REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Paper laid by the Leader of the Majority Party on 16/12/2015

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF COUNCIL OF LEGAL EDUCATION

FOR THE YEAR ENDED 30 JUNE 2015

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNCIL OF LEGAL EDUCATION FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Council of Legal Education set out on pages 10 to 36, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003 and Section 28 of the Council for Legal Education Act, 2012.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 and Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council of Legal Education as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with Council of Legal Education Act, 2012 and with Section 81 and 82 of the Public Finance Management Act, 2012.

Other matter

Although the Council recently recruited an internal auditor, necessary structures and management policies to enhance internal controls have not been put in place such as internal audit unit and risk management policy. My opinion is not qualified in respect to the above matter.

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

Nairobi

24 November 2015

COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE, 2015

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

COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2015

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KEY COUNCIL OF LEGAL EDUCATION INFORMATION AND MANAGEMENT

(a) Background information

The Council of Legal Education is established by Legal Education Act No. 27 of 2012 and it is governed by the Council which is responsible for the general policy and strategic direction.

(b) Principal Activities

Vision of CLE

Assure quality of legal education and training for global competitiveness

CLE Mission

To promote quality legal education and training in Kenya through accreditation, equation of legal foreign qualifications and harmonization of legal programmes.

Core functions of the Council of Legal Education

a) Regulate legal education and training in Kenya;
b) Accredit and licence legal education providers
c) Supervise legal education providers
d) Harmonisation of legal education programmes
e) Advice Government on Legal Education and Training
f) Recognize and approve qualifications obtained outside Kenya for purpose of admission to the roll
g) Administer professional examination prescribed under section 13 of Advocates Act

(c) Key Management

The Council's day-to-day management is under the Secretary /Chief Executive Officer Council of Legal Education.

(d) Fiduciary Management

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

No	Designation	Name
1.	Secretary/Chief Executive Officer	Prof. W. Kulundu-Bitonye, EBS
2.	Director Quality Assurance Compliance and Accreditation	Dr. Jacob K. Gakeri
3.	Finance, Planning and Administration Manager	Mr. Jones Otuke
4.	Office Manager/ P/A to CEO	Mrs. Phoebe W. Kariuki

(e) Fiduciary Oversight Arrangements

The Audit, governance and risk management committee is responsible for evaluating the adequacy of management procedures with regard to risk management, control and governance. The committee reviews and approves the audit charter and internal audit work plans. It reviews the internal and external audit findings and recommendations and proposing the preventive actions necessary. The committee meets at least quarterly in scheduled meetings.

(f) Council of Legal Education Headquarters

P.O. Box 829-00502
Karen Office Park Acacia Block 2nd Floor
Langata Road
Nairobi, KENYA

(g) Council of Legal Education Contacts

Telephone: (254) 20 6980100, 20 2011290

(h) Council of Legal Education Bankers

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

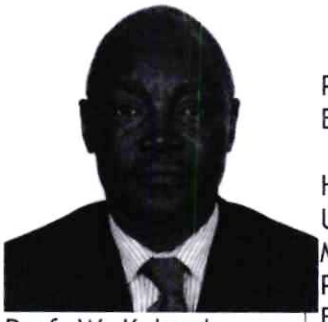
(i) Council of Legal Education Independent Auditors

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

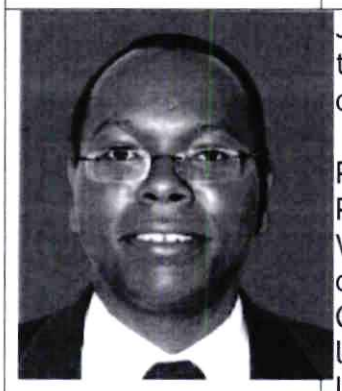
(j) Council of Legal Education Principal Legal Adviser

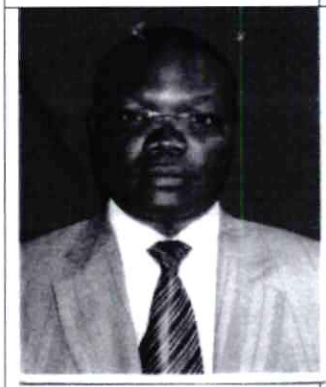
The Attorney General
State Law Office, Harambee Avenue
P.O. Box 40112- 00200
Nairobi, Kenya

THE COUNCIL OF LEGAL EDUCATION MEMBERS

 Mr. Fred O.O.N. Ojiambo, MBS, SC - Chairman LL.B. (UON) Dip. (KSL)	Mr. Fred Ojiambo, SC is an Advocate of the High Court of Kenya and the Managing Partner in Kaplan & Stratton Advocates. He is also the chairman of Board of Directors of CFC Stanbic PLC Ltd. He has over 35 years experience having been admitted to the Bar in 1975. His main areas of practice are: Arbitration & Mediation, Banking, Insurance & Telecommunications, Employment & Retirement Benefits and Litigation. He holds an LL.B. Degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law. He is a Member of: • Law Society of Kenya • International Bar Association • International Commission of Jurists
 Prof. W. Kulundu-Bitonye, EBS - Secretary & Chief Executive Officer LL.M. (UON), LL.B (Dar-es-Salaam)	Professor Wanyama Kulundu-Bitonye, EBS is the Secretary/Chief Executive of the Council of Legal Education. He holds a LL.M. from the University of Nairobi and an LL.B. from the University of Dar-es-Salaam. He has over 25 years experience in Management and training in law in Kenya, Lesotho and South Africa. Prof. Kulundu-Bitonye previously worked as the Director/Chief Executive Officer of the Council of Legal Education/Kenya School of Law from May, 2004 to January, 2014. Prior to taking his assignment in Kenya, he was professor of Law at Rhodes University, South Africa and National University of Lesotho in Maseru. Professor Kulundu-Bitonye has a long track-record in training in law, Management and has written several books and articles in International and Referred Journals.

