and 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 effects 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 Teachers Service Commission as at 30 June, 2019, 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, 2015 and The Teachers Service Commission Act, 2012.

Basis for Qualified Opinion

1. Stores and Cash Losses

The statement of assets and liabilities reflects an accounts receivables balance of Kshs.376,686,000 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's ruling on 12 March, 2019 determined that the accused had a case to answer. The next defense hearing date set for 12 June, 2019 was adjourned to 23 December, 2019 and later to 31 January, 2020. With the matter not having been finalized as at the date of this report and in absence of adequate provisions for the losses, it has 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.

2. Property, Plant and Equipment

As reported in the previous years, the Property, Plant and Equipment schedule balance of Kshs.4,190,401,146 under Part XIV - other important disclosures, includes Kshs.88,096 being the residual value of one (1) motor vehicle procured in 2004 at a cost of Kshs.2,085,869. The vehicle had earlier been taken and auctioned after auctioneers obtained a duplicate log book No.20063490279 from Kenya Revenue Authority.

Although the Commission repossessed the vehicle, the case has been pending before a court of law. A review of the matter in 2018/19 financial year indicated that, the case was set for hearing on 3 October, 2019 but was adjourned to 20 February, 2020. Further updates on the case had not 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.4,190,401,146 as at 30 June, 2019 is fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Teachers Service Commission 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1. Pending Bills

Part XIV to the financial statements - other important disclosures reflects pending bills of Kshs.248,258,976 as at 30 June, 2019. Management has not provided reasons for non-payment of the bills. Had the accounts been settled and charged to the statement of receipts and payments for the year, it would have reflected a deficit of Kshs.217,927,976 instead of the reported surplus of Kshs.30,331,000. Failure to settle bills during the year in which they relate to distorts the financial statements and adversely affects the budgetary provisions for the subsequent year.

2. Budget Under Absorption

The Commission had a development budget of Kshs.40 million. However, only Kshs.16,639,000 or 42% was utilized for development activities. Management has however, explained that the under absorption of development funds was caused by

cancellation of contracts for construction of County offices at Bomet and Kilifi. Further, although the overall recurrent budget, as reflected in the summary statement of appropriation - recurrent and development combined appears to have been 100% absorbed, the Commission underutilized the budget on use of goods and services and acquisition of assets by 22% and 59% respectively. The under absorption of the approved budget is an indication of activities not implemented by the Commission leading to non provision of services to the citizens.

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 matters 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

Budget Over Expenditure

The summary statement of appropriation - recurrent and development combined, reflects a final budget of Kshs.239,152,328,000 for compensation of employees against an actual expenditure of Kshs.239,773,469,000 resulting to an over-expenditure of Kshs.621,141,000 which Management attributed to payments made on behalf of State Department for Vocational Training not refunded. Similarly, the statement reflects a NIL budget for Secondary Education Quality Improvement Project expenses against an actual expenditure of Kshs.9,790,000 thereby resulting to an over-expenditure of Kshs.9,790,000. No explanation was provided as to why the unbudgeted payments were made.

In the circumstances, the Commission operated over and above the approved budget for the year contrary to the Appropriation Act, 2018, the Supplementary Appropriation Act, 2018 and Section 43 (b) of Public Finance Management Regulations, 2015 which provides that an Accounting Officer shall ensure that public funds entrusted to their care are applied for purposes for only which they were intended and appropriated by the National Assembly.

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 Those Charged with Governance

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 governance.

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity 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 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 review is planned and performed to express a conclusion with limited assurance as to 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 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 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 the Commission's 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern or 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 as a going concern or 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

25 September, 2020


**TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL
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**V. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED
30 JUNE 2019**

	Note	2018/2019 Kshs '000'	2017/2018 Kshs '000'
RECEIPTS			
Transfers from National Treasury	1	240,466,353	216,910,063
Proceeds from Sale of Assets	2	1,195	934
Other Revenues	3	710,058	515,725
TOTAL REVENUES		<u>241,177,606</u>	<u>217,426,722</u>
PAYMENTS			
Compensation of Employees	4	239,773,469	216,088,554
Use of goods and services	5	1,162,893	657,027
SEQIP Expenses	6	9,790	5,013
Acquisition of Assets	7	201,123	341,299
TOTAL PAYMENTS		<u>241,147,275</u>	<u>217,091,893</u>
SURPLUS		<u>30,331</u>	<u>334,829</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 12th September, 2019 and signed by:


