

**TEACHERS SERVICE COMMISSION**

# **Annual Report and Financial Statements**

**For The Year Ended 30 June 2017**

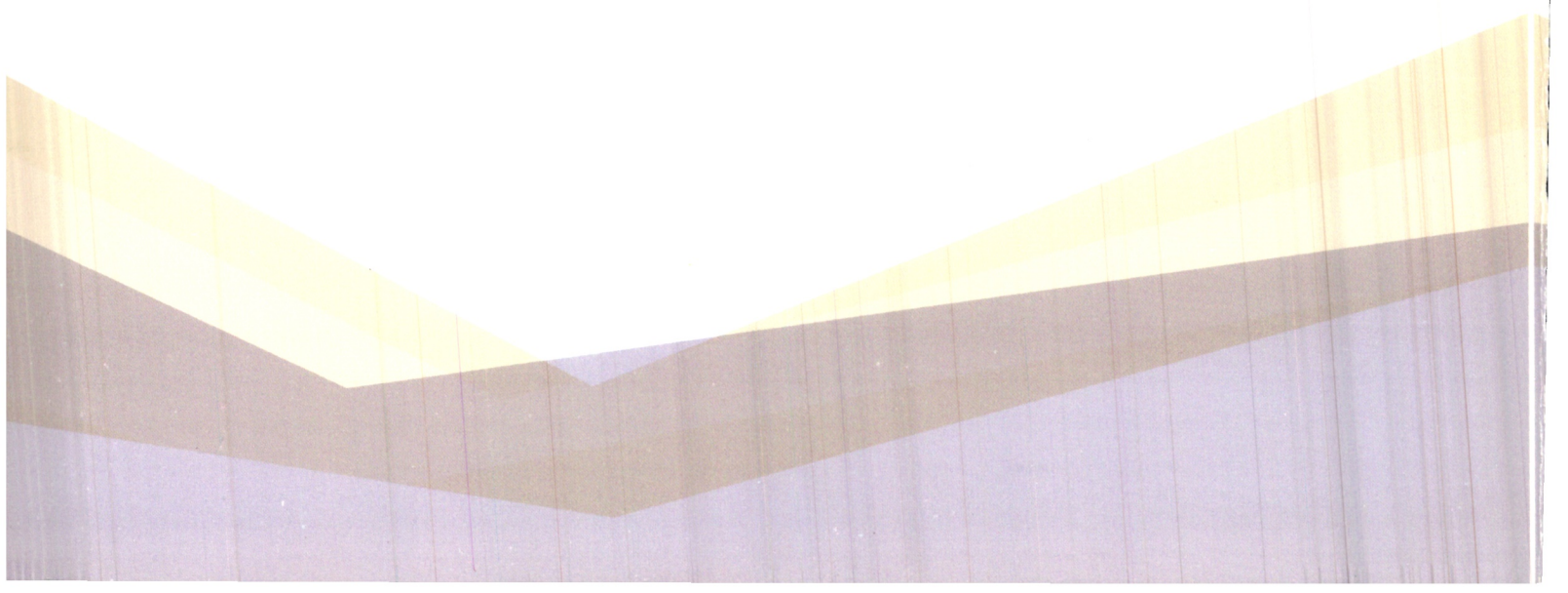


**Vision:**

To be a transformative teaching service  
for quality education

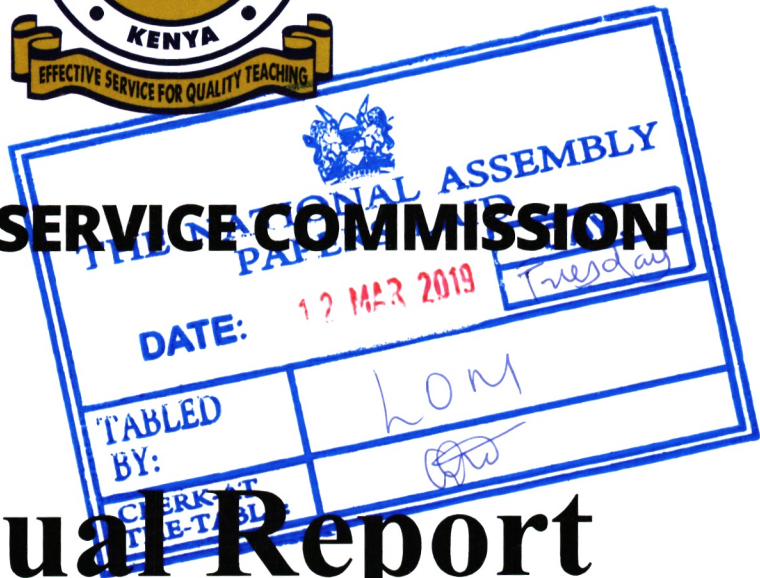
**Mission:**

To professionalize the teaching service  
for quality education and development





**TEACHERS SERVICE COMMISSION**



# Annual Report and Financial Statements

For The Year Ended 30 June 2017

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## 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.

### (b) Vision and Mission

The Commission's corporate vision is to be a transformative teaching service for quality education. Our mission is to professionalise the teaching service for quality education and development.

### (c) Key Oversight Team

The overall governance of the Commission rests with the Chairperson, the Deputy Chairperson and seven other members who oversee the execution of the programs of the Commission. For the better carrying out of its function, the Commission has established governance committees with specific Terms of Reference to assist in the execution of these programs. The existing committees include Audit Committee, Human Resource Committee, Field Services Committee, Strategy and Innovation Committee and Finance Committee.

### (d) Key Management Directorates

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

- » Administration
- » Accounts
- » Finance
- » Human Resource Management and Development
- » Teacher Management
- » Internal Audit
- » Information Communication Technology

### (e) Fiduciary Management

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



Designation	Name
1. Secretary/CEO	Dr.Nancy Njeri Macharia
2. Deputy Secretary/CEO	Mr. S.M.Kavisi, OGW
3. Director -Finance	Mr. Cheptumo Ayabei
4. Director -HRM & D	Mrs. Josephine M. Maundu
5. Director -ICT	Mr. Ayub Imbira
6. Ag. Director -Accounts	Ms. Grace W. Ngure
7. Ag. Director -Internal Audit	Mr. Patrick Mang'atu
8. Ag. Director -Teacher Management	Mrs. Mary Rotich
9. Ag. Director -Administration	Mr. Ibrahim Mumin Gedi, OGW

**(f) 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.

**(g) Headquarters**

TEACHERS SERVICE COMMISSION

TSC House,

Kilimanjaro Road,

Upper Hill,

Nairobi, Kenya

**(h) Contacts**

P.O Private Bag -00100

Nairobi.