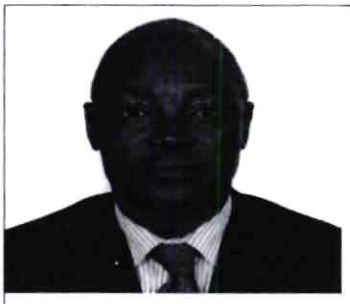
 Ms Judy Thongori LL.B (UON), Dip. (KSL) Member & Chairperson, Finance Committee	Ms Thongori is an Advocate of the High Court of Kenya. She holds an LL.B from the University of Nairobi. She is the Managing Partner in the firm of Judy Thongori & Company Advocates with extensive experience in Litigation handling largely Family Law, Commercial and Civil related matters. She has 25 years experience. She is a member of: • Law society of Kenya • Federation of Women Lawyers in Kenya
 Mr. Eric K. Mutua LL.M., LL.B (UON), Dip. (KSL) Member & Chairman, Audit & Risk Management Committee	Mr. Mutua is an Advocate of the High Court of Kenya. He is the Managing Partner in the firm of E.K. Mutua & Company Advocates. He is the current chairman of the Law Society of Kenya. He holds an LL.B and LL.M. from the University of Nairobi. He has over 15 years' experience. He is a member of: • Law society of Kenya • Institute of Certified Public Secretaries of Kenya • East African Law Society • Chartered Institute of Arbitrators • Legal Associate Kituo Cha Sheria (pro-bono basis)

 Mr. Kenneth W. Akide, SC LL.B. (UON), Dip.(KSL) Member & Chairman, Quality Assurance & Compliance Committee	Kenneth Wabwile Akide, SC is an Advocate of the High Court of Kenya. He holds an LL.B from the University of Nairobi, a Post Graduate Diploma in Law from the Kenya School of Law, is a Certified Public Secretary (K), an Associate of the Chartered Institute of Insurance and an Associate of the Chartered Institute of Arbitrators. He is the immediate former chairman of Law Society of Kenya. He is the Managing Partner in Akide & Company Advocates. He is a member of: • Law society of Kenya • Institute of Certified Public Secretaries of Kenya • East African Law Society • Chartered Institute of Arbitrators • International Commission of Jurists
 Hon. Justice Prof. Joel Ngugi, LL.M,JSD (Harvard), LL.B (UON),Dip. (KSL) Member	Justice Joel Ngugi is a Judge of the High Court of Kenya and heads the Judiciary Transformation Secretariat. He is also the Director of the Judiciary Training Institute. Prior to joining the Judiciary, Justice Ngugi was an Associate Professor of Law at the University of Washington (Seattle, Washington). His teaching and research interests are in the area of Law and Development; International Law; Human Rights; and Contracts Law. He had previously practiced law with the Boston law firm of Foley Hoag, LLP, as a corporate and international litigation associate. He also practiced law with the Kenyan firm Kariuki Muigua & Company Advocates before moving to the United States. Professor Ngugi has worked with the United Nations Mission in Kosovo (UNMIK) and conducted research work for the Global Coalition for Africa/World Bank, Program on Humanitarian Policy and Conflict Research (HPCR) at Harvard University and at the Global Trade Watch Division of the Public Citizens, Inc. in Washington, DC. He holds an LL.B from the University of Nairobi and a Masters in Law and Doctoral degree in Law from Harvard Law School in Cambridge, Massachusetts. Justice Ngugi

	represents the Chief Justice in the Kenya Council for Legal Education (CLE) and the Kenya School of Law Board.
 Ms Christine Agimba LL.M.(Warwick), LL.B (UON), Dip.(KSL) Member	Ms Christine Agimba is an Advocate of the High Court of Kenya. She holds an LL.B from the University of Nairobi and a Master's degree in Law (LL.M.) from the University of Warwick, England. Ms Agimba is Deputy Solicitor General in the Office of the Attorney General and Department of Justice. She has extensive professional experience from both the private and public sectors in diverse capacities. She has been a Project Manager/Legal Sector Specialist for the Financial and Legal Sector Technical Assistance Project of the Ministry of Finance, Government of Kenya and has also been a partner with the law firm of Hamilton, Harrison and Mathews.
 Mr. John K. Chebii LL.M.(UON), LL.B (UON), Dip. (KSL) Member	Mr. John Kipkoech Chebii is an Advocates of the High Court of Kenya and is currently a Senior Lecturer at Moi University School of Law. He holds an LL.B and an LL.M from the University of Nairobi. He is a Certified Public Secretary. He has over 20 years experience in practising and teaching law at University level. He is a member of: • Law society of Kenya • Institute of Certified Public Secretaries of Kenya • East African Law Society

 Dr. Indeje Wanyama Dr. of Philosophy & Management, Msc. Economics, BA Economics Member	Dr. Indeje Wanyama is a Senior Assistant Director of Budget in the Ministry of Finance. He holds a Doctor of Philosophy, Master of Economics and Bachelor of Economics Degrees. He has over 10 years experience is corporate and management finance. He previously worked with Githere Investments Ltd as Accountant and Lutheran World Federation as Logistics Assistant. He is a member of: • Kenya School of Law Board • Kirinyaga University College
 Ms. Gertrude Nyausi Angote, LL.B. (UON Member	Angote Nyausi Gertrude is an advocate of the High Court of Kenya. She is currently the Executive Director, Kituo Cha Sheria. She holds an LL.B from the University of Nairobi and is currently pursuing an LL.M at the University of Nairobi. She is a trained trial advocacy teacher from the University of Washington, and has previously engaged as faculty member at the Kenya School of Law. She specializes in the area of Human Rights, by choice and believes in equal access to justice and upholding of human dignity. She is a member of: • Law Society of Kenya

MANAGEMENT TEAM



Professor Wanyama Kulundu-Bitonye, EBS
Secretary/Chief Executive Officer
Council of Legal Education
LL.M. (UON), LL.B. (Dar-es-Salaam)

Prof. Kulundu, holds a LL.M. from the University of Nairobi and an LL.B. from the University of Dar-es-Salaam. He has over 20 years experience in Management and training law in Kenya, Lesotho and South Africa. Prof. Kulundu-Bitonye previously worked as the Director/Chief Executive Officer of the Council of Legal Education/Kenya School of Law from May, 2004 to January, 2014. Prior to taking his assignment in Kenya, he was professor of Law at Rhodes University, South Africa and National University of Lesotho in Maseru. Professor Kulundu-Bitonye has a long track-record in training in law, Management and has written several books and articles in International and Referred Journals.