DR NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY/CEO
Date: 12.09.2019


CPA CHEPTUMO AYABEI
DIRECTOR (FINANCE & ACCOUNTS)
ICPAK NUMBER: 8372
Date: 12.09.2019


**TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL
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VI. STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2019

	Note	2018/2019 Kshs '000'	2017/2018 Kshs '000'
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8A	1,562,925	2,032,185
Cash Balances	8B	17	51
Total Cash And Cash Equivalents		<u>1,562,942</u>	<u>2,032,236</u>
Accounts Receivables	9	376,686	271,059
TOTAL FINANCIAL ASSETS		<u>1,939,628</u>	<u>2,303,295</u>
LESS: FINANCIAL LIABILITIES			
Accounts Payables	10	396,020	790,018
NET FINANCIAL ASSETS		<u>1,543,608</u>	<u>1,513,277</u>
REPRESENTED BY			
Fund balance b/fwd.	11	<u>1,513,277</u>	<u>1,178,448</u>
Surplus for the year		30,331	334,829
NET FINANCIAL POSITION		<u>1,543,608</u>	<u>1,513,277</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 12th September, 2019 and signed by:


DR NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY/CEO
Date: 12.09.2019


CPA CHEPTUMO AYABEI
DIRECTOR (FINANCE & ACCOUNTS)
ICPAK NUMBER: 8372
Date: 12.09.2019

**TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

VII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018/2019 Kshs	2017/2018 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts for operating income			
Transfers from National Treasury	1	240,466,353	216,910,063
Other Revenues	3	710,058	515,725
		<u>241,176,411</u>	<u>217,425,788</u>
Payments for operating expenses			
Compensation of Employees	4	239,773,469	216,088,554
Use of goods and services	5	1,162,893	657,027
SEQIP Expenses	6	9,790	5,013
		<u>240,946,152</u>	<u>216,750,594</u>
Adjusted for:			
Changes in receivables		(105,626)	1,946,641
Changes in payables		(393,998)	(2,088,176)
Net cash flows from operating activities		<u>(269,365)</u>	<u>533,659</u>
CASHFLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	2	1,195	934
Acquisition of Assets	7	(201,123)	(341,299)
Net cash flows from Investing Activities		<u>(199,928)</u>	<u>(340,365)</u>
NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS		<u>(469,293)</u>	<u>193,294</u>
Cash and cash equivalents at beginning of the year		2,032,235	1,838,941
Cash and cash equivalents at end of the year		<u>1,562,942</u>	<u>2,032,235</u>

**TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

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 12th September, 2019 and signed by:



DR NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY/CEO
Date: 12.09.2019




CPA CHEPTUMO AYABEI
DIRECTOR (FINANCE & ACCOUNTS)
ICPAK NUMBER: 8372
Date: 12.09.2019


TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

VIII. SUMMARY STATEMENT OF APPROPRIATION: BUDGET EXECUTION - RECURRENT & DEVELOPMENT COMBINED FOR THE YEAR ENDED 30 JUNE 2019

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference	% of utilization difference to final budget
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	
Receipts						
Exchequer releases	226,169,753	14,336,600	240,506,353	240,466,353	40,000	100%
Proceeds from Sale of Assets & Other Receipts (AIA)	517,000	129,000	646,000	711,253	(65,253)	110%
Total Receipts	226,686,753	14,465,600	241,152,353	241,177,606	(25,253)	100%
Payments						
Compensation of Employees	225,152,000	14,000,328	239,152,328	239,773,469	(621,141)	100%
Use of goods and services	873,253	615,272	1,488,525	1,162,893	325,632	78%
SEQIP Expenses	-	-	-	9,790	(9,790)	
Acquisition of Assets	661,500	(150,000)	511,500	201,123	310,377	39%
Grand Total	226,686,753	14,465,600	241,152,353	241,147,275	5,078	100%
Surplus	-	-	-	30,331	(30,331)	