Telephone: (254) 020 289 2000

E-mail: [info@tsc.go.ke](mailto:info@tsc.go.ke)

Website: [www.tsc.go.ke](http://www.tsc.go.ke)



**(i) Bankers**

**1. Central Bank of Kenya**

Haile Selassie Avenue

P.O. Box 60000 -00200

Nairobi, Kenya

**2. National Bank of Kenya**

National Bank of Kenya Building

Harambee Avenue

P.O. Box 41862-00200

Nairobi, Kenya

**(j) Independent Auditors**

Auditor-General

Anniversary Towers, University Way

P.O. Box 30084 -00100

Nairobi, Kenya

**(k) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112 -00200

Nairobi, Kenya



## II. MEMBERS OF THE COMMISSION

### Chairperson Dr Lydia N. Nzomo, OGW, EBS



Dr Lydia N. Nzomo is the Chairperson of the Commission. She took the oath of office as the Chairperson on 9 December 2014.

She holds a PhD in Educational Psychology from Kenyatta University, Master of Arts Degree in Counselling psychology from United States International University (USIU) and a Bachelor of Arts degree with Diploma in Education option from University of Nairobi. In addition, she has undertaken several courses in Education Management and Administration both locally and internationally.

Before joining the Commission, she served as the Director/CEO, Kenya Institute of Curriculum Development. She had previously served as Senior Deputy Secretary and as the CS/CEO in acting capacity at TSC. She has a wealth of experience in Administration, Management, Education and Curriculum development and implementation.

Dr Nzomo is a Fellow of the African Federation of Teaching Regulatory Authorities (AFTRA) and Vice Chair of the Forum for Chairpersons of Constitutional Commissions and Independent Offices.

### Vice Chairperson Cleopas Tirop, OGW



Commissioner Cleopas Tirop is the Vice Chair of the Commission from 10 December 2014. He was appointed a member of Teachers Service Commission on 24 April 2013.

He holds a Master of Education (in Educational Administration and Planning) from University of Nairobi and Bachelor's Degree in Education (B.Ed.) from Kenyatta University.

He has a wealth of experience in education having been a School Principal at Kapsabet Boys and Nairobi School among others. He was also the National Chairman of Kenya Secondary Schools Heads Association (KSSHA).

He oversees implementation of the Collective Bargaining Agreements between the Commission and the teachers' Unions as well as the job Evaluation by Salaries and Remuneration Commission (SRC) for members of Secretariat staff. He also coordinates research activities of the Commission.



### Commissioner Dr Salome Gichura, OGW



Dr Gichura was Ag. Chairperson of the Commission from 12 August 2013 to 9 December 2014. She was appointed a member of Teachers Service Commission on 6 August 2013. Dr Gichura is the chair of Human Resources Committee, and a member of the Strategic and innovation Committee of the Commission. She oversees the implementation of the Management Study for the Secretariat Staff.

She holds a PhD in education Management (UK), Master's Degree in Education Administration (Kenyatta University), Bachelor of Education degree (University of Nairobi), Post Graduate Diploma in Education Planning and Administration (IIEP, UNESCO, Paris) in addition to various professional certificates.

She previously served as the Director of Higher Education in the Ministry of Education, Science and Technology. She also served as the Education attaché for Kenya in the UK accredited to the Commonwealth Secretariat on all matters related to Education.

### Commissioner Saadia Abdi Kontoma, OGW



Commissioner Kontoma was appointed a member of Teachers Service Commission on 6 August 2013. She oversees the formulation and review of the Commission's policies. She is a member of Field Services and Strategy and Innovation Committees of the Commission.

She holds a Masters of Education (E.C.E) from University of Nairobi, Bachelor's Degree in Education (E.C.E) from Kenyatta University.

She has a wealth of experience in teaching service for over 20 years. She taught in various Public and Private Kenyan Universities. She previously served in various Non-Governmental Organizations in Education Sector including Forum for African Women Education Kenya Chapter (FAWEK).



### Commissioner Albert Fred Ekirapa



Commissioner Ekirapa was appointed member of the Teachers Service Commission on 20 March 2015. He oversees the Commission's statutory mandate of ensuring compliance with the teaching standards. In addition, he is a member of both the Audit Committee and Human Resource Committee.

At the time of his appointment he was a Senior Deputy Director of Education (Directorate of Secondary and Tertiary Education) in the Ministry of Education, Science and Technology.

He holds a Masters degree in Education Administration from the University of Nairobi and a Bachelor's degree in Education from Kenyatta University.

He joined the Public Service Commission in 2001 as an Assistant Director of Education. He has also served for 15 years as a teacher in various schools where he rose through the ranks to the position of principal.

### Commissioner Beatrice Marengo Adu, HSC

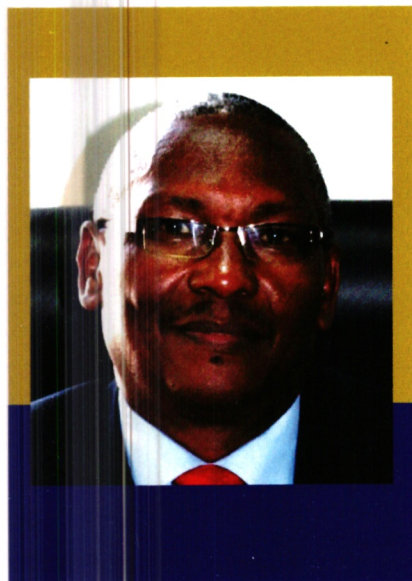


Commissioner Adu was appointed member of the Teachers Service Commission on 20 March 2015. She is the Chairperson of the Finance Committee and a member of the Human Resources Committee of the Commission. In addition, she represents the Commission in the Staff Superannuation and coordinates Commissioners welfare.

She previously served under the Public Service Commission in various capacities, including; Education Officer, Senior Education officer, District Education Officer and Provincial Director of Education. She also served as the County Director of Education in Kisumu County.

She holds a Bachelor of Education (Arts) degree from the University of Nairobi and has undertaken various professional courses. She initially worked for the Teachers Service Commission for eight years as a teacher where she served in various schools.

### Commissioner Kinoti Imanyara



Commissioner Imanyara was appointed member of the Teachers Service Commission on 20 March 2015. He is the Chairman of the Field Services committee and member Human Resources Committee of the Commission. He oversees the Commission's mandate in regard to the Disciplinary control over teachers and secretariat staff ensuring optimal utilization of human resources in the teaching service. At the time of his appointment he was the TSC's County Director for Nyeri County and the national chairman of the TSC County Directors.

He holds a Bachelors' degree in Education from the University of Nairobi and a Diploma in Pharmaceutical Technology from Penn Foster Career School in USA. He has also undergone training at Strathmore University on the Art of Leadership in Educational institutions.

He began his career at Karaba Secondary School and later taught in various institutions, and rose through the ranks to the position of Chief Principal at Egoji Teachers Training College.

### Commissioner Mbarak Twahir, FKIM



Commissioner Twahir was appointed member of the Teachers Service Commission on 20 March 2015. He is the Chairman, Strategy and Innovation Committee and member of the Finance Committee of the Commission. He oversees the implementation of the Performance Contracting and Performance Appraisal for teachers and secretariat staff.