Dr. Jacob Gakeri
Director Quality Assurance,
Compliance and Accreditation Department

Dr. Gakeri is an Advocate of the High Court and a Certified Public Secretary. He holds the LLB and LLM degrees from the University of Nairobi. LLM from the University of Houston, Texas and the SJD from Indiana University, Bloomington, U.S.A. Dr. Gakeri previously worked as a Senior Lecturer at the Department of Private Law, University of Nairobi, School of Law, Parklands Campus. He has previously served as a Part-time lecturer in Law at the Strathmore University School of Accountancy and an Examiner for KASNEB

Mr Jones Otuke
Finance, Planning and Administration Manager

Mr Otuke holds an MBA (Finance) from University of Nairobi, Bachelors in Business Management from Moi University and he is a Certified Public Accountant of Kenya (CPA-K). He is a member of Institute of Certified Public Accountants Kenya (ICPAK). He has over 10 years' experience in the field of finance. He previously worked for the Kenya School of Law and Ministry of Finance.

Mrs. Phoebe W. Kariuki
Office Manager /PA to the CEO

Mrs. Kariuki holds a Master of Business Administration (Strategic Management), a Bachelors Degree in Management & Office Administration, a Professional Diploma in Law from the Institute of Legal Executives (UK) and a Diploma in Secretarial Studies. She has attended various administration and management skills training both locally and abroad specializing in Minutes & Report writing, Performance contracting, Strategic Management, Balanced Score Card, Leadership, Managing Change among others. She has over 20 years work experience.

She has previously worked with Kenya School of Law and various Government Ministries in the Republic of Kenya.

CHAIRMAN'S STATEMENT

It is with great pleasure that I present the Annual Report of the Council of Legal Education. The report is on Council performance and financial statement for the financial year 2014/2015. I am pleased to report that the year 2014/2015 was period the Council witnessed enormous achievements. The milestones were made possible through institutional strengthening, capacity building and strategic leadership. As you may be aware, Statute Law (miscellaneous amendment) Act, 2014 expanded mandate of Council to include equating foreign legal qualifications and conducting examination for admission to roll of advocates in addition to Regulating, licencing and supervising legal education providers.

During 2014/2015 financial year Council made great strides in enhancing its capacity to deliver on its mandate. In particular, the Council developed its first Strategic Plan which outlines the key priority areas, strategies and activities for the Council from 2014 to 2018. Similarly, the Council developed its Regulations which were subjected to stakeholders in February 2015 have now been submitted to. This regulations will operationalise Legal Education Act 2012 and enable Council implement various aspects of its mandate.

To enhance our capacity, Council successfully recruited the first batch of staff to strengthening the Secretariat having only operated with seconded staff from Kenya School of Law. Council enhanced the infrastructure development by installing telecommunication facilities and partitioning additional office space.

During the period under review, Council escalated its activities to assure quality of legal education in Kenya. Council conducted eight quality audits in Legal education providers, inspected one Legal education provider. In 2014/15 Council fully accredited one programme in a legal education provider.

Discharging our mandate has not been without challenges; there were a number of institutional and operational challenges we faced in the execution of the Council's mandate, key among them low staff capacity. Moving forward, the Council intends to enhance its capacity through recruitment of additional staff and leverage on technology.

Achievements outlined above would not have been possible without the innovation, resourcefulness, commitment of the Council members and staff. I take this opportunity to commend them for work well done. I assure Kenyans that we will continue to challenge ourselves in the execution of our mandate. In this regard, I invite all stakeholders to partner with us in this endeavour.

Mr. Fred O.O.N. Ojiambo, MBS, SC
CHAIRMAN
COUNCIL OF LEGAL EDUCATION

REPORT OF THE SECRETARY/CHIEF EXECUTIVE OFFICER

I delighted to present this Second Annual Report and Financial Statements of the Council as a new institution. The Report details the activities of the Council during the year 2014/2015, achievements, challenges and the way forward. Further, the Report documents the progress made Legal Education and Training in Kenya.

Following the amendment of the Legal education Act 2012 through miscellaneous amendment Act 2014. Council was given new mandate of equating foreign legal qualifications and conducting examination for admission to roll of advocates in addition to regulating licencing and supervising legal education in Kenya. In this regard Council reviewed its organisational structure and created a directorate to be in charge of examinations.

During the year Council developed it first strategic plan 2014-2015 outlining key priorities, strategies and activities for the next 5 years. In implementing the strategic plan 2014/2015 financial year Council strengthened the Secretariat through recruitment, infrastructure development, and approving policy documents to guide its operations. Undoubtedly council has laid firm foundation for future operation and assessment.

In the financial year 2014/2015, Council developed legal education regulations as envisaged in the Legal education Act 2012. The regulations were subjected to stakeholders and have been forwarded to the Attorney General. The regulations and standards are benchmarked with international best practices

Council continued to contribute to the growth and sustainability of higher education in Kenya, with particular focus on legal education and training. The Council's mandate is to promote quality legal education in Kenya for global competitiveness. In this regard Council conducted eight Quality audits and one Inspection. During the year one law programme was fully accredited. Council is steadfast on Legal education providers to enhance their capacity to provide quality legal education.

Following the amendment of Legal Education Act 2012, Council reviewed it organisational structure by a department that will be charged with the responsibility of conducting and managing bar examinations. The proposal was forwarded to Chief of Staff and Head of Public Service for approval. During the year Council enrolled 1,015 students for the July 2015 examination.

Council received grants from the Government totalling to Kshs.88.5 Million and raised 1.9 million from internal sources. Council also utilized 28 million of its retained earnings to

undertake infrastructural development that furnished additional office space and install required ICT facilities. Council total expenditure increased from Kshs. 46.8 to Kshs. 90.3 due to increased activities and increase in staff complement in the year 2014/2015 as compared to 2013/2014. Total Asset of Council Increased from Kshs. 69 Million to Kshs. 84.3 million. Total Liabilities increased from 4.2 million to 27.7 million, the increase is attributed July 2015 examination fees collected in advance.

The progress outlined above would not have been possible without the unrelenting support of the Council members who provided strategic direction, leadership and oversight to the Secretariat in the execution of the programmes and activities. The Council will build on the achievements through institutional strengthening and capacity development in its endeavour to assure quality of legal education in Kenya.

I am also very grateful to the management and staff of the Council for their commitment and effort. I look forward to continuing to work with them to further the work of the Council in promoting legal education and training in Kenya.

