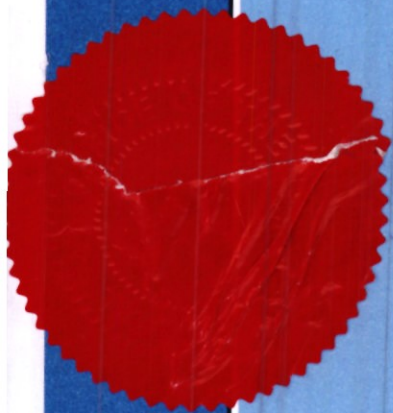


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**REPORT**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 MAY 2024	DAY: <i>Tuesday</i>
TABLED BY:	<i>Hon Owen Baya, MP Deputy majority leader</i>
CLERK-AT-THE-TABLE:	<i>A. Shilonko</i>

**THE AUDITOR-GENERAL**

**ON**

**COUNCIL OF LEGAL EDUCATION STAFF  
CAR LOAN AND MORTGAGE SCHEME**

**FOR THE YEAR ENDED  
30 JUNE, 2023**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 MAY 2024	DAY:
TABLED BY:	
CLERK-AT-THE-TABLE:	





OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY  
08 DEC 2023  
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## COUNCIL OF LEGAL EDUCATION STAFF CAR LOAN AND MORTGAGE SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE, 2023

---

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

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 02 MAY 2024

DAY

TABLED  
BY:

CLERK-AT  
THE-TABLE:



*Council of Legal Education Staff Car loan and Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2023*

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10/1/2023



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## **1. Abbreviations, Acronyms and Glossary of Terms**

### **A. Abbreviations and Acronyms**

CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CLE	Council of Legal Education
ECL	Expected Credit Loss
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies



**B. Glossary of Terms**

1. **Council** - means the Board of Directors of the Council of Legal Education established under Section 4 (5) of the Legal Education Act, 2012.
2. **Liquidity risk** - Means the risk that the Scheme will not meet its financial obligations when they fall due.
3. **Management** - Means the Advisory Committee appointed by the CEO and entrusted with the responsibility of managing the scheme's financial resources.
4. **Scheme Banker**- Means National Bank of Kenya.





## **2. Key fund information and management**

### **a) Background information**

CLE is established by Legal Education Act No. 27 of 2012. It has established the CLE Staff Car Loan and Mortgage Scheme in accordance to the Salaries and Remuneration Commission Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17<sup>th</sup> December 2014, and the National Treasury Circular ZZ/MOF/26/03/86 of 16<sup>th</sup> September 2015 and ZZ/MOF/26/03/86/A (134) of 16<sup>th</sup> March 2016. CLE formulated the Staff Car Loan & Mortgage Scheme Regulation of 2020 that were approved by the its Board on 16<sup>th</sup> December 2020.

The Scheme is wholly owned by CLE located in Nairobi, Kenya.

### **b) Principal Activities**

The principal activities of the CLE Staff Car Loan and Mortgage Scheme:

- i. To enable CLE staff to access mortgage facilities;
- ii. To enable CLE staff to purchase cars.

The Scheme is administered by the National Bank of Kenya and an Advisory Committee appointed by CLE's CEO is responsible for the day-to-day operations of the scheme.

### **Vision**

To motivate CLE staff and immensely contribute towards attraction and retention of requisite skills in the CLE.

### **Mission**

To assure quality legal education and training through licensing and supervision of legal education providers; Administration of the Advocates Training Programme examination and advising the Government on legal education.

### **c) CLE Staff Car Loan and Mortgage Scheme Advisory Committee**

<b>Ref</b>	<b>Position</b>	<b>Name</b>
1.	Chairperson	CPA Ednah Kerubo Oyori
2.	Member	Mr. Moses Muchiri
3.	Member	Mr. Josphat Waithaka
4.	Member	CPA Esther Njoroge
5.	Secretary	Ms. Victoria Wahu



**d) Key Management**

<b>Ref</b>	<b>Position</b>	<b>Name</b>
1.	Scheme Administrator	Ms. Jennifer Gitiri, HSC
2.	Chairperson	CPA Ednah Kerubo Oyori
3.	Member	Mr. Moses Muchiri
4.	Member	Mr. Josphat Waitthaka
5.	Member	CPA Esther Njoroge
	Secretary	Ms. Victoria Wahu





**e) Fiduciary Oversight Arrangements**

Ref	Position	Name
1	Directorate of Internal Audit	Ms. Ignazia Kaimba
2	Staff Car Loan & Mortgage Advisory Committee	

**f) Registered Offices**

**Council of Legal education**  
P.O. Box 829-00502  
Karen Office park Acacia Block 2<sup>nd</sup> Floor  
Lang'ata Road  
Nairobi, Kenya

**g) CLE Staff Car Loan and Mortgage Scheme Contacts**

Telephone: (254) 20 6980100, 20 2011290  
E-mail: info@cle.or.ke  
Website: www.cle.or.ke

**h) CLE Staff Car Loan and Mortgage Scheme Bankers**

National Bank of Kenya  
Hill Branch  
P.O Box 45219-00100  
Nairobi, Kenya

**i) Independent Auditors**

Auditor-General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya



**j) Principal Legal Adviser**

The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya





### 3. Management Team



**Ms. Jennifer Gitiri, HSC  
Scheme Administrator**

Ms. Jennifer Gitiri is an Advocate of the High Court of Kenya with over ten (10) years of experience and is currently the Deputy Director of Legal Services and Corporation Secretary at the Assets Recovery Agency. She is a Certified Public Secretary (CPS-K) and trained assessor under the Eastern and South Africa Anti-Money Laundering Group (ESAAMLG). She has also participated in both the National Risk Assessment and the Mutual Evaluation for Kenya which evaluates compliance with the Financial Action Taskforce (FATF) Recommendations.

