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# REPORT

OF

## THE AUDITOR-GENERAL

ON

# THE FINANCIAL STATEMENTS OF COUNCIL OF LEGAL EDUCATION

**FOR THE YEAR ENDED  
30 JUNE 2018**









COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2018

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

OFFICE OF THE AUDITOR-GENERAL  
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COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018  
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## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018 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. It is governed by the Council which is responsible for the general policy and strategic direction. Council of Legal Education is domiciled in the Republic of Kenya

#### (b) Principal Activities

##### Vision of CLE

Assure quality and globally competitive legal education and training in Kenya

##### CLE Mission

Promote quality legal education and training in Kenya through licensing, equation of foreign legal qualifications and harmonization of law programmes.

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) Accredite 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

#### (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 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

| No | Designation                                                 | Name                   |
|----|-------------------------------------------------------------|------------------------|
| 1. | Secretary/Chief Executive Officer                           | Dr. J. K. Gakeri       |
| 2. | Ag. Director Quality Assurance Compliance & Accreditation   | Ms. Mutugi Mary Mugure |
| 3. | Director Examination                                        | Dr. J. K. Gakeri       |
| 4. | Assistant Director Finance, Planning and Administration     | Mr. Jones Otuke        |
| 5. | Assistant Director Office Administrative Services/PA to CEO | Mrs. Phoebe W. Kariuki |
| 6. | Internal Auditor                                            | Ms. Ignazia K. Kaimba  |





## **COUNCIL OF LEGAL EDUCATION**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018** **(e) Fiduciary Oversight Arrangements**

#### **The Audit, Governance and Risk Management committee**

The 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.

#### **Finance and General Purpose committee**

The committee is charged with the responsibility of ensuring that Council funds are prudently utilized and in 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.

#### **(f) Council of Legal Education Headquarters**

P.O. Box 829-00502  
Karen Office Park Acacia Block 2<sup>nd</sup> Floor  
Langata Road  
**NAIROBI, KENYA**  
Telephone: (254) 20 6980100, 20 2011290  
E: mail: info@cle.or.ke  
Website: www.cle.or.ke

#### **(g) Council of Legal Education Bankers**

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

#### **(h) Independent Auditors**

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

#### **(i) Principal Legal Adviser**

The Attorney General  
State Law Office, Harambee Avenue  
P.O. Box 40112- 00200  
**NAIROBI, KENYA**



## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018 THE COUNCIL OF LEGAL EDUCATION MEMBERS

| BOARD MEMBER                                                                                                                                     | PARTICULARS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p>Prof. Githu Muigai<br/>LLB HONS, LLM (COL.) PHD, FCIARB</p> | <p>Prof. Githu Muigai has over 35 years' experience in the practice of law in Kenya and in East Africa. Prof. Muigai holds LLB and Ph.D. degrees from the University of Nairobi and an LLM Degree from Columbia University School of Law, New York. He was called to the Bar in 1985. In addition to the practice of law he is an Associate Professor of Public law in the School of Law of the University of Nairobi (currently on leave of absence). He has also published extensively in the areas of international law, and human rights and has previously worked as a consultant to various international organizations, including the African Union, United Nations Development Programme, the World Bank and the International Committee of the Red Cross.</p> <p>He has a wide range of areas of practice which include Commercial Litigation and Arbitration, Constitutional and Administrative Law, Information and Communications Technology Law, Insurance and Banking Law, Investments Law, Mergers &amp; Acquisitions Law, Public and Private International Law, Public Procurement Law. From August 2008 - September 2011 Prof. Githu Muigai was the UN Special Rapporteur on Contemporary Forms Of Racism, Racial Discrimination, Xenophobia And Related Intolerance.</p> <p>He is a Fellow of the Chartered Institute of Arbitrators (UK) and a member of the American Association of Trial Lawyers, Institute of Public Secretaries, Law Society of Kenya, East African Law Society, Council of Legal Education, International Commission of Jurists, International Bar Association and the Commonwealth Lawyers Association. He has also been a Judge of the African Court of Human &amp; Peoples Right between 2008 - 2010.</p> <p>Prof. Muigai has recognized expertise in the areas of justice sector reform generally and Constitutional reform specifically. From the year 2000 to 2005, he was a commissioner to the Constitutional Review Commission where he was specially charged with the legal drafting of the Draft Constitution of the Republic of Kenya. He was a legal adviser and draftsman to the Somali peace process and was involved in the drafting the Somali federal Transitional charter.</p> <p>Prof. Githu Muigai served as Attorney General of the Republic of Kenya from the 29th August 2011 to March 2018.</p> <p><b>Date of appointment: 18<sup>th</sup> April 2018</b></p> |





## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018



Hon. Justice Prof. Jackton B. Ojwang

Hon. Justice Prof. Jackton B. Ojwang is a Judge of the Supreme Court of Kenya. Born on 2<sup>nd</sup> October 1950, he holds an LL.B (1974) and LL.M (1976) of the University of Nairobi; Ph.D. (1981) of the University of Cambridge; LL.D. (2015) of the University of Nairobi. Served as Lecturer (1976 - 1983), Senior Lecturer (1983-1987), Associate Professor (1987-1990), Professor (as from 1990) at the University of Nairobi School of Law, where he served as Dean (2000-2003).

Has authored and edited several scholarly works of law, and published more than 10 dozen articles and reviews in international legal journals. Serving on the Bench since 2003, first in the High Court, then in the Supreme Court, he has rendered many judgments of record, covering most spheres of dispute settlement, including public law, private law, international law and admiralty law.

He Chairs the Quality Assurance & Compliance Committee.

**Date of appointment: 13<sup>th</sup> July 2017**



Dr. Njaramba Gichuki Advocate,  
LL.B., LL.M, PhD

Dr. Njaramba Gichuki is an Advocate of the High Court of Kenya since 1998, and a member of the Law Society of Kenya (LSK). Born on 13<sup>th</sup> July 1974, he holds a Bachelor of Laws (LLB), a Master of Laws (LLM) and a Doctor of Philosophy (PhD) in Law, of the University of Nairobi.

He is also a Certified Secretary (CS), and a member of the Institute of Certified Secretaries (ICS). He has also undertaken specialized training in several areas, including Financial Sector Analysis and Policy, and Corporate Social Responsibility. He practises Law from Nairobi. He also teaches Law at the School of Law, University of Nairobi. He is an author of several books and articles. He served as Assisting Counsel to the Judges and Magistrates Vetting Board (JMVB) between 2011 and 2016.

He serves in the Boards of several organizations, corporate, NGO and social. He represents the Law Society of Kenya (LSK) at the Council. He also chairs the Finance and General Purposes Committee of the Council.

He Chairs Finance & General Purpose Committee

**Date of appointment: 17<sup>th</sup> February 2017**



## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>Alternate to the Cabinet Secretary, the National Treasury. Born on 20<sup>th</sup> January 1978, Stephen holds a PhD in Economics, MSc in Financial Economics and BSc (Mathematics &amp; Statistics). He is a full member of Institute of Certified Investment and Financial Analysts (ICIFA).</p> <p>Stephen is an Economist with over 13 years' experience at the National Treasury, and has represented Cabinet Secretary to the National Treasury in over 10 different boards of Statement Corporations. He is the alternate Council Member to the Cabinet Secretary, The National Treasury.</p> <p><b>Date of appointment: 17<sup>th</sup> February 2017</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|  | <p>Dr. Elizabeth W. Muli is a Senior Lecturer at the University of Nairobi School of Law and Chairperson of the Commercial Law Department. She has taught law for twenty years at both undergraduate and postgraduate levels. She is an Advocate of the High Court of Kenya of over 20 years standing and a member of the Law Society of Kenya. She is also a member of The Institute of Directors Kenya (IOD) and serves on the boards of other organizations in the public and private sector.</p> <p>She has previously served as the Vice-Chairperson of the Commission for the Implementation of the Constitution(CIC) between 2011 and 2015. Dr. Muli is a Fulbright Fellow and holds a Doctor of the Science of Law (JSD) and Master of the Science of Law (JSM) from Stanford Law School, a Master of Laws(LLM) from University of Bristol(UK), a Bachelor of Laws (LLB) from University of Nairobi and a Diploma of Law. Dr. Muli represents Public Universities at Council and chairs the Audit Committee.</p> <p>She chairs the Audit, Governance &amp; Risk Management Committee.</p> <p><b>Date of appointment: 5<sup>th</sup> June 2018</b></p> |
|  | <p>Ph.D international Law (People's Friendship University, Moscow, Russian Federation)<br/>LL. M International Law (Baku State University, Azerbaijan)<br/>Diploma in International Journalism, People's Friendship University, Moscow, Russian Federation)<br/>Post Graduate Diploma in Law, Kenya School of Law)<br/>Post Graduate Diploma in Human Resource Management, Kenya School of Law)<br/>Professional Membership:<br/>Law Society of Kenya<br/>East African Law Society</p> <p>He Chairs the Examination Committee.</p> <p><b>Date of appointment: 5th June 2018</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |