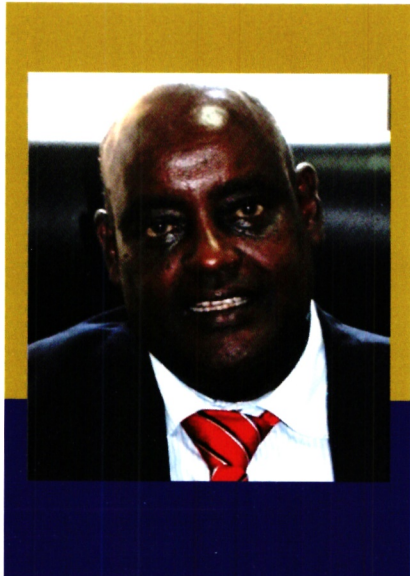
At the time of his appointment, he was the Director of Performance Management in the Ministry of Devolution and Planning.

He holds a Masters of Education degree (Science Education) from University of Leeds and a Bachelors of Education degree (B.Ed. Science) from the University of Nairobi. He also holds an Advanced Diploma in Educational Studies from University of Leeds and a Diploma in Special Education from the County of Copenhagen in Denmark.

He started his teaching career at Aga Khan Secondary in Mombasa. He has also served as a Municipal Education Officer, Mombasa County, Provincial Director of Education in charge of Nairobi, Senior Deputy Director - Department of Basic Education and Director of field services, Ministry of Education..



### Commissioner Tache Bansa Gollo



He was appointed member of the Teachers Service Commission on 20 March 2015. He is a member of both the Finance Committee and Field Services Committee of the Commission. He also oversees the Commission's authority on legal issues.

At the time of his appointment he was a member of National Executive Committee of Kenya Red Cross Society. Prior to this, he was the Vice Chairperson of National Gender & Equality Commission. He has also served as the Chairman Board of Directors, Ewaso Nyiro Development Authority. A teacher by profession, he has taught in various schools and rose through the ranks to the position of school principal.

He holds a Bachelors' degree in Education from the Catholic University of Eastern Africa and has undergone training on corporate governance and Administration and management of schools.



### III. THE SECRETARY TO THE COMMISSION

**Dr. Nancy Njeri Macharia**

**Secretary/Chief Executive Officer**



She was appointed to the position on 1 July 2015.

She holds a Master of Education (M.Ed.) degree from the University of Bristol (UK) and Bachelor of Education degree (B. Ed) from Kenyatta University.

She has undergone training both locally and internationally in Corporate Governance, Public Procurement, Policy Formulation, Information and Communication Technology (ICT), Proactive Management and Business Excellence models. She is a member of Public Administration Management (KAPAM) and the Institute of Directors. She has worked in the Education sector for more than 28 years..

#### IV. MANAGEMENT TEAM

##### **Dr. Nancy Njeri Macharia**

##### **Secretary/Chief Executive Officer**



She was appointed to the position on 1st July, 2015.

She holds Master of Education (M.Ed.) from the University of Bristol (UK) and Bachelor of Education (B. Ed) from Kenyatta University.

She has undergone training both locally and internationally in Corporate Governance, Public Procurement, Policy Formulation, Information Communication Technology (ICT), Proactive Management and Business Excellence models. She is a member of Public Administration Management (KAPAM) and the Institute of Directors. She has worked in the Education sector for more than 28 years.

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##### **Mr S.M. Kavisi, OGW**

##### **Ag. Deputy Secretary/ Chief Executive Officer**



He holds a Bachelor of Education degree from the University of Nairobi and Executive Masters of Business Administration from ESAMI in Collaboration with Maastricht School of Management (Netherlands).

He has served in the field as a Deputy Head Teacher and Head Teacher of large secondary schools. He has also served as a secretariat staff in the rank of Senior Staffing Officer, Chief Staffing Officer, Principal Coordinator Post Primary, Senior Deputy Secretary (Teacher Management), Director of Administration Services and now Acting Deputy Commission Secretary

**CPA Cheptumo Ayabei**  
**Director (Finance)**



He holds a Master of Science degree in Finance and Banking, University of Stirling United Kingdom, Bachelor of Education degree from Kenyatta University, Certified Public Accountant of Kenya (CPAK), Certificate in Public Finance and Accounts from University of Connecticut and Stratclyde University Scotland UK and is a member of Institute of Certified Public Accountants of Kenya (ICPAK).

He worked at the Ministry of Education as Assistant Secretary – Finance for 9 years before joining the Commission in 1999 as a Finance Officer.

**Mrs Josephine M. Maundu**

**Director (Human Resource Management and Development)**



She holds a Masters of Business Administration degree in Human Resource Management from Kenyatta University, Bachelor of Arts Degree from University of Nairobi and Post-graduate Diploma in Human Resource from institute of Human Resource Management.

She was employed as Human Resource Officer in 1986 in Human Resource Directorate and progressed in her career up to the current position of Director Human Resource Management and Development.

She is a member of IHRM.

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**Mr Patrick Mang'atu**

**Ag. Director (Internal Audit)**



He holds a Bachelor of Commerce degree in Accounting from Daystar University. He has attended various local and international work related management courses, conferences and seminars. He is a member of Institute of Internal Auditors (UK) and a member of Institute of Internal Audit (Kenya Chapter).

He was appointed to the current position in 2014. He has a lot of experience in the Commission having worked in various Divisions in the Accounts Directorate.

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**CPA Grace W. Ngure**

**Ag. Director (Accounts)**



She holds a Masters in Business Administration (MBA) in Finance and Banking degree from Moi University Eldoret, Certified Public Accountant (CPAK) and is a member of Institute of Certified Public Accountants of Kenya (ICPAK) and Association of Women Accountants of Kenya (AWAK).

She served in Salaries Division for 15 years before deployment to Accounts Division as Assistant deputy Director in 2007. She was appointed to head the Accounts Directorate in 2012. She worked in the private sector for 3 years before joining the Commission in 1991.



**Mrs Mary Rotich**

**Ag. Director (Teacher Management)**



She holds a Master of Education (M.Ed.) degree in –Management and Policy Studies from The University of Bristol (UK). Bachelor of Education (B.Ed.) from Kenyatta University, Professional Development Certificate in African Leadership in ICT (ALICT).

She joined the Commission 28 years ago as a graduate teacher of Geography and Economics. She joined the secretariat as a staffing officer where she rose through the ranks to the current position of Ag. Director Teacher Management.

**Mr Ibrahim Mumin Gedi, OGW**

**Ag. Director (Administration)**



He holds a Master of Education (M.Ed.) degree in Education Management and Policy Studies from University of Bristol and a Bachelor of Education from the University of Sterling (UK). He has attended various management courses both locally and abroad that include; Strategic Planning and Management at the University of Witwatersrand (South Africa), a Programme on Developing Strategic Skills for Organizational Development (London), an Advanced Training Programme in Educational Planning and Management (UNESCO- Paris), Strategic Development Programme (Kenya Institute Of Administration) and Pro-Active Business Excellence Models (Eastern and Southern Management Institute).

