REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA LAW REFORM COMMISSION

FOR THE YEAR ENDED 30 JUNE, 2023

KENYA LAW REFORM COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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

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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

CEO	Chief Executive Officer
CPS	Certified Public Secretaries
IPSAS	International Public Sector Accounting Standards
KIPPRA	Kenya Institute for Public Policy Research and Analysis
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
OPCS	Office of the Prime Cabinet Secretary
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
SMC	Senior Management Course
SLDP	Senior Leadership Development Programme

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organization

Comparative Year- Means the prior period.

2. Key Commission Information and Management

(a) Background information

The Commission was established under the Kenya Law Reform Commission Act, 2013 (No. 19 of 2013) on 25th January 2013 as a successor to the Law Reform Commission, previously established under the repealed Law Reform Commission Act, Cap. 3. The Commission is domiciled in Kenya,

(b) Principal Activities

The principal activity of the Commission is to keep under review all the law and recommend its reform.

Our Mandate:

The functions of KLRC are set out in Section 6 of the Act. According to the provision, KLRC is required to, among other functions:

a) keep under review all the law and recommend its reform to ensure—
   i) that the law conforms to the letter and spirit of the Constitution;
   ii) that the law systematically develops in compliance with the values and principles enshrined in the Constitution; that the law is, among others, consistent, harmonised, just, simple, accessible, modern and cost-effective in application;
   iii) the respect for and observance of treaty obligations in relation to international instruments that constitute part of the law of Kenya by virtue of Article 2(5) and (6) of the Constitution;
   iv) keep the public informed of review or proposed reviews of any laws; and
   v) keep an updated date of all laws passed and reviewed by Parliament;

b) work with the Attorney-General and the Commission for the Implementation of the Constitution in preparing for tabling in Parliament the legislation and administrative procedures required to implement the Constitution;

c) provide advice technical assistance and information to the national and county governments with regard to the reform or amendment of a branch of the law;

d) upon request or on its own motion, undertake research and comparative studies relating to law reform;

e) formulate and implement programmes plans and actions for the effective reform of laws and administrative procedures at national and county government levels

f) consult and collaborate with State and non-State organs, departments or agencies in the formulation of legislation to give effect to the social, economic and political policies for the time being in force;

g) formulate by means of draft Bills or otherwise any proposals for reform of national or county government legislation;

h) upon request or on its own motion, advise the national or county governments on the review and reform of their legislation;

   i) undertake public education on matters relating to law reform; and

   ii) Perform such other functions as may be prescribed by the Constitution this Act or any other written law.

Vision:

"A vibrant agency for responsive law reform"

Mission

"To facilitate law reform conducive to social, economic and political development through keeping all the law of Kenya under review, ensuring their systematic development and reform in conformity with the Constitution of Kenya"

(c) Key Management

The Kenya Law Reform Commission's day-to-day management is under the following key organs:

I. Commissioners.

II. Accounting officer/ Secretary/Chief Executive Officer.

III. Management.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

S/NO.	NAME	DESIGNATION
1.	Mr. Joash Dache, MBS	Secretary/CEO.
2.	Mr. Peter Musyimi, HSC	Ag. Director Legislative Services.
3.	Ms. Mercy Muthuuri	Ag. Director Corporate Services.
4.	Dr. Felistus Kabiru	Head of Human Resource
5.	Ms. Susan Kuria	Head of Administration
6.	Ms. Margaret Githae	Head of Accounts
7.	Mr. Reuben Mauki	Head of Supply Chain
8.	Ms. Lucy Mutua	Head of Supply Chain
9.	Mr. Cornelius Musangi	Head of Finance
10.	Mr. James Ruteere	Head of ICT/Pension Fund Trustee
11.	Mr. James Kahunyo	Head of Audit
12.	Ms. Winnie Shireku	Accountant 1

(e) Fiduciary Oversight Arrangements

i. Finance, Human Resource, and General Purposes Committee

This Committee is mandated to oversee the development and implementation of policies and strategies relating to the prudent management of the resources of the Commission. Some of the salient terms of reference include but not limited to: establishing policies and procedures to guide the provision of support services in the Commission; exercise oversight on the provision of administrative services in the Commission, including finance, accounts, human resource management, procurement, corporate affairs and ICT ; receive and review Financial Statements and Reports to ensure they provide adequate information to enable the Commission make informed decisions; review Financial Statements and Annual Reports to ensure they are appropriate for submission for auditing and related purposes; review Financial Statements and Annual Reports of the Commission to ensure there is a good balance between the income and expenditure; review the Financial Statements of the Commission to identify trends and recommend corrective measures; review the budgeting process, systems and cycle that promotes transparency, openness, accountability and prudence; fundraise and establish necessary partnerships to enable the Commission achieve its mandate; receive and review the Commission's HR policies and manuals to ensure they provide adequate information to enable the Commission make informed decisions and perform any function as may be assigned by the Commission from time to time.

ii. Law Reform Committee

This Committee oversees research, policy and legislative development and public education with regard to the law reform mandate of the Commission and advises and makes recommendations to the Commission. The Committee is mandated to : develop and establish policies and procedures to guide the provision of technical services, advice and information for the effective reform of laws in line with the mandate and functions of the Commission; develop and periodically review the policies and procedures relating to policy and legislative development, innovation and knowledge management and legal public education with regard to the reform of law by the Commission; oversee the provision of technical assistance, advice, and information to Ministries, Departments, Agencies and County Governments with regard to the reform or amendment of a branch of the law; identify, establish and maintain linkages with key stakeholders and partners for the effective performance of the law reform mandate of the Commission; regularly review reports from the secretariat with regard to the implementation of the programmes, plans and actions to discharge of the law reform mandate of the Commission; to oversee research, development, innovation and knowledge management function at the Commission; develop and regularly review the policies and procedures for research and comparative studies undertaken by the Commission; develop and regularly review the policies and procedures guiding regulatory impact assessments by the Commission; develop and regularly review the policies and procedures for the conduct of legal and governance audits for both State and non-State organs at the national and county level; develop and regularly review the policies and procedures for building the capacity of State and non-State actors in law reform; and perform any function as may be assigned by the Commission from time to time.

iii. Audit Compliance and Risk Management Committee

This Committee is responsible for monitoring the efficiency of processes and controls in the Commission and establishing systems for identification and management of risks. The mandate includes : Oversee the development and regular review of the Commission's overall risk management framework and strategy, principles and policies in line with regulatory and corporate governance best practice; review the implementation of the Commissions risk management framework on a quarterly basis and advise the Commission as appropriate; provide guidance and ensure that the risks taken by the Commission are within the set tolerance and requisite levels; provide advice to the Commission on the assessment of emerging and principal risks and the development of appropriate approaches to risk management; receive an assessment of the effectiveness of the system of internal controls and risk management from the internal audit department and advise the Commission as appropriate; oversee the Commission's relationship with internal and external auditors to ensure the quality of the Commission's financial statements and perform any function as may be assigned by the Commission from time to time.

(f) Commission Headquarters

Reinsurance Plaza, 3rd Floor, Taifa Road

Nairobi, KENYA

P.O. Box 34999

GPO 00100

(g) Commission Contacts

Telephone: (254) 20 2241201

Fax: (254) 20 2225786

E-mail: info@klrc.go.ke

Website: www.klrc.go.ke

(h) Commission Bankers

Co-operative Bank of Kenya

Uchumi House, Aga Khan Walk

P.O.Box 20818

GPO 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. The Commissioners

 Ms. Christine Anyango Agimba, Chairperson, KLRC.	Ms. Agimba, born on 4th April 1963, holds a Bachelor of Laws (LL. B) degree from the University of Nairobi and a Master`s degree in Law in Development from the University of Warwick, England. She also holds a Diploma in Law from the Kenya School of Law and is an Advocate of the High Court of Kenya. She is a Member of the Chartered Institute of Arbitrators, (Kenya Chapter) and is a Certified Public Secretary, Kenya (CPS-K). She has previously served as a Deputy Solicitor-General at the Office of the Attorney-General and Department of Justice. Ms. Agimba has served on the boards of various government agencies, including the Council of Legal Education, the Anti-Money Laundering Advisory Board and the National Council of Law Reporting (Kenya Law). She was appointed on 1st August 2022 for a period of six (6) years
 Dr. Mary Wangechi Gaturu, HSC Full-time Commissioner.	Dr. Mary Gaturu, HSC, born on 11th November 1963, holds a Doctor of Philosophy in Education Administration, Masters of Education in Administration, and a Bachelor of Education Science all from Kenyatta University. She has over 35 years' experience in the education sector where she has served in different capacities including as a Director of Quality Assurance and Standards in the State Department of Early Learning and Basic Education. She has been a council /board member in various State Corporations and Universities namely: Kenya National Examination Council, Kenya Institute of Curriculum Development, Kenya National Qualification Authority, University of Kabianga, Laikipia University, Kenyatta University and Mount Kenya University. She currently serves the Commission as the convener for the finance, HR and general purpose committee. She was appointed on 1st August 2022 for a period of five (5) years.