# COUNCIL OF LEGAL EDUCATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

|                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
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|  <p>Ms Naomi Wagereka</p>                                              | <p>An advocate of the High Court of Kenya and holder of LLB from the University of Nairobi, (Admitted in December 1989) and a Diploma from the School of Law.</p> <p>Commissioner of the Advocates Complaints Commission in the Office of the Attorney General and Department of Justice. She was born on 18<sup>th</sup> May 1965.</p> <p>Member of the Law Society of Kenya and Federation of Women Lawyers Kenya (FIDA)</p> <p>Has acquired extensive knowledge and experience from both the private and public sectors in diverse capacities. Has vast experience in lawyers regulation with an emphasis on professional ethics and responsibilities.</p> <p>Served as:-</p> <ol style="list-style-type: none"> <li>(1) Chairlady FIDA (Kenya)</li> <li>(2) Council member (FIDA) Kenya</li> <li>(3) Board member Kenya Anticorruption Commission</li> <li>(4) Member, Law Society Advocates Disciplinary Tribunal</li> <li>(5) Board of Trustee - The National Cancer Institute.</li> </ol> <p>Currently serving as a Board member of Nairobi School Board of Management.</p> <p>Worked in:-</p> <ol style="list-style-type: none"> <li>(1) Chawla &amp; Company Advocates</li> <li>(2) Kimani Kairu &amp; Company Advocates, Nairobi</li> <li>(3) Waki &amp; Company Advocates, Nairobi</li> </ol> <p>Was the sole proprietor - Wagereka N. N &amp; Company Advocates.</p> <p><b>Date of appointment: 19<sup>th</sup> May 2018</b></p> |
|  <p>Dr. J. K. Gakeri<br/>Secretary &amp; Chief Executive Officer</p> | <p>Dr. J. K. Gakeri is the Ag. Secretary/Chief Executive of the Council of Legal Education.</p> <p>Dr. Gakeri, born on 1<sup>st</sup> August 1961, is an Advocate of the High Court and a Certified Public Secretary. He holds the LL.B and LL.M 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 the Ag. Director Examinations CLE. Before that he served 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.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |



## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018 MANAGEMENT TEAM

|                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | <p><b>Dr. J. K. Gakeri</b><br/><b>Secretary/Chief Executive Officer</b><br/><b>Council of Legal Education</b></p> <p>Dr. Gakeri is an Advocate of the High Court and a Certified Public Secretary. He holds the LL.B and LL.M 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 the Ag. Director Examinations CLE. Before that he served 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.</p>                                                                          |
|   | <p><b>Ms. Mutugi Mary Mugure</b><br/><b>Ag. Director Quality Assurance, Compliance and Accreditation</b></p> <p>Ms. Mutugi holds an LL.B (Hons) degree from Moi University, and a Master degree in International Conflict Management. Ms. Mutugi is an Advocate of the High Court of Kenya and a Commissioner of Oath. She has 10 years' experience in Legal Education and Training, 4 of which are in Legal Education and Regulation.</p>                                                                                                                                                                                                                                                                                                                                                           |
|  | <p><b>Mr Jones Otuke</b><br/><b>Assistant Director Finance, Planning and Administration</b></p> <p>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 of experience in the field of Finance. He previously worked for the Kenya School of Law and Ministry of Finance.</p>                                                                                                                                                                                                                                                                                                   |
|  | <p><b>Mrs. Phoebe W. Kariuki</b><br/><b>Assistant Director Office Administrative Services/PA to the CEO</b></p> <p>Mrs. Kariuki holds a Master of Business Administration (Strategic Management), a Bachelors Degree in Management &amp; 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 &amp; 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.</p> |





**COUNCIL OF LEGAL EDUCATION**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

|                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p><b>Ms. Ignazia K. Kaimba</b><br/><b>Internal Auditor</b></p> <p>Ms Kaimba holds a Master of Business Administration (Finance) and a Bachelor's Degree in Commerce from the University of Nairobi. She is a Certified Internal Auditor (CIA) and member of Global Institute of Internal Auditors (IIA). She is also a Certified Information System's Auditor and member of Information Systems Audit and Control Association (ISACA). She has over 15 years' experience in the area of risk management and corporate governance. She previously worked for Ministry of Finance, Ethics and Anti-Corruption Commission (EACC) and Chuka University.</p> |
|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018 CHAIRMAN'S STATEMENT



Council is pleased to present the Annual Report and Financial Statements for the Council of Legal Education for the year ended June 30, 2018. During the period under review CLE registered significant growth in its operation with the expanded mandate. Council established structures to deliver the mandates and am happy to note that we successfully conducted Bar Examination in the year 2017/2018.

CLE is mandated to regulate, licence and supervise legal education in Kenya, we have taken this responsibility with utmost seriousness, giving our best to achieve set targets. Our hope, vision and purpose is to ensure that the quality of legal education in the country is at par with, if not, the best in the world.

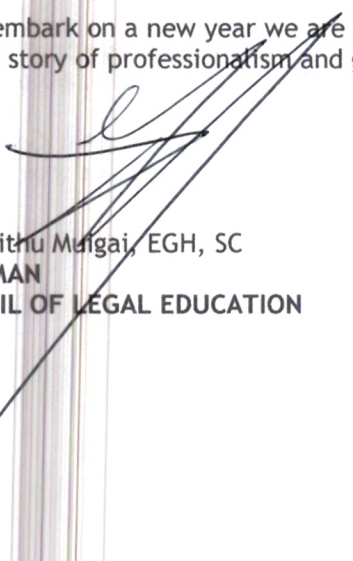
Council continues to monitor the quality of Legal education in the country through quality audits. This program ensures that Licenced legal education providers comply with the conditions of the licence hence protecting the public and consumers of legal education. During the Financial Year Council conducted 1 legal audit and conducted 2 Inspections towards licensing legal educations providers.

Council continues to conduct Bar examination, where 5,466 candidates were examined during the year and 1,204 qualifying candidates were gazetted for admission to the Bar.

At a policy level, the Council continues to engage legal education stakeholders with a view of enhancing quality of legal education which is aligned to the country's "Big Four" and Vision 2030. The Council remains focused on its mandate, in particular on the role it plays in promoting quality of legal education.

I take this opportunity to thank all our stakeholders for their continued support throughout the year. The Office of attorney General and Department of Justice, The National Treasury and Planning, Council Members, Management, staff who have played crucial roles in enabling CLE to achieve what it did in the year under review.

As we embark on a new year we are eager to continue collaborating with each of you towards making ours a success story of professionalism and great achievements.

  
Prof. Githu Muigai, EGH, SC  
**CHAIRMAN**  
**COUNCIL OF LEGAL EDUCATION**





## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018 REPORT OF THE ACTING SECRETARY/CHIEF EXECUTIVE OFFICER



Since the establishment under the new regulatory framework the Council of Legal Education has made concerted efforts in promoting and enhancing the quality of legal education in the country. Council continues to play its transformative role in the legal education sector as mandated by the Government of Kenya. I take this opportunity to present an overview of the Council of Legal education performance for the Financial Year ending June 30, 2018.