Ms. Gitiri holds a Master of Laws (LLM) in Comparative Constitutional Law from the Central European University, a second LLM in Public International Law from the University of Nairobi, an Advanced Masters course in International Human Rights Law from the University of Oslo, a Post Graduate Diploma in Law from the Kenya School of Law and a Bachelor of Laws (LLB) from the University of Nairobi.

Ms. Gitiri is an awardee of the Head of State Commendation by the President of the Republic of Kenya for her outstanding service

**Date of appointment: 11<sup>th</sup> October 2023**

**CPA Ednah Kerubo Oyori**

**Director Corporate Services / Scheme Chair**



Ms. Ednah Kerubo Oyori holds a Master of Science Degree in Finance & Investments from the University of Nairobi, a Bachelor of Arts in Economics Degree from Makerere University and is a Certified Public Accountant.

Ms. Kerubo is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

Ms. Kerubo has served as Manager, Finance and Accounts at the Kenya Film Commission, she has worked as a Senior Accountant with the Kenya Universities and Colleges Central Placement Service and as an Accountant at The University of Nairobi and comes with a vast experience in Finance & Accounts having worked in Positions of Senior Management in the Public Sector.



**Mr. Moses Muchiri**  
**Manager, Quality Assurance**

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Mr. Muchiri is an advocate of the High Court of Kenya and the current Manager of Quality Assurance in the Directorate of Standards, Licensing, Compliance and Supervision.



**Ms. Esther Njoroge**  
**Senior Accountant /Scheme Member**

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Ms. Esther Njoroge holds a Bachelor of Commerce Degree (Accounting Option) from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and is a Certified Public Accountant of Kenya (CPA-K).



**Waithaka, Josphat Waithaka**  
**Senior Examination Officer**

---

Mr. Waithaka holds Master of Education degree in Measurements & Evaluation from the University of Nairobi, Bachelor of Education degree from Moi University and a Diploma in Education from Kenya Science Teachers' College.

Waithaka is a Senior Examination Officer and had also served as an Examination Officer, Registration & Records. Waithaka joined the organization in November 2015. Previously, Waithaka worked as a teacher under Teachers Service Commission and taught at Kagumo





Teachers Training College and Misyani Girls Secondary School. While in college, Waithaka served as Deputy Registrar and Assistant Registrar Examinations. Waithaka is a member of various committees and at different positions. Waithaka is a person of integrity and maintains the highest standards of ethics, confidentiality and professionalism.

**Ms. Victoria Wahu**  
**Senior Legal Officer**

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Ms. Wahu is an Advocate in the High Court of Kenya with five (5) years of experience. She holds a bachelor's degree in law from Catholic University of Eastern Africa. She is currently the Senior Legal officer with the Council. She joined the Council in October 2022.

She previously worked as the Legal Officer at St. Mary's Mission Hospitals. Ms. Wahu is also a Certified Professional Mediator and a Legal Auditor and currently undertaking the Certified Secretaries course

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#### **4. Chairperson's Report**



The Council is pleased to present the Staff Car Loan and Mortgage Annual Report and Financial Statements for the Council of Legal Education for the year ended June 30, 2023.

The scheme provides staff with the opportunity to buy land and/or build a house using a mortgage loan that is repayable within a term of up to 20 years. The CLE scheme will also facilitate staff to acquire motor vehicles through the provision of loans to purchase vehicles repayable within a term of up to five years.

#### **The rationale of the CLE Staff Car Loan and Mortgage Scheme**

To effectively execute its mandate towards the realisation of its Vision, CLE endeavours to attract, motivate and retain top talent. The scheme was therefore established as a means to achieving this goal. Through the Scheme, employees access to mortgage and car loans at competitive concessionary interest rates. Since this is a revolving fund, upon a repayment, the funds are lent out to other employees who present an application.

Additionally, administering the scheme and providing affordable housing loans to employees, CLE will be supporting the Government's objective of providing affordable housing units to the public under the Bottom up Economic Transformation Agenda ("BeTA").

#### **Governance and Management of the CLE Staff Car Loan and Mortgage Scheme**

CLE has set up a revolving fund to facilitate the operation of the scheme. It also provides the governance and management capacity to run the funds. The loan entitlement and conditions are stipulated in detail in the CLE Staff car loan and mortgage scheme regulations. The CLE staff car loan and mortgage scheme Advisory Committee was appointed to oversee the administration and implementation of the scheme.



**Sustainability of the CLE Staff Car Loan and Mortgage Scheme**

The Council of Legal Education scheme is currently at Kshs. 110 million. To ensure sustainability, the scheme operates as a revolving fund, where the repayments by beneficiaries are utilised to provide loans to new applicants.

CLE is grateful to the Government, which through National Treasury, the Office of the Attorney General and State Law Office and the Salaries and Remuneration Commission has continued to guide and support it to improve the welfare of its staff through the scheme. It is anticipated that the provision of this facility shall encourage the staff to continue undertaking their duties and responsibilities with zeal and patriotism.

CPA Ednah Kerubo Oyori  
CHAIRPERSON, CAR LOAN AND MORTGAGE ADVISORY COMMITTEE  
COUNCIL OF LEGAL EDUCATION





## **5. Report from the Ag. Scheme Administrator**

**Dear Stakeholders,**

The Council has the pleasure of presenting the CLE Staff Car Loan and Mortgage Scheme's financial statements for the financial year 2022/2023. The financial statements comprise of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Net Assets and Statement of Cash Flows. The Council employed prudent financial management in line with Government Financial Regulations and International Public Sector Accounting Standards resulting in the facilitation of efficient and effective administration of the CLE Staff Car Loan and Mortgage Scheme.

The CLE Staff Car Loan and Mortgage Scheme's operations and activities for the Financial Year 2022/2023 included the appointment of an administrator for the scheme and opened an operation bank account for the staff car loan and mortgage scheme.