- i. The low absorption of 78 Percent under Use of goods and services budget resulted from tenders reserved for Youth, Women and Persons with Disability being mostly non-responsive.
 - ii. The absorption of 39 percent of Acquisition of Assets budget resulted from cancellation of contracts for construction of Bomet and Kilifi County offices and tenders reserved for Youth, Women and Persons with Disability being mostly non-responsive.
 - iii. The over utilization of Compensation of Employees was due to Kshs. 664 Million being TVET salaries paid to the State Department of Vocational Training. The funds were however not refunded to TSC.
- The entity financial statements were approved on 12th September, 2019 and signed by:

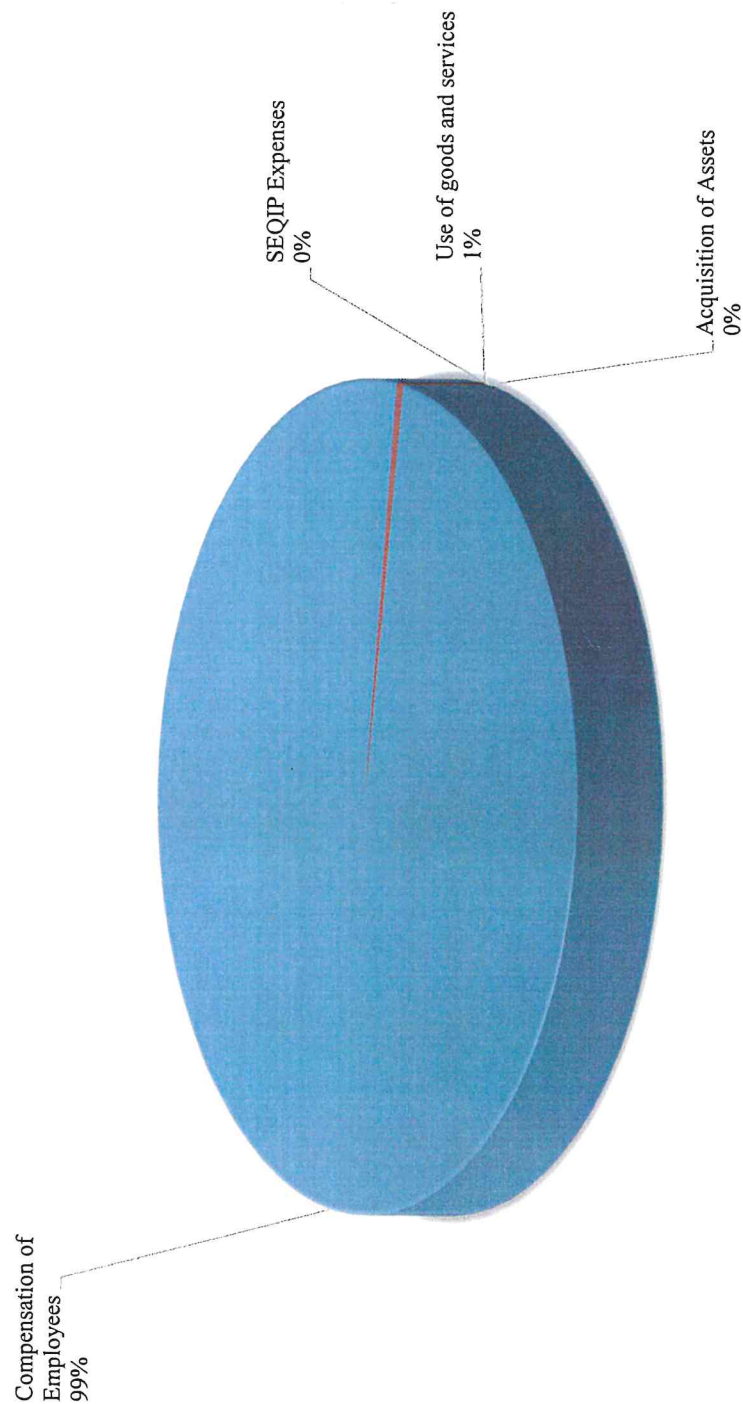

DR NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY/CEO
 Date: 12.09.2019


CPA CHEPTUMO AYABEI
DIRECTOR (FINANCE & ACCOUNTS)
 ICPAK NUMBER: 8372
 Date: 12.09.2019

**TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

ECONOMIC ITEM	Actual Payments Kshs '000'
Compensation of Employees	239,773,469
Use of goods and services	1,162,893
SEQIP Expenses	9,790
Acquisition of Assets	201,123
Total Payments	241,147,275

Budget Utilisation as Per Economic Items




TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019


IX. SUMMARY STATEMENT OF APPROPRIATION: BUDGET EXECUTION – RECURRENT FOR THE YEAR ENDED 30 JUNE 2019

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 to Final Budget f=d/c %
RECEIPTS						
Exchequer releases	226,033,753	14,432,600	240,466,353	240,466,353	-	100%
Proceeds from Sale of Assets & Other Receipts (AIA)	517,000	129,000	646,000	711,253	(65,253)	110%
Total Receipts	226,550,753	14,561,600	241,112,353	241,177,606	(65,253)	100%
PAYMENTS						
Compensation of Employees	225,152,000	14,000,328	239,152,328	239,773,469	(621,141)	100%
Use of goods and services	873,253	615,272	1,488,525	1,162,893	325,632	78%
Acquisition of Assets	525,500	(54,000)	471,500	194,274	277,226	41%