During the year, One (1) Institutions was audited, Two (2) inspected. Council continues to receive and process applications for recognition and approval of foreign qualifications. During the year Council reviewed the criteria to equate foreign law qualifications. A total of Eighty Eight (88) applications were received and processed.

In the year 2017/2018, Council successfully conducted Bar examination in July and November 2017 under the expanded mandate of CLE. In the two the examination series 5,466 candidates were examined and 1,204 qualified candidates were gazetted for admission into the Roll of Advocates.

Council also made tremendous improvements in several other areas which include reviewing of service delivery systems, performance management, risk management, enhancing the capacity of human resources, providing conducive working environment, strengthening ICT infrastructure and review institutional, legal and regulatory framework.

In the period under review, the Council's revenue increased from **Kshs.415.6 Million** in 2016/17 to **Kshs.445.8 Million** in 2017/18. This is attributed to an increase of Government of Kenya subvention which increased from Kshs.259.5 million in 2016/2017 to kshs.260.2 million in 2017/2018.

Total recurrent expenditure rose from **Kshs.279.3 million** in 2016/17 to **Kshs.311.1 Million** in 2017/18. The increase is due to the Bar examination cost, staff cost and increase in operation cost.

The Council's total asset base increased from **Kshs.326.7 Million** in 2016/2017 to **Kshs.456.9 Million** in 2017/18 financial year. Non-current assets went down by 21% from **Kshs.76.8 million** to **shs. 60.6 million**.

On behalf of Council let me appreciate the support I have received from both the National Government, legal education sector players and stakeholders. Finally let me take this opportunity to commend the Council, management and staff, for the conclusion of yet another successful year.

**Secretary/CEO**  
**Council of Legal Education**  
**P. O. Box 329 - 00502, Karen**  
**R. O. Gakeri**  
**SECRETARY/CHIEF EXECUTIVE OFFICER**  
**COUNCIL OF LEGAL EDUCATION**



## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018 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 an approved council charter to guide the operation and conduct of council matters.

Council members are appointed as set out in the Legal Education Act, 2012 Section 4 and functions of Council of Legal Education are set out in Legal Education Act Section 8.

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 in 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 committee members are:

- |    |                          |               |
|----|--------------------------|---------------|
| 1. | Dr. Njaramba Gichuki     | - Chairperson |
| 2. | Dr. Stephen Ikikii       | - Member      |
| 3. | Dr. Maurice Ajwang Owuor | - Member      |
| 4. | Dr. J. K. Gakeri         | - Secretary   |

#### Quality Assurance 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. | Hon. Justice Prof. J. B. Ojwang | - Chairman  |
| 2. | Ms Naomi Wagerika               | - Member    |
| 3. | Dr. J. K. Gakeri                | - Secretary |

#### Examination Committee

The Examination Committee was established in 2015/16 Financial Year to administer the policy and procedures established by Council for the Bar Examination. The Committee ensures that Bar Examination Candidates are examined in accordance with the regulations, consider examination results and authorize gazettelement of candidates who have met the requirements to be admitted to the Roll of Advocates.





## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The Committee members are:

- |                                    |             |
|------------------------------------|-------------|
| 1. Dr. Maurice Ajwang Owuor        | - Chairman  |
| 2. Hon. Justice Prof. J. B. Ojwang | - Member    |
| 3. Dr. Njaramba Gichuki            | - Member    |
| 4. Dr. J. K. Gakeri                | - 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. Dr. Elizabeth Muli | - Chairman  |
| 2. Dr. Stephen Ikikii | - Member    |
| 3. Ms Naomi Wagereka  | - Member    |
| 4. Internal Auditor   | - Secretary |



# COUNCIL OF LEGAL EDUCATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018 COUNCIL MEETING ATTENDANCE

Meetings held by the Council and committees (1 July 2017 to 30 June 2018)

| Council/ Committee                                 | Number of Meetings held |
|----------------------------------------------------|-------------------------|
| Council                                            | 3                       |
| Finance and General Purpose Committee (FGPC)       | 4                       |
| Quality Assurance and Compliance Committee ( QACC) | 4                       |
| Examination Committee (EC)                         | 2                       |
| Audit, Governance and Risk Committee (AGRC)        | 1                       |

### Summary of attendance in meetings

| Council Member                   | Date of Appointment            | Council Meetings |      | FGPC |      | QACC |      | EC   |      | AGRC |      | Total Meetings |      |
|----------------------------------|--------------------------------|------------------|------|------|------|------|------|------|------|------|------|----------------|------|
|                                  |                                | App.             | Att. | App. | Att. | App. | Att. | App. | Att. | App. | Att. | App.           | Att. |
| Hon. Prof. Githu Muigai, ECH, SC | 18 <sup>th</sup> April 2018    | 1                | 1    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 1              | 1    |
| Hon. Justice J. B. Ojwang        | 13 <sup>th</sup> July 2017     | 3                | 3    | 0    | 0    | 4    | 4    | 2    | 1    | 0    | 0    | 9              | 8    |
| Dr. Njaramba Gichuki             | 17 <sup>th</sup> February 2017 | 3                | 3    | 4    | 4    | 0    | 0    | 2    | 2    | 0    | 0    | 9              | 9    |
| Dr. Stephen Ikikii               | 17 <sup>th</sup> February 2017 | 3                | 3    | 4    | 2    | 0    | 0    | 0    | 0    | 1    | 1    | 8              | 6    |
| Dr. Elizabeth Muli               | 5 <sup>th</sup> June 2018      | 3                | 1    | 0    | 0    | 0    | 0    | 0    | 0    | 1    | 1    | 4              | 2    |
| Dr. Maurice Ajwang Owuor         | 5 <sup>th</sup> June 2018      | 1                | 1    | 4    | 3    | 0    | 0    | 2    | 2    | 0    | 0    | 7              | 6    |
| Ms Naomi Wagereka                | 19 <sup>th</sup> May 2017      | 3                | 3    | 0    | 0    | 4    | 4    | 0    | 0    | 1    | 1    | 8              | 8    |
| Ms Annah Konuche (replaced)      | 17 <sup>th</sup> February 2017 | 2                | 2    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 2              | 2    |

App. - Applicable

Att. - Attended

### Note

Applicable refers to the number of meetings members were eligible to attend during the period

Attended refers to the number of meetings members attended during the period.





## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018 MANAGEMENT DISCUSSION AND ANALYSIS

#### Quality Assurance and Licencing Department

During the Financial Year Council conducted one (1) legal audit and conducted two (2) Inspections towards licensing legal educations providers. Legal education institutions inspected included:

| Institution          | Date of Inspection        | Programme | Licencing Status |
|----------------------|---------------------------|-----------|------------------|
| Daystar University   | 17 <sup>th</sup> May 2018 | LL.B      | Licensed to 2023 |
| Mt. Kenya University | 30 <sup>th</sup> May 2018 | LL.B      | Licensed to 2023 |

In 2017/2018 Financial Year, Council successfully conducted Audit in the following institution:

1. University of Nairobi (Kisumu Campus) - 21<sup>st</sup> February, 2018

In the Financial Year 2017/2018, the department undertook two (2) benchmarking activities in South Africa and United Kingdom. The department also received and processed eighty-eight (88) application for foreign qualification.

The department facilitated a conference that took place between 14th -17th January, 2018 in Mombasa. The Secretariat involved staff from the QCL who participated in various capacities during the conference. A meeting of the Legal Sector Reforms was held between 18th - 28th June, 2018 in Naivasha to prepare the report.

#### Bar Examination Department

During the year 2017/2018, Council administered Bar Examination to 5,466 candidates in July and November 2016 respectively. 1,204 qualifying candidates were gazetted for admission to the Bar.

#### Finance, Planning and Administration Department

##### ISO Certification

During 2017/2018 Council undertook stage one and stage two ISO Audits towards achieving ISO 9001:2015 Certification. Council expects to be certified in the first half year of 2018/2019 Financial Year.