He joined the Commission in 1983 and served as a teacher in various schools before appointment as an Education Officer and later as District Inspector of Schools. He joined the Secretariat in 1999 and later appointed to head Human Resource Development Division.

Prior to his current appointment, he was the Senior Deputy Director in charge of Administration.



**Mr Ayub Imbira**

**Director (Information Communication Technology)**



He holds a Masters degree in Science (Information Systems) from University of Nairobi and Bachelors degree in Science – Computer Science from Egerton University.

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## V. CHAIRPERSON'S STATEMENT



I am delighted to present the Annual Report and the Financial Statements of the Teachers Service Commission for the period 2016-2017. The preparation and presentation of the report is in line with Article 254 of the Kenya Constitution.

I am proud to report that during the period, the Commission successfully negotiated and signed Collective Bargaining Agreements (CBAs) with the Kenya National Union of Teachers (KNUT) and Kenya Union of Post Primary Education Teachers (KUPPET) on 25 October 2016 and 26 October 2016 respectively. The CBAs were informed by Job Evaluation conducted by the Salaries and Remuneration Commission (SRC) and will cover the period 1 July 2017 to 30 June 2021. The CBAs have since been registered with the Employment and Labour Relations Court in accordance with Section 60 of the Labour Relations Act (2007) on 30 November 2016.

The implementation of the CBA will be done in two phases for the lower cadre and four phases for the upper cadre of teachers at a cost of Kshs.54.9 billion. Implementation of the first phase will require Kshs.13.7 billion.

A total of 27,638 heads of institutions across the country signed Performance Contracts (PC) while 260,061 teachers were appraised through Teacher Performance Appraisal and Development (TPAD). To ensure compliance with the teaching standards, the Commission conducted monitoring and assessment of the implementation of PC and TPAD in 5,601 public learning institutions. An online reporting tool for teachers and head teachers was also developed and put into use. The implementation of the PC and TPAD is a major milestone towards achievement of quality education. The Commission has continued to promote professionalism in the teaching service by identifying institutional administrators and undertaking promotion of staff competitively. This has been very motivating to the teaching staff.

I am pleased to report that during the period, the Commission appointed and inaugurated an Audit Committee in accordance with the Public Financial Management (PFM) Act 2012. This Committee is responsible for the oversight in ensuring compliance with financial management and reporting. It is expected that this Committee will provide appropriate guidance to the Commission in ensuring accountability in the management of its operations and resources. In an effort to take services close to the citizens, the Commission has enhanced the decentralization of its services including promotion and discipline of teachers.

I sincerely wish to register our appreciation to the Government, various state and non-state institutions, partners and stakeholders for the invaluable support throughout this period. I wish to restate the Commission's commitment to executing its mandate in line with our mission to professionalise the teaching service for quality education and development.



Finally, may I take this opportunity to thank the Commissioners, Management and Staff of Teachers Service Commission for the commitment and contribution towards the Vision and Mission of the Commission.



**DR LYDIA NZOMO, OGW, EBS  
CHAIRPERSON**

**Date: 26.09.2017**



## VI. REPORT OF THE CHIEF EXECUTIVE OFFICER



During the 2016/2017 financial year, the budgetary allocation to the Teachers Service Commission was Kshs. 191,020,010,342. The funds facilitated the Commission to deliver on its mandate under the Constitution.

Key achievements realized during this period were the recruitment of 13,173 teachers and promotion of 34,432 teachers to various grades.

In the Commission's endeavour to professionalise teaching service at the Sub County level, a total of Kshs. 28,190,636 was allocated to facilitate operations. In addition, 248 motorcycles have been procured to facilitate the movement of Curriculum Support Officers (CSOs) in overseeing implementation of the curriculum at the sub-counties. Further, 292 laptops were procured and distributed to County and Sub-County Directors to enhance data management. Connectivity between the headquarters and all County offices was also established by installing Multiprotocol Label Switching (MPLS) and internet.

In an endeavour to address the challenge of inadequacy of office accommodation at the counties, the Commission acquired allotment letters for land in four counties namely; Kilifi, Bomet, Tana River and Laikipia. This culminated in the commencement of construction of TSC County offices in Bomet and Kilifi.

The successes of the Commission during this period 2016-2017 were not without challenges. The challenges related to teacher shortage, insecurity in certain parts of the country, financial constraints for teacher promotion and digitization of teachers' records.

Finally, I wish to take this opportunity to thank the Commission Staff and partners for their continued support which has contributed to the achievements realized. The Commission remains committed to the continuous improvement of its services.

**DR NANCY NJERI MACHARIA**  
**SECRETARY/CHIEF EXECUTIVE**

**Date: 26.09.2017**

## VII. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure by which an organization is directed and controlled with the ultimate aim of achieving long term value to key stakeholders while taking into account the interest of other interested parties. The Commissioners and management of Teachers Service Commission are committed to achieving and demonstrating the highest standards of corporate governance.

The Commission has continued to be committed to high corporate governance standards and effective service delivery and ethics within the organization by abiding with the laws and statutory regulations.

The employees of the Commission are guided by the code of conduct approved by the Commission.

### The Commission

The Commission consists of a chairperson and eight other members appointed in accordance with constitution and the Teachers Service Commission Act 2012. They possess qualification and a wide range of expertise and experience that enable them to effectively contribute in their capacities as members. They are appointed by the President following a competitive process.

The Commission Secretariat is headed by a Secretary who is also its Chief Executive and the Accounting officer. She implements the decisions of the Commission.

### Duties of the Commissioners

The Commissioners provide strategic directions; objectives and values that ensure policies and practices are in place to implement governance and effective control over the Commission's assets and operations.

The Commissioners meet regularly to continually review and monitor the Commission's progress with respect to strategic direction and operational effectiveness.

In this regard the Commission has established the following governance committees with special mandates to assist in the execution of the Commission's programs.

### Audit Committee Membership:

- |    |                           |                            |
|----|---------------------------|----------------------------|
| 1. | Rogers Kinoti M'Arifa     | Chairperson                |
| 2. | Kenneth M. Juma           | Member                     |
| 3. | Comm. Albert Fred Ekirapa | Member                     |
| 4. | Patrick W. Owiti          | Member (National Treasury) |
| 5. | Patrick Mangatu           | Secretary                  |

### Human Resource Committee Membership

- |    |                               |             |
|----|-------------------------------|-------------|
| 1. | Comm. Dr. Salome Gichura, OGW | Chairperson |
| 2. | Comm. Kinoti Imanyara         | Member      |
| 3. | Comm. Beatrice Adu, HSC       | Member      |
| 4. | Comm. A. F. Ekirapa           | Member      |



5.	Dr.Nancy Njeri Macharia	Secretary
6.	Mumin Gedi, OGW	Member
7.	J.M. Maundu	Member
8.	CPA Cheptumo Ayabei	Member
9.	Mary Rotich	Member
10.	Ayub Imbira	Member