 Rose Janet Ayugi Part-time Commissioner.	Ms. Rose Janet Ayugi, born on 20th November 1966, holds a bachelor of law degree and a Master's degree in Law both from the University of Nairobi. She holds a Diploma in Law from the Kenya School of Law and is an Advocate of the High Court of Kenya. Ms. Ayugi is currently a senior lecturer in the School of Law at Moi University and a part-time member of the Kenya Law Reform Commission. Ms. Ayugi has served as the Chairperson in the Seeds and Plant Varieties Tribunal. She has also served as a member of the board in the following institutions: Rules Board (Labor) and Chepserei TVET Elgeyo Marakwet and University of Kabianga. She was appointed as part-time Commissioner on 13th December 2019 to represent the Law Society of Kenya (LSK) for a period of five (5) years. She currently serves the Commission as the convener for the audit, risk and compliance committee and is a member of the Law reform Committee.
 Mr. Duncan Okello Part-time Commissioner.	Duncan, born on 23rd January 1972, is a political scientist, lawyer, and international relations specialist. He holds a Bachelors of Arts degree in Political Science and History; and a Bachelors of Law degree, both from the University of Nairobi. He also holds a Masters of Arts in International Relations from the University of Kent, at Canterbury, United Kingdom. He has served in the Judiciary as the first Chief of Staff in the Office of the Chief Justice, as the founder Executive Director of the National Council on the Administration of Justice (NCAJ). In April 2017, he was appointed by the Chief Justice as Chair of the Judiciary Inauguration and Swearing-in Committee for the President and Governors to organise, oversee and manage the inauguration processes. He was re-appointed as an Advisor to this Committee in 2022. He currently serves the Commission as a member of both Finance, Human Resource, & General Purposes and Law Reform Committees. Mr. Duncan was appointed on 13th December 2019 to represent the Judiciary for a period of five (5) years.
	Hon. Kiraitu Murungi, born on 1st January 1952, holds a Bachelor of Laws degree from the University of Nairobi and Master's degrees in Law

 Hon. Kiraitu Murungi Part-time Commissioner.	from the University of Nairobi and Harvard University, USA. He holds a Diploma in Law from the Kenya School of Law and is an Advocate of the High Court of Kenya. Hon. Kiraitu is an experienced advocate and public officer. He has previously served as the Governor and Senator of Meru County. He has also served as a Member of Parliament for Imenti South Constituency in Meru County. During his tenure as the Cabinet Secretary in the Ministry of Justice and Constitutional Affairs, he was instrumental in supporting legal, regulatory and institutional reforms in the legal sector. He has also served as a Cabinet Secretary in the Ministry of Energy. Hon. Kiraitu was appointed on 13th December 2019 to represent the Council of Governors (CoG) for a period of five (5) years. He currently serves the Commission as a member of both Audit,Risk & Compliance and Law Reform Committees.
 Ms. Linda Musilivi Murila Part-time Commissioner	Ms. Murila, born on 1st January 1963, is an advocate of the High Court of Kenya. She holds a Bachelor of Laws (LL. B) degree from the University of Nairobi. She has a Diploma in Law from the Kenya School of Law, and an Advanced Diploma in Legislative Drafting from the University of West Indies, Barbados. She has served in various capacities such as: Chief State Counsel, Legislative Drafting Department and as representative of the Attorney General to the National Council for Law Reporting. She has also served as a draftsperson to the Inter-Parties Parliamentary Group on Constitutional Reforms among other several portfolios. Ms. Linda was appointed on 13th December 2019 to represent the Office of the Attorney General for a period of five (5) years. She currently serves the Commission as a member of both Audit, Risk & Compliance and Law Reform Committees.

 Prof. Paul Wambua Musili Vice-Chairperson.	Prof. Wambua, born on 17th May 1961, holds a Bachelor of Laws (LL. B) degree from the University of Nairobi, a Post Graduate Diploma in Law from the Kenya School of Law, a Master of Laws degree from the University of London, England, a Master of Business Administration (MBA -*Magna cum Laude*) from the United States International University (USIU)-Africa and a Doctor of Laws (LL. D) in Maritime Law and Law of the Sea from Ghent University, Belgium. He is currently a Professor of Law at the University of Nairobi, School of Law. He has previously been: the first Chancellor of the University of Embu and Dean at Kabarak University School of Law. He also served as a Board member in the Constitution of Kenya Review Commission (CKRC). Additionally, he serves the Commission as the convener for the law reform committee and a member of the Finance, Human Resource, & General Purposes Committee. Mr. Musili was appointed on 13th December 2019 to represent members of academia for a period of five (5) years
 Ms. Dorcas Oduor Agik Part-time Commissioner.	Ms. Oduor, born on 11th December 1965, is an advocate of the High Court of Kenya and holds a Masters of Arts in International Conflict Management (UoN), a Bachelor of Laws (LL. B) degree (UoN) and a Diploma in Law from Kenya School of Law. She is currently serving as Secretary Public Prosecution at the office of the Director of Public Prosecution (DPP). She has been a member in various agencies/Commissions. Ms. Oduor was appointed on 7th July 2021 to represent the Office of the Director of Public Prosecution for a period of five (5) years. She currently serves the Commission as a member of both Finance, Human Resource, & General Purposes and Law Reform Committees.
	Mr. Joash Dache, born on 23rd June 1971, is the Secretary/Chief Executive Officer of the Kenya Law Reform Commission. He is a Certified Public Secretary CPS (K), an Advocate of the High Court of Kenya. Mr Dache holds: an LL.M. degree (Monash University, Australia), LL.B. degree (University of Nairobi), a Diploma in Law (Kenya School of Law) and also has a Certificate in Legislative Drafting

 Mr. Joash Dache, MBS Secretary/Chief Executive Officer.	(University of London). Mr. Dache has undergone the Strategic Leadership and Development Programme (SLDP), (Kenya School of Government) and various other professional courses both locally and abroad. Mr. Dache is the Accounting Officer in the Commission and is mandated with managing the day to day operations of KLRC. He is also the Secretary to the Commission.

4. Key Management Team

	**Mr. Joash Dache, MBS, Secretary/Chief Executive Officer.** Mr. Joash Dache, born on 23rd June 1971, is the Secretary/Chief Executive Officer of the Kenya Law Reform Commission. He is a Certified Public Secretary CPS (K), an Advocate of the High Court of Kenya. Mr Dache holds: an LL.M. degree (Monash University, Australia), LL.B. degree (University of Nairobi), a Diploma in Law (Kenya School of Law) and also has a Certificate in Legislative Drafting (University of London). Mr. Dache has undergone the Strategic Leadership and Development Programme (SLDP), (Kenya School of Government) and various other professional courses both locally and abroad. Mr. Dache is the Accounting Officer in the Commission and is mandated with managing the day to day operations of the Commission. He was appointed to the position on 25th January 2012.
	**Mr. Peter Musyimi, HSC, Ag. Director Legislative Services.** Mr. Peter Musyimi born on 19th September 1969, an Advocate of the High Court of Kenya with over twenty (20) years' working experience. He holds a Master's Degree in Law (Public Finance), Bachelor of Laws Degree from University of Nairobi, a Post Graduate Diploma from Kenya School of Law and a Post Graduate Diploma in Legislative Drafting from the International Law Institute (ILI-Kampala). He has undergone training in Strategic Leadership Programme from Kenya School of Government. Mr. Musyimi is currently responsible for the execution of the Commission's mandate as set out in the Act and is the Alternate AIE Holder. He was appointed as the acting director on 6th July 2022
	**Ms. Mercy Muthuuri, Ag. Director Corporate Services.** Ms. Mercy Muthuuri, born on 15th February 1974, is an Advocate of the High Court of Kenya and a Certified Public Secretary with over twenty years' professional experience. She is the holder of a Master's Degree in Law, Bachelor of Laws Degree and a Postgraduate Diploma in Law. Other training, she has attended include the Strategic Leadership Development Programme, the Senior Management Course and the Women Capacity Building for Effective Management and Leadership Programme. Ms. Mercy is currently in charge of the supervision and coordination of the non-technical departments of the Commission. She was appointed as acting director on 6th July 20222.
	**Ms. Susan Kuria, Head of Administration** Ms. Susan Kuria, born on 22nd October 1964, has over 20 years' experience in public administration and has previously worked with National Treasury and DPM. She holds a Bachelor of Arts Degree in Economics/Commerce. Other training, she has undergone include: Best Practices in Public Expenditure Management; Management and Administration of HIV/Aids programs; Governance, Performance

	Improvement: Ethics and Anti-Corruption Reforms and a Senior Management Course from the Kenya School of Government. She was appointed to the position on 17th June 2020.
	**CPA. Margaret W. Githae, Head of Accounting Unit -** CPA. Margaret W. Githae, born on 3rd November 1967 is an Accountant by profession with over 30 years working experience in the public sector. She holds a Masters of Business Administration (Finance) & a Minor in Strategic Management, Bachelor's Degree in Accounting and Finance both from Kenya Methodist University. She is a member of the Institute of Certified Public Accountants of Kenya(ICPAK) and Institute of Internal Auditors (IIA) with good standing. Other trainings attended include the Strategic Leadership Development Programme and Senior Management Course both from the Kenya School of Government. She was seconded to the Commission in March 2021 from the office of the Attorney General & DOJ.
	**Dr. Felistus Kabiru, Head of Human Resource** Dr. Kabiru, born on 10th May 1970, has over 20 years' experience in human resource management. She holds a Doctor of Philosophy in Management from Dedan Kimathi University of Technology, an MBA (HR) from Catholic University of Eastern Africa and holds several other trainings including: a higher diploma in HRM, Diploma in Counselling and a Strategic Leadership Development Programme Certificate from Kenya School of Government. Dr. Kabiru is currently in charge of all the functions within the HR Department. She was appointed to the position on 1st September 2016.
	**Mr. James Ruteere, Head of ICT** Mr. James Ruteere an ICT professional born on 15th September 1969. He holds a Bachelor`s degree in IT and a diploma in IT. He is currently undertaking a Master Program in ICT Management at JKUAT. He is further certified in: Cyberoam Certified Network Security (CCNSP) & Hardware Maintenance and ISO Auditor. Other trainings attended include Senior Management Course at Kenya School of Government and Cyber-crime and examination course. Mr. Rutere is in charge of Information Technology within the Commission. He was appointed to the position on 25th May 2022.
	**CPA Cornelius Musangi, Head of Finance** CPA Musangi, born on 1st April 1986, has over 10 years' experience in Financial management. He is a Certified Public Accountant of Kenya (CPAK), holds Master's degree in Business Administration(Finance) from JKUAT, Bachelor of commerce degree (Finance Option) from CUEA and he is a member of ICPAK. He holds other training including: Senior Management Course (SMC) from KSG, Financial statements and emerging issues in public sector reporting; Institutional risk management and quality management system awareness training. He was appointed to the position on 17th July 2017.