##### Performance Contract

The department facilitated the vetting of the Performance Contract for Financial Year 2017/2018 with the Performance Contracting Unit that was held at NITA-Athi River on 29<sup>th</sup> January 2018.

##### Financial performance

In the period under review, the Council's revenue increased from **Kshs.415.6 Million** in 2016/17 to **Kshs.445.8 Million** in 2017/18. The Council's total asset base increased from **Kshs.326.7 Million** in 2016/2017 to **Kshs.456.9 Million**.

##### Information Communication Technology

During the year, the section facilitated the procurement of the E-Board system. The system will be used to facilitate Council meetings with ease.

During the year the department facilitated the procurement of Multifunctional Printer for the Examination Department.



## **COUNCIL OF LEGAL EDUCATION**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

#### **Procurement**

The section facilitated the procurement of goods and services required by user departments while complying with the Procurement Law and Regulations.

#### **Training / Conferences**

Council of Legal Education sponsored 38 members of staff to various trainings in different disciplines and nominated 9 management staff to relevant conferences.

Council has and will continue making tremendous improvements in several other areas which include reviewing of service delivery systems, risk management, enhancing the capacity of human resource, providing conducive working environment, strengthening of ICT infrastructure, review of institutional, legal and regulatory framework.

#### **Staff Medical Scheme**

Human Resource facilitated the procurement of staff medical scheme with Madison Insurance. The section continues to monitor and facilitate utilization of this benefit.

#### **Internship**

In 2017/2018 Council continues to provide 3 months' internship opportunities to students who wish to gain practical experience in their areas of study. Council provided four (4) internships during the year.

#### **Council of Legal Education compliance with statutory requirements**

During Financial Year 2017/2018 Council of Legal Education has complied with statutory requirements. Where Council has not remitted statutory deductions to the agencies, provisions for payables have been provided as per the accounting policies and the International Public-Sector Accounting Standards (IPSAS).

#### **Key projects and investment decisions Council of Legal Education is planning/implementing**

Council started the implementation of two projects in the Financial Year 2017/18 namely

1. Performance Management System through Balance Score Card; and
2. Enterprise Risk Management

#### **Major risks facing Council of Legal Education**

##### **Risks**

##### **Credit risk management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company. Credit risk arises from bank balances, trade receivables and amounts due from related parties. The Council's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

##### **Interest rate risk**

The Council's interest rate risk arises from investments in short term deposits and Government securities. Council has not invested in short term deposits or Government securities hence this risk is irrelevant.





## **COUNCIL OF LEGAL EDUCATION**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

#### **Price risk**

The Council does not hold investments that would be subject to price risk; hence this risk is not relevant

#### **Liquidity risk management**

Liquidity risk is the risk that the Council will not be able to meet its financial obligations when they fall due. The Council's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of damaging reputation. The Council ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

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

Council of Legal of Legal education is up to date in remitting its statutory and financial obligations.



## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018 CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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.

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





## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018 REPORT OF THE COUNCIL MEMBERS

The Council submit this report together with the financial statements for the year ended June 30, 2018 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) Accredite 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 June 30, 2018 are set out on page 1 to 30.

#### Council Members

The members of Council who served during the year are shown on page iv to vii. During the year seven (7) Council Members were nominated to CLE Council. The Council Members attended an induction training facilitated by SCAC (State Corporation Advisory Committee) on 19<sup>th</sup> - 21<sup>st</sup> April 2018.

#### Dividends/Surplus

In accordance with Section 219 (2) of the PFM Act Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the year end of each financial year. Or the entity remitted Kshs. (FY 2017 Kshs.). The entity did not make any surplus during the year (FY 2017 Nil) and hence no remittance to the Consolidated Fund.

#### Auditors

The Auditor General is responsible for the statutory audit of the Council of Legal Education in accordance with Article 229 of the Constitution of Kenya, Public Audit Act 2015, Public Finance Management (PFM) Act, 2012 and of the Legal Education Act No. 27 of 2012 Section 28 which empowers the Auditor General to audit Council of Legal Education's Financial Statements.

By Order of the Council

Secretary/CEO  
Council of Legal Education  
P.O. Box 829  
Nairobi, Kenya

Dr. N. W. Gakeri

SECRETARY/CHIEF EXECUTIVE OFFICER  
COUNCIL OF LEGAL EDUCATION  
NAIROBI

Date.....

12<sup>th</sup> March 2019



# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON COUNCIL OF LEGAL EDUCATION FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

##### **Qualified Opinion**

I have audited the accompanying financial statements of Council of Legal Education set out on pages 1 to 32, which comprise the statement of financial position as at 30 June 2018, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Council of Legal Education as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Council of Legal Education Act, 2012.

##### **Basis for Qualified Opinion**

##### **Cash and cash Equivalent**

Included in cash and cash equivalent balance of Kshs.389,247,265 as disclosed at note 16 to the financial statements is National Bank of Kenya revenue account balance of Kshs.363,357,727 for which the supporting bank reconciliation statement reflects direct deposits of Kshs.1,869,512.30 out of which deposits amounting to Kshs.1,203,511 have been outstanding for more than six months. No explanation has been provided for not clearing these items in time. In addition, the reconciliation statement for the National Bank of Kenya expenditure account reflects un-presented cheques totalling to Kshs.9,528,386 and whose clearance status as at 31 December 2018 had not been disclosed by management.

In the circumstances the validity and accuracy of cash and cash equivalent balance of Kshs.389,247,265 as at 30 June 2018 could not be confirmed.

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*Report of the Auditor-General on the Financial Statements of Council of Legal Education for the year ended 30 June 2018*



The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am Independent of Council of Legal Education in accordance with ISSAIs 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section on my report, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

### **Budgetary Performance**

During the year under review, the Council's actual receipts amounted to Kshs.445,820,248 while the budgeted receipts amounted to Kshs.380,700,000 resulting in an over collection of Kshs.65,120,248 which translate to 117% efficiency in revenue collection. Further, the Council's actual expenditure for the year (both recurrent and capital excluding depreciation) amounted to Kshs.294,835,389 against an expenditure budget of Kshs.396,200,000 resulting in an under expenditure of Kshs.101,364,611 or 74% efficiency. The significant over collection of revenue to the tune of Kshs.65,120,248 and under expenditure of Kshs.101,364,611 is not desirable and there is therefore need to review the budget process to ensure that resources are budgeted in a realistic manner.

## **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 matter described in the Basis for Qualified Opinion 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.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.



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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective. The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern / sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

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

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

Those charged with governance are responsible for overseeing the Council's revenue reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance



and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance 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 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 review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

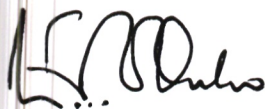
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Council's policies and procedures may deteriorate.

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

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

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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



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

**Nairobi**

**18 March 2019**

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*Report of the Auditor-General on the Financial Statements of Council of Legal Education for the year ended 30 June 2018*





## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018 STATEMENT OF COUNCIL'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 28 of the Legal Education Act, 2012 requires 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 year ended on June 30, 2018. 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, 2018, 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 Council on 26<sup>th</sup> 09/2018 and signed on its behalf by the Secretary/Chief Executive Officer.