In the financial year, the scheme continued to issue various products of mortgages to staff. The scheme has seen an increase in the uptake of the mortgage and car loan, where staff now own homes and cars hence an improvement in staff wellness. The Council endeavours to ensure sustainability by operating the scheme as a revolving fund, where the repayments by the beneficiaries are utilised to provide loans to new applicants. The Council will continue to mobilise budgetary allocations in subsequent financial years to enable members of staff to access the facility.

I am grateful to the Council members and other stakeholders for the successful establishment, funding and administration of the CLE Staff car loan and mortgage scheme. I encourage all staff members to utilise the facility for the improvement of their welfare and to remain resilient and focused in the performance of their duties.

Ms. Jennifer Gitiri, HSC  
SCHEME ADMINISTRATOR /Ag. SECRETARY/CHIEF EXECUTIVE OFFICER  
COUNCIL OF LEGAL EDUCATION



## **6. Statement of Performance Against Predetermined Objectives**

The Council of Legal Education Staff Car Loan and Mortgage Scheme' s performance against Predetermined Objectives is as detailed below:

<b>Fund name</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
CLE Staff Car Loan and Mortgage Scheme	To provide loan facility for purchase and development of residential houses; and purchase of motor vehicles for personal use	Strengthened welfare of Council of Legal Education Staff.	No of staff advanced the Mortgage loan facility and the Car Loan facility to purchase cars for personal use	In FY 2022/23 Four (4) staff members benefited from the mortgage loan and One (1) Staff member benefited from the Car Loan.



## **7. Corporate Governance Statement**

### **a. Appointment and removal of Staff Car Loan and Mortgage Advisory Committee**

The Secretary/ CEO appointed a five (5) member Advisory Committee to oversee the implementation and administration of the scheme as per the CLE staff car loan and mortgage regulation.

### **b. Roles and functions of the Advisory Committee members**

The functions of the Staff Car Loan and Mortgage Scheme Advisory Committee includes;

- i. Advising the CEO on the selection of service provider for the administration of the Scheme.
- ii. Liaising with the service provider to set up a revolving fund for disbursement of loans.
- iii. Supervising the day to day running of the Scheme, supervise the disbursement of funds.
- iv. Forward successful applications with recommendations to the service provider.
- v. Ensure books of account are kept and other records to the scheme of all the loans financed from the scheme.
- vi. Furnish such information regarding the administration of the Scheme as may be required for examination and audit by the Auditor General or under any law.
- vii. Designate or appoint such staff as may be necessary to assist in the administration of the Scheme and may require such staff to carry such inspections as may be necessary to verify any information submitted to the committee.

viii.

### **c. CLE Staff Car Loan and Mortgage Scheme Advisory Committee held meetings as follows:**

<b>s/no</b>	<b>Date</b>
1.	13 <sup>th</sup> July, 2022
2.	12 <sup>th</sup> August, 2022
3.	21 <sup>st</sup> September, 2022
4.	13 <sup>th</sup> January 2023
5.	23 <sup>rd</sup> January 2023
6.	2 <sup>nd</sup> June 2023
7.	13 <sup>th</sup> June, 2023





## **8. Management Discussion and Analysis**

### **a) Financial performance**

The scheme is a revolving fund valued at 110M as of 30<sup>th</sup> June 2023. In the year under review the fund earned interest of Kshs 2.7 million.

The CLE Staff Car Loan and Mortgage Scheme's operations and activities for the Financial Year 2022/2023 included issuing of mortgage and car loans.

### **b) Key projects or investments decision implemented**

In the financial year, four (4) members of staff were granted mortgage facilities (39.13M) and one member of staff the Car Loan (2.3M). The Advisory Committee received four (4) more mortgage applications from staff members which are being processed by the bank as at 30<sup>th</sup> June 2023.

### **c) Compliance with statutory requirements**

During the Financial Year 2022/2023 CLE Staff Car Loan and Mortgage Scheme complied with the statutory requirements including but not limited to the;

1. PFM Act, 2012 and Regulations 2015
2. Scheme Regulations, 2020
3. The Legal Education Act, 2012

### **d) Major risks facing the CLE Staff Car Loan and Mortgage Scheme**

#### **Liquidity Risk Management**

This is the inability of the scheme to finance the applications due to inadequate funds. Council ensures that it has sufficient funds by progressively topping up the scheme funds.

#### **Material arrears in statutory/financial obligations**

The CLE Staff Car Loan and Mortgage Scheme is up to date in remitting its statutory and financial obligations.



## **9. Environmental and Sustainability Reporting**

The CLE exists to transform lives. It is one of its purpose; the driving force behind everything it does. It is what guides it to deliver its strategy, putting the citizen first, delivering

relevant services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

### **i) Sustainability strategy and profile**

Under the UN Sustainable Development Goals (SDGs), SDG number 4 introduces inclusive and equitable quality education and promotes lifelong learning opportunities for all. CLE has been at the forefront to harness technology to the advantage of students and legal education providers in service delivery for efficiency and convenience.

CLE has an ERP system that is linked to the student's portal and payment made through M-Pesa has not only made students' registration easier but convenient and they can follow their registration process remotely, view provisional results and any query without the need to visit CLE offices. In the long run, we endeavour to have all our services accessible through this online platform which is both effective and efficient and therefore sustainable for all the stakeholders.

### **ii) Environmental performance**

CLE has established an Environmental Sustainability Committee to champion matters to do with safeguarding the environment. The Committee has developed a draft policy. In addition, being a service corporation, CLE has automated its core functions and use of emails resulting in a considerable reduction in paper-based transactions and therefore, contributing towards the sustenance of the environment. Further, used toner cartridges are disposal through accredited waste disposal firms approved by NEMA ensure environmentally friendly methods on disposal.



*The Director Standards, Licensing, Compliance and Supervision, Ms Mary M. Mutugi, OGW planting a tree in a conservancy of the Ngong forest*





### **iii) Employee welfare**

The Council of Legal Education developed for implementation, a Succession Planning and Talent Management Policies with a view of improving job satisfaction and performance. CLE initiated the development of a Records Management Policy that will its ability to maintain accurate, reliable records; providing controlled, ready access to them and only retaining those worthy of preservation as part of the vital set-up necessary to meet the challenges faced on records management and past policy decisions.