	**Dr. Jacob Otachi, Head of Corporate Affairs & Communications** Dr. Jacob Otachi, born on 27th August 1987, is a governance, public policy communications practitioner. He holds a PhD in Governance, Master's degree in Communication (University of Nairobi) and a Bachelor's degree in Information Science (Moi University). He has undergone additional training including: Climate Finance Governance (Germany); Knowledge Management (Thailand); ICT and Data Governance in Anti- Corruption (Lithuania) among others. He supports KLRC in matters of corporate communications and access to information. He was appointed to the position on 19th July 2021.
	**Mr. Alex Mwangi Matheri, Head of Planning Unit** Mr. Matheri, born on 27th December 1985, is currently the Senior Planning Officer at the Kenya Law Reform Commission. He holds a Bachelor's degree in Mathematics from the University of Nairobi with extensive experience and knowledge in preparation and implementation of budget forecasts, strategic plans, policy documents and organisational management. He has attained certification in Senior Management Course (SMC) from the Kenya School of Government. He is currently undertaking a Masters course in Public Policy and Administration at Kenyatta University city campus, Nairobi. He was appointed to the position on 11th November 2020.
	**CPA. James Kahunyo, Head of internal Audit** CPA. James Kahunyo, born on 8th September 1983, has over 10 years of experience in Audit work. He has a Bachelor's of Commerce (Finance), Certified Public Accountant of Kenya (CPAK), and A member of ICPAK as well as certified Internal Auditors (CIA). He has also undergone Senior Management Course from Kenya School of Government among other courses. He was deployed to the Commission from the National Treasury on 11th October 2018.
	**Mr. Danstone K. Malava,Head of Records Management** Mr. Malava, born on 19th October 1980, is currently the Principal Records Management Officer at the KLRC. He holds a Master's of Science Degree in Information Science from Kenyatta University with vast knowledge and experience in organization operations, quality management system and information security system. Malava has attained Strategic Leadership Development Course (SLDP) and Leadership Challenge Course both from the Kenya School of Government (KSG), Lead Auditors' Course in ISO/IEC/ 27001:2013 and ISO 9001:2015. He is involved in offering Strategic Leadership and advisory services in the areas of Information Security, Records Management, Strategy, Knowledge Management and Enterprise Resource Planning for management of organisational risks. He was appointed to the position on 14th December 2020.

	**Mr. Reuben M. Mauki, Head of Supply Chain Management** Mr. Mauki, is a licensed Supply Chain Management Practitioner with progressive experience in both public and private procurement. He holds Master of Business Administration (UoN), Bachelor of Commerce - Procurement and SCM option (UoN) and Professional Diploma in Procurement and Supply (CIPS). He is also a graduate of Strategic Leadership Development Programme (SLDP) and Senior Management Course (SMC) from Kenya School of Government. He is a member in good standing at the Kenya Institute of Supplies Management (KISM). He was appointed to the position on 14th December 2020. Mr. Reuben left the Commission in January, 2023
	**Ms. Lucy Mutua, Head of Supply Chain Management** Ms. Lucy holds a Master of Science in Procurement and Contract Management, Bachelor of Purchasing and Supplies Management, both from Jomo Kenyatta University of Agriculture and Technology; and a BTEP Diploma in Supplies Management. She has also attended various courses including Senior Management Course (SMC) at the Kenya School of Government Nairobi. She is a licensed supplies practitioner with over 15 years working experience and a member in good standing of the Kenya Institute of Supplies Management (KISM).She was appointed to the role on 5th January 2023.
	**Mr. Rogers Too, Head of Information and Knowledge Management** Mr Rogers born on 8th February 1984 is currently the Principal Librarian at KLRC. He holds a Master of Philosophy degree in Information Studies and a Bachelor of Science Degree both from Moi University. He has a vast knowledge in information provision, information referencing, selective dissemination of information among others. He has a Senior management certificate from Kenya School of Government and other short courses. He was appointed to the position on 14th December 2020.

5. Chairperson's Statement

We are pleased to publish the Annual Report and Financial Statements for the financial year 2022/2023. The publication comes at a time when the current Commission is one year in office after the swearing on 15th August 2022. Further, it`s a nostalgic moment for the Commission as we celebrate a decade after the enactment of our KLRC Act No. 19 of 2013. These twin milestones are worth mentioning as they have provided the basis and the lenses upon which the report has been prepared and documented. The Report therefore captures the background, the mandate as well as the targets and achievements in respect of the year under review.

In the first year in office, the Commission remained steadfast and committed to propel the institution towards greater heights of service delivery and efficiency. In this regard, we have taken targeted strides with the aim of re-engineering organizational processes and systems. This paradigm shift has birthed the review of internal policies and the commencement of developing an all-inclusive and stakeholder led the 2023-2027 Strategic Plan. In the Strategic Plan we have identified three key result areas namely: Law Reform & Legislation Development, Legal Research & Public Education and Institutional Transformation. We have also narrowed down and trained our eyes on enhancing the corporate image and presence of KLRC through proactive engagement with all stakeholders. In the year under review, we have developed a strategic stakeholder delivery model and have through a three-pronged approach: (i) mapped, (ii)reached and (iii) engaged with the stakeholders in the sector. It's our hope that these steps will catapult KLRC to its optimal in the near future.

Remarkably, in the reporting period, KLRC has implemented its workplan and realized the set targets in the performance contract. True to its mandate, KLRC provided technical assistance to a number of MDAs in the review and harmonization of their respective legislative frameworks. KLRC also provided assistance to county governments in the reform or amendment of their laws/policies/regulations. We also worked with Parliament in pre-publication scrutiny of Bills whenever we were required to. We also reckon exemplary operational achievements among them: staff capacity development and resource mobilisation efforts.

As earlier mentioned, this is a unique reporting period where we are also to commemorate our 10 years of existence. We deeply associate with the wide range of milestones and success stories among them: constitutional implementation, development of legislation towards realization of vision 2030 and the government agenda, contribution towards strategic law reform initiatives and the institutional growth aspects that have also been captured in the report. Based on the work of KLRC under the 10 years, we now have: the relevant laws that were required to implement the Constitution, constitutional commissions, independent offices and other statutory bodies established. In addition, the governance and democratic space has been enhanced, the country is secure and has equitable access to services among other notable contributions. On this basis, we can firmly attest to the transformative aspects that law reform plays in any nation in the world. The decade was thus a strong foundation for the work that lies ahead for this Commission.

Indeed, the achievements outlined above would not have been possible without the innovation, resourcefulness, commitment and hard work of the members of the Commission, staff, partners and other stakeholders. In this regard, I express my unreserved gratitude to the Commissioners, and to the KLRC Secretary/CEO and the entire staff for relentless efforts and work well done. We salute the Office of the Attorney General and Department of Justice and the Public Service Commission and other agencies for the display of confidence in us and the continued support. We do remain eternally grateful for the honor bestowed upon us to serve the people of Kenya.

Ms. Christine Agimba,
Chairperson,
Kenya Law Reform Commission.

6. Report of the Chief Executive Officer

Under the Constitution of Kenya and other laws, reporting is aimed to promote transparency and accountability especially with respect to utilization of public resources and in delivery of services. Under section 32 of the KLRC Act, we are equally required to prepare, publish and disseminate the annual reports in the prescribed manner and to the public in general. This report and financial statements thus resonates with the above legal provisions and covers the financial year starting 1st of July 2022 and ending 30th of 2023.

In the review period, KLRC continued to execute its mandate, functions and obligations. These are derived from various legal instruments, including the Constitution of Kenya 2010, the Kenya Law Reform Commission Act of 2013, the State Corporations Act (Cap 446), and the County Government's Act of 2012. These instruments not only govern the commission's establishment, structure, and operations but also provide a framework for its activities. In line with our mission, we remained dedicated to promoting law reform that is conducive to the social, economic, and political development of Kenya. We are also pleased to note that KLRC also prudently utilized its resources to accomplish the set targets and plans of the year under review. This affirms KLRC`s resolve to strengthen its governance and management control systems.

We take pride in the accomplishments achieved during the reporting period amid the attendant challenges such as budget cuts and staff turn-over which somehow stalled our operations. Amid this, we did enjoy the support of key stakeholders and partners including: all the arms of Government (Judiciary, Legislature, and Executive) and their agencies; County Governments (County Executives and Assemblies) and their agencies; Constitutional Commissions and Independent Offices; Civil Society Organizations; Academia and the Media among others. Of particular mention is the close working relationship with the Office of the Attorney-General and Department of Justice and the Commissioners for their leadership and guidance. The KLRC management is grateful for the continued support of all the staff and stakeholders who contributed to the successes and milestones achieved in the reporting period.

Joash Dache, MBS
Secretary/ Chief Executive Officer

7. Statement of Performance against Predetermined Objectives for FY 2022/2023

The Kenya Law Reform Commission's 2018-2022 strategic plan was developed in line with MTP III and the Big Four Agenda. The strategic objectives outlined in the plan are in line with the core mandate of the commission as set out in the Kenya Law Reform Commission Act No. 19 of 2013. According to the 2018-2022 KLRC strategic plan, the strategic objectives identified are:

i) To implement the Constitution of Kenya, 2010; and enable implementation of the government's big four agenda;
ii) To enhance research and advisory functions in KLRC for informed law reform;
iii) To enhance effective public education on law reform matters in Kenya;
iv) To enhance the institutional capacity and profile of the Commission for strategic positioning in the country; and
v) To build human resource capacity for quality service delivery.