Dr. J. J. Karuri  
Secretary/Chief Executive Officer

Prof. Githu Muigai, EGC, SC  
Chairman

Dr. Njaramba Gichuki  
Chairman Finance, Planning &  
General Purpose Committee

COUNCIL OF LEGAL EDUCATION

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COUNCIL OF LEGAL EDUCATION





COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018  
FINANCIAL STATEMENTS

COUNCIL OF LEGAL EDUCATION  
STATEMENT OF FINANCIAL PERFORMANCE  
For the year ended 30 June 2018

|                                        | Notes | 2017/2018   | 2016/2017   |
|----------------------------------------|-------|-------------|-------------|
|                                        |       | Kshs.       | Kshs.       |
| Revenue from non-exchange transactions |       |             |             |
| Transfers from governments             | 6     | 260,200,000 | 259,500,000 |
|                                        |       | 260,200,000 | 259,500,000 |
| Revenue from exchange transactions     |       |             |             |
| Rendering of services                  | 7     | 185,612,248 | 156,055,980 |
| Other Income                           | 8     | 8,000       | 19,000      |
|                                        |       | 185,620,248 | 156,074,980 |
| Total revenue                          |       | 445,820,248 | 415,574,980 |
| Expenses                               |       |             |             |
| Employee costs                         | 9     | 108,035,594 | 103,911,427 |
| Council Allowances and Expenses        | 10    | 2,853,003   | 5,831,423   |
| Repairs and Maintenance                | 11    | 839,846     | 1,029,574   |
| General Expenses                       | 12(a) | 77,649,231  | 88,015,530  |
| Taskforce Expenses                     | 12(b) | 19,756,307  | -           |
| ICT Related Costs                      | 13    | 9,028,169   | 2,820,512   |
| Examination Related Costs              | 14    | 63,775,751  | 54,547,803  |
| Audit fees                             | 15    | 2,400,000   | -           |
| Depreciation and Amortization Cost     | 19    | 26,718,900  | 23,190,225  |
| Total expenses                         |       | 311,056,800 | 279,346,494 |
| Surplus before tax                     |       | 134,763,448 | 136,228,486 |
| Surplus/(Deficit) for the period       |       | 134,763,447 | 136,228,486 |
| Attributable to:                       |       |             |             |
| Surplus/(deficit)                      |       | 134,763,447 | 136,228,486 |

The notes set out on pages 7 to 27 form an integral part of the Financial Statements





COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018  
COUNCIL OF LEGAL EDUCATION  
STATEMENT OF FINANCIAL POSITION  
As at 30th June 2018

|                                                     | Notes | 2017/2018          | 2016/2017          |
|-----------------------------------------------------|-------|--------------------|--------------------|
| Assets                                              |       | Kshs.              | Kshs.              |
| <b>Current assets</b>                               |       |                    |                    |
| Cash and cash equivalents                           | 16    | 389,247,265        | 243,389,057        |
| Receivables from non-exchange transactions          | 17    | 2,799,734          | 3,197,761          |
| Inventories                                         | 18    | 4,301,874          | 3,278,096          |
| <b>Total Current Assets</b>                         |       | <b>396,348,873</b> | <b>249,864,913</b> |
| <b>Non-current assets</b>                           |       |                    |                    |
| Property, plant and equipment                       | 19    | 60,572,191         | 76,793,603         |
| <b>Total Non-Current Assets</b>                     |       | <b>60,572,191</b>  | <b>76,793,603</b>  |
| <b>Total assets</b>                                 |       | <b>456,921,064</b> | <b>326,658,516</b> |
| <b>Liabilities</b>                                  |       |                    |                    |
| <b>Current liabilities</b>                          |       |                    |                    |
| Trade and other payables from exchange transactions | 20    | 7,679,705          | 11,963,668         |
| Employee benefit obligation                         | 21    | 663,881            | 716,516            |
| Deferred Income                                     | 22    | 47,731,200         | 50,295,500         |
| Provision for Audit fees                            | 23    | 2,400,000          | -                  |
| <b>Total Current Liabilities</b>                    |       | <b>58,474,786</b>  | <b>62,975,684</b>  |
| <b>Non-current liabilities</b>                      |       | -                  | -                  |
| <b>Total liabilities</b>                            |       | <b>58,474,786</b>  | <b>62,975,684</b>  |
| <b>Net assets</b>                                   |       | <b>398,446,278</b> | <b>263,682,832</b> |
| Revenue Reserves                                    |       | 263,682,831        | 127,454,345        |
| Surplus/(deficit) for the year                      |       | 134,763,447        | 136,228,486        |
| <b>Accumulated funds</b>                            |       | <b>398,446,278</b> | <b>263,682,831</b> |

The Financial Statements set out on pages 1 to 34 were signed on behalf of the Council by:

**Secretary/CEO**  
**Council of Legal Education**  
**P.O. Box 829 - 00502, Karen**  
**NAIROBI, Kenya**  
Dr. J. Kimani  
Secretary/Chief Executive Officer  
Council of Legal Education

**Purity Kimathi**  
Senior Accountant  
ICPAK M/No.11969  
Council of Legal Education

**Prof. Githu Muigai, EGH, SC**  
Chairman of Council  
Council of Legal Education

Date: 12/03/2019

Date: 12th 03/2019

Date: 12/03/19



**COUNCIL OF LEGAL EDUCATION**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**  
**COUNCIL OF LEGAL EDUCATION**  
**STATEMENT OF CHANGES IN NET ASSETS**

**For the year ended 30 June 2018**

|                                                 | <b>Capital<br/>reserve</b> | <b>Accumulated<br/>surplus</b> | <b>Total</b>       |
|-------------------------------------------------|----------------------------|--------------------------------|--------------------|
|                                                 | <b>Kshs</b>                | <b>Kshs</b>                    | <b>Kshs</b>        |
| <b>Changes in Equity for the year 2016/2017</b> |                            |                                |                    |
| <b>Balance as at 1<sup>st</sup> July 2016</b>   | -                          | 127,454,345                    | 127,454,345        |
| Surplus/(deficit) for the period                | -                          | 136,228,486                    | 136,228,486        |
| Transfers to/from accumulated surplus           | -                          | -                              | -                  |
| <b>Balance as at 30th June, 2017</b>            | -                          | <b>263,682,831</b>             | <b>263,682,831</b> |
| <b>Changes in Equity for the year 2017/18</b>   |                            |                                |                    |
| <b>Balance as at 1<sup>st</sup> July 2017</b>   | -                          | <b>263,682,831</b>             | <b>263,682,831</b> |
| Surplus/(deficit) for the period                | -                          | <b>134,763,447</b>             | <b>134,763,447</b> |
| Transfers to/from accumulated surplus           | -                          | -                              | -                  |
| <b>Balance as at 30 JUNE 2018</b>               | -                          | <b>398,446,278</b>             | <b>398,446,278</b> |





COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

COUNCIL OF LEGAL EDUCATION

STATEMENT OF CASH FLOW

For the year ended 30 June 2018

|                                                      | Notes     | 2017/2018           | 2016/2017           |
|------------------------------------------------------|-----------|---------------------|---------------------|
| <b>Cash generated from operations</b>                |           | <b>Kshs.</b>        | <b>Kshs.</b>        |
| Surplus for the year before tax                      |           | 134,763,447         | 136,228,486         |
| Adjusted for:                                        |           |                     |                     |
| Depreciation                                         | 19        | 26,718,900          | 23,190,225          |
| Contributed assets                                   |           | -                   | -                   |
| <b>Working capital adjustments:</b>                  |           |                     |                     |
| Increase in inventory                                |           | (1,023,778)         | 2,292,360           |
| (Increase)/Decrease in receivables                   |           | 398,027             | (1,611,635)         |
| Increase/(Decrease) in Current Liabilities           |           | (4,500,899)         | 23,914,649          |
| <b>Net cash flows from operating activities</b>      | <b>24</b> | <b>156,355,697</b>  | <b>184,014,085</b>  |
| <b>Cash flow from investment activities</b>          |           |                     |                     |
| Purchase of Property Plant and Equipment             | 19        | (10,497,489)        | (42,829,896)        |
| <b>Net Cash flow used in investment activities</b>   |           | <b>(10,497,489)</b> | <b>(42,829,896)</b> |
| <b>Net cash flows used in financing activities</b>   |           | <b>-</b>            | <b>-</b>            |
| Net increase in Cash and Cash Equivalents            |           | 145,858,208         | 141,184,189         |
| Cash and Cash Equivalent as at 1st July 2016         |           | 243,389,057         | 102,204,868         |
| <b>Cash and Cash Equivalent as at 30th June 2017</b> | <b>16</b> | <b>389,247,265</b>  | <b>243,389,057</b>  |