Grand Total	226,550,753	14,561,600	241,112,353	241,130,636	(18,283)	100%
Surplus	-	-	-	46,970	(46,970)	

- i. The low absorption of 78 Percentage under Use of goods and services budget resulted from tenders reserved for Youth, Women and Persons with Disability being mostly non-responsive.
- ii. The absorption of 41 percentage of Acquisition of Assets budget was a result of the non-responsiveness of some tenders.
- iii. The over utilization of Compensation of Employees was due to Kshs. 664 Million being TVET salaries paid to the State Department of Vocational Training. The funds were however not refunded to TSC.

The entity financial statements were approved on 12th September, 2019 and signed by:


DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY/CEO
 Date: 12.09.2019


CPA CHEPTUMO AYABEI
DIRECTOR (FINANCE & ACCOUNTS)
ICPAK NUMBER: 8372
 Date: 12.09.2019


**TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**


X. SUMMARY STATEMENT OF APPROPRIATION: BUDGET EXECUTION - DEVELOPMENT FOR THE YEAR ENDED 30 JUNE 2019

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	
Exchequer releases	136,000	(96,000)	40,000	-	40,000	0%
Total Receipts	136,000	(96,000)	40,000	-	40,000	0%
Payments						
SEQIP Expenses	-	-	-	9,790	(9,790)	
Acquisition of Assets	136,000	(96,000)	40,000	6,849	33,151	17%
Grand Total	136,000	(96,000)	40,000	16,639	23,361	42%
Surplus	-	-	-	(16,639)	16,639	

i. The absorption of 17 percentage of development budget was a result of the cancellation of contracts for construction of County offices at Bomet and Kilifi.

The entity financial statements were approved on 12th September, 2019 and signed by:


DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY/CEO
Date: 12.09.2019


CPA CHEPTUMO AYABEI
DIRECTOR (FINANCE & ACCOUNTS)
ICPAK NUMBER: 8372
Date: 12.09.2019

**TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

XI. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES FOR THE YEAR ENDED 30 JUNE 2019