Prof. W. Kulundu-Bitonye, EBS
SECRETARY/CHIEF EXECUTIVE OFFICER
COUNCIL OF LEGAL EDUCATION
NAIROBI

CORPORATE GOVERNANCE STATEMENT

Corporate governance is the manner in which corporations are directed and controlled with the objective of increasing and sustaining shareholders value while satisfying the needs of stakeholders. This is achieved by establishing a system of clearly defined authorities and responsibilities.

At the Council of Legal Education, the Council places a high degree of importance on maintaining a sound control environment and applying the highest standards of business integrity and professionalism in all areas of the Councils activities.

The Council is responsible for the governance of the Council Legal Education and conducts the business and operations of the Council with integrity and in accordance with the generally accepted corporate practices based on transparency, accountability and responsibility.

The Council has appointed various standing Committees to which it has delegated responsibilities with the Chairmen of the committees reporting to it. The composition of the standing committees are as follows;

Finance and General Purpose Committee

The committee is charged with the responsibility of ensuring that Council funds are prudently utilized and line with the core functions and council's strategic plan. The committee also considers staff administrative matters to ensure they are within the law. It develops and reviews policies that will help the Council attract and retain highly qualified competent staff.

The members of Finance and General Purpose Committee are;

1. Ms Judy Thongori - Chairperson
2. Hon. Justice Prof. Joel Ngugi - Member
3. Ms Christine Agimba - Member
4. Mr. John K. Chebii - Member
5. Dr. Indeje Wanyama - Member
6. Ms Gertrude Nyausi Angote - Member
7. Prof. W. Kulundu-Bitonye, EBS - Secretary

Accreditation and Compliance Committee

The core mandate of the Council is to regulate, licence and supervise legal education providers. This is the committee responsible for assuring and maintenance of quality in legal education and training. The committee evaluates legal education programmes, assess capacities of legal education providers, and inspect the legal education providers to ascertain capacity and compliance to the set standards.

The committee members are:

1.	Mr. Kenneth W. Akide, SC	-	Chairman
2.	Hon. Justice Prof. Joel Ngugi	-	Member
3.	Ms Christine Agimba	-	Member
4.	Mr. Eric K. Mutua	-	Member
5.	Ms Judy Thongori	-	Member
6.	Mr. Fred O.O.N. Ojiambo, MBS, SC	-	on invitation
7.	Prof. W. Kulundu-Bitonye, EBS	-	Secretary

Audit, Governance and Risk Management.

The committee is mandated to review all matters related to audit, quality assurance of systems and processes at the Council and risk management. The committee gives guidance on internal audit queries raised with management and external auditors of the Council. The committee reviews established system to ensure that there is adequate internal controls, as well as compliance with the law and approved policies.

The members of the committee are:

1.	Mr. Eric K. Mutua	-	Chairman
2.	Dr. Indeje Wanyama	-	Member
3.	Mr. John K. Chebii	-	Member
4.	Mr. Kenneth W. Akide	-	Member
5.	Ms Gertrude Nyausi Angote	-	Member
6.	Prof. W. Kulundu-Bitonye, EBS	-	on invitation
7.	Internal Auditor	-	Secretary

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Council of Legal Education recognises its obligations to act responsibly, ethically and with integrity in its interactions with all stakeholders be they, staff, and customers, suppliers, Government and the public as a whole.
To this end:

1. The Council is an Equal Opportunities Employer which promotes diversity and does not differentiate on grounds of gender, ethnicity, religion, sexual orientation or physical ability.

2. The Council is committed to providing a safe, fair and stimulating work environment that empowers employees to make a meaningful contribution to the organisations performance development, and offers challenging and rewarding opportunities for personal and professional growth. The council recognizes the importance of attracting and retaining the best staff.

3. The Council is committed to achieving service levels that meet the expectations of our client. The council undertakes to institute programmes that will ensure that clients receive quality consistent and reliable services. Council will implement processes to manage client complaints and provide feedback promptly and sensitively.

4. The Council commits to being open and transparent in the interests of promoting best practice in the financial resources for the public good.

REPORT OF THE COUNCIL MEMBERS

The Council submit this report together with the financial statements for the year ended June 30, 2015 which show the state of the Council of Legal Education affairs.

Principal activities

Council of Legal Education was established by Legal Education Act No 27, of 2012. The function of the Council as per Legal Education Act No. 27 of 2012 section 6 are:

i) Regulate legal education and training in Kenya;
ii) Accredit and licence legal education providers
iii) Supervise legal education providers
iv) Harmonisation of legal education programmes
v) Advice Government on Legal Education and Training
vi) Recognize and approve qualifications obtained outside Kenya for purpose of admission to the roll
vii) Administer professional examination prescribed under section 13 of Advocates Act

Results

The Financial statements of the Council of Legal Education for the year ended 30th June, 2015 are set out on page 1 to 33

Directors

The members of the Board of Directors who served during the year are shown on page iv to vii are in accordance with Legal Education Act No. 27 of 2012.

Auditors

The Auditor General is responsible for the statutory audit of the Council of Legal Education in accordance with the Section 81 of the Public Finance Management (PFM) Act, 2012 and Section 28 of the Legal Education Act No. 27 of 2012, which empowers the Auditor General to audit Council of Legal Education's Financial Statements.

By Order of the Council

Prof. W. Kulundu-Bitonye, EBS
SECRETARY/CHIEF EXECUTIVE OFFICER
COUNCIL OF LEGAL EDUCATION
NAIROBI
Date 03/11/2015

STATEMENT OF COUNCIL'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 28 of the Legal Education Act, 2012 which require Council to prepare financial statements in respect of the Council of Legal Education, which give a true and fair view of the state of affairs of the Council of Legal Education at the end of the financial year and the operating results of the Council of Legal Education for that year. The Council is also required to ensure that the Council of Legal Education keeps proper accounting records which disclose with reasonable accuracy the financial position of the Council of Legal Education. The Council is also responsible for safeguarding the assets of the Council of Legal Education.

The Council is responsible for the preparation and presentation of the Council of Legal Education's financial statements, which give a true and fair view of the state of affairs of the Council of Legal Education for and as at the end of the financial year ended on June 30th, 2015. This responsibility includes:

(i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
(ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Council of Legal Education;
(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)
(iv) Safeguarding the assets of the Council of Legal Education;
(v) Selecting and applying appropriate accounting policies; and
(vi) Making accounting estimates that are reasonable in the circumstances.