KLRC develops its annual work plans and performance contracts based on the above strategic objectives. Each FY's performance contract is aligned with the strategic objectives in the strategic plan. Assessment of the Commission's performance against its annual work plan is done on a quarterly basis. The KLRC achieved its performance targets set for the FY 2022/2023 period for its strategic objectives as indicated in the table below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
To implement the Constitution of Kenya, 2010;	To Develop legislation for implementation of the Constitution of Kenya, 2010	% of laws reviewed to address emerging issues, gaps and challenges	• Review of laws • Preparation of legislation required to implement the Constitution.	• Review the Kenya Cultural Centre Act • Review Regulations under the Kenya Information and Communication Act • A draft Kenya Cultural Centre Bill was prepared • Reviewed Bills referred from relevant Parliamentary Committees. Over 30 Bills from Parliamentary Committees (National Assembly, Senate and EALA) reviewed. The Bills are East African Community Financial Services Commission Bill, 2022, East African Community

				Competition (Amendment) Bill, East African Community Surveillance, Compliance and Enforcement Bill, 2022 (from EALA General Purpose Committee), Statue Law (Miscellaneous Amendments) Bill (from JLAC), and Preservation of Human Dignity and Enforcement of Economic and Social Rights Bill (Senate Justice, Legal and Human Rights Committee)
	To Prepare legislation to enable implementation of the government's Agenda	% of laws reviewed to address emerging issues, gaps and challenges	• Sensitizing MDAs on the policy and legislation formulation process • Preparation of legislation to operationalize MTP III • Aligning legislation to the socio-economic and political needs of the country	•
Research and advisory functions for informed law reform	To enhance research and advisory functions in KLRC for informed law reform	No. of legal research on policies, laws, regulations	• Develop or review a Research Policy • Development of concept papers • Disseminating research findings.	• Developed draft research policy • Developed a concept for the National Law Reform Program • Finalized Research on ending hospital detention for non-payment of hospital bills

Enhance effective public education on law reform matters in Kenya	To enhance conformity of county legislation to existing laws and the Constitution	No. of counties supported in aligning legislation to existing laws and the Constitution No. of county	• Drafting legislation • Develop/review county policy papers • Dissemination of the legislation developed • Capacity building of counties in development of legislation	• Guide to Legislative Process in Kenya revised • Guide presented to and validated by stakeholders. • The County Governments (Publication of County Legislation) Regulations, 2022 under the County Governments Act, 2012 were finalized. (Regulations reviewed the protocol on publication of county legislation)
Enhance the institutional capacity and profile of the Commission for strategic positioning	To enhance the Commission's visibility and strategic positioning	• No. of reports • Improved image of the KLRC website • No. of IEC materials developed and disseminated	• Develop promotional materials • Upgrade the KLRC website • Develop and implement a Commission Branding Manual	• KLRC developed and disseminated a number of IEC materials which included: Annual Reports, Brochures, Law Reform Newsletter, Branded Copies of the Constitution and other reports. The reports were also published and reshared in the various digital platforms particularly on the KLRC website www.klrc.go.ke, Facebook and Twitter.

8. Corporate Governance Statement

At the apex of Commission`s governance is the Commissioners who are responsible for oversight and policy direction. The Commission comprises of eight Commissioners who are: (i) a chairperson appointed by the President through an open and competitive process, (ii) a member appointed by the Attorney-General through an open and competitive process, (iii) a representative of the Law Society of Kenya who is an advocate of the High Court of Kenya, (iv) an officer in the Office of the Attorney-General, appointed by the Attorney-General, (v) a representative of the Director of Public Prosecution appointed in writing, (vi) a representative of the Chief Justice appointed in writing, (vii) a person of the rank professor and who teaches law in a public university, appointed by the Attorney General and a (viii) a person nominated by the Council of Governors and appointed by the Attorney General.

Section 15 of the KLRC Act, 2013 (as revised in 2020), further provides for removal of a Commissioner on the basis of grounds stipulated in section 14. The Commission conducts its business as laid out in the second schedule of the KLRC Act and other written laws which regulate: quorum, decision making, remuneration and allowances, declaration of conflict of interest and ethics compliance. Commissioners meet at least once a month to review projects and programmes of the Commission and provide appropriate direction to the Secretariat. When there is need, Commissioners may meet more frequently. In the reporting period, the Commission held a total of nine (9) meetings. At the beginning of every financial year, the Chairperson, on behalf of the Commission, signs a performance contract upon which an evaluation is conducted to assess performance at the end of the year.

The Commission also comprises a Secretary /Chief Executive Officer and is responsible to the Commission for day-to-day administration. Guided by the applicable law and other government regulations such as the Mwongozo code of conduct, the Commissioners are inducted, trained and discharge their functions in accordance with the laid down parameters.

9. Management Discussion and Analysis

Operational and Financial performance

The Kenya Law Reform Commission was established in 1982 by the Law Reform Commission Act Cap 3 as a department under the State Law Office. The mandate of the Commission then was to keep under review the law of Kenya to ensure its systematic development and reform, including in particular the integration, unification and codification of the law, the elimination of anomalies, the repeal of obsolete and unnecessary enactments and generally its simplification and modernization.

The Commission was reconstituted as a body corporate in 2013 when Parliament enacted the Kenya Law Reform Commission Act, 2013. Under the new Act, the Commission's mandate was expanded to include discharging the traditional law reform mandate, preparing, for tabling in Parliament legislation required to implement the Constitution, providing advice, technical assistance and collaborating with State and non-State organs, departments and agencies at both national and county government in the formulation of legislation to give effect to the social, economic and political policies for the time being in force, formulating and implementing law reform programs and plans, undertaking research, comparative studies and public education on law reform.

The Kenya Law Reform Commission depends on the Government grants for operations. During the last five years the Commission's funding was as shown below:

5-YEAR BUDGET BREAKDOWN	
FINANCIAL YEAR	**APPROVED BUDGET ESTIMATES**
2018/2019	305. 460,000
2019/2020	298,440,000
2020/2021	272,118,373
2021/2022	266.660,000
2022/2023	266.660,000

Key projects implemented by the Commission.

During the last five Financial years the Kenya Law Reform Commission has aligned its activities in tandem with the National Government strategic objectives and policies. The Commission's law reform projects and programmes have been aligned to the broad government goals including the full implementation of the Constitution of Kenya, Kenya Vision 2030 Flagship projects/programmes, the

'Big Four' Agenda, and the Sustainable Development Goals (SDGs), among others. During this period, the following projects and programmes have been implemented:

a) Providing technical assistance to national and county governments through drafting of Bills for implementation of the Kenya's Vision 2030 and the government's Big Four Agenda;
b) Continuous implementation the Constitution of Kenya, 2010 by preparing Bills required for tabling before Parliament;
c) Enhancing research, advisory and public education on law reform matters in Kenya;
d) Enhancing the institutional capacity and profile of the Commission for strategic positioning in the country; and
e) Building human resource capacity for quality service delivery.

Through its Strategic Plan for 2023/2028 the Commission has aligned its activities in support of the MTP IV and the National Government Bottom Up Economic Transformation Plan (BeTA) (2022-2027) which is anchored on five key pillars: Agriculture, MSME Economy, Housing and Settlement, Healthcare, as well as Digital and Creative Economy. The priority interventions proposed in the plan are expected to contribute toward six broad objectives including lowering the cost of living, eradicating hunger, managing unemployment, improving fiscal performance, stabilizing foreign exchange and ensuring inclusive economic growth.

The legal frameworks to support the Plan will be contained in the National Government Legislative Agenda. This is a program of proposed legislation to support policies and programs of government. The role of coordinating the national government legislative agenda has been assigned to the Office of the Prime Cabinet Secretary (OPCS). The legislative agenda coordinated through a Steering Committee established by the Cabinet. The OPCS, KLRC, OAG, KIPPRA and the National Treasury have established a joint Committee to facilitate the work of the Steering Committee. This will involve development and implementation of the government legislative agenda through collaboration with line Ministries and State Departments in the development of their policies and legislation.

The Commission's current strategic goals are as follows:

(a) Ensure that there is statutory harmony in all the legislation within the sectors;
(b) Enhance technical support for law reform;
(c) Strengthen coordination of law reform;
(d) Coordinate engagement with stakeholders; and
(e) Transform institutional capacity.

Key projects and investment decisions the Commission is planning/implementing.

The law reform mandate encompasses a number of salient legislative processes that are fundamental to efficient governance and full realization of the national government's legislative agenda. The mandate includes keeping the law of Kenya under constant review and recommending its reform. The Commission is committed to align its strategic direction towards the full implementation of Kenya Vision 2030 by aligning its activities to the periodic sector alignments and Medium-Term Plans (MTPs). Currently, the MTP IV outlines the policies, legal and institutional reforms and the programs and projects that are a priority over the five-year period 2022-2027. MTP IV gives the highest priority to achieving the objectives of the new initiatives contained in the government's BETA Agenda" priority areas, namely: (i)Agriculture, (ii)Macro, Small and Medium-Term Enterprise, (iii)Universal Health Care, (iv) Affordable Housing and Settlement and (v)Digital Superhighway and Creative Economy. The immediate priorities and actions of this Strategic Plan are therefore premised on the implementation of policies, programs and projects designed to achieve the government's BETA. KLRC will collaborate and partner with relevant MDAs to provide technical assistance in development and integration policies, laws, international treaties and conventions so as to actualize the BETA in the various sectors.

The viability of the Commission's mandate is the ability to champion national government's legislative agenda as contained in the government's manifesto and ministerial policies. The Commission also plays a strategic role of preparing legislation for tabling before Parliament on national priority issues, thus contributing directly to good governance.

10. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

KLRC is governed by a Commission who are responsible for policy direction and oversight. The secretariat is led by a Secretary/CEO who is the accounting officer of KLRC and is responsible for day-to-day administration. The primary funding for KLRC is the Exchequer with occasional in-kind support from development partners. To guide operations, KLRC develops a five-year strategic plan which is anchored on government and other public interest agenda. In this regard, KLRC is able to make sustainable efforts while tapping into the priority areas so as to achieve its mandate. Similarly, Commission being a public service Commission, annually signs a performance contract which entails key priority areas which inform funding, collaboration and engagement in line with government interventions.

ii) Environmental performance

Sustainable development is a cross cutting issue which KLRC has taken keen interest in while executing its mandate of law reform. In this regard, KLRC has been mainstreaming and guiding necessary law reform interventions for addressing the effects of climate change, promotion of afforestation efforts, supporting legislation: on Blue economy, biodiversity, waste management, mitigation and adaptation as well as other sustainable development frameworks. A number of successes have been achieved including the support in the planting of over 500 trees and contribution in the reduction of carbon footprints.

iii) Employee welfare

The Human Resource Policy and Procedures Manual Section B explains the recruitment process: gender inclusivity, disability, regional balance among issues of Merit and experience. Also included in the process is the Constitution 2010 requirements found in chapter 10 and 232.The manual is reviewed after 5 years to take into account the changes and improvement in the society. It is taken through the process of public participation majorly done by the Public Service Commission in a very detailed manner. Public institutions are required to use that, reviewing and including issues touching the individual organizations. The current Manual was reviewed in 2016. The main purpose is to maintain consistency in the human resource processes.

Improvement of skills and managing of careers is done through the career progression guidelines that is drawn from the organization structure. The structure will list down the functions of each job, the career guideline will provide the requirements for the job.