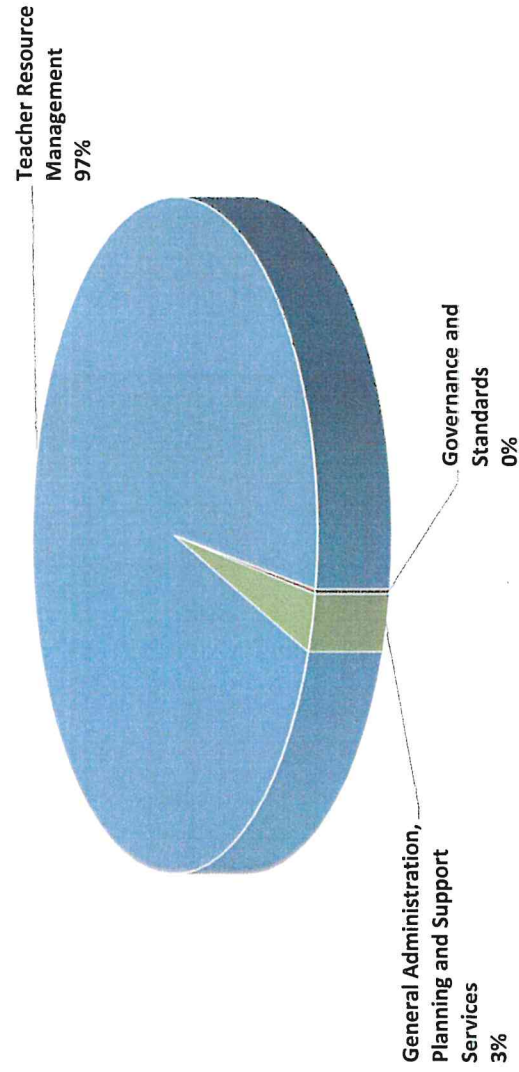
Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Teacher Resource Management	219,710,978	14,111,957	233,822,935	234,394,166	(571,231)
Teacher Management- Primary	143,796,037	7,092,953	150,888,990	151,464,612	(575,622)
Teacher Management- Secondary	67,258,774	4,911,496	72,170,270	72,166,268	4,002
Teacher Management- Tertiary	8,656,167	2,107,508	10,763,675	10,763,286	389
Governance and Standards	30,650	511,045	541,695	455,858	85,837
Quality assurance and standards	12,385	(1,535)	10,850	10,253	597
Teacher professional development	13,265	(1,420)	11,845	9,782	2,063
Teacher capacity development	5,000	514,000	519,000	435,823	83,177
General Administration, Planning and Support Services	6,945,125	(157,402)	6,787,723	6,297,251	256,810
Policy, Planning and Support Service	6,140,906	(64,265)	6,076,641	5,842,979	233,662
Field Services	491,390	(52,779)	438,611	303,483	135,128
Automation of TSC Operations	312,829	(40,358)	272,471	150,789	121,682
TOTAL	226,686,753	14,465,600	241,152,353	241,147,275	5,078

**TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

BUDGET ALLOCATION BY PROGRAMMES

Programmes	Approved Budget Allocation KShs '000	Actual Payments KShs '000	Variance KShs '000
Teacher Resource Management	233,822,935	234,394,166	(571,231)
Governance and Standards	541,695	455,858	85,837
General Administration, Planning and Support Services	6,787,723	6,297,251	490,472
Total	241,152,353	241,147,275	5,078

BUDGET ALLOCATION BY PROGRAMMES



TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 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.

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.

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**TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

XII. SIGNIFICANT ACCOUNTING POLICIES Cont'd

- **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 2019, 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.

- **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.

TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

XII. SIGNIFICANT ACCOUNTING POLICIES Cont'd

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.

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.

C

**TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

XII. SIGNIFICANT ACCOUNTING POLICIES Cont'd

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 2018 for the period 1st July 2018 to 30th June 2019 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 2019.