The Council accept responsibility for the Council of Legal Education 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, the State Corporations Act and Legal Education Act, 2012. The Council is of the opinion that the Council of Legal Education's financial statements give a true and fair view of the state of Council's transactions during the financial year ended June 30, 2014, and of the Council of Legal Education's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the Council of Legal Education, which have been relied upon in the preparation of the Council of Legal Education's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council to indicate that the Council of Legal Education 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 Council of Legal Education's Financial Statements were approved by the Board on 25th September, 2015 and signed on its behalf by:

Mr. Fred Ojiambo, MBS, SC
CHAIRMAN
COUNCIL OF LEGAL EDUCATION

Prof. W. Kulundu-Bitonye, EBS
SECRETARY/CHIEF EXECUTIVE OFFICER
COUNCIL OF LEGAL EDUCATION

FINANCIAL STATEMENTS

COUNCIL OF LEGAL EDUCATION
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2015

	Notes	2014/2015 Kshs.	2013/2014 Kshs.
Revenue from non-exchange transactions			
Transfers from governments	3	88,400,000	73,000,000
Non Cash Grants		0	32,696,719
		88,400,000	**105,696,719**
Revenue from exchange transactions			
Rendering of services	5	1,861,673	
Other income		0	15,000
		1,861,673	**15,000**
Total revenue		**90,261,673**	**105,711,719**
Expenses			
Employee costs	7	38,706,244	13,186,262
Repairs and maintenance	8	369,955	83,985
General Expenses	9	38,230,477	21,819,525
Council Allowances and expenses	10	5,721,172	5,617,329
ICT related costs	11	1,378,794	205,500
Depreciation and amortization expense	15	11,206,666	5,912,959
Total expenses		**95,613,308**	**46,825,560**
Deficit before tax		**(5,351,635)**	**58,886,159**
Deficit for the period		**(5,351,635)**	**58,886,159**
Attributable to:			
Deficit attributable to owners of the controlling entity		(5,351,635)	58,886,159

The notes set out on pages 17 to 32 form an integral part of the Financial Statements

COUNCIL OF LEGAL EDUCATION

STATEMENT OF FINANCIAL POSITION

As at 30th June 2015

	Notes	2014/2015	2013/2014
Assets		Kshs.	Kshs.
Current assets			
Cash and cash equivalents	12	34,071,379	31,504,772
Receivables from non-exchange transactions	13	969,102	601,360
Inventories	14	1,047,307	735,560
Total Current Assets		**36,087,788**	**32,841,692**
Non-current assets			
Property, plant and equipment	15	47,385,469	30,236,715
Total Non-Current Assets		**47,385,469**	**30,236,715**
Total assets		**83,473,257**	**63,078,407**
Liabilities			
Current liabilities			
Deferred income	6	25,385,775	-
Trade and other payables from exchange transactions	16	4,330,654	3,972,288
Employee benefit obligation	17	222,304	219,960
Total Current Liabilities		**29,938,733**	**4,192,248**
Non-current liabilities		**0**	**0**
Total liabilities		**29,938,733**	**4,192,248**
Net assets		**53,534,524**	**58,886,159**
Revenue Reserves		58,886,159	0
Surplus (Deficit) of the year		(5,351,635)	58,886,159
Accumulated funds		**53,534,524**	**58,886,159**

COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2015

The Financial Statements set out on pages 1 to 32 were signed on behalf of the Council by:

Secretary/Chief Executive Officer
Council of Legal Education

Date 03/11/2015
COUNCIL OF LEGAL EDUCATION

Chairman of Council
Council of Legal Education

Date 6th December, 2015

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2015

	Capital reserve Kshs	Accumulated surplus Kshs	Total Kshs
Balance as at 1st July 2013	-	-	-
Surplus/(deficit) for the period	-	58,886,159	58,886,159
Transfers to/from accumulated surplus	-	-	-
Balance as at 30th June,2014	-	**58,886,159**	**58,886,159**
Changes in Equity for the year 2014/15			
Balance as at 1st July 2014	-	**58,886,159**	**58,886,159**
Deficit for the year	-	**(5,351,635)**	**(5,351,635)**
Transfers to/from accumulated surplus	-	-	-
Balance as at 30 JUNE 2015	-	**53,534,525**	**53,534,635**

COUNCIL OF LEGAL EDUCATION
STATEMENT OF CASH FLOWS
For the year ended 30 June 2015

	Notes	2014/2015 Kshs.	2013/2014 Kshs.
Cash generated from operations			
Surplus for the year before tax		-5,351,635	58,886,159
Adjusted for:			
Depreciation		11,206,666	5,912,959
Contributed assets		0	(17,171,498)
Working capital adjustments:			
Increase in inventory		-311,747	(735,560)
(Increase)/Decrease in receivables		(367,742)	(601,360)
Increase/(Decrease) in payables		25,746,485	4,192,248
Net cash flows from operating activities		**30,922,027**	**50,482,948**
Cash flow from investment activities			
Purchase of Property Plant and Equipment		**(28,355,420)**	**(18,978,177)**
Net Cash flow used in investment activities		**(28,355,420)**	**(18,978,177)**
Net cash flows used in financing activities		**0**	**0**
Net increase in Cash and Cash Equivalents		**2,566,608**	**31,504,771**
Cash and Cash Equivalent as at 1st July 2014		31,504,771	-
Cash and Cash equivalent as at 30th June 2015	11	34,071,379	31,504,771

COUNCIL OF LEGAL EDUCATION
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT2014/2015