**Field Services Committee Membership**

1.	Comm. Kinoti Imanyara	Chairman
2.	Comm. Saadia Abdi Kontoma, OGW	Member
3.	Comm. Tache Bonsa Gollo	Member
4.	Dr.Nancy Njeri Macharia	Secretary
5.	S.M. Kavisi, OGW	Member
6.	J.M. Maundu	Member
7.	Mary Rotich	Member
8.	Mumin Gedi, OGW	Member
9.	CPA Cheptumo Ayabei	Member
10.	Justine Kianga	Member

**Finance Committee Membership**

1.	Comm. Beatrice Adu, HSC	Chairperson
2.	Comm. Tache G. Bonsa	Member
3.	Comm. Mbarak Twahir, FKIM	Member
4.	Dr.Nancy Njeri Macharia	Secretary
5.	J.M. Maundu	Member
6.	CPA Cheptumo Ayabei	Member
7.	Mary Rotich	Member
8.	CPA Grace W. Ngure	Member
9.	Mumin Gedi, OGW	Member
10.	Ayub Imbira	Member



### **Strategy and Innovation Committee Membership**

1.	Comm. Mbarak Twahir, FKIM	Chairman
2.	Comm. Dr Salome Gichura, OGW	Member
3.	Comm. Saadia Abdi Kontoma, OGW	Member
4.	Dr.Nancy Njeri Macharia	Secretary
5.	S.M. Kavisi, OGW	Member
6.	J.M. Maundu	Member
7.	Mary Rotich	Member
8.	Mumin Gedi, OGW	Member
9.	Ayub Imbira	Member

### **Ad hoc Committees**

The Committees are constituted as and when need arises.





## VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

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

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

### TSC Corporate Social Responsibility (2016-2017)

In 2016/2017 the Commission participated in charitable activities to support less privileged members of the community as a way of giving back to the society.

During the year the Commission sponsored:

#### Health and fitness club

The club participated in various National events and produced outstanding performance. Some of the activities/ events include;

Date	Event
17/9/2016	Chemususu Dam Half Marathon
30/10/2016	Standard Chartered Full Marathon

These events have not only improved members' physical and mental wellbeing but have also significantly contributed to the Commissions Corporate Social Responsibility and enhanced the Commissions Corporate image.

#### Catholic Association

The association has had various activities that provided moral and spiritual to members in distress circumstances. Some of these activities included celebration of their Patron Saint day with Kenyatta National Hospital Children in Cancer wards, charity work at the Star of hope Children's Home in JUJA and responded to members of secretariat staff during times of sickness. These activities have enhanced the Commission Corporate image.



### **Christian Fellowship**

In the month of August 2016 the Christian Fellowship organized the TSC prayer day at the TSC house by inviting all Secretariat Faithfull's to pray together for the challenge that was facing the country, thus promoting Cohesion as at the work place. They also held a retreat/team building at Machakos people's park in November. In the following month of December, they participated in the TSC Education day.

### **Muslim Association**

The year 2016 provided an opportunity for the association to extend a hand to various homes; these included visiting Madrastul, Bahati Children Home, KNH cancer unit and Madrastul Riyaadh in Kibera. The 2016 Ramathan was celebrated by buying foodstuff for the needy people.

### **Tescom Football Club**

In the year under review the Club organized interdepartmental tournament which culminated to Chairpersons Cup in the month of December which was a precursor to the TSC education day.

### **Netball Club**

During the year under review the club participated in Ushirika Day Celebrations Champion Cup held at Railway club Nairobi in the month of June 2017.

During TSC Education Day the netball team actively participated in obstacle race, egg race, water balancing, sack race, musical chair and a short netball match which offered real entrainment.

### **Pool Club**

The pool club was established in the year 2012 with the aim of bringing cohesiveness. Since then the club has been holding the internal tournament annually. Its members are drawn from all the service areas in the Commission. They normally play during lunch hour and sometimes in the evening after work. The clubs held an internal tournament in the month of October.

### **TESCONEP**

It increases access to psychosocial support services and brings positive change in attitude and behaviours of secretariat Staff and the surrounding communities.

During the year they carried out sensitization programs at TSC Headquarters and Kisumu county offices in the months of February and July respectively. They paid a visit to Kenyatta

National Hospital Children Cancer Ward in the month of April and had a team building at Machakos People Park in October.

### **Choir**

The TSC Choir strengthens cohesion amongst the Commission staff through integration of members from different service areas.

In the year 2016 the choir entertained the public during the Madaraka day celebration in Kisumu in June, participated in TSC Open day in Machakos in September, POYA TOYA luncheon in October, TSC Education day and Jamhuri day celebration in the month of December and TSC Superannuation Scheme annual general meeting.

In its outstanding performance within the Commission and Nationally it has ably represented the commission in achieving its corporate image.

In addition, the Mwalimu welfare association participated in Corporate Social Responsibility activity where they issued cheques each worth Ksh 10,000 to eight members of the Secretariate facing challenges. This was given out during the TSC education day.



## IX. REPORT OF THE COMMISSIONERS

The Chairperson and members of the Commission wish to submit their report together with the audited financial statements for the year ended 30 June 2017 which show the state of the Commission's affairs.

### Principal activities

The principal activities of the Commission

- (a) To register trained teachers;
- (b) To recruit and employ registered teachers;
- (c) To assign teachers employed by the Commission for service in any public school or Institution;
- (d) To promote and transfer teachers;
- (e) To exercise disciplinary control over teachers;
- (f) To terminate the employment of teacher;
- (g) Review the standards of education and training of persons entering the teaching service;
- (h) Review the demand for and the supply of teachers; and
- (i) Advise the national government on matters relating to the teaching profession.

### Results

The results of the entity for the year ended 30 June 2017 are set out on page 33.

### Commissioners

The Commissioners who served during the year are shown on page 4.

### Auditors

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

By Order of the Commission



**DR. NANCY NJERI MACHARIA, OGW**  
**SECRETARY/CHIEF EXECUTIVE**

**Date: 26.09.2017**



## X. STATEMENT OF COMMISSIONERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 40 of the Teachers Service Commission Act, 2012 require the Commissioners to prepare financial statements in respect of the Commission, which give a true and fair view of the state of affairs at the end of the financial year and the operating results for that year. The Commissioners are also required to ensure that the Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Commission. They are also responsible for safeguarding the assets of the Commission.

The Commissioners are responsible for the preparation and presentation of the 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 30 June 2017. This responsibility includes:

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

The Commissioners accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the TSC Act, 2012. The Commissioners are of the opinion that the financial statements give a true and fair view of the state of Commission's transactions during the financial year ended 30 June 2017, and of the financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

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



### **Approval of the financial statements**

The financial statements were approved by the Commission on 26 September 2017 and signed on its behalf by;



**DR NANCY NJERI MACHARIA**  
**SECRETARY/ CHIEF EXECUTIVE**

**Date: 26.09.2017**



**DR. LYDIA N. NZOMO, OGW, EBS**  
**CHAIRPERSON**

**Date: 26.09.2017**



## XI. REPORT OF THE INDEPENDENT AUDITORS ON THE TEACHERS SERVICE COMMISSION

### REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
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P.O. Box 30084-00100  
NAIROBI

### OFFICE OF THE AUDITOR-GENERAL

#### REPORT OF THE AUDITOR-GENERAL ON THE TEACHERS SERVICE COMMISSION VOTE 1064 FOR THE YEAR ENDED 30 JUNE 2017

#### REPORT ON THE FINANCIAL STATEMENTS

##### Qualified Opinion

I have audited the accompanying financial statements of Teachers Service Commission set out on pages 33 to 37 which comprise the statement of financial position as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Teachers Service Commission as at 30 June 2017, 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 Teachers Service Commission Act, 2012.