The Performance Contracting process through PAS. also gives the individual skill requirement to meet the targets. Others are the requirements from the PSC e.g. Management courses and the professional requirements. The Commission enables the employees to meet the requirements through training as per the Training Policy. The Reward and Sanctions Policy provides the reward through performance appraisal and the recommendations made to the Performance Management Committee for the CEO's approval.

The Commission should have an occupational safety Policy. Currently we are using the Act.

iv) **Market place practices-**

The Commission has made efforts to ensure:

a) **Responsible competition practice.**

KLRC ensures that the suppliers are accorded opportunities competitively without discrimination. At least three firms from the supplier register are invited for all the procurements under the request for quotation procurement method on rotational basis. Open tenders are advertised in newspapers of wide circulation, KLRC website and the government tenders' portal to ensure fair competition. Market surveys are carried out before award to ensure that the awarded prices are within the market range. Suppliers and key stakeholders are also sensitized on Public Procurement and Asset Disposal Act and attendant regulations in order to offer them capacity building on the legal framework guiding public procurement in public sector.

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

All the bidders who participate in open tenders are given feedback after the procurement process is finalized through notification of award or regret letters stating reasons why they did not succeed in the tendering process. All goods, services and works are delivered after a contract has been signed or Local Purchase Order issued. This is meant to ensure that there are legally binding documents before any procurement expense is incurred. All the suppliers and service providers are paid within 30 days after receipt of invoices.

c) **Responsible marketing and advertisement**

The Commission ensures that the procurement expenditure is equitably distributed to interested bidders. At least three firms from the supplier register are invited for all the procurements under the request for quotation procurement method. Open tenders were advertised in newspapers of wide circulation, KLRC website and the government tenders' portal to ensure wide coverage.

d) **Product stewardship**

The Commission safeguards consumer rights and interests. All specifications are obtained from the user departments to ensure that the correct product or service is delivered. Further, the users are involved in the inspection and acceptance once the product is delivered so as to ascertain that it meets the specifications provided. The Commission also ensures that the suppliers of software are dully authorized by the producers to retail their software.

v) **Corporate Social Responsibility / Community Engagements**

The Commission signed a three-year memorandum of understanding with the Kenya Forest Service in 2022. The Commission was allocated a block within the Menengai Forest has continued to plant trees in the area. In the year under review, the Commission planted over 1000 trees .

11. Report of the Directors

The Commission submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of KLRC's affairs.

i) Principal activities

The mandate of the Commission as set out in section 6 of the KLRC Act (No.19 of 2013) is to keep under review all the law of Kenya to ensure its systematic development and reform.

ii) Results

The results of the Commission for the year ended June 30, 2023, are set out on pages 1 to 6.

iii) Directors

The members of the Commission who served during the year are shown on page 9-11.

iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

KLRC did not make any surplus during the FY 2022/2023. However, the Commission reported miscellaneous income of Kshs. 1,149,540 which is due for submission after certification by the Office of the Auditor General.

Auditors

The Auditor General is responsible for the statutory audit of the Kenya Law Reform Commission in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Commission.

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Mr. Joash Dache, MBS
Secretary to the Commission

12. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act and The Kenya Law Reform Commission Act of 2013 require the preparation of Financial Statements in respect of Kenya Law Reform Commission, which give a true and fair view of the state of affairs of the Commission at the end of the Financial Year 2022/2023 and the operating results of the Commission for year 2022/2023. The Commissioners are required to ensure that the Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Commission. The Commissioners are also responsible for safeguarding the assets of the Commission.

The Commissioners are responsible for the preparation and presentation of the Commission's Financial Statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the Financial Year 2022/2023 ended on June 30, 2023. This responsibility includes: (i)Maintaining adequate Financial Management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii)Maintaining proper Accounting Records, which disclose with reasonable accuracy at any time the financial position of the Commission; (iii)Designing, Implementing and Maintaining internal controls relevant to the preparation and fair presentation of the Financial Statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv)Safeguarding the Assets of the Commission; (v) Selecting and applying appropriate accounting policies; and (vi)Making accounting estimates that are reasonable in the circumstances.

The Commissioners accept responsibility for the Commission's 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 State Corporations Act) and The Kenya Law Reform Act 2013 (No. 19 of 2013). The Commissioners are of the opinion that the Commission's Financial Statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2023, and of the Commission's financial position as at that date.

The Commissioner's further confirm the completeness of the Accounting Records maintained for the Commission, which have been relied upon in the preparation of the Commission's Financial Statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Commissioners to indicate that the 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 Kenya Law Reform Commission Financial Statements were approved by the Commission on February 22, 2024 and signed on its behalf by:

....

Christine A. Agimba
Chairperson of the Commission

....

Mr. Joash Dache, MBS.
Accounting Officer

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OFFICE OF THE AUDITOR-GENERAL

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REPORT OF THE AUDITOR-GENERAL ON KENYA LAW REFORM COMMISSION FOR THE YEAR ENDED 30 JUNE, 2023

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 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 the Kenya Law Reform Commission set out on pages 1 to 30, 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 statements 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 Kenya Law Reform Commission as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Kenya Law Reform Act, 2013 and the 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 Kenya Law Reform Commission 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.

Other Matter

Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance which have remained unresolved as at 30 June, 2023.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Understaffing

As previously reported, a review of employees records and staff payroll for the year under review revealed that the Commission had seventy-four (74) employees against the staff establishment of two hundred and twenty-two (222) resulting in understaffing by one hundred and forty-eight (148).

The understaffing may hinder the effective delivery of services by the Commission.

2. Lack of Assets and Liabilities Management Policy

Review of the financial statements, capital expenditure schedule and the risk register revealed that the Commission did not have an approved and operational Asset Management Policy in place.

Further, the Commission did not maintain a comprehensive asset register which contravened The National Treasury Policy on asset and liability management in the public sector.

In the circumstances, Management was in breach of the law.

3. Unauthorized Expenditure

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable for Commission expenses of Kshs.18,545,464 and Kshs.20,675,017 resulting in over-expenditure of Kshs.2,129,553 or 11%. Similarly, repairs and maintenance expenditure amounted to Kshs.3,047,128 against approved budget of Kshs.2,646,327 resulting to an over expenditure of Kshs.400,801 or 15%. The over-expenditure was however not subjected to approval of the Commission.

In the circumstances, Management was in breach of the law.

4. Lack of Physical Presence of Commission in the Counties

A review of the Commission establishment revealed that it has its offices only in Nairobi County which may have affected the effectiveness of its consultation and collaboration with State and Non-State organs, Departments or Agencies in the formulation of legislation to give effect to the social, economic and political policies for the time being in force. This is contrary to Section 7(2) of the Kenya Law Reform Commission Act, 2013 which requires that the Commission ensures access to its services in all parts of the Republic in accordance with Article 6(3) of the Constitution.

In the circumstances, the citizens may not efficiently access the services of the Commission.

5. Non-Surrender of Other Income to The National Treasury

During the year under review the Commissions other income amounted to Kshs.1,149,540 against an approved budget of zero. However, the collection was not surrendered to the Exchequer contrary to Regulation 84 of the Public Finance Management (National Government) Regulations, 2015.

In the circumstances, the Board was in breach of the law.

6. Commission Expenses

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects Commission expense of Kshs.20,675,017. The following unsatisfactory matters were however noted:

7.1 Excessive Sitting Allowances

Included in the commission expenses is sitting allowances of Kshs.1,876,000 incurred for eight (8) full board meetings which exceeded the set threshold of six (6) meetings without approval by the Cabinet Secretary or SCAC.

7.2 Other Allowances

Included in the expenses are other allowances of Kshs.366,765 paid to Commissioners without a supporting declaration of residency.

7.3 Unallowed Travel and Accommodation Expense

Included in the expenses is travel and accommodation expense of Kshs.1,610,064 which includes claims by one board member totalling Kshs.289,730 being mileage allowance for return journey from Nairobi to residence. The amount exceeded the set threshold of Kshs.35,000 per travel to attend board meetings. There were however, no authorizations sought from the responsible Cabinet Secretary or SCAC to exceed the set limit.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with International Standards of 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 audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of an Approved Strategic Plan

During the financial year under review, the Commission operated a budget of Kshs.292,660,000 which Management explained that they operated through internal guidelines and The National Treasury circulars to implement the budget and work plans. Therefore, it operated without an approved strategic plan.

In the circumstances, the basis of the annual workplans budget preparation execution and the conformity of the estimates of expenditure with the medium-term fiscal framework and financial objectives outcomes towards the achievement of the core mandate and the regularity, and effectiveness of the budgetary controls could not be confirmed.

2. Lack of Operational Disaster Recovery Plan/IT Business Continuity Plan

During the year under review the Commission operated without an approved Disaster Recovery Plan. Although, Management attributed the lack of approved plan to lack of Commissions until 22 August, 2022. Upon its constitution, the Commission did not cause to be prepared an Operational Disaster Recovery Plan/IT Business Continuity Plan Contrary to Regulation 165(1)(a) and(b) of Public Finance Management (National Government) Regulations, 2015 which provides that Accounting Officer shall ensure that the National Government entity develops risk management strategies which includes fraud prevention mechanism and a system of risk management and internal control that builds a robust business operation.

3. Unapproved Human Resource Instruments

During the financial year under review Management of the Commission operated without approved organizational structure, staff grading structure and establishment, career guidelines and human resource policy and procedures manual. Further there were no documents provided to confirm that the human resource instruments had been submitted to or approved by State Corporation Advisory Committee and the approval of the current establishment, salary structures and staff grading by the Public Service Commission as at 30 June, 2023.

Lack of approved human resources instruments negatively affect the effectiveness of reward system, succession planning, staff development, career progression of the existing employees and effective implementation of the Commission`s mandate.

4. Outdated and Unapproved Information Communication Technology (ICT) Policy

A review of the Commission's ICT Policy revealed that the Policy was adopted in September, 2015 and had not been reviewed to update it to meet the current development in the ICT environment. An outdated policy exposes the Commission information and communications resources and services to the contemporary risks in the ICT environment which affect negatively the effectiveness of the policy in addressing the emerging challenges in information communication processes and systems.