Income	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Variance
	2014-2015	2014-2015	2014-2015	2014-2015	2014-2015	
	Kshs	Kshs	Kshs	Kshs	Kshs	
GoK Grants - Recurrent	58,400,000	30,000,000	88,400,000	88,400,000	0	0%
Appropriation In Aid	2,000,000	0	2,000,000	1,861,673	-138,327	-7%
Total Income	**60,400,000**	**30,000,000**	**90,400,000**	**90,261,673**	**-138,327**	
RECURRENT EXPENDITURE						
CLE Board Expenses	4,000,000	2,000,000	6,000,000	5,721,172	278,828	5%
Sub Total	**4,000,000**	**2,000,000**	**6,000,000**	**5,721,172**	**278,828**	**5%**
STAFF COSTS						
Basic Salaries	30,707,760	-3,041,240	27,666,520	24,147,674	3,518,846	13%
House Allowance	8,640,000	-1,341,000	7,299,000	5,820,667	1,478,333	20%
Leave Allowance	844,463	0	844,463	1,023,878	-179,415	-21%
Commuter Allowance	2,268,000	-768,000	1,500,000	1,475,000	25,000	2%
Club Membership Subscription	35,000	65,000	100,000	75,042	24,958	25%
Medical Employer Contributions	1,842,466	-120,001	1,722,465	1,639,589	82,876	5%
NSSF Employer Contributions	400,000	0	400,000	38,000	362,000	91%
Pension Employer Contributions	6,141,552	-400,000	5,741,552	4,486,393	1,255,159	22%
Sub Total	**50,879,241**	**-5,605,241**	**45,274,000**	**38,706,244**	**6,567,756**	**15%**
Repair and Maintenance						
Repair & Maintenance	300,000	0	300,000	369,955	-69,955	-23%
Sub Total	**300,000**	**0**	**300,000**	**369,955**	**-69,955**	**-23%**
Administrative Costs						
Training & Development	2,000,000	0	2,000,000	1,265,914	734,086	37%

Income	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Variance
Entertainment/ Staff Welfare	500,000	0	500,000	847,479	-347,479	-69%
Conference & Workshops	4,500,000	2,500,000	7,000,000	6,109,417	890,583	13%
Office Rent	13,000,000	0	13,000,000	12,453,555	546,445	4%
Cleaning Services	500,000	0	500,000	474,759	25,241	5%
Security Services	1,200,000	0	1,200,000	1,041,216	158,784	13%
Postage & Courier Services	100,000	0	100,000	79,156	20,844	21%
Electricity and electrical consumables	100,000	0	100000	0	100,000	100%
Printing & Stationery	1,000,000	500,000	1,500,000	1,788,398	-288,398	-19%
Newspapers & Periodicals	500,000	0	500,000	376,715	123,285	25%
Telephone Services	700,000	300,000	1,000,000	911,766	88,234	9%
Vehicle Fuel	700,000	0	700,000	380,173	319,827	46%
General Insurance	800,000	-300,000	500,000	309,420	190,580	38%
Travel and accommodation	2,000,000	2,000,000	4,000,000	4,066,239	-66,239	-2%
Meal Allowance	0	682,500	682,500	885,500	-203,000	-30%
Publicity/Publications & Adverts	1,500,000	1,000,000	2,500,000	2,851,309	-351,309	-14%
Tribunal Expenses	500,000	-500,000	0	0	0	0%
Audit Fees	600,000	0	600,000	0	600,000	100%
Professional Fees	3,000,000	0	3,000,000	4,216,361	-1,216,361	-41%
Bank service charge	0	0	0	173,101	-173,101	-100%
Sub Total	**33,200,000**	**6,182,500**	**39,382,500**	**38,230,477**	**1,152,023**	3%
Depreciation Expense						
Depreciation	0	0	0	11,206,666	-11,206,666	-100%
Sub Total	**0**	**0**	**0**	**11,206,666**	**-11,206,666**	-100%
ICT Related Costs		0				
Web Design, hosting & Maintenance	1,500,000	-500,000	1,000,000	781,897	218,103	22%
Software Hardware maintenance	1,000,000	-500,000	500,000	68,500	431,500	86%

Income	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Variance
Web Design, hosting & Maintenance	1,500,000	-500,000	1,000,000	781,897	218,103	22%
Software Hardware maintenance	1,000,000	-500,000	500,000	68,500	431,500	86%
Internet & E-mails	1,000,000	-500,000	500,000	528,397	-28,397	-6%
Sub Total	**3,500,000**	**-1,500,000**	**2,000,000**	**1,378,794**	**621,206**	31%
Total Recurrent Budget	**91,879,241**	1,077,259	**92,956,500**	**95,613,308**	**-2,656,808**	**-3%**
Surplus (Deficit)	**-31,479,241**	**28,922,741**	**-2,556,500**	**-5,351,635**		

DEVELOPMENT BUDGET	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Variance
Sources of funds	Kshs	Kshs	Kshs	Kshs		
GOK Grant - Development	30,000,000	-30,000,000	0			
Accumulated surplus	0	28,000,000	28,000,000	28,000,000	0	0%
Total Development Income	**30,000,000**	**-2,000,000**	**28,000,000**	**28,000,000**	0	0%
Development Expenditure		-				
ICT Equipment	3,000,000	2,500,000	5,500,000	5,647,989	-147,989	-3%
Office Furniture	3,000,000	1,500,000	4,500,000	4,375,281	124,719	3%
Telecommunication facilities	9,350,000	-1,350,000	8,000,000	7,453,319	546,681	7%
Office Partitioning	11,600,000	-1,600,000	10,000,000	10,828,658	-828,658	-8%
Total Development Expenditure	**26,950,000**	**1,050,000**	**28,000,000**	**28,305,247**	**-305,247**	**-1%**
Surplus (Deficit)	**3,050,000**	**-3,050,000**	**0**	**-305,247**	**305,247**	**0**

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Compliance and Basis of Preparation - IPSAS 1

The Council of Legal Education's Financial Statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The Financial Statements are presented in Kenya shillings, which is the functional and reporting currency of the Council. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The Financial Statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue Recognition

i) Revenue from Non-Exchange Transactions - IPSAS 23

Fees, Taxes and Fines

The Council recognizes revenues from fees, 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 Council 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 Council and can be measured reliably.

ii) Revenue From Exchange Transactions - IPSAS 9

Rendering of Services

The Council 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 labour hours incurred to date as a percentage of total estimated labour hours.

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

Revenue from Students for examination is recognized when the Examination takes place. The fee is allocated to each examination series on a basis which reflects the extent to which services rendered.

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 Council.

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.

b) Budget Information - IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Council. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes - IAS 12

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 Council 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 entity and the same taxation authority.

Sales Tax

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

- 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.
- 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 - IPSAS 16

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 40-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 de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and Equipment - IPSAS 17

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. When significant parts of property, plant and equipment are required to be replaced at intervals, the Council 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.