To ensure employees performed work that accomplished the business needs of CLE, all employees' key performance indicators were aligned with the strategic goals of their departments and their performance reviewed at the end of the year. Employees received feedback during a formal performance review exercise on how effective their performance was relative to the expectations. The Management applied performance ratings fairly and consistently and the rewards were consistent with the employees' performance and qualifications.

With regard to Occupational Health and Safety (OSHA), CLE has continued to ensure Safety and Health for its staff is prioritised by ensuring that the fumigation of offices is done every quarter and additional fire extinguishers were installed at CLE premises.

### **iv) Marketplace practices**

CLE has continuously ensured that its marketplace practices are fair, competitive and transparent. Among others, CLE adheres to the following practices.

#### **a) Responsible competition practice.**

CLE's preferred choice of procurement is competitive bidding, mainly open tenders, requests for quotations and requests for proposals. This ensures that firms are given equal opportunity to compete. Council has zero tolerance for corruption and enforces segregation of duties in its activities, especially in constituting procurement processing committees

#### **b) Responsible Supply chain and supplier relations**

CLE utilised the mass media to sensitise the public on the procurement opportunities in the organisation. CLE maintains a register of suppliers, which is updated often. Once a contract is awarded, the Council, through the Supply Chain Management Department, ensures full implementation and performance of obligations.

#### **c) Responsible marketing and advertisement**

CLE's advertisements are conducted in compliance with Government guidelines, professional and ethical standards. Public communication and publicity campaigns are guided by an approved Corporate Communication Policy.

#### **d) Product stewardship**

Law education providers, Law students and their parents/guardians are the primary consumers of our services. We endeavour to satisfy their needs through satisfaction surveys, stakeholder forums and public outreach





## **10. Report of Staff Car Loan and Mortgage Scheme Advisory Committee**

The Scheme hereby submits the report together with the audited financial statements for the year ended June 30, 2023, which shows the state of the scheme affairs.

### **Principal Activities**

The principal activities of the CLE Staff Car Loan and Mortgage Scheme is to enable CLE staff to access mortgage facilities and to purchase cars.

### **Performance**

The Financial statements of the scheme for the year ended June 30, 2023 are set out on page 1 to 5.

### **Scheme Advisory Committee**

The Scheme is administered by the National Bank of Kenya. There is a committee appointed by the Chief Executive Officer charged with the responsibility to;

- i. Advise the CEO on the selection of service provider for the administration of the Scheme,
- ii. Liaise with service provider to set up a revolving fund for disbursement of loans,
- iii. Supervise the day-to-day running of the Scheme, supervise the disbursement of funds,
- iv. Forward successful applications with recommendations to the service provider,
- v. Ensure books of account are kept and other records to the scheme of all the loans financed from the scheme,
- vi. Furnish such information regarding the administration of the Scheme as may be required for examination and audit by the Auditor General or under any law,
- vii. Designate or appoint such staff as may be necessary to assist in administration of the Scheme and may require such staff to carry such inspections as may be necessary to verify any information submitted to the committee.

### **Auditors**

The Auditor General is responsible for the statutory audit of the CLE Staff Car Loan and Mortgage scheme by Article 229 of the Constitution of Kenya, Public Audit Act 2015.

By Order of the Advisory Committee

CHAIR, ADVISORY COMMITTEE  
COUNCIL OF LEGAL EDUCATION  
NAIROBI

Date.....7/12/2023.....



## **11. Statement of Management's Responsibilities**

Section 81 of the Public Finance Management Act, 2012 requires CLE staff car loan and mortgage scheme to prepare financial statements. The scheme, gives a true and fair view of the state of affairs of the financial year and the operating results of scheme for that year. The Council is also required to ensure that the scheme keeps proper accounting records, which disclose with reasonable accuracy of the financial position of the scheme. The Council is also responsible for safeguarding the assets of the Scheme.

The Council is responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs for year ended on June 30, 2023. These responsibilities include:

- 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 Scheme;
- 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 Scheme;
- v) Selecting and applying appropriate accounting policies; and
- vi) Making accounting estimates that are reasonable in the circumstances.

The Advisory Committee takes responsibility for the scheme's Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates. This should be in conformity with International Public-Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, the State Corporations Act and Legal Education Act, 2012. The Advisory Committee thinks that financial statements of the Scheme give a true and fair view of the state of the Scheme's transactions during the financial year ended June 30, 2023. In addition, it gives the financial position as at that date.

The Advisory Committee further, confirms the completeness of the accounting records are well maintained and could be relied on in the preparation of the CLE staff car loan and mortgage scheme financial statements as well as the adequacy of the systems of internal controls.

Nothing has come to the attention of the Advisory Committee to indicate that the CLE staff car loan and mortgage scheme will not remain a going concern for at least the next twelve (12) months from the date of this statement.