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 ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

XIII. NOTES TO THE FINANCIAL STATEMENTS

1 EXCHEQUER RELEASES

Description	2018/2019 Kshs	2017/2018 Kshs
Total Exchequer Releases for quarter 1	58,186,850,880	52,123,254,133
Total Exchequer Releases for quarter 2	59,390,661,900	54,362,709,000
Total Exchequer Releases for quarter 3	57,309,995,770	50,717,957,895
Total Exchequer Releases for quarter 4	65,578,844,518	59,706,142,043
TOTAL	<u>240,466,353,068</u>	<u>216,910,063,071</u>

2 PROCEEDS FROM SALE OF ASSETS

Receipts from the Sale of Vehicles and Transport Equipment	1,195,000	933,999
TOTAL	<u>1,195,000</u>	<u>933,999</u>

3 OTHER REVENUES

Interest Received	8,986,893	8,836,670
Rental Income - Collected as AIA	5,718,242	6,548,348
Commission on Third Parties - Collected as AIA	695,352,649	500,340,457
TOTAL	<u>710,057,784</u>	<u>515,725,475</u>

**TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

XIII. NOTES TO THE FINANCIAL STATEMENTS Cont'd

4 COMPENSATION OF EMPLOYEES

	2018/2019	2017/2018
	Kshs	Kshs
Basic salaries of permanent employees	157,009,711,825	136,877,627,340
Basic wages of Contractual employees	15,060,396	7,431,700
Personal allowances paid as part of salary	73,433,214,202	69,957,333,493
Personal allowances paid as reimbursements	88,613,292	92,717,441
Employer Contributions to Staff Pension Schemes	858,609,778	787,540,055
Employer Contributions national social security schemes (NSSF)	8,259,992	7,313,937
Employer Contributions Medical Insurance Schemes	8,359,999,998	8,358,590,532
TOTAL	<u>239,773,469,483</u>	<u>216,088,554,498</u>

5 USE OF GOODS AND SERVICES

Utilities, supplies and services	26,552,827	36,113,493
Communication, supplies and services	43,978,847	36,811,972
Domestic travel and subsistence	143,971,641	161,712,296
Foreign travel and subsistence	19,756,292	3,180,299
Printing, advertising and information supplies & services	10,627,100	15,692,079
Rent Expenses (County Offices)	34,177,354	39,108,768
Training expenses	495,758,322	36,951,545
Hospitality supplies and services	42,630,575	44,644,282
Insurance costs-Motor Vehicle	73,630,572	78,591,132
Specialized materials and services	4,449,040	3,727,709
Office and general supplies and services	13,731,431	15,874,135
Fuel Oil and Lubricants	62,702,149	54,135,977
Other operating expenses	100,028,067	55,833,552
Routine maintenance – vehicles and other transport equipment	57,696,445	53,089,634
Routine maintenance – other assets	33,201,848	21,560,200
TOTAL	<u>1,162,892,510</u>	<u>657,027,073</u>

**TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

XIII. NOTES TO THE FINANCIAL STATEMENTS Cont'd

- Included in the training expenses is Kshs.440 million for Curriculum based competence (CBC) to train teachers on the new curriculum. This extra funding for the roll out of the government project represents the increased training expenses to Kshs. 495,758,322 as at 30 June 2019.
- Included in the Domestic travel and Foreign travel expenses of Kshs. 143,971,641 and Kshs. 19,756,292 respectively, are expenses incurred by TSC Commissioners of Kshs. 7,388,600 for Domestic travel and Kshs. 1,716,011 for Foreign travel respectively.

6 SECONDARY EDUCATION QUALITY IMPROVEMENT PROJECT (SEQIP)

Description	2018/2019 Kshs	2017/2018 Kshs
Training expenses	1,790,420	465,400
Domestic travel and subsistence	7,999,769	4,547,335
TOTAL	<u>9,790,189</u>	<u>5,012,735</u>

7 ACQUISITION OF ASSETS

Construction of Buildings	6,849,256	-
Refurbishment of Buildings	918,922	44,226,917
Purchase of Vehicles and Other Transport Equipment	94,905,000	197,001,189
Purchase of Office Furniture and General Equipment	1,628,040	11,991,954
Purchase of ICT Equipment, Software and Other ICT Assets	96,821,795	88,079,137
TOTAL	<u>201,123,012</u>	<u>341,299,197</u>

**TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

XIII. NOTES TO THE FINANCIAL STATEMENTS Cont'd

8A Bank Accounts

Name of Bank, Account No. & currency	Type of Account	2018/2019 Kshs	2017/2018 Kshs
<i>National Bank of Kenya- Secretariat A/C No.01001005707400 ,KShs</i>	Recurrent	15,785,948	15,778,723
<i>National Bank of Kenya- Teachers A/C No.01001000905000 ,KShs</i>	Recurrent	875,779,988	1,325,639,531
<i>Central Bank of Kenya, 1000181117,KShs</i>	Recurrent	89,958	5,944,678
<i>Central Bank of Kenya-PRIEDE A/C No. 1000291133,KShs</i>	Project	9,492,416	19,877,465
<i>Central Bank of Kenya-SEQIP A/C No. 1000370882,KShs</i>	Project	124,148,431	136,303,900
<i>National Bank of Kenya- Fixed Deposit A/C No.01300083109300 ,KShs</i>	Fixed Deposit	537,627,647	528,640,754
<i>National Bank of Kenya- Teachers Registration Fees A/C No. 01001000905001 ,KShs</i>	Revenue	-	-
Total		<u>1,562,924,388</u>	<u>2,032,185,051</u>

8B Cash in hand

Cash in Hand – Held in domestic currency	17,335	50,954
TOTAL	<u>17,335</u>	<u>50,954</u>

9 Accounts Receivables

Government Imprests	7,198,210	431,813
Salary advances	13,769,703	10,467,062
CBC Training balances at the Counties	69,461,766	-
Other Receivables	286,256,274	260,159,848
TOTAL	<u>376,685,953</u>	<u>271,058,723</u>

**TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

XIII. NOTES TO THE FINANCIAL STATEMENTS Cont'd

- Other Receivables of Kshs. 286,256,274 excludes Kshs. 68,802,494.55 being un-refundable Pay As You Earn (PAYE) written-off vide Authority letter from the Principal Secretary, The National Treasury Ref. AG/3/149/Vol.1/ (56) dated 19th March 2019.

10 Accounts Payables

	2018/2019	2017/2018
	Kshs	Kshs
AP liabilities	4,889,580	41,583,729
Clearance accounts	381,243,670	686,952,770
Agency Accounts (PRIEDE)	9,886,579	61,481,041
TOTAL	<u>396,019,829</u>	<u>790,017,540</u>

11 BALANCES BROUGHT FORWARD

Bank accounts	2,032,185,051	1,838,941,037
Cash in hand	50,954	459
Accounts Receivables	271,058,723	2,217,700,227
Accounts Payables	(790,017,540)	(2,878,193,582)
TOTAL	<u>1,513,277,188</u>	<u>1,178,448,141</u>

12 RELATED PARTY DISCLOSURES

Related party transactions

	2018/2019	2017/2018
	Kshs	Kshs
Transfers from related parties		
Transfers from Ministry of Education (PRIEDE Project)	83,285,000	35,755,270
Total	<u>83,285,000</u>	<u>35,755,270</u>

**TEACHERS SERVICE COMMISSION ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

XIV. OTHER IMPORTANT DISCLOSURES

1. PROPERTY PLANTS AND EQUIPMENTS (PPE) SCHEDULE 2018/2019

Asset class	Historical Cost b/f	Additions during the year	Disposals during the year	Historical Cost c/f
	(Kshs)	(Kshs)	(Kshs)	(Kshs)
	2017/2018	2018/2019	2018/2019	2018/2019
land	1,000,000,000			1,000,000,000
Construction of Buildings	1,202,045,814	6,849,256		1,208,895,070
Refurbishment of Buildings	70,021,096	918,922		70,940,018
Motor Vehicles and Other Transport Equipment	688,130,007	94,905,000	7,204,160	775,830,847
Office Furniture and General Equipment	437,802,042	1,628,040		439,430,082
ICT Equipment, Software and Other ICT Assets	598,483,335	96,821,795		695,305,130
Total	3,996,482,294	201,123,012	7,204,160	4,190,401,146