Depreciation on assets is charged on a straight-line basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life. Full depreciation is charged on the year of acquisition.

The annual depreciation rates in use are:

Computer Equipment and software	33.3%
Office Equipment	20.0%
Motor Vehicles	20.0%
Furniture and Fittings	12.5%

Council derecognizes items of property, plant and equipment and /or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss a rising on derecognition of the asset is included in the surplus or deficit when the asset is derecognized.

f) Leases - IPSAS 13

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Council. 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 Council 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 Council 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 Council. 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 - IPSAS 31

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 assessed as either finite or indefinite. Intangible assets with finite life is amortized over its useful life.

i) Research and Development Costs

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

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- 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.

h) Financial Instruments - IPSAS 29

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 Council 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 Council 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 Council assesses at each reporting date whether there is objective evidence that a financial asset or a Council's financial assets is impaired. A financial asset or Council's 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 Council's financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or Council's debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

ii) 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 Council 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.

i) Inventories - IPSAS 12

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.

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 Council.

Consumable stock is valued at cost using weighted average method.

j) Provisions - IPSAS 19

Provisions are recognized when the Council 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 Council 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.

Contingent Liabilities

The Council 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.

Contingent Assets

The Council 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 Council 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.

k) Nature and Purpose of Reserves

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

In order to finance capital expenditure from internal sources, amounts are transferred from the accumulated surplus to the capital reserves. The following provisions are set for the creation and utilization of the capital reserve:

- Whenever an asset is purchased out of the capital reserves, an amount equal to the cost price of the asset is transferred from the capital reserve and the accumulated surplus is credited by corresponding amount.
- Capital reserve may only be utilized for purchasing capital items and may not be used for their maintenance.

l) Changes in Accounting Policies and Estimates - IPSAS 3

The Council recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

m) Employee Benefits - IPSAS 25

Retirement benefit Plans

The Council operates a defined contribution pension scheme. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the commission at 20% and employees at 10% of basic salary. The scheme is managed by Alexander Forbes Pension Fund. The council's contribution is charged as expenses in the year to which they relate.

The Council and its employees also contribute to the National Social Security Fund, a statutory defined contribution pension scheme. The Council's contributions in respect of retirement benefit are charged as expenses in the year to which they relate.

Short Term Employee Benefits

The cost of short term employee benefits, such as leave pay, is recognized during the period in which the employee renders related services.

n) Foreign Currency Transactions - IPSAS 4

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.

o) Borrowing Costs - IPSAS 5

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.

p) Related Parties - IPSAS 20

The Council regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Council, or vice versa.

q) Service Concession Arrangements - IPSAS 32

The Council 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 Council 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 Council also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) 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 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 authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Comparative Figures

Council of Legal Education was established by the Legal Education Act 2012. It became fully operational as from 1st June 2013, this being the 2nd year of operations, comparative figures are for 2013/2014 financial year.

t) Significant Judgments and Sources of Estimation Uncertainty - IPSAS 1

The preparation of the Council'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.

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 Council 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 Council. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful Lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Council
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- 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.

u) Subsequent Events - IPSAS 14

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

	2014/2015 Kshs.	2013/2014 Kshs.
3. Revenue from non-exchange transactions		
Transfer from Government		
GOK Recurrent grant	88,400,000	73,000,000
	88,400,000	73,000,000

GOK recurrent grant was operational grant from the Government through the Office of Attorney General and Department of Justice disbursed as follows;

1st quarter	*14,600,000*
2nd quarter	*14,600,000*
3rd quarter	*29,600,000*
4th quarter	*29,600,000*
Total	***88,400,000***

4. Non-Cash Grants		
Non-Cash Grants - Assets	-	17,171,498
Non-Cash Grants - Recurrent expenditure	-	15,525,221
	-	32,696,719

5 Revenue from exchange transactions		
Rendering of services		
Accreditation fees	1,681,673	
Equating Foreign qualification	180,000	15,000
Sale of tender	-	5,000
	1,861,673	15,000

Council of legal education levies fees for services rendered as per legal education Act, 2012.

Accreditation fees
During 2013/14 financial year Council charged accreditation fees 2 legal education providers @ Kshs. 800,000 and reimbursement of Kshs. 81,673.

Equation of foreign qualification
Revenue generated from equating 18 foreign qualifications @ Kshs. 10,000

6. Deferred income		
Examination fee received in advance	25,385,775	-
	25,385,775	-

	2014/2015 Kshs.	2013/2014 Kshs.

Deferred income related to bar examination fee for July 2015 examination. Students registered for 2,221 papers @ Kshs.10,000 and 21 deferral papers @ Kshs.5,000.

7. Employee Costs		
Basic Salaries	24,147,674	9,156,218
House Allowance	5,820,667	2,240,000
Leave allowance	1,023,878	291,834
Medical employers contribution	1,639,589	196,680
NSSF Employer contribution	38,000	9,600
Pension employer contribution	4,486,394	1,280,866
Other Staff benefits	75,042	11,064
Commuter Allowances	1,475,000	-
	38,706,244	13,186,262
8. Repairs and Maintenance		
Building repair & Maintenance	124,610	1,000
Plant & equipment maintenance	117,025	53,805
Motor vehicle repair and maintenance	128,320	29,180
	369,955	83,985
9. General Expenses		
Advertising and publicity	2,851,309	3,216,160
Office rent	12,453,555	6,798,566
Newspapers and Journals	376,715	333,880
Printing and Stationery	1,788,397	857,230
Cleaning materials and materials	474,759	126,073
Security services	1,041,216	151,844
Travel and accommodation	4,066,239	1,730,482
Meal Allowance	885,500	723,125
Fuel	380,173	520,690
Insurance expenses	309,420	116,300
Postage and delivery	79,156	15,310
Telephone and Faxes	911,766	198,759
Electrical consumables	-	24,000

	2014/2015 Kshs.	2013/2014 Kshs.
Professional fees	4,216,361	3,293,280
Official entertainment	847,479	193,212
Staff welfare	-	48,690
Training and Development	1,265,914	300,402
Conferences and workshops	6,109,417	2,427,392
Accreditation Expenses	-	744,130
Bank Service charges	173,001	-
	38,230,477	**21,819,525**