In addition, as required by Article 229(6) of the Constitution based on the procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that public money has been applied lawfully and in an effective way.

##### Basis for Qualified Opinion

##### 1. Stores and Cash Losses

Note 8 to the financial statements reflects receivables – outstanding imprest and clearance accounts balance of Kshs.2,217,700,000 as at 30 June 2017. The figure of Kshs.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 mater during the year under review indicates that the suspect was charged and the case is pending and

*Report of the Auditor-General on the Financial Statements of The Teachers Service Commission Vote 1064 for the year ended 30 June 2017*



that although the case was set for hearing on 19 March 2018, it was adjourned to 25 June 2018.

In addition, included in the balance of Kshs.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 KRA on 23 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.

In the circumstances, it has not been possible to confirm the full recoverability of the accounts receivables - outstanding imprest and clearance accounts figure of Kshs.2,217,700,000 for the year ended 30 June, 2017.

## **2. Property, Plant and Equipment Schedule**

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 at a cost of Kshs.2,085,869. A review of the matter in January 2018 revealed that the vehicle had earlier been taken and auctioned by the auctioneers after obtaining a duplicate log book No.20063490279 from KRA. Although the commission repossessed the vehicle, a case is pending before a court of law as at the date of this report and the outcome is known.

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 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those 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 and Other Matter sections of my report, there were no Key Audit Matters to communicate in my report.

### **Other Matter**

#### **1.0 Budgetary Control and Performance**

The Commission had a total budget of Kshs.190,645,010,342 voted for the financial year 2016/2017 comprising of Kshs.100,000,000 for development and





Kshs.190,545,010,342 for recurrent votes respectively. The budget absorption in the Commission was as follows: -

Item	Budgeted Allocation 2016/2017	Actual Expenditure 2016/2017	Under Absorption	Absorption in %
	Kshs	Kshs	Kshs	
Recurrent	190,545,010,342	190,544,600,000	410,342	99.99%
Development	100,000,000	0	100,000,000	0%
<b>Total</b>	<b>190,645,010,342</b>	<b>190,544,600,000</b>	<b>100,410,342</b>	<b>99.95%</b>

The management of the Commission explained that although, it was allocated development funds totalling Kshs.100 million in the year under review, no funds were received as at 30 June 2017.

### 1.1 Recurrent Vote

The Commission had an annual recurrent budget of Kshs.190,545,010,342 against actual expenditure of Kshs.190,544,600,000 indicating absorption of 99.99% as detailed below:

Item	Budget 2016-2017 Kshs'000	Actuals 2016-2017 Kshs'000	Over/Under Absorption Kshs'000	% Absorption
Compensation of employees	189,555,889	189,761,656	(205,767)	100.1%
Use of goods and services	1,076,196	869,609	206,587	81%
Acquisition of Assets	387,925	261,443	126,482	67%
<b>Grand Total</b>	<b>191,020,010</b>	<b>190,892,708</b>	<b>127,302</b>	<b>99.93%</b>

From the above analysis, the Commission underutilized the budget acquisition of assets by 33% and use of goods and services by 19%. The under absorption of the approved budget is an indication of activities not implemented by the Commission which implies non delivery of goods and services to the Kenyan citizens for the year ended 30 June 2017. Therefore, the stakeholders did not obtain full value for their resources.

### 1.2 Development Vote

The management of the Commission had an annual development budget of Kshs.100,000,000 against nil expenditure as no funds were received during the year under review.



Item	Budget 2016-2017 Kshs.	Actuals 2016-2017 Kshs.	Under Expenditure Kshs.	% Absorption
Construction of Buildings(Non-Residential Buildings(County offices))	100,000,000	0	100,000,000	0%
<b>Grand Total</b>	<b>100,000,000</b>	<b>0</b>	<b>100,000,000</b>	<b>0%</b>

From the above analysis, the Commission did not receive development funds resulting into underutilization of budget. The under underutilization of the approved budget is an indication of activities not implemented by the Commission which implies non delivery of goods and services to the Kenyan citizens for the year ended 30 June 2017. Therefore, the stakeholders did not obtain value for their resources.

#### **Responsibility of Management and Those charged with Governance for the Financial Statements**

The Accounting Officer Teachers Service Commission 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.

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 going concern basis of accounting unless the management either intends to liquidate the Commission or to cease operations, or have no realistic alternative but to do so.

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 when it exists. Misstatements can arise from fraud or error and are considered

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material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

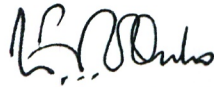
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern or to sustain service. 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 continue its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate 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 entities or business activities of the Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in financial statements.

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.

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*Report of the Auditor-General on the Financial Statements of The Teachers Service Commission Vote 1064 for the year ended 30 June 2017*

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



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

Nairobi

23 April 2018

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*Report of the Auditor-General on the Financial Statements of The Teachers Service Commission Vote 1064  
for the year ended 30 June 2017*



**XII. STATEMENT OF RECEIPTS AND PAYMENTS**

**TEACHERS SERVICE COMMISSION  
STATEMENT OF RECEIPTS AND PAYMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2016-2017 Kshs '000'	2015-2016 Kshs '000'
<b>RECEIPTS</b>			
Transfers from National Treasury	1	190,544,600	184,675,540
Proceeds from Sale of Assets	2	410	892
Other Revenues	3	491,520	263,161
<b>TOTAL REVENUES</b>		<b>191,036,530</b>	<b>184,939,593</b>
<b>PAYMENTS</b>			
Compensation of Employees	4	189,761,656	179,930,477
Use of goods and services	5	863,609	644,565
Acquisition of Assets	6	261,443	87,140
<b>TOTAL PAYMENTS</b>		<b>190,886,709</b>	<b>180,662,183</b>
<b>SURPLUS/DEFICIT</b>		<b>149,820</b>	<b>4,277,411</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 26.09.2017 and signed by:



**DR NANCY NJERI MACHARIA  
COMMISSION SECRETARY/CEO**

Date: 26.09.2017



**CPA GRACE W. NGURE  
AG.DIRECTOR ACCOUNTS**

ICPAK NUMBER: 8358

Date: 26.09.2017

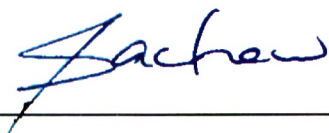


**XIII. STATEMENT OF FINANCIAL POSITION**

**TEACHERS SERVICE COMMISSION  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

	Note	2016-2017 Kshs '000'	2015-2016 Kshs '000'
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	7A	1,838,941	1,150,889
Cash Balances	7B	-	21
<b>Total Cash And Cash Equivalents</b>		<b>1,838,941</b>	<b>1,150,910</b>
Accounts Receivables - Outstanding Imprest and Clearence Accounts	8	2,217,700	9,251,757
<b>TOTAL FINANCIAL ASSETS</b>		<b>4,056,642</b>	<b>10,402,667</b>
<b>LESS: FINANCIAL LIABILITIES</b>			
Accounts Payables	9	2,878,194	9,374,039
<b>NET FINANCIAL ASSETS</b>		<b>1,178,448</b>	<b>1,028,628</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	10	1,028,628	(3,248,783)
Surplus/Deficit for the year		149,820	4,277,411
<b>NET FINANCIAL POSITIONS</b>		<b>1,178,448</b>	<b>1,028,628</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 26.09.2017 and signed by



**DR NANCY NJERI MACHARIA**  
**COMMISSION SECRETARY/CEO**  
Date: 26.09.2017



**CPA GRACE W. NGURE**  
**AG.DIRECTOR ACCOUNTS**  
**ICPAK NUMBER: 8358**  
Date: 26.09.2017



**XIV. STATEMENT OF CASH FLOW**

**TEACHERS SERVICE COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2016-2017 Kshs '000'	2015-2016 Kshs '000'
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Transfers from National Treasury	1	190,544,600	184,675,540
Other Revenues	3	491,520	263,161
		<b>191,036,120</b>	<b>184,938,701</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	4	189,761,656	179,930,477
Use of goods and services	5	863,609	644,565
Other Expenses		-	-
		<b>190,625,266</b>	<b>180,575,043</b>
<b>Adjusted for:</b>			
Decrease in Receivables		7,034,056	8,882,637
Decrease in Payables		6,495,845	4,896,657
Adjustments during the year		-	-
<b>Net cash flow from operating activities</b>		<b>949,065</b>	<b>377,679</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	2	410	892
Acquisition of Assets	6	(261,443)	(87,140)
<b>Net cash flows from Investing Activities</b>		<b>(261,033)</b>	<b>(86,248)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Domestic Borrowings		-	-
Proceeds from Foreign Borrowings		-	-
Repayment of principal on Domestic and Foreign borrowing		-	-
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>688,032</b>	<b>291,431</b>



Cash and cash equivalent at BEGINNING of the year

1,150,910

859,479

Cash and cash equivalent at END of the year

1,838,941

1,150,910

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 26.09.2017 and signed by:



DR NANCY NJERI MACHARIA  
COMMISSION SECRETARY/CEO

Date: 26.09.2017



CPA GRACE W. NGURE  
AG.DIRECTOR ACCOUNTS  
ICPAK NUMBER: 8358

Date: 26.09.2017







## XVI. SIGNIFICANT ACCOUNTING POLICIES

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

### a. 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 and applicable government legislations and regulations. 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 the Commission and all values are rounded to the nearest one thousand Kenya Shillings. 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.

### b. Recognition of revenue and expenses

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

### c. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

### d. 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 is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as expenditure when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

### e. Accounts Payable

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



Ministries and agencies. Other liabilities including pending bills are disclosed in the financial statements.

**f. 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 Commission fixed asset register a summary of which is provided as a memorandum to these financial statements.

**g. 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. The Commission's budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the Commission's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

**h. Comparative figures**

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

**i. Subsequent events**

Events subsequent to submission of the financial year end financial statements to the National Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of National Treasury..



## XVII. NOTES TO THE FINANCIAL STATEMENTS

### 1 EXCHEQUER RELEASES

Description and reference of the transfer	2016-2017	2015-2016
	Kshs	Kshs
1st quarter transfer	45,453,000,000	48,630,140,000
2nd quarter transfer	47,406,200,000	43,184,000,000
3rd quarter transfer	48,006,755,200	47,390,800,000
4th quarter transfer	49,678,644,800	45,470,600,000
<b>Total</b>	<b>190,544,600,000</b>	<b>184,675,540,000</b>

### 2 PROCEEDS FROM SALE OF NON-FINANCIAL ASSETS

	2016-2017	2015-2016
	Kshs	Kshs
Receipts from the Sale of Vehicles and Transport Equipment	410,000	892,000
<b>Total</b>	<b>410,000</b>	<b>892,000</b>

### 3 OTHER REVENUES

	2016-2017	2015-2016
	Kshs	Kshs
Interest Received	8,688,957	8,543,714
Other Property Income - Collected as AIA	2,846,246	3,781,444
Receipts from Administrative Fees and Charges - Collected as AIA	479,234,586	250,751,319
Other Miscellaneous Revenues - court award	-	85,000
Donations	750,000	-
<b>Total</b>	<b>491,519,789</b>	<b>263,161,477</b>

### 4 COMPENSATION OF EMPLOYEES

	2016-2017	2015-2016
	Kshs	Kshs
Basic salaries of permanent employees	120,925,491,321	115,487,032,098
Basic wages of temporary employees	6,613,356	2,927,359,206
Personal allowances paid as part of salary	59,943,600,606	60,841,793,080
Personal allowances paid as reimbursements	29,020,387	92,013,886



**XVII. NOTES TO THE FINANCIAL STATEMENTS (Cont)**

Employer Contribution to Staff Pensions Scheme	549,658,425	581,686,138
Employer Contributions to National Social Security Fund	7,379,467	593,000
Employer Contributions to Compulsory Health Insurance Schemes	8,299,892,926	-
<b>Total</b>	<b>189,761,656,487</b>	<b>179,930,477,408</b>

**5 USE OF GOODS AND SERVICES**

	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Utilities, supplies and services	34,253,077	18,135,913
Communication, supplies and services	80,133,492	27,142,367
Domestic travel and subsistence	130,323,036	79,324,159
Foreign travel and subsistence	14,693,751	12,215,390
Printing, advertising and information supplies & services	5,564,463	6,383,794
Rentals of produced assets	33,170,897	7,316,903
Training expenses	85,866,519	29,014,409
Hospitality supplies and services	25,456,934	14,540,537
Insurance costs	292,445,106	309,781,008
Specialised materials and services	4,139,413	1,035,660
Office and general supplies and services	17,223,313	23,715,987
Fuel Oil and Lubricants	27,112,416	9,774,621
Other operating expenses	51,586,990	79,305,731
Routine maintenance – vehicles and other transport equipment	24,629,538	14,641,195
Routine maintenance – other assets	37,010,473	12,237,706
<b>Total</b>	<b>863,609,419</b>	<b>644,565,380</b>

**6 ACQUISITION OF ASSETS**

	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
<b><u>Non Financial Assets</u></b>		
Refurbishment of Buildings	25,794,179	13,825,054
Purchase of Vehicles and Other Transport Equipment	137,551,990	41,582,996