### Approval of the Financial Statements

The CLE Staff Car Loan and Mortgage Scheme Financial Statements were approved by the Council on 21/09/ 2023 and signed on its behalf by:

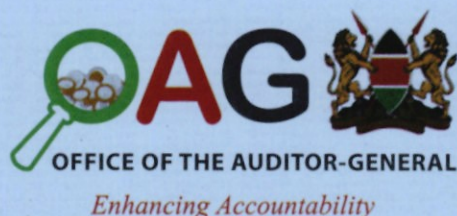
.....  
Ms. Jennifer Gitiri, HSC  
Ag. Chief Executive Officer

.....  
CPA Ednah Kerubo Oyori  
Chair Advisory Committee



# REPUBLIC OF KENYA

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

## REPORT OF THE AUDITOR-GENERAL ON COUNCIL OF LEGAL EDUCATION STAFF CAR LOAN AND MORTGAGE SCHEME FOR THE YEAR ENDED 30 JUNE, 2023

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### PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Council of Legal Education Staff Car Loan and Mortgage Scheme set out on pages 1 to 22, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial



performance, statement of changes in net assets, statement of cash flows and statement of comparison of 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, the financial statements present fairly, in all material respects, the financial position of the Council of Legal Education Staff Car Loan and Mortgage Scheme as at 30 June, 2023, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Council of Legal Education (CLE) Staff Car Loan and Mortgage Regulations, 2020 and Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Council of the Legal Education Staff Car Loan and Mortgage Scheme Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **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, I confirm that, nothing 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**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 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 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 governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether 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 (Accrual 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 Scheme's ability to continue to sustain its services disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Scheme 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 Scheme's financial reporting process, reviewing the effectiveness of how Management 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 audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 Scheme'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 Management.
- Conclude on the appropriateness of 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 Scheme's ability 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 Scheme to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Scheme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.

  
**FCPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**19 April, 2024**



13. Statement of Financial Performance for the year ended 30th June 2023

Description	Note	2022/2023 Kshs.	2021/2022 Kshs.
<b>Revenue from exchange transactions</b>			
Interest income	6	3,219,288	792,201
<b>Total revenue</b>		<b>3,219,288</b>	<b>792,201</b>
<b>Expenses</b>			
Use of Goods and Services	7	921,461	118,830
<b>Total Expenses</b>		<b>921,461</b>	<b>118,830</b>
<b>Surplus Before Tax</b>		<b>2,297,827</b>	<b>673,371</b>
<b>Surplus after Tax</b>		<b>2,297,827</b>	<b>673,371</b>

The notes set out on pages 6 to 20 form an integral part of these Financial Statements

The financial statements were approved on 21/09/2023 and signed on behalf of the Board of Directors by:

Ms. Jennifer Gitiri, HSC  
Scheme Administrator/ Ag.  
Chief Executive Officer  
Council of Legal Education

CPA Esther Njoroge  
Senior Accountant  
Advisory Committee  
ICPAK M/No: 18418

CPA Ednah Kerubo Oyori  
Chairperson  
Advisory Committee





*Council of Legal Education Staff Car loan and Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2023*


**14. Statement of Financial Position as at 30<sup>th</sup> June 2023**

Description	Note	2022/2023 Kshs.	2021/2022 Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	69,690,370	107,886,001
Receivables from Exchange transactions	9	2,272,437	-
<b>Total Current Assets</b>		<b>71,962,807</b>	<b>107,886,001</b>
<b>Non-current assets</b>			
Receivables from Exchange Transactions		38,102,191	-
<b>Total assets</b>		<b>110,064,998</b>	<b>107,886,001</b>
<b>Liabilities</b>			
Trade and other payables (Withholding Tax Expense)	7	-	118,830
<b>Total Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>-</b>	<b>118,830</b>
<b>Net Assets</b>			
CLE Staff Mortgage Scheme	10	87,641,418	87,093,800
CLE Staff Car Loan Scheme	10	20,125,753	20,000,000
Accumulated surplus		2,297,827	673,371
<b>Accumulated Surplus and reserves</b>		<b>110,064,998</b>	<b>107,767,171</b>
<b>Total net assets and liabilities</b>		<b>110,064,998</b>	<b>107,886,001</b>

The accounting policies and explanatory notes set out on pages 6 to 20 to these financial statements form an integral part of the financial statements.

The CLE Staff car loan and mortgage scheme financial statements were approved on 21/09/2023 and signed by:

  
.....  
Ms. Jennifer Gitiri, HSC  
Scheme Administrator/ Ag.  
Chief Executive Officer  
Council of Legal Education

  
.....  
CPA Esther Njoroge  
Senior Accountant CLE  
Advisory Committee  
ICPAK M/No: 18418

  
.....  
CPA Ednah Kerubo Oyori  
Chairperson  
Advisory Committee



15. Statement of Changes in Net Assets for the year ended 30<sup>th</sup> June 2023

Description	Staff Mortgage Scheme	Staff Car Loan Scheme	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.	Kshs.
As at 1 July 2021	57,093,800	-	-	-
Surplus for the period	-	-	673,371	673,371
Funds received during the year	30,000,000	20,000,000	-	50,000,000
Transfers	-	-	-	-
As at 30 June 2022	87,093,800	20,000,000	673,371	107,767,171
Balance as at 1 July 2022	87,093,800	20,000,000	673,371	107,767,171
Surplus for the period	-	-	2,297,827	2,297,827
Interest Capitalized	547,618	125,753	-	673,371
Funds received during the year	-	-	-	-
Transfers	-	-	(673,371)	(673,371)
Balance as at 30 June 2023	87,641,418	20,125,753	2,297,827	110,064,998





*Council of Legal Education Staff Car loan and Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2023*

**16. Statement of Cash Flows for the year ended 30<sup>th</sup> June 2023**

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest income	6	3,219,288	792,201
<b>Total receipts</b>		<b>3,219,288</b>	<b>792,201</b>
<b>Payments</b>			
Withholding Tax	7	405,499	118,830
Administration Fees	7	515,962	
<b>Total payments</b>		<b>(921,461)</b>	<b>(118,830)</b>
<b>Effects of Working Capital Changes</b>			
Decrease/Increase in Trade and other payables	7	(118,830)	118,830
<b>Total Working Capital Changes</b>		<b>(118,830)</b>	<b>118,830</b>
<b>Cash flows from investing activities</b>			
Proceeds from loan principal repayments	11	1,106,199	-
Loan disbursements paid out	12	(41,480,828)	(-)
<b>Net cash flows used in investing activities</b>		<b>(40,374,629)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Receipts into the mortgage account		-	30,000,000
Receipts into CLE Staff Car Loan account		-	20,000,000
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>50,000,000</b>
<b>Net increase in cash and cash equivalents</b>		<b>(38,195,632)</b>	<b>107,886,001</b>
Cash and cash equivalents at 1 July 2022	8	107,886,001	-
<b>Cash and cash equivalents at 30 June 2023</b>	<b>8</b>	<b>69,690,370</b>	<b>107,886,001</b>