10. Council expenses

Council Allowances and expenses	4,478,172	3,604,504
Finance and General Purpose Committee	410,000	448,000
Quality Assurance and Accreditation Committee	833,000	1,414,825
Risk and Audit Committee	-	150,000
	5,721,172	**5,617,329**

11. ICT related costs

Web Hosting	781,897	2,500
Internet and E-mail	528,397	165,000
Software and hardware maintenance	-	38,000
Computer Repairs and maintenance	68,500	0
	1,378,794	**205,500**

12. Cash and Cash equivalent

Bank account No. 01023033161101	26,987,554	27,255,394
Bank account No. 01023033161100	6,871,571	4,196,124
Petty cash	-	53,254
Un-deposited funds	212,254	-
	34,071,379	**31,504,772**

13. Receivable from non-exchange transactions

Accounts receivable	81,673	-

	2014/2015	2013/2014
	Kshs.	Kshs.
Prepayments	350,107	196,720
Staff Advances	266,080	404,640
PAYE Receivable	234,000	
VAT Withheld	37,242	-
	969,102	**601,360**

PAYE Receivable include PAYE remitted to Kenya revenue Authority inadvertently for members of Council who did not attend meetings

VAT withheld include VAT remitted to Kenya Revenue Authority erroneously.

14. Inventories

Consumable stores	1,047,307	735,560
	1,047,307	**735,560**

Inventories is valued at cost and it is made up of consumable stock in the general operation of the Council.

15. Property, Plant and Equipment

	Furniture , Fittings & fixture	Motor Vehicle	Plant and equipment	Computer equipment	Total
Depreciation rate	12.50%	20%	20%	33.3%	
Cost	**Kshs**	**Kshs.**	**Kshs.**	**Kshs. 000**	**Kshs.**
At 1 July 2013	21,977,211	7,908,801	3,772,570	2,491,093	36,149,675
Additions	15,136,439	-	7,520,819	5,698,162	28,355,420
Disposal	-	-	-	-	-
Transfer/ adjustment	-	-	-	-	-
At 30th June 2014	37,113,650	7,908,801	11,293,389	8,189,255	64,505,095
Depreciation and impairment					
At 1 July 2013	2,747,151	1,581,760	754,514	829,534	5,912,959

			2014/2015 Kshs.	2013/2014	Kshs.
Depreciation	4,639,206	1,581,760	2,258,678	2,727,022	11,206,666
Impairment	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/ adjustment	-	-	-	-	-
At 30th June 2014	7,386,358	3,163,520	3,013,92	3,556,556	17,119,626
Net book values					
At 30th June 2015	**29,727,292**	**4,745,281**	**8,280,197**	**4,632,699**	**47,385,469**
At 30th June 2014	**19,230,060**	**6,327,041**	**3,018,056**	**1,661,559**	**30,236,716**

16. Payables from Non- exchange transactions

Pension Payable	3	0
PAYE Payable	1,324,872	4,195
Withholding tax payable	183,180	20,880
Contract retention	412,695	1,042,553
Insurance recoveries payable	3,975	3,975
Trade payables	2,238,409	2,890,126
Net Pay payable	3,376	10,560
Income tax payable	164,144	0
	4,330,654	3,972,289

17. Employee Benefit

Leave allowance	222,304	219,960
	222,304	219,960

Annual leave accrues to employees on a monthly basis, the provision is an estimate of the amounts due to staff at the financial year end based on the terms of employment and Staff Manual. The salary scale used in the estimate are those payable at the end of financial year.

18. Statement of Comparison of Budget and Actual

a) Changes from Original Final budget

Council of legal education budget changed from the original budget through Supplementary Appropriation Act, 2015, that allocated additional funds amounting to Kshs. 30,000,000.

b) Appropriation in Aid

Statement of Comparison of Budget and Actual shows -7% variance on Appropriation in Aid. Appropriation in aid is raised from accreditation and equation of foreign qualification fees. During 2014/2015 financial year Council1.86 million against a target of Kshs. 2 million. The shortfall is explained by a shortfall in equation of foreign qualifications applications.

c) CLE Board Expenses

CLE board expenses have a variance percentage of 5%. Council and its committees conducted their meeting as planned with the exception of Risk and Audit committee. The variance is due to Council meetings on recruitment.

d) Staff Costs

Council of Legal education spent Kshs. 38.7 million on staff costs against a budget of Kshs. 45.3 in 2014/2015. This lead to a variance of 15%. All budget items in staff cost category have a favourable budget variance exempt leave allowance. During the year Council did not fill all position budget for hence the variance.

e) Repair and Maintenance

Repair and maintenance category has an adverse variance of 23%. Due to increase in equipment and number of staff facilities are stained and there is need to repair and maintain facilities and equipment to usable state.

f) General Administrative Costs

During the 2014/15 Financial Year, Budget items under the General administration category have a favourable variance of more than 10%. Council did not have full staff complement projected in the budget hence lack of capacity to full the budget allocations. The budget items affected include; Training and development, conference and workshops, security services, postage and courier, telephone services, Fuel, General insurance, and audit fees.

Within the General Administration some budget items have an adverse variance of more than 10%. Official entertainment and staff welfare has an adverse variance of 69% this is explained by the combining two budget lines into one item hence that variance. Printing and stationary has an adverse variance of 19% this is due to increased printing with increased activity. Meal allowance has a variance of -30% which is explained by the increased travelling hence increase in the facilitative allowance. Negative variance in advertisement and advertisement is to high cost of advertising in the dailies for public notice and vacancy advertisements. Professional fees has an adverse variance of 41%, this is due to additional cost for the review of organisational structure due to amendment of the Legal Education Act 2012 through Statute law (miscellaneous amendment Act 2014.Bank Charges has an adverse variance as it was not budgeted for.

g) Depreciation expenses

During the budgeting process depreciation in not includes as it is a non-cash transaction hence the 100% variance.

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Council of Legal Education recruited an Internal Auditor during 2014/15 Financial Year to enhance internal controls, the Internal Auditor reported on 1st July 2015.

Mr. Fred Ojiambo, MBS, SC
CHAIRMAN
COUNCIL OF LEGAL EDUCATION

Date.....

Prof. W. Kulundu-Bitonye, EBS
SECRETARY/CHIEF EXECUTIVE OFFICER
COUNCIL OF LEGAL EDUCATION

Date. 03/11/2015