# COUNCIL OF LEGAL EDUCATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018 COUNCIL OF LEGAL EDUCATION STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT 2017/2018

| Income estimates                           | Original budget    | Adjustments | Final budget       | Actual on comparable basis | Performance difference |
|--------------------------------------------|--------------------|-------------|--------------------|----------------------------|------------------------|
|                                            | 2017-2018          | 2017-2018   | 2017-2018          | 2017-2018                  | 2017-2018              |
|                                            | Kshs               | Kshs        | Kshs               | Kshs                       | Kshs                   |
| GoK Grants - Recurrent                     | 260,200,000        | -           | 260,200,000        | 260,200,000                | -                      |
| Appropriation In Aid (Acctreditation fees) | 2,400,000          | -           | 2,400,000          | 4,100,000                  | - 1,700,000            |
| Examination Fees                           | 116,000,000        | -           | 116,000,000        | 180,667,317                | - 64,667,317           |
| Foreign Qualification Equation             | 2,100,000          | -           | 2,100,000          | 844,931                    | 1,255,069              |
| Other Income                               | -                  | -           | -                  | 8,000                      | - 8,000                |
| <b>Total Income</b>                        | <b>380,700,000</b> | <b>-</b>    | <b>380,700,000</b> | <b>445,820,248</b>         | <b>- 65,120,248</b>    |
| <b>RECURRENT EXPENDITURE</b>               |                    |             |                    |                            |                        |
| Employee Costs                             | 129,579,398        | -           | 129,579,398        | 108,035,594                | 21,543,804             |
| Repairs and Maintenance Expense            | 3,000,000          | -           | 3,000,000          | 839,846                    | 2,160,154              |
| Depreciation and Amortization Expense      | -                  | -           | -                  | 26,718,900                 | - 26,718,900           |
| General Expenses                           | 122,270,602        | -           | 122,270,602        | 97,405,538                 | 24,865,064             |
| Council Allowances and Expenses            | 8,000,000          | -           | 8,000,000          | 2,853,003                  | 5,146,997              |
| ICT Related Costs                          | 10,750,000         | -           | 10,750,000         | 9,028,169                  | 1,721,831              |
| Bar Examination Costs                      | 106,500,000        | -           | 106,500,000        | 63,775,751                 | 42,724,249             |
| Audit Fees                                 | 600,000            | -           | 600,000            | 2,400,000                  | -1,800,000             |
| <b>Total Recurrent Budget</b>              | <b>380,700,000</b> |             | <b>380,700,000</b> | <b>311,056,800</b>         |                        |
| <b>Surplus / (deficit)</b>                 | <b>-</b>           |             | <b>-</b>           | <b>134,763,448</b>         |                        |
| <b>Sources of funds</b>                    | <b>Kshs</b>        | <b>Kshs</b> | <b>Kshs</b>        | <b>Kshs</b>                | <b>Kshs</b>            |
| Budget for Purchase of Asset               | 15,500,000         |             | 15,500,000         |                            |                        |
| Expenditure on Purchase of Assets          |                    |             | 15,500,000         | 10,497,489                 | 5,002,511              |
| <b>Sub Total</b>                           | <b>15,500,000</b>  |             | <b>15,500,000</b>  | <b>10,497,489</b>          | <b>5,002,511</b>       |
| <b>Total Budget</b>                        | <b>396,200,000</b> |             | <b>396,200,000</b> |                            |                        |





## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018 NOTES TO THE FINANCIAL STATEMENTS

#### 1. General Information

Council of Legal Education is established by Legal Education Act No. 27 of 2012 and derives its authority and accountability from the Act. Council of Legal Education is wholly owned by the Government of Kenya and is domiciled in Kenya.

#### Principal Activity of the Council of Legal Education

- (a) Regulate legal education and training in Kenya offered by legal education providers;
- (b) Licence legal education providers;
- (c) Supervise legal education providers; and
- (d) Advise the Government on matters relating to legal education and training.
- (e) Recognise and approve qualifications obtained outside Kenya for purposes of admission to the Roll.
- (f) Administer such professional examinations as may be prescribed under section 13 of the Advocates Act.

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

The Council of Legal Education's Financial Statements have been prepared in accordance with and in compliance to International Public Sector Accounting Standards (IPSAS 1) which was adopted in the year 2013/2014 following the gazettment of the Public Sector Accounting Standards Board (PSASB), which was established by the Public Financial Management Act (PFM) No.18 of 24<sup>th</sup> July 2012. PSASB issued Financial Reporting Standards and Guidelines to be adopted by all state organs and Public Sector Entities, which Council complies with. The Financial Statements have been prepared in accordance to PFM Act and State Corporations Act and 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.

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

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

| Standard                    | Effective date and impact:                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IPSAS 39: Employee Benefits | <b>Applicable: 1<sup>st</sup> January 2018</b><br>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 Council at 20% and employees at 10% of basic salary. The scheme is managed by Zamara Fanaka Retirement Fund. The Council's contribution is charged as expenses in the year to which they become payable.<br>(Note 29) |



## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

| Standard                             | Effective date and impact:                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IPSAS 40: Public Sector Combinations | <b>Applicable: 1<sup>st</sup> January 2019:</b><br>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations. |

- iii. Early adoption of standards

Council of Legal Education did not adopt any new or amended standards in year 2018.

#### 4. Summary of significant accounting policies

##### a) Revenue Recognition

##### i) Revenue from Non-Exchange Transactions - IPSAS 23

###### 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. 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 has been acquired using such funds.

##### ii) Revenue from Exchange Transactions - IPSAS 9

###### Rendering of Services

The Council recognizes revenue from rendering of services like Licencing fee, bar examination fees and foreign qualification fees when the event occurs or 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.

###### Interest Income

The Council operates two (2) Current bank account with National Bank of Kenya. The Council does not expect to receive any future cash receipts from the current accounts.





## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

#### b) Budget Information - IPSAS 24

The original budget for FY 2017-2018 was approved by the National Assembly. Subsequent reallocations were made to the approved budget in accordance with specific approvals from the Council. The reallocations to the original budget by Council of Legal Education were done upon receiving the respective approvals from the Council. Accordingly, Council of Legal Education recorded reallocations on the 2017-2018 budget following the governing body's approval.

Council of Legal Education budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement on financial performance, whereas the budget is prepared on a cash basis. 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.

#### c) Taxes

##### *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) 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 | 33.3% |
| Office Equipment   | 20.0% |





## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

|                        |       |
|------------------------|-------|
| 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 arising on derecognition of the asset is included in the surplus or deficit when the asset is derecognized. (Disclosure note 18)

#### e) Intangible Asset

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in non-exchange transactions is their fair value at the date of exchange. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the surplus or deficit in the period in which they were incurred.

Computer software amortization rate is 33.3% per annum (Disclosure note 18)

#### f) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A lease is classified as a Finance lease when it transfers substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. 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 Entity 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.

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

Total payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease. When an operating lease is terminated before the expiry of the lease period, any payment required to be made to the lessor by way of penalty is recognized as expense in the year in which termination takes place.

Rentals payable under operating leases are recognized as an operating expense on the straight-line basis over the term of the relevant lease. (Further disclosure note 25)

#### g) 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.





## **COUNCIL OF LEGAL EDUCATION**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

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. (Disclosure note 17)

#### **i) Provisions**

Provisions are recognized when Council of Legal Education 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 Council of Legal Education 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 of Legal Education does not recognize contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

The Council of Legal Education has 34 (thirty-four) pending cases in Court. Council does not foresee any outflow of economic resources on the cases in court. (Further disclosure note number 26).

#### **Contingent Assets**

The Council of Legal Education 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 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 statement. If it has become virtually certain that an inflow of economic benefit 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.

#### **j) Nature and Purpose of Reserves**

Council of Legal Education creates and maintains reserves in terms of specific requirements. Reserves are listed as below

- i) Retained Earnings - this is the sum of all accumulated surplus and deficits as at the reporting date
- ii) Capital Development Reserve - this represents funds set aside by Council for specified capital development



## **COUNCIL OF LEGAL EDUCATION**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

- iii) Legal Education revolving fund reserve - this represents funds set aside for the Legal Education Revolving Fund.