*Council of Legal Education Staff Car loan and Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2023*

**17. Statement of Comparison of Budget and Actual amounts for the year ended 30<sup>th</sup> June 2023**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs. A	Kshs. b	Kshs. C=(a+b)	Kshs. d	Kshs. e=(c-d)	F=d/c
<b>Revenue</b>						
Transfers from AG	-	-	-	-	-	0%
Interest income	3,219,288	-	3,219,288	3,219,288	-	100%
<b>Total Revenue</b>	<b>3,219,288</b>	<b>-</b>	<b>3,219,288</b>	<b>3,219,288</b>	<b>-</b>	<b>100%</b>
<b>Expenses</b>						
Use of goods and services	3,219,288	-	3,219,288	921,461	-	29%
Taxation	-	-	-	-	-	0%
Finance cost	-	-	-	-	-	0%
<b>Expenditure</b>	<b>3,219,288</b>	<b>-</b>	<b>3,219,288</b>	<b>921,461</b>	<b>--</b>	<b>29%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,297,827</b>	<b>-</b>	



## **18. Notes to the Financial Statements**

### **1. General Information**

CLE is established by Legal Education Act No. 27 of 2012. It has established the CLE Staff Car Loan and Mortgage Scheme in accordance to the Salaries and Remuneration Commission Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17<sup>th</sup> December 2014, and the National Treasury Circular ZZ/MOF/26/03/86 of 16<sup>th</sup> September 2015 and ZZ/MOF/26/03/86/A (134) of 16<sup>th</sup> March 2016. CLE formulated the Staff Car Loan & Mortgage Scheme Regulation of 2020 that were approved by its Board on 16<sup>th</sup> December 2020.

The Scheme is owned by CLE whose offices are located in Nairobi, Kenya.

### **2. Statement of Compliance and Basis of Preparation**

The Financial Statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the CLE Staff car loan and mortgage scheme accounting policies. The scheme did not have areas involving a higher degree of judgement or complexity, or assumptions and estimates that are significant to the financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the CLE Staff Car Loan and Mortgage Scheme.

The financial statements have been prepared in accordance with the PFM Act, 2012, the State Corporations Act, 2012, and Section 28 of the Legal Education Act No. 27 of 2012 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.





**Notes to the Financial Statements (Continued)**

**3. Adoption of New and Revised Standards**

**a. New and amended standards and interpretations in issue effective in the year ended 30 June 2023**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of CLE Staff Car Loan and Mortgage Scheme's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ol style="list-style-type: none"><li>i. Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li><li>ii. Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li><li>iii. Applying an improved hedge accounting model that broadens the hedging arrangements in the scope of the guidance. The model develops a strong link between the CLE Staff Car Loan and Mortgage Scheme's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li></ol> <p><b><i>This will not affect the CLE Staff car loan and mortgage scheme</i></b></p>
IPSAS 42: Social Benefits	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting CLE Staff car loan and mortgage scheme provide in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"><li>a) The nature of such social benefits provided by the CLE Staff Car Loan and Mortgage Scheme;</li><li>b) The key features of the operation of those social benefit CLE Staff Car Loan and Mortgage Schemes; and</li></ol>





Standard	Effective date and impact:
	<p>c) The impact of such social benefits provided on the CLE Staff Car Loan and Mortgage Scheme's financial performance, financial position and cash flows.</p> <p><b><i>This will not affect the CLE Staff car loan and mortgage scheme</i></b></p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><b><i>This will not affect the CLE Staff car loan and mortgage scheme</i></b></p>
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul> <p><b><i>This will not affect the CLE Staff car loan and mortgage scheme</i></b></p>



**b. New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2023.**

Standard	Effective date and impact:
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the CLE Staff Car Loan and Mortgage Scheme.</p> <p>The new standard requires entities to recognise, measure and present information on right-of-use assets and lease liabilities.</p> <p><b><i>This will not affect the CLE Staff car loan and mortgage scheme</i></b></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><b><i>This will not affect the CLE staff car loan and mortgage scheme</i></b></p>

**c. Early adoption of standards**

The CLE Staff car loan and mortgage scheme did not early - adopt any new or amended standards in the year 2022/2023.





#### **4. Significant Accounting Policies**

##### **a) Revenue recognition**

##### **i) Revenue from non-exchange transactions**

###### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property). In case the transfer is free from conditions, it is probable that the economic benefits or service potential related to the asset will flow to the CLE Staff car loan and mortgage scheme and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realized in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

##### **ii) Revenue from exchange transactions**

###### **Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income for each period.

#### **d. Budget information**

The original budget for FY 2022-2023 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the Council and The National Treasury and Planning. The additional appropriations are added to the original budget by the CLE Staff car loan and mortgage scheme upon receiving the respective approvals from the Council and The National Treasury and Planning to conclude the final budget. Accordingly, the Council of Legal Education recorded no appropriation on the 2022-2023 budget following the governing body's approval.

CLE staff car loan and mortgage CLE Staff car loan and mortgage scheme budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement on financial performance, whereas the budget is prepared on a cash basis.

#### **e. Financial Instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Scheme does not have any hedge relationships and therefore the new hedge accounting rules have no impact on Schemes financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a





financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### **1) Financial assets**

#### **Classification of financial assets**

The Scheme classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made an irrevocable election at initial recognition for particular investments in equity instruments.

#### ***Subsequent measurement***

Based on the business model and the cash flow characteristics, CLE Staff Car Loan and Mortgage Scheme classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

#### ***Amortized cost***

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

#### ***Fair value through net assets/ equity***

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.





### ***Fair value through surplus or deficit***

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through a surplus or deficit model.