In addition, the old policies may fail to comply with new laws and regulations and may not address new systems or technology, which can result in inconsistent practices.

In the circumstances, efficiency in provision of ICT support services and the effectiveness of the current policy on the Commission service delivery and risk mitigation could not be confirmed.

5. Delays in Appointment of Commission Secretary

Review of records maintained by the Commission revealed that the Commission's Secretary/Chief Executive Officer was seconded to the Commission for a period of five (5) years by the Public Service Commission. The secondment was extended on 09 May, 2019, by the Public Service Commission until such a date that the Commission would be fully constituted. However, the Commission did not appoint a CEO after it was fully constituted on 15 August, 2022, a delay which Management attributed to uncompleted process by the Commission of preparing human resource instruments for entire staff which were yet to be approved by the Public Service Commission for approval and implementation. As at the time of audit in January, 2024 the Board had not recruited the CEO/Commission Secretary.

In absence of the CEO decision-making process may be slowed down.

6. Lack of a Financial Expert in the Commission Board

Audit review on governance structure of the Commission revealed that the its Board had no member with the necessary qualifications and expertise in Financial Management or Accounting and is a bona-fide member of a professional body regulating the accountancy profession and in compliance with the requirements thereof. This affects Boards ability to achieve the strategic objectives in matters requiring financial background.

In the circumstances, the composition of the board does not comply with Chapter 1 of Mwongozo on governance principles and practice and the effectiveness of the board financial decisions is not confirmed.

7. Failure to Tag Commission Assets

Statement of financial position and as disclosed in Note 16 to the financial statements reflects property, plant and equipment net balance of Kshs.17,132,450. However, review of asset register revealed that the register was not updated with pertinent details including description of the assets, date of acquisition, cost, and unique authentic identification numbers of the assets.

In addition, physical verification of the non-current assets revealed that they were not tagged. Failure to allocate unique references/identifiers to specific assets renders their identification, accountability and monitoring Ineffective.

Consequently, the effectiveness of the Commission's current internal control and risk management on assets management are weak.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Commissioners

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 Commission 's ability 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 Commission or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Commissioners are responsible for overseeing the Commission'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 overall 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 overall 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 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 applicable 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 to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Commission to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Commission to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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

18 April, 2024

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

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities	6	292,660,000	266,660,000
Total revenue from non-exchange transactions		**292,660,000**	**266,660,000**
Revenue from exchange transactions		-	
Other income	7	1,149,540	21,000
Total revenue from exchange transactions		**1,149,540**	**21,000**
Total revenue		**293,809,540**	**266,681,000**
Expenses			
Use of goods and services	8	112,012,194	138,855,718
Employee costs	9	159,306,890	143,541,950
Commission expense	10	20,675,017	-
Depreciation and amortization expense	11	9,325,017	6,105,954
Repairs and maintenance	12	3,047,128	1,958,141
Total expenses		**304,366,246**	**290,461,763**
Other gains/losses			
Impairment on consumable stores	15	(534,880)	-
Gain from sale of PPE	18	-	1,592,300
Surplus before tax		**(11,091,586)**	**(22,188,463)**
Taxation		-	-
Surplus for the period		**(11,091,586)**	**(22,188,463)**
Remission to National Treasury		-	-
Deficit for the Year		**(11,091,586)**	**(22,188,463)**

The notes set out on pages 7 to 29 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 6 were signed on behalf of the Commission by:

Mr. Joash Dache,MBs	CPA Margaret Githae	Christine A. Agimba
Accounting Officer	Head of Accounts	Chairperson of the Commission
	ICPAK Member No:13051	
22/02/2024	22/02/2024	22/02/2024

15. Statement of Financial Position as at 30 June 2023

	Notes	2022-2023	2021-2022
		KShs	KShs
Assets			
Current Assets			
Cash and Cash equivalents	13	24,323,210	23,805,396
Receivables from Non-Exchange Transactions	14	12,095,900	10,599,938
Inventories	15	2,892,385	4,762,368
Total Current Assets		**39,311,495**	**39,167,702**
Non-Current Assets			
Property, Plant and Equipment	16	17,132,450	22,475,681
Intangible Assets	19	-	-
Total Non- Current Assets		**17,132,450**	**22,475,681**
Total Assets		**56,443,945**	**61,643,383**
Current Liabilities			
Provision for service gratuity	17	5,272,004	-
Remission to National Treasury	21	3,117,189	-
Total Liabilities		**8,389,193**	-
Net Assets			
Accumulated Surplus		25,056,868	29,320,483
Capital Fund		22,997,884	32,322,900
Total Net Assets		**48,054,752**	**61,643,383**
Total Net Assets and Liabilities		**56,443,945**	**61,643,383**

The financial statements set out on pages 1 to 6 were signed on behalf of the Commission by:

…………………………	…………………………	…………………………
Mr. Joash Dache.MBs	CPA Margaret Githae	Christine A. Agimba Chairperson of the Commission
Accounting Officer	Head of Accounts ICPAK Member No:13051	
22/02/2024	22/02/2024	22/02/2024

16. Statement of Changes in Net Assets for the year ended 30 June 2023

	Retained Earnings	Capital Fund	Totals
	KShs.	KShs.	KShs.
Balance as at 1st July 2019	-	35,385,137	**35,385,137**
Surplus for the year 30.06.2020	48,450,750	-	48,450,750
Capital Grants Received during the Year	-	-	-
Transfer of depreciation/amortization from capital Grants to retained earnings	5,989,195	(5,989,195)	-
As at June 30th 2020	**54,439,945**	**29,395,942**	**83,835,887**
Balance as at 1st July 2020	54,439,945	29,395,942	83,835,887
Surplus for the year 30.06.2021	(928,849)	-	(928,849)
Capital Grants Received during the Year	-	-	-
Transfer of depreciation/amortization from capital fund to retained earnings	4,744,178	(4,744,178)	-
As at June 30th 2021	**58,255,274**	**24,651,764**	**82,907,038**
Balance as at 1st July 2021	58,255,274	24,651,764	82,907,038
Surplus for the year 30.06.2022	(22,188,463)	-	(22,188,463)
Transfer of depreciation/amortization from capital fund to retained earnings	6,105,954	(6,105,954)	-
Adjustment; Transfer to capital fund (Note 16)	(13,777,090)	13,777,090	-
Adjustment; Previous year's unrecognized gratuity	(2,079,619)	-	(2,079,619)
Adjustments; Depreciation adjustment due to policy change	4,667,412	-	4,667,412
Adjustment; prior year errors (Note 21)	(1,042,841)	-	(1,042,841)
As at June 30th 2022	**29,940,627**	**32,322,900**	**62,263,527**
Balance as at 1st July 2022	29,940,627	32,322,900	62,263,527
Surplus for the year 30.06.2023	(11,091,586)	-	(11,091,586)
Remission to National Treasury	(3,117,189)	-	(3,117,189)
Transfer of depreciation/amortization from capital fund to retained earnings	9,325,017	(9,325,017)	-
As at June 30th 2023	**25,056,868**	**22,997,884**	**48,054,752**

17. Statement of Cash Flows for the year ended 30 June 2023

		2022-2023	2021-2022
	Notes	KShs	KShs
Cash flows from operating activities			
Receipts			
Transfers from other governments entities	6	292,660,000	266,660,000
Other Income	7	510,964	21,000
Total Receipts		**293,170,964**	**266,681,000**
Payments			
Employees Costs	9	157,595,729	143,541,950
Commission Expense	10	20,675,017	-
Use of Goods and Services	8	110,677,091	138,855,718
Repair and Maintenance	12	3,047,128	1,958,141
Total payments		**291,994,965**	**284,355,810**
Decrease/Increase in inventory	15	-	(212,927)
Increase in Receivable	14	-	(324,967)
Working capital adjustments		**-**	**(537,894)**
Net cash flows from operating activities		**1,175,999**	**(18,212,704)**
Cash flows from investing activities			
Purchase of property, plant, and equipment	16	(658,185)	(13,505,131)
Proceeds from sale of PPE	19	-	1,592,300
Net cash flows used in investing activities		(658,185)	**(11,912,831)**
Cash flows from financing activities			
Net cash flows used in financing activities		-	-
Net cash flows used in financing activities		**-**	**-**
Prior year adjustments; Insurance recoveries	21	-	1,967,649
Net increase/Decrease in cash & cash Equivalent		**517,814**	**(28,157,886)**
Cash and cash equivalents as at 1 July	13	**23,805,396**	**51,963,282**
Cash and cash equivalents as at 30 June	13	**24,323,210**	**23,805,396**

The financial statements set out on pages 1 to 6 were signed on behalf of the Commission by:

………………………………	………………………………	………………………………
Mr. Joash Dache,MBs	CPA Margaret Githae	Christine A. Agimba
Accounting Officer	Head of Accounts	Chairperson of the Commission
	ICPAK Member No:13051	
22/02/2024	22/02/2024	22/02/2024

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023

ITEM DESCRIPTION	Approved Budget	Re-Allocation	Final Budget	Actual on Comparable Basis	Performance Difference	% of Utilization
Recurrent Budget						
Revenue						
Transfers from other Government entities	266,660,000	26,000,000	292,660,000	292,660,000	-	100%
Salary advance recovery	-	987,903	987,903	987,903	-	100%
Proceeds from sale of obsolete items	-	36,800	36,800	36,800		
Total income	**266,660,000**	**27,024,703**	**293,684,703**	**293,684,703**	**-**	**100%**
Expenses						
Employee costs	146,112,084	10,252,737	156,364,821	157,595,729	(1,230,908)	101%
Commission expense	1,748,000	16,797,464	18,545,464	20,675,017	(2,129,553)	111%
Use of Goods and services	113,728,059	(652)	113,727,407	110,677,091	3,050,316	97%
Repair and maintenance	4,690,157	(2,043,830)	2,646,327	3,047,128	(400,801)	115%
Total Expenditure	**266,278,300**	**25,005,719**	**291,284,019**	**291,994,992**		100%
Surplus for the period	**381,700**	**2,018,984**	**2,400,684**	**1,689,737**		
Capital Expenditure						
Purchase of Off. Furniture	65,000	594,000	659,000	658,185	815	100%
Purchase of Computers	50,000	400,281	450,281	-	450,281	0%
Purchase of software	266,700	-	266,700	-	266,700	0%
Surplus for the period	**381,700**	**994,281**	**1,375,981**	**658,185**		48%
Net Surplus for the period	-	1,024,703	1,024,703	1,031,552		

Reconciliation of Statement of performance and statement of Budget Comparison	
Item	KShs.
Surplus from statement of performance	**(11,091,586)**
Add back: Depreciation & Non budget receipts	
Depreciation and amortization	9,325,017
Provision for gratuity for the year	5,272,004
Less : Working capital adjustments and investing activities	
Decrease in inventory	1,869,983
Increase in receivable	(1,495,962)

Increase in payable	(3,192,385)
Purchase of PPE	(658,185)
Non budget income	(1,000,667)
Surplus from statement of Budget	**1,031,552**

Budget notes

i. Commission expense

ii. Repair and Maintenance-_Increase was due to increased expenditure on motor vehicle and ICT related maintenance

iii. Basis of Accounting-

The difference in the reported surplus between the Statement of Financial performance and the Statement on Budget comparison is due to the difference in basis of accounting adopted.