#### **k) 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.

#### **l) Employee Benefits - IPSAS 25**

##### **i) 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 Council at 20% and employees at 10% of basic salary. The scheme is managed by Zamara Fanaka Retirement Fund. The Council's contribution is charged as expenses in the year to which they become payable.

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 become payable. (Disclosure note 26)

##### **ii) 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. (Disclosure note 20)

#### **m) Related Parties- IPSAS 20**

The Council of Legal Education 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. Council considers the Government (Disclosure in note 6), Council members, and Senior Management (Disclosure in note 23) as related parties.

#### **n) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and 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, petty cash balance and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year (further disclosure in note 15).

#### **o) Comparative Figures**

Council of Legal Education was established by the Legal Education Act 2012. It became fully operational as from June 1, 2013, this being the 5<sup>th</sup> year of operations, comparative figures are for 2016/2017 financial year.

#### **p) 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, 2018.





## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

#### 5. 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.

##### i) 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 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

##### ii) 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

##### iii) Provisions

Provisions are raised and management determines 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. Provision for Audit Fee has been subjected to this treatment.

##### Provision for bad debt

Council makes provision for bad debt using accounts receivable aging method. An account receivable that is more than two (2) years becomes a doubtful debt.



# COUNCIL OF LEGAL EDUCATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

2017/2018

2016/2017

Kshs.

Kshs.

### 6. Revenue from non-exchange transactions

#### Transfer from Government

| Name of the Entity sending the grant                 | Amount recognized to Statement of Comprehensive Income KShs | Amount deferred under deferred income KShs | Amount recognised in capital fund. | Total grant income during the year 2017-2018 | 2016-2017          |
|------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------|------------------------------------|----------------------------------------------|--------------------|
|                                                      |                                                             |                                            | KShs                               | KShs                                         | KShs               |
| Office of Attorney General and Department of Justice | 260,200,000                                                 | -                                          | -                                  | 260,200,000                                  | 259,500,000        |
| <b>Total</b>                                         | <b>260,200,000</b>                                          | <b>-</b>                                   | <b>-</b>                           | <b>260,200,000</b>                           | <b>259,500,000</b> |

GOK recurrent and development grants were operational grants from the Government through the Office of Attorney General and Department of Justice disbursed as follows;

|                         | Date       | Recurrent          | Development | Total              |
|-------------------------|------------|--------------------|-------------|--------------------|
| 1 <sup>st</sup> quarter | 05/09/2017 | 65,050,000         | -           | 65,050,000         |
| 2 <sup>nd</sup> quarter | 03/11/2017 | 62,050,000         | -           | 62,050,000         |
| 3 <sup>rd</sup> quarter | 15/02/2018 | 68,050,000         | -           | 68,050,000         |
| 4 <sup>th</sup> quarter | 26/04/2018 | 65,050,000         | -           | 65,050,000         |
| <b>Total</b>            |            | <b>260,200,000</b> | <b>-</b>    | <b>260,200,000</b> |

### 7. Revenue from exchange transactions

2017/2018

2016/2017

#### Rendering of services

Kshs.

Kshs.

Accreditation fees

4,100,000

4,800,000

Equating Foreign qualification

844,931

1,590,000

Examination

90,787,617

88,695,580

Resits

75,529,500

47,380,400

Remarks

14,350,200

13,590,000

185,612,248

156,055,980

Council of legal education levies fees for services rendered as per Legal Education Act, 2012 and Legal Education (Accreditation and Quality Assurance) Regulation 2016.

Council charged Licencing fees @ Kshs.1,600,000.00

Council charges equation of foreign qualification @ Kshs.10,000

Council charges Kshs.5,000 per unit bar examination for nine units

Council charges Kshs.10,000 per unit for re-sits

Council charges Kshs.15,000 per unit for re-marks

NB: Included in the Examination figure is Kshs. 2,260,000 and Resit Kshs.48,035,500 transferred from Deferred income having met the income recognition criteria.





# COUNCIL OF LEGAL EDUCATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

2017/2018

2016/2017

|                 |       |        |
|-----------------|-------|--------|
| 8. Other Income | 8,000 | 19,000 |
|                 | 8,000 | 19,000 |

Other income is from sale of tender documents @ 1,000 to 8 bidders

|                                |            |            |
|--------------------------------|------------|------------|
| 9. Employee Costs              | 2017/2018  | 2016/2017  |
| Basic Salaries                 | 68,797,466 | 68,041,506 |
| House Allowance                | 13,359,204 | 13,449,645 |
| Leave allowance                | 1,870,679  | 1,456,994  |
| Medical employers contribution | 4,045,835  | 3,912,172  |
| NSSF Employer contribution     | 99,600     | 94,800     |
| Pension employer contribution  | 15,180,237 | 13,037,736 |
| Other Staff benefits           | 75,042     | 75,042     |
| WIBA & GPA                     | 648,001    | -          |
| Commuter Allowances            | 3,959,529  | 3,843,532  |

|                                               |             |             |
|-----------------------------------------------|-------------|-------------|
|                                               | 108,035,594 | 103,911,427 |
| 10. Council expenses                          | 2017/2018   | 2016/2017   |
| Council Allowances and expenses               | 2,308,803   | 5,085,823   |
| Finance and General Purpose Committee         | 160,000     | 95,200      |
| Quality Assurance and Accreditation Committee | 284,200     | 400,000     |
| Risk and Audit Committee                      | 40,000      | 115,200     |
| Examination Committee                         | 60,000      | 135,200     |
|                                               | 2,853,003   | 5,831,423   |

| Description                   | 2017-2018 | 2016-2017 |
|-------------------------------|-----------|-----------|
|                               | KShs.     | KShs.     |
| Chairman's Honoraria          | 194,667   | 582,857   |
| Council Sitting Allowances    | 1,029,205 | 1,284,000 |
| Per Diem Allowance            | 73,000    | 1,470,048 |
| Travelling Allowance          | 117,880   | 1,959,460 |
| Training (Board Induction)    | 1,245,884 | 406,058   |
| Board Lunch during inspection | 124,200   | 129,000   |
| Under cast Chairman honoraria | 56,000    | -         |
| Telephone Allowance           | 12,167    | -         |
| Total Council expenses        | 2,853,003 | 5,831,423 |

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| 11. Repairs and Maintenance          | 2017/2018 | 2016/2017 |
| Building repair & Maintenance        | 135,350   | 131,142   |
| Plant & equipment maintenance        | 4,000     | 1,966     |
| Motor vehicle repair and maintenance | 700,496   | 896,467   |
|                                      | 839,846   | 1,029,575 |



# COUNCIL OF LEGAL EDUCATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| <b>12(a) General Expenses</b>       | <b>2017/2018</b>  | <b>2016/2017</b>  |
| Advertising and publicity           | 4,401,819         | 6,739,445         |
| Office rent                         | 20,970,236        | 20,663,030        |
| Newspapers and Journals             | 825,814           | 767,860           |
| Printing and Stationery             | 5,605,732         | 6,604,894         |
| Cleaning materials and materials    | 255,043           | 255,005           |
| Security services                   | 2,112,000         | 1,990,667         |
| Travel and accommodation            | 16,105,870        | 13,446,569        |
| Meal Allowance                      | -                 | 2,226,910         |
| Fuel                                | 1,452,080         | 1,070,139         |
| Insurance expenses                  | 1,114,066         | 788,576           |
| Postage and delivery                | 152,652           | 55,455            |
| Telephone and Faxes                 | 1,462,503         | 1,505,595         |
| Electrical consumables              | -                 | 8,100             |
| Professional fees                   | 8,978,652         | 17,477,220        |
| Official entertainment              | 1,494,180         | 974,740           |
| Staff welfare                       | 4,778,809         | 1,737,557         |
| Training and Development            | 5,547,795         | 6,028,818         |
| Conferences and workshops           | 2,228,720         | 5,248,296         |
| Bank Service charges                | 163,260           | 426,656           |
|                                     | <b>77,649,231</b> | <b>88,015,530</b> |
| <b>12b) Taskforce Expenses</b>      | <b>19,756,307</b> | <b>-</b>          |
| <b>13. ICT related costs</b>        | <b>2017/2018</b>  | <b>2016/2017</b>  |
| Web Hosting                         | 1,270,001         | 1,629,657         |
| Internet and E-mail                 | 1,808,280         | 360,000           |
| Computer Repairs and Maintenance    | 3,015,425         | 830,856           |
| Software and hardware Maintenance   | 2,934,464         | -                 |
|                                     | <b>9,028,169</b>  | <b>2,820,512</b>  |
| <b>14. Exam Related Costs</b>       |                   |                   |
| Hire of Examination Centre          | 8,360,604         | 12,446,182        |
| Exam Setting & Moderation           | 3,048,528         | 2,523,785         |
| Exam marking, moderation & Checking | 16,030,522        | 13,574,768        |
| Exam Marking Centres                | 18,098,966        | 10,152,688        |
| Examination Invigilation            | 4,293,988         | 3,093,182         |
| Examination Printing                | 5,028,040         | 5,225,600         |
| Exam Answer Booklets                | 1,297,583         | 141,322           |
| Project and Orals Examination       | 7,617,520         | 7,390,275         |