### ***Trade and other receivables***

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

### ***Impairment of financial assets***

The CLE Staff car loan and mortgage scheme assesses on a forward-looking basis, the expected credit loss (ECL) associated with its financial assets carried at amortized cost and fair value through net assets/equity. CLE Staff and Mortgage Scheme recognizes a loss allowance for such losses at each reporting date. The scheme does not have Critical estimates and no significant judgments were made by management in determining the ECL.

## **2) Financial liabilities**

### **Classification**

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

### **f. Contingent liabilities**

The Scheme does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

The CLE Staff car loan and mortgage scheme had no contingent liability during the year.

### **g. Contingent assets**

The CLE Staff Car Loan and Mortgage Scheme does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the schemes in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

The CLE staff Car Loan and Mortgage Scheme had no contingent assets during the year.

### **h. Nature and purpose of reserves**

CLE Staff Car Loan and Mortgage Scheme creates and maintains reserves in terms of specific requirements. Reserves are listed as below;



i) Accumulated Surplus - this is the sum of all accumulated surplus and deficits as at the reporting date.

ii) CLE Staff car loan and mortgage scheme - this represents funds set aside for the operation of the Scheme.

**i. Changes in accounting policies and estimates**

The CLE Staff car loan and mortgage scheme recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**j. Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**k. Related parties**

The CLE Staff car loan and mortgage scheme regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Scheme, or vice versa. Members of key management are regarded as related parties and comprise the Directors/ Trustee, the Scheme Managers, and Scheme Accountant.

**l. 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 National Bank of Kenya at the end of the financial year.

**m. Comparative figures**

There were no prior year amendments to comparative figures.

**n. Events after the reporting period**

There were no material adjusting and non-adjusting events after the reporting period.

**o. Ultimate and Holding CLE Staff Car Loan and Mortgage Scheme**

The scheme is established under Section 24 (4) PFM Act, 2012, under the Council of Legal Education. Its ultimate parent is the Government of Kenya.

**p. Currency**

The financial statements are presented in Kenya Shillings (Kshs.)





## 5. Significant judgement and sources of estimation uncertainty

The preparation of the CLE staff car loan and mortgage Scheme's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### a. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Scheme. Such changes are reflected in the assumptions when they occur.

### b. Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- i) The condition of the asset is based on the assessment of experts employed by the Scheme.
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii) The nature of the processes in which the asset is deployed.
- iv) Availability of scheme to replace the asset.
- v) Changes in the market in relation to the asset.

### Note 6: Interest income

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Interest Income from Mortgage Loans	472,192	-
Interest Income from Car Loans	43,769	-
Interest Income on Bank Deposits	2,703,326	792,201
<b>Total Interest Income</b>	<b>3,219,288</b>	<b>792,201</b>

The CLE staff car loan and mortgage Scheme funds earned interest at the rate of 3% p.a.



**Note 7: Use of Goods and Services**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Administration Fees	515,962	-
Withholding Tax Charged on Interest Income / payable	405,499	118,830
<b>Total use of Goods and Services</b>	<b>921,461</b>	<b>118,830</b>

The amount of interest earned on the deposits attract a withholding tax of 15% that is deducted at source by the scheme banker.

**Note 8: Cash and cash equivalents**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
CLE Staff Mortgage Account	51,063,331	87,738,056
CLE Staff Car loan Account	18,627,038	20,147,945
<b>Total Cash and Cash equivalents</b>	<b>69,690,370</b>	<b>107,886,001</b>

**Note 8B:**

Detailed analysis of the cash and cash equivalents in banks:

Financial Institution	Account number	2022/2023	2021/2022
		Kshs.	Kshs.
<b>Mortgage and Car Loan Fund</b>			
Mortgage Account - National Bank of Kenya	01521244901101	51,063,331	87,738,056
Car loan Account - National Bank of Kenya	01521244901100	18,627,038	20,147,945
<b>Grand Total</b>		<b>69,690,370</b>	<b>107,886,001</b>





**Note 9: Receivables from Exchange transactions**

Description	2022/2023		2021/2022	
	Kshs.		Kshs.	
<b>Current Receivables</b>				
Current Loan Repayments Due		2,272,437		-
<b>Total Current Receivables</b>		2,272,437		-
<b>Non- Current Receivables</b>				
Long Term Loan Repayments Due		38,102,191		-
<b>Total Non-Current Receivables</b>		38,102,191		-
<b>Total Receivables</b>		40,374,628		-
<b>Ageing analysis (receivable from exchange transactions)</b>	<b>Current FY</b>	<b>%of total</b>	<b>Comparative FY</b>	<b>%of total</b>
Less than 1 year	2,272,437	6%	-	-
Over 2 years	38,102,191	94%	-	-
<b>Total</b>	40,374,628	100%	-	-

**Note 10: Reserves**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
CLE staff Mortgage Reserve	87,641,418	87,093,800
CLE staff Car loan Reserve	20,125,753	20,000,000
Surplus	2,297,827	673,371
<b>Total car loan and mortgage</b>	<b>110,064,998</b>	<b>107,767,171</b>

**Note 11: Principal Repayments**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Mortgage Principal Repayments	733,697	-
Car Loan Principal Repayments	372,502	-
<b>Total car loan and mortgage</b>	<b>1,106,199</b>	<b>-</b>



**Note 12: Loan Disbursements Paid Out**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Mortgage Loan Disbursements	39,130,000	-
Car Loan Disbursements	2,350,828	-
<b>Total car loan and mortgage</b>	<b>41,480,828</b>	<b>-</b>

**13. Financial risk management**

The Scheme's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The CLE Staff Car Loan and Mortgage Scheme's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The CLE Staff Car Loan and Mortgage Scheme does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The CLE Staff Car Loan and Mortgage Scheme's financial risk management objectives and policies are detailed below:

**i) Credit risk**

The CLE Staff Car Loan and Mortgage Scheme has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Scheme management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing CLE Staff Car Loan and Mortgage Scheme's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:





Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
<b>At 30 June 2023</b>				
Receivables from Exchange Transactions-Car loans and mortgages	40,374,628	40,374,628	-	-
Receivables from Non-Exchange Transactions	-	-	-	-
Bank Balances	69,690,370	69,690,370	-	
<b>Total</b>	<b>110,064,998</b>	<b>110,064,998</b>	-	
<b>At 30 June 2022</b>				
Receivables from Exchange Transactions- Car loans and mortgages	-	-	-	-
Receivables from Non-Exchange Transactions	-	-	-	-
Bank Balances	107,886,001	107,886,001	-	
<b>Total</b>	<b>107,886,001</b>	<b>107,886,001</b>	-	

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the CLE Staff car loan and mortgage scheme Administrator, who has built an appropriate liquidity risk management framework for the management of the Scheme's short, medium, and long-term Scheming and liquidity management requirements. The scheme administrator manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

Description	Less than 1 month Kshs.	Between 1-3 months Kshs.	Over 5 months Kshs.	Total Kshs.
<b>At 30 June 2023</b>				
Trade Payables	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2022</b>				
Trade Payables	-	-	-	-
<b>Total</b>	-	-	-	-

**iii) Market risk**

The board has put in place an Internal Audit function to assist it in assessing the risk faced by the scheme on an ongoing basis, and evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rates, equity prices and foreign exchange rates which will affect the CLE Staff Car Loan and Mortgage





Scheme's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The CLE Staff Car Loan and Mortgage Scheme's Finance Department is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

There has been no change to the CLE Staff Car Loan and Mortgage Scheme's exposure to market risks or the manner in which it manages and measures the risk.

#### iv) Interest rate risk

This is the risk that the CLE Staff Car Loan and Mortgage Scheme's financial condition may be adversely affected as a result of changes in interest rate levels. The Scheme's interest rate risk arises from bank deposits. This exposes the scheme to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Scheme's deposits.

#### **Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

#### **Sensitivity analysis**

The CLE Staff car loan and mortgage scheme analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts.

The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

#### v) Capital Risk management

The objective of the Scheme's capital risk management is to safeguard the funds' ability to continue as a going concern. The Scheme capital structure comprises of the following funds:

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Revolving CLE Staff Car Loan and Mortgage Scheme	107,767,171	107,093,800
Accumulated surplus	2,297,827	673,371
<b>Total CLE Staff Car Loan and Mortgage Scheme Funds</b>	<b>110,064,998</b>	<b>107,767,171</b>
Less: cash and bank balances	(69,690,370)	(107,886,001)





Net debt/ (excess cash and cash equivalents)	40,374,628	(118,830)
Gearing	36%	-

#### 14. Related party balances

##### a) Nature of related party relationships

Entities and other parties related to the Scheme include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. CLE Car Loan and Mortgage Scheme is related to the following entities:

- National government
- Fund Key Management.
- The Committee.

##### b) Related party transactions

###### i. Transfers from related parties

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfers from related parties	-	50,000,000

###### ii. Key management remuneration

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Advisory Committee Members	-	-

#### 15. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

#### 16. Ultimate and Holding Entity

CLE Car Loan and Mortgage Scheme is a Fund under the sponsorship of Council of Legal Education which is a Semi-Autonomous Government Agency (SAGA).

#### 17. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest shilling.



19. Annexes

**Annex I: Progress on Follow Up of Prior Year Auditor’s Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Irregular Opening of a Bank Account	The National Treasury had granted authority to the Scheme Management to open and operate a bank account with National Bank of Kenya. However, the Scheme Management opened and operated a second bank account in the same bank whose authority to open was not provided for audit review. This is contrary to section 28(1) of the Public Finance Management Act, 2012 which requires the National Treasury to authorize opening, operating and closing of Bank Accounts and subaccounts for all National Government entities.	Ratification for the opening of the second bank account was received from the National Treasury.	Resolved	N/A

.....  
Ms. Jennifer Gitiri, HSC  
Ag. Chief Executive Officer  
Scheme Administrator/CEO

Date.....





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**Annex II: Inter-entity Confirmation Letter**

The *Council of Legal Education* wishes to confirm there were no amounts disbursed to you as at 30<sup>th</sup> June 2023 as indicated in the table below.

**Confirmation of amounts received by CLE Staff Car Loan and Mortgage Scheme as at 30<sup>th</sup> June 2023**

Reference Number	Date Disbursed	Amounts Disbursed by CLE Staff Car Loan and Mortgage (KShs) as at 30th June 2023				Amount Received by CLE Staff Car Loan and Mortgage Scheme (KShs) as at 30 <sup>th</sup> June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
-	-	-	-	-	-	-	0
Total	-	-	-	-	-	-	-

I confirm that the amounts shown above are correct as of the date indicated.

**Accountant**

Esther Njoroge  
CLE Car Loan and Mortgage Scheme

Sign: .....

Date: 6/12/2023

**Manager Finance & Accounts**

Ednah Kerubo Oyori  
Council of Legal Education

Sign: .....

Date: 6/12/2023



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**Annex III: Reporting of Climate Relevant Expenditures**

Name and contact details of contact person .....

Project Name	Project Description	Project Objectives	Project Activities	Reporting Period				Source Of CLE Staff Car Loan and Mortgage Schemes	Implementing Partners
				Q1	Q2	Q3	Q4		
	N/A								

Council of Legal Education (CLE) Staff Car Loan and Mortgage Scheme did not have expenditure under this category.





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**Annex IV: Disaster Expenditure Reporting Template**

Date:						
CLE Staff Car Loan and Mortgage Scheme						
Period to which this report refers (FY)	N/A			Quarter		
Name of Reporting Officer	N/A					
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster-related Activity that requires expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

Council of Legal Education (CLE) Staff Car Loan and Mortgage Scheme did not have expenditure under this category.