19. Notes to the Financial Statements

1. General Information

KLRC is established by the Kenya Law Reform Commission Act, 2013 (No. 19 of 2013) as a successor to the Law Reform Commission, previously established under the repealed Law Reform Commission Act, Cap. 3.

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 Commission's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in notes of these financial statements.

The Financial Statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Commission.

The Financial Statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

i. Early adoption of standards

Commission did not early – adopt any new or amended standards in the financial year 2022 2023

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The Commission recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Commission and the fair value of the asset can be measured reliably.

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) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Commission and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that have been acquired using such funds.

Rendering of services

The Commission recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Commission.

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 each period.

ii) Revenue from exchange transactions

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Commission's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for the Current FY 2022/2023 was approved by the National Assembly on. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Commission upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Commission recorded additional appropriations of Kshs. 26,000,000 on the 2022-2023 budget following the National Treasury approval through the State Law Office and Department of Justice.

The Commission's 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 of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented under these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Commission operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Commission and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable

ii) When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items as per section 11.3.1 of the National Treasury Guidelines on Asset and Liabilities. When significant parts of property, plant and equipment are required to be replaced at intervals, the Commission recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The recommended method for depreciation by the National Treasury is a straight line method over the useful life of the asset. The Commission is also in the process of updating its depreciation and asset management policy. The Commission has thus adopted the National treasury policy on assets and liabilities.

Depreciation is charged at rates calculating the cost or valuation of the asset less any estimated residual value over its remaining useful life. Kenya Law Reform Commission has adopted a straight line method of depreciation whereby the asset is fully depreciated on the year of acquisition but not depreciated on the year of disposal.

Useful life of the different classes of Assets and Depreciation Rates.

Asset Class	Estimated Useful Life	Rate (%)
Motor Vehicle (Heavy duty utility)	8 Years	12.5
Computers and IT Equipment	3.33 Years	30
Furniture and Fittings	8 Years	12.5

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Commission. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Commission also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Commission will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Commission. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is between 5-8 Years or as otherwise specified in the contract.

- Software 20.0%

h) Research and development costs

The Commission expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Commission can demonstrate:

i) The technical feasibility of completing the asset so that the asset will be available for use or sale

ii) Its intention to complete and its ability to use or sell the asset

iii) How the asset will generate future economic benefits or service potential

iv) The availability of resources to complete the asset

v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and Receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Commission determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Commission has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Commission assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset or a Commission of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Commission of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

i) The debtors or an entity of debtors are experiencing significant financial difficulty.
ii) Default or delinquency in interest or principal payments
iii) The probability that debtors will enter bankruptcy or other financial reorganization.
iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults).

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Commission determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

Raw materials: purchase cost using the weighted average cost method.

i) Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Commission.

k) Provisions

Provisions are recognized when the Commission has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Commission expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

l) Contingent liabilities

The Commission 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.

m) Contingent assets

The Commission 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 Commission 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.

n) Nature and purpose of reserves

The Commission creates and maintains reserves in terms of specific requirements.

o) Changes in accounting policies and estimates

The Commission recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical. In line with IPSAS 3; accounting policies, changes in
Accounting estimates and errors, the Commission has adopted the use of straight line method of calculating depreciation on Assets in line with the National Treasury guidelines and policies.

p) Employee benefits

Retirement benefit plans

The Commission provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which a Commission pays fixed contributions into a separate Commission (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

q) 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.

r) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

s) Related parties

The Commission regards a related party as a person or a Commissioner with the ability to exert control individually or jointly, or to exercise significant influence over the Commission, or vice versa. Members of key management are regarded as related parties and comprise the Commissioners, the CEO and senior managers.

t) Service concession arrangements

Kenya Law Reform Commission analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Commission recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Commission also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

u) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash Imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

v) **Comparative figures**

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

w) **Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Commission'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. State all judgements, estimates and assumptions made:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Commission based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Commission. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

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

a) The condition of the asset based on the assessment of experts employed by the Commission.

The nature of the asset, its susceptibility and adaptability to changes in technology and processes.

b) The nature of the processes in which the asset is deployed.

c) Availability of funding to replace the asset.

d) Changes in the market in relation to the asset.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The Kenya Law Reform Commission adopted The FIFO method which in that the first goods purchased are also the first goods to be used. This results in the remaining items in inventory being accounted for at the most recently incurred costs, so that the inventory asset recorded on the financial position contains costs quite close to the most recent costs that could be obtained in the market place

6. Transfers from Other Government entities

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Unconditional Grants		
Operational Grant	266,660,000	266,660,000
Other Grants	26,000,000	-
Total Unconditional Grants	**292,660,000**	**266,660,000**

- Other Grants relate to supplementary funding on shortfall of Personnel emoluments from the National Treasury through State Law Office and Department of Justice.

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name Of The Commission Sending The Grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total transfers 2022-23	Prior year 2021-2022
	KShs	KShs	KShs	KShs	KShs
State Law Office and Department of Justice	292,660,000	-	-	292,660,000	266,660,000
Total	**292,660,000**	-	-	**292,660,000**	**266,660,000**

7. Other Income

Description	2022-2023	2021-2022
	Kshs	Kshs
Income from sale of tender	-	21,000
Salary advance recovery	987,903	
Commissions on third party payroll deductions	124,837	
Proceeds from sale of obsolete items	36,800	
Total other income	**1,149,540**	**21,000**

Other Income on salary advance recovery include Kshs. 474,164 direct deposits to Bank.

8. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Contracted Guard and cleaning services	1,349,603	1,283,308
Contracted professional services	-	364,738
Contracted Technical services	348,159	225,040
Memberships and Subscriptions	320,070	353,268
Advertising	589,638	212,115
Bank Charges	646,440	625,740
Newspaper and Journals	251,360	159,200
Conferences and delegations	22,040,177	28,168,086
Fuel and oil	2,200,000	2,406,500
Supplies of Accessories for Computers	-	1,418,390
Internet & Email	1,823,520	1,671,560
Postage	73,029	-
Consumables	5,183,303	-
Purchase of Uniforms	-	-
Education and Library	64,698	79,510
Printing and stationery	6,475	793,000
Rental and Parking	31,172,173	32,928,620
Telecommunication	2,641,052	2,352,871
Training and Development	5,838,886	14,548,026
Office and general supplies	347,805	2,841,096
Travel, motor car, accommodation, subsistence, and other allowances	37,115,806	48,284,201
Sanitary and cleaning items	-	140,450
Total	**112,012,194**	**138,855,718**

- The Commission's expenditure on travel, accommodation, subsistence and other allowances reduced due to prudent utilization of financial resources
- Training and development, conference & delegations' expenditure declined due to reduced foreign travel and re-alignment of key expenditure items towards the realization of the core mandate.

9. Employee Costs

	2022-2023	2021-2022
	Kshs.	Kshs.
Salaries and wages	122,840,989	114,817,504
Employer contribution to health insurance schemes	20,227,558	18,483,112
Employer contribution to pension schemes	10,966,339	10,241,334
Gratuity charge for the period	5,272,004	-
Employee costs	**159,306,890**	**143,541,950**

- (i) Increased expenditure on health insurance schemes (ii) increased provision on service gratuity & increased KLRCSPS expenses (iii) annual staff salary increment.

10. Commission Expense

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Salaries	15,637,510	-
Sitting Allowances	1,876,000	-
Medical Insurance	154,348	-
Induction and Training	1,030,330	-
Travel and Accommodation	1,610,064	-
Other Allowances	366,765	-
Total	**20,675,017**	**-**

- The Commission was fully constituted with the expenditure relating to its activities.

11. Depreciation and Amortization Expense

Description	2022-2023	2021-2022
	Kshs	Kshs
Property, plant and equipment	9,325,017	5,386,754
Intangible assets	-	719,200
Total depreciation and amortization	**9,325,017**	**6,105,954**

- Intangible asset was fully amortized by the end of Financial year 2021/2022 and there was no revaluation carried out in the year under review.

- Increase in depreciation charge on PPE was due to change in the rate for motor vehicles occasioned by the reclassification of motor vehicle category.

12. **Repairs and Maintenance**

Description	2022-2023	2021-2022
	Kshs	Kshs
Refurbishment of Buildings	100,000	-
Motor Vehicles	1,387,141	1,217,561
Furniture and Fittings	-	-
Computers and Accessories	1,559,987	740,580
Total Repairs and Maintenance	**3,047,128**	**1,958,141**

- Increased expenditure on computer & accessories relates to the payment of renewal license and technical support for the ERP system.

13. **(a) Cash and Cash Equivalents**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Current Account	24,323,210	23,805,396
Total Cash And Cash Equivalents	**24,323,210**	**23,805,396**

b) Detailed Analysis of the Cash and Cash Equivalents

		2022-2023	2021-2022
Financial Institution	**Account number**	**Kshs.**	**Kshs.**
Current Account			
Cooperative Bank of Kenya	01141309236200	24,323,210	23,805,396
Grand Total		**24,323,210**	**23,805,396**

14. **Receivables from Exchange Transactions**

Receivables from Exchange Transactions (Current)

	2022-2023	2021-2022
	Kshs.	Kshs.
Insurance premium prepayments	9,867,809	9,190,075
Salary Advance	1,806,131	987,903
Parking Deposit-Regent Management	270,000	270,000
Prepayments on Internet	151,960	151,960
Total	**12,095,900**	**10,599,938**

- An increase on the receivables is as a result of the increase in outstanding salary advances and increase in premium prepaid.