**XVII. NOTES TO THE FINANCIAL STATEMENTS (Cont)**

Purchase of Office Furniture and General Equipment	6,873,308	4,422,200
Purchase of Specialised Plant, Equipment and Machinery	-	27,309,878
Purchase of ICT Equipment	91,223,976	-
<b>Total</b>	<b>261,443,453</b>	<b>87,140,128</b>

**7A Bank Accounts**

Name of Bank, Account No. & currency	Type of Account	2016-2017 Kshs	2015-2016 Kshs
National Bank of Kenya-Secretariat A/C No.01001005707400	Recurrent	15,778,723	15,778,723
National Bank of Kenya-Teachers A/C No.01001000905000	Recurrent	1,002,031,086	618,791,586
Central Bank of Kenya A/C No. 1000181117	Recurrent	262,204,645	5,204,032
Central Bank of Kenya - PRIEDE A/C No. 1000291133	Project	39,122,499	-
<b>Total</b>		<b>1,319,136,952</b>	<b>639,774,340</b>
National Bank of Kenya A/C No.01377083109304	Fixed Deposit	519,804,084	511,115,127
<b>Total</b>		<b>1,838,941,036</b>	<b>1,150,889,467</b>

**7B Cash in hand**

	2016-2017 Kshs	2015-2016 Kshs
Cash in Hand – Held in domestic currency	459	1,859
Cash in Hand – Held in domestic currency	-	18,656
<b>Total</b>	<b>459</b>	<b>20,515</b>

**Analysis of Cash:**

	2016-2017 Kshs	2015-2016 Kshs
Teachers Service Commission HQS	459	1,859



**XVII. NOTES TO THE FINANCIAL STATEMENTS (Cont)**

Teachers Service Commission HQS		18,656
<b>Total</b>	<b>459</b>	<b>20,515</b>

**8 Accounts Receivables - Outstanding Imprests and Clearance Accounts**

<i>Description</i>	<b>2016-2017</b>	<b>2015-2016</b>
Domestic Debtors & Advances	8,747,624	10,208,571
Other Debtors & Pre-payments	-	7,813,250
Government Imprests	474,158	94,188,782
Suspense Account	-	181,283,865
Other receivables & Clearance Account	2,207,786,690	8,957,613,525
Withholding taxes	691,755	648,557
<b>Total</b>	<b>2,217,700,227</b>	<b>9,251,756,550</b>

**9 Accounts Payables**

	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Other Payables	2,255,231,208	9,005,115,701
Agency Accounts	80,480,027	152,294,871
AP Liabilities	542,482,347	216,628,250
<b>TOTAL</b>	<b>2,878,193,582</b>	<b>9,374,038,822</b>

**10 BALANCES BROUGHT FORWARD**

	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank accounts	1,150,889,467	859,462,916
Cash in hand	20,515	16,272
Receivables - Outstanding Imprests	9,251,756,550	369,119,570
Payables - Deposits	(9,374,038,822)	(4,477,381,609)
<b>Total</b>	<b>1,028,627,710</b>	<b>(3,248,782,850)</b>



## XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

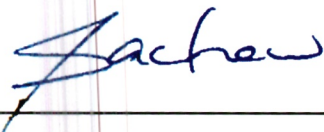
The following is the summary of issues raised by the external auditor in their letter and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved..

Ref No. on external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Time frame
1	<p><b>Property, Plant &amp; Equipment</b></p> <p>Two motor vehicles procured between 1996 and 2004 at a total cost of 3,564,814 had a carrying value of Ksh 226,194 in the books as at 30.6.2014</p>	Revaluation of Motor Vehicles by Ministry of Public Works & Infrastructure is being undertaken	Director Administration	In Progress	
2	<p><b>Stores &amp; Cash Losses</b></p> <p>Loss of CISCO switches</p> <p>Ksh 9,281,160</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. The case is ongoing and the last hearing date was on 17/7/2017 as per DCIO-Kilimani letter Ref: CID/SEC/4/4/1/VOL.IX/330 dated 22/3/2017.</p>	Director Administrative Services	In Progress	
	<p>Loss of cash</p> <p>Ksh.2,852,880.90</p>	<p>These are cash losses which occurred in the period 1988-2000 and the Commission followed up the matter in the Courts over several years culminating with the Investigating Officer's letter Ref: CID/IB/SEC/4/3/1/A/VOL. III/64 dated 5/9/2014 indicating the insurmountable challenges in charging the culprits. The Commission recommended for write off in the meeting held on 24/ 9/15 and has subsequently sought for the National Treasury's approval vide letter Ref: TSC/ FIN/32/VOL.IX/34 dated 9/ 6/17 before recognising the write off in our books.</p>	Director Accounts	In Progress	





Ref No. on external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Time frame
	Long outstanding undue remittance of PAYE Ksh 46,060,915 to KRA	As provided under section 59 of the tax Procedures Act 2015, Kenya Revenue Authority audited the original claim of  Kshs. 128,392,939 on 24/3/2016. The claim was revised downwards to Kshs.46,060,915 vide their letter dated 6.9.2016 and the Commission was informed that the refund process had been initiated. The Commission has since written to (KRA) Ref. TSC/FIN/48/VOL.IV/89 dated 30/8/2016 and followed with a reminder on 13/3/2017 requesting for the hastening of the refund process. The Commission has also 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/25 dated 10/ 4/17. The matter is being pursued with KRA for refund	Director Accounts	In Progress	
3	<b>Mortgages &amp; Loans</b> Supporting schedule for Ksh 2,123,293,265 not availed for audit verification	These were 3 <sup>rd</sup> party payroll deductions. The supporting schedule will be availed during the audit verification of the 2016/2017 financial statements	Director Accounts	Resolved	



**DR NANCY NJERI MACHARIA**  
**COMMISSION SECRETARY/CEO**

Date: 26.09.2017



**CPA GRACE W. NGURE**  
**AG.DIRECTOR ACCOUNTS**  
**ICPAK NUMBER: 8358**

Date: 26.09.2017



**XIX. PPE SCHEDULE 2016-2017**

	<b>COST 01.7.2016</b>	<b>ADDITIONS</b>	<b>DISPOS- ALS</b>	<b>COST 30.6.2017</b>
	<b>KHS</b>	<b>KHS</b>	<b>KHS</b>	<b>KHS</b>
LAND	1,000,000,000	-	-	1,000,000,000
BUILDING	1,202,045,814	25,794,179	-	1,227,839,993
MOTOR VEHICLES	366,517,864	137,551,990	(5,158,815)	498,911,039
FURNITURE AND OFFICE EQUIPMENT	418,936,780	6,873,308	-	425,810,088
COMPUTER AND OTHER ICT EQUIPMENT	419,180,222	91,223,976	-	510,404,198
<b>TOTAL</b>	<b>3,406,680,680</b>	<b>261,443,453</b>	<b>(5,158,815)</b>	<b>3,662,965,318</b>







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