2. PENDING BILLS SCHEDULE 2018/2019

	Balance b/f	Additions for the period	Paid during the year	Balance c/f
	FY 2017/2018			FY 2018/2019
	(Kshs)	(Kshs)	(Kshs)	(Kshs)
Description				
Construction of buildings	-	-	-	-
Construction of civil works	-	75,192,339	-	75,192,339
Supply of goods	110,331,516	137,107,511	110,331,516	137,107,511
Supply of services	37,712,837	35,959,126	37,712,837	35,959,126
Total	148,044,353	248,258,976	148,044,353	248,258,976

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XV. 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 comments. 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 8 to the financial statements reflects receivables – outstanding imprest and clearance accounts balance of Ksh. 2,217,700,000 as at 30 June 2017. The figure of Kshs. Ksh. 2,217,700,000 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</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 offense 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 officer is following up on the matter and has been able to ascertain from the court records that;</p> <ul style="list-style-type: none"> a) The Court heard all prosecution's witnesses and finalized proceedings on 14/2/2019; b) The prosecution and defence rendered their respective submissions before Court on 4/3/2019; and c) The Court's ruling on 12//3/2019 determined the Accused has a case to answer and set the defense hearing date for 12//6/2019. 	SDD LEGAL	In Progress	

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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
	suspect was charged and the case is pending and that although the case was set for hearing on 19 March 2018, it was adjourned to 25 June 2018.	<p>Cash Losses Ksh. 2,928,398</p> <p>These were cash losses occurred in the period 1988-2000. The Commission has been following up the matter the Courts for 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 insurmountable challenges in charging the culprits. The Commission recommended and sought for the National Treasury's approval for write off the debt 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:</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>In addition, included in the balance of Ksh. 2,217,700,000 is a long outstanding Pay As You Earn (PAYE) amount of Kshs. 128,392,939 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 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>TSC/FIN/60/VOL.V/20 dated 5th March, 2019 and is awaiting conclusion of this matter. (iii) The Commission introduced a policy which requires that teachers' monthly salary be paid through bank accounts and currently there are no cash losses 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>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>			

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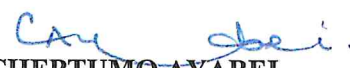
Ref No. on external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Time frame
	<p>KRA on 23rd February 2018 and that it has sought authority to write-off the un-recoverable balance of Kshs. 68,802,494 from the National Treasury. It is not clear if National Treasury will grant the authority.</p> <p>In the circumstances, it has not been possible to confirm the recoverability of the accounts receivables – outstanding imprest and clearance accounts figure of Ksh. 2,217,700,000 for the year ended 30 June, 2017.</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
2	<p>Property, Plant & Equipment As reported in the previous years, the property, plant and equipment schedule balance of Kshs. 3,662,965,318 under Annexure XVIII as at 30 June 2017 includes kshs. 88,096 being the residual value of one (1) motor vehicle procured in 2004 for 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 reposessed the vehicle, a case is pending before a court of law as at the date of this report and the outcome is known.</p>	<p>Motor vehicles Net Book Value of Ksh. 226,194 Revaluation of the two (2) Motor Vehicles whose net book value was Ksh. 226,194 by the Ministry of Public Works & Infrastructure is as follows: (i) GK A 814X- Nissan pick/up whose log book which got lost has since been replaced by NTSA. The vehicle was revalued at Ksh. 445,000 on 19/3/2018. (ii) This second vehicle registration KAR 246L- Nissan Urvan was reposessed 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. The case is ready for hearing after parties exchanged all pleadings. However, crucial documents filed by the Plaintiff were missing from the Court file and consequently, on 24th September, 2014 the Court directed that the documents be replaced forthwith. The Commission (Defendant) prepared an application to dismiss the suit for want of prosecution which was heard on 22/11/2018 when 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 therefore not dismissed and has been scheduled for hearing on 3rd October, 2019.</p>	Director Administrative Services	In Progress	

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DR. NANCY NJERI MACHARIA, CBS
COMMISSION SECRETARY
DATE: 12.09.2019


CPA. CHEPTUMO AYABEI
DIRECTOR (FINANCE AND ACCOUNTS)
ICPAK MEMBER NUMBER: 8372
Date: 12.09.2019