15. Inventories

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Consumable stores	3,427,265	4,762,368
Less: allowance for impairment	(534,880)	-
Total inventories at cost	**2,892,385**	**4,762,368**

- The impairment on inventory relates to consumable items that have expired and are redundant awaiting disposal.

16. Property, Plant and Equipment

	Furniture and fittings	Motor vehicles	Computers	Total
Cost	Kshs	Kshs	Kshs	Kshs
As at 30th June 2021	**22,894,812**	**36,877,987**	**19,919,967**	**79,692,766**
Additions	6,961,350	-	6,543,781	13,505,131
Disposals	-	(10,909,500)	-	(10,909,500)
Adjustments				
As at 30th June 2022	**29,856,162**	**25,968,487**	**26,463,748**	**82,288,397**
Additions	658,185	-	-	658,185
Disposals	-	-	-	-
Adjustments				
Total value as at 30th June 2023	**30,514,347**	**25,968,487**	**26,463,748**	**82,946,582**
Acc. Dep. as at 30th June 2021	**15,574,941**	**25,465,252**	**13,268,561**	**54,308,754**
Depreciation	3,732,020	3,246,061	3,958,556	10,936,637
Adjustments	-	-	2,153,224	2,153,224
Impairment	-	-	-	-
Disposals	-	(10,909,500)	-	(10,909,500)
Acc. Dep. as at 30th June 2022	**19,306,961**	**17,801,813**	**19,380,341**	**56,489,115**

Depreciation	2,120,400	3,246,061	3,958,556	9,325,017
Adjustments	-	-	-	-
Impairment	-	-	-	-
Disposals	-	-	-	-
Acc. Dep. as at 30th June 2023	**21,427,361**	**21,047,873**	**23,338,897**	**65,814,133**
Net Book Values				
As at 30th June 2022	**10,549,201**	**8,166,675**	**7,083,407**	**25,799,281**
As at 30th June 2023	**9,086,986**	**4,920,614**	**3,124,851**	**17,132,450**

16 (b) Property, Plant and Equipment at Cost

Fully depreciated PPE:

	Cost or valuation	**Normal annual depreciation charge**
Motor Vehicles	10,909,500	12.5%
Computers and Related Equipment	14,846,587	30%
Office Equipment, Furniture And Fittings	13,551,150	12.5%
Total	**39,307,237**	

Some of these assets are pending revaluation while others are being held for disposal. This is due to the change in depreciation policy adopted in the previous year.

17. Current Provisions

	Gratuity Provision	**Total**
Description	**Kshs**	**Kshs**
Balance at the beginning	2,079,619	2,079,619
Additional provisions	5,436,918	5,436,918
Provision utilized	(2,244,533)	(2,244,533)
Change due to discount and time value for money	-	-
Transfers from non -current provisions	-	-
Total provisions year end	**5,272,004**	**5,272,004**

18. Gain on Sale of Assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Motor vehicle	-	1,475,000
Furniture & Fittings	-	105,000
IT Equipment	-	12,300
Total gain on sale of assets	-	**1,592,300**

19. Intangible Assets

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Cost		
At beginning of the year 2022	3,596,000	3,596,000
Additions during the year	-	-
At end of the year 2022	3,596,000	3,596,000
Additions–internal development	-	-
At end of the year 2023	3,596,000	3,596,000
Amortization and impairment		
At beginning of the year 2022	3,596,000	2,876,800
Amortization during the year	-	719,200
At end of the year 20223	3,596,000	3,596,000
Impairment loss	-	-
At end of the year 2023	-	-
Net cost as at end of 2023	-	-

Retirement benefit Asset/ Liability

The Commission provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the Commission pays fixed contributions into a separate Commission Pension Fund (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. The defined contribution scheme is operated by Enwealth Financial services limited as the Pension Fund Administrator. Employees contribute 7.5% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

The Commission also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Commission's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month.

20. Financial Risk Management

The Commission's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Commission's overall risk management Programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Commission 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 Commission's financial risk management objectives and policies are detailed below:

i) Credit risk

The Commission 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 Commission's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

The carrying amount of financial assets recorded in the financial statements representing the Commission's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2023				

Receivables from non-exchange transactions	12,095,900	12,095,900	-	-
Bank balances	24,323,210	24,323,210	-	-
Total	**36,419,110**	**36,419,110**	-	-
As at 30 June 2022				
Receivables from non-exchange transactions	10,599,938	10,599,938	-	-
Bank balances	23,805,396	23,805,396	-	-
Total	**34,405,334**	**34,405,334**	-	-

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Commissioners, who have built an appropriate liquidity risk management framework for the management of the Commission's short, medium and long-term funding and liquidity management requirements. The Commission manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

iii) Market risk

The Commission has put in place an internal audit function to assist it in assessing the risk faced by the Commission on an on-going basis, 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 rate, equity prices and foreign exchange rates which will affect the Commission'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 optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Commission's Management is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Commission's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Commission has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The Commission manages foreign exchange risk form future commercial transactions and recognized assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Financial Risk Management

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Commission's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Commission considers relevant and observable market prices in its valuations where possible.

iv) Capital Risk Management

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

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Retained Earnings	25,056,868	29,320,483
Capital Reserve	22,997,884	32,322,900
Total Funds	**48,054,752**	**61,643,383**
Total Borrowings	-	-
Less: Cash and Bank Balances	(24,323,210)	(23,805,396)
Net Debt/(Excess Cash And Cash Equivalents)	24,323,210	23,805,396
Gearing	**50%**	**38%**

21. Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

	2021-2022	2021-2022
	Kshs	Kshs
Payable at the beginning of the year	1,967,649	-
For the year	1,149,540	1,967,649
Payable at end of the year	**3,117,189**	**1,967,649**

The payable at the beginning of the year relates to unutilized insurance recoveries for financial year 2020-2021. Commission reported miscellaneous income of Kshs. 1,149,540 which is due for submission after certification by the Office of the Auditor General.

22. Related Party Disclosures

Commission and other parties related to the Kenya Law Reform Commission 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.

Government of Kenya

The Government of Kenya is the principal shareholder of Kenya Law Reform Commission, holding 100% of the Commission's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Commission, both domestic and external.

Other related parties include:

i) Key management.

ii) Commissioners.

	2022-2023	2021-2022
	Kshs.	Kshs.
a) Key management compensation		
Commissioner's emoluments	15,637,510	-
Compensation to key management	18,050,057	17,558,100
Total	**33,687,567**	**17,558,100**

23. Events after the Reporting Period

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

24. Ultimate and Holding Commission

The Commission is a Semi-Autonomous Government Agency under the State Law Office and Department of Justice. Its ultimate parent is the Government of Kenya.

25. Currency

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

Appendix 1: Implementation Status of Auditor-General'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)
Page 2 Paragraph 4(Other matter)	Property, Plant & Equipment-No ownership for motor vehicle Registration GKA 139N	It is true the ownership documents of vehicle GKA139N was under the defunct Ministry of Justice and Constitutional Affairs. The Commission is still pursuing with and the Office of the Attorney General and Department of Justice, and NTSA on getting ownership documents for GKA139N.	Not Resolved	Within FY 2023/2024
Page 3 Paragraph 3	Understaffing-A review of employee records and staff payroll for the year ended 30th June 2022, revealed that the Commission had sixty-seven employees against an establishment of two hundred and twenty-two resulting in understaffing by one hundred and fifty-five (155). The under-staffing may hinder effective service delivery by the Commission	It's true the Commission is understaffed by one hundred and fifty five personnel, this is due to freeze on recruitment by the National Treasury.	Not Resolved	

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Secretary/CEO

Date: 22/02/2024

Appendix II: Projects implemented by Kenya Law Reform Commission

The Commission did not have any project in the year under review.

Appendix III: Transfers from Other Government Entities

Name of the MDA Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
State Law Office and Department of Justice	26.08.2022	Recurrent	66,665,000	66,665,000	-	-	-	-	66,665,000
	01.11.2022	Recurrent	66,665,000	66,665,000	-	-	-	-	66,665,000
	01.02.2023	Recurrent	66,665,000	66,665,000	-	-	-	-	66,665,000
	26.04.2023	Recurrent	66,665,000	66,665,000	-	-	-	-	66,665,000
	30.06.2023	Supplementary	26,000,000	26,000,000					26,000,000
Total			**292,660,000**	**292,660,000**	-	-	-	-	**292,660,000**

Appendix IV- Inter-Entity Confirmation Letter

OFFICE OF THE ATTORNEY GENERAL & DEPARTMENT OF JUSTICE
RECEIVED
HEAD OF ACCOUNTING UNIT
P. O. Box 40112 – NAIROBI

Appendix IV- Inter-Entity Confirmation Letter

The Kenya Law Reform Commission wishes to confirm the amounts disbursed to us as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts disbursed/received by Kenya Law Reform Commission as at 30th June 2023

		Amounts Disbursed by State Law Office & DOJ (KShs) as at 30th June 2023				Amount Received by Kenya Law Reform Commission (KShs) as at 30th June 2023	
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)	(E)	Differences (KShs) (F)=(D-E)
	26.08.2022	66.665.000	0	0	66.665.000	66.665.000	0
	01.11.2022	66.665.000	0	0	66.665.000	66.665.000	0
	01.02.2023	66.665.000	0	0	66.665.000	66.665.000	0
	26.04.2023	66.665.000	0	0	66.665.000	66.665.000	0
	30.06.2023	26.000.000	0	0	26.000.000	26.000.000	0
Total		292,660,000	0	0	292,660,000	292,660,000	0

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

Head of Accounts Department:

Kenya Law Reform Commission.

Sign ....

Date 21st FEB, 2024

Head of Accounting Unit:

State law Office and Department of Justice.

Sign ....

Date 22nd FEB 2024