# COUNCIL OF LEGAL EDUCATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

|                                                                                                                                                   |             |             |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                                                                                   | 63,775,751  | 54,547,803  |
| 15. Audit Fees Costs                                                                                                                              | 2017/2018   | 2016/2017   |
| Audit fees                                                                                                                                        | 2,400,000   | -           |
|                                                                                                                                                   | 2,400,000   | -           |
| <i>Audit fees relate to Audit fees for four (4) financial years when the Office of Auditor General did not invoice Council of Legal Education</i> |             |             |
| 16. Cash and Cash equivalent                                                                                                                      | 2017/2018   | 2016/2017   |
| Bank account No. 01023033161101                                                                                                                   | 363,357,727 | 218,142,439 |
| Bank account No. 01023033161100                                                                                                                   | 25,863,404  | 25,093,823  |
| Petty cash                                                                                                                                        | 26,134      | 152,795     |
|                                                                                                                                                   | 389,247,265 | 243,389,057 |

|                                     |                | 2017-2018   | 2016-2017   |
|-------------------------------------|----------------|-------------|-------------|
| Financial institution               | Account number | KShs        | KShs        |
| a) Current account                  |                |             |             |
| National Bank of Kenya -Hill Branch | 01023033161101 | 363,357,727 | 218,142,439 |
| National Bank of Kenya -Hill Branch | 01023033161100 | 25,863,404  | 25,093,823  |
| Sub- total                          |                | 389,221,131 | 243,236,262 |
| b) Others(specify)                  |                |             |             |
| Petty Cash                          |                | 26,134      | 152,795     |
| Sub- total                          |                | 26,134      | 152,795     |
| Grand total                         |                | 389,247,265 | 243,389,057 |

|                                               |           |           |
|-----------------------------------------------|-----------|-----------|
| 17. Receivable from non-exchange transactions | 2017/2018 | 2016/2017 |
| Accounts receivable                           | 143,667   | 143,667   |
| Prepayments                                   | 1,014,564 | 1,533,992 |
| Staff Advances                                | 129,999   | 906,117   |
| PAYE Receivable                               | 234,000   | 234,000   |
| Imprest Account                               | 747,376   | 307,461   |
| Medical Scheme                                | 530,128   | 72,524    |
|                                               | 2,799,734 | 3,197,761 |

*AYE Receivable include PAYE remitted to Kenya revenue Authority inadvertently for members of Council who did not attend meetings. The Accounts Receivables is for amounts paid to Tina Holdings for provision of fuel in the FY 2014/2015. The Company ceased operating Petrol Station and Council is yet to be refunded.*

|                   |           |           |
|-------------------|-----------|-----------|
| 18. Inventories   | 2017/2018 | 2016/2017 |
| Consumable stores | 4,301,874 | 3,278,096 |
|                   | 4,301,874 | 3,278,096 |

*Inventories is valued at cost and it is made up of consumable stock in the general operation of the Council that include the following:*

1. General Stationery ksh.3,171,107.00
2. Cleaning Materials ksh.492,121.00
3. Examination material ksh.638,645.50



# COUNCIL OF LEGAL EDUCATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 19. Property, Plant and Equipment

|                                      | Furniture,<br>Fittings &<br>fixture | Motor<br>Vehicle | Plant and<br>equipment | Computer<br>equipment | Computer<br>Software | Work-In-<br>Progress | Total       |
|--------------------------------------|-------------------------------------|------------------|------------------------|-----------------------|----------------------|----------------------|-------------|
| Depreciation rate                    | 12.5%                               | 20%              | 20%                    | 33.3%                 | 33.3%                | 0.0%                 |             |
| Cost                                 | Kshs.                               | Kshs.            | Kshs.                  | Kshs.                 | Kshs.                | Kshs.                |             |
| At 1 July 2016                       | 38,904,890                          | 27,492,849       | 11,611,884             | 12,623,362            | 791,920              | -                    | 91,424,905  |
| Additions                            | 13,173,522                          | 13,455,313       | 6,625,134              | 3,607,425             | -                    | 5,968,502            | 42,829,896  |
| Disposal/fully<br>depreciated items  | -                                   | -                | -                      | -                     | -                    | -                    | -           |
| Transfer/<br>adjustment              | -                                   | -                | -                      | -                     | -                    | -                    | -           |
| At 30th June 2017                    | 52,078,412                          | 40,948,162       | 18,237,018             | 16,230,787            | 791,920              | 5,968,502            | 134,254,801 |
| At 1 July 2017                       | 52,078,412                          | 40,948,162       | 18,237,018             | 16,230,787            | 791,920              | 5,968,502            | 134,254,801 |
| Additions                            | 166,670                             | -                | 191,480                | 10,139,340            | -                    | -                    | 10,497,489  |
| Capitalization                       | -                                   | -                | -                      | -                     | 5,968,502            | (5,968,502)          | -           |
| Disposal/fully<br>depreciated items  | -                                   | -                | -                      | -                     | -                    | -                    | -           |
| Transfer/<br>adjustment              | -                                   | -                | -                      | -                     | -                    | -                    | -           |
| At 30th June 2018                    | 52,245,082                          | 40,948,162       | 18,428,498             | 26,370,126            | 6,760,422            | -                    | 144,752,289 |
| <b>Depreciation and impairment</b>   |                                     |                  |                        |                       |                      |                      |             |
| At 1 July 2016                       | 12,249,469                          | 8,662,090        | 5,335,569              | 7,760,136             | 263,709              | -                    | 34,270,973  |
| Depreciation for<br>the year         | 6,509,802                           | 8,189,632        | 3,647,404              | 4,579,440             | 263,947              | -                    | 23,190,225  |
| Impairment                           | -                                   | -                | -                      | -                     | -                    | -                    | -           |
| Disposals/fully<br>depreciated items | -                                   | -                | -                      | -                     | -                    | -                    | -           |
| Transfer/<br>adjustment              | -                                   | -                | -                      | -                     | -                    | -                    | -           |
| At 30th June 2017                    | 18,759,271                          | 16,851,722       | 8,982,973              | 12,339,576            | 527,656              | -                    | 57,461,197  |
| At 1 July 2017                       | 18,759,271                          | 16,851,722       | 8,982,973              | 12,339,576            | 527,656              | -                    | 57,461,197  |
| Depreciation for<br>the year         | 6,530,635                           | 8,189,632        | 3,685,700              | 6,059,685             | 2,253,249            | -                    | 26,718,900  |
| Impairment                           | -                                   | -                | -                      | -                     | -                    | -                    | -           |
| Disposals/fully<br>depreciated items | -                                   | -                | -                      | -                     | -                    | -                    | -           |
| Transfer/<br>adjustment              | -                                   | -                | -                      | -                     | -                    | -                    | -           |
| At 30th June 2018                    | 25,289,906                          | 25,041,354       | 12,668,673             | 18,399,261            | 2,780,905            | -                    | 84,180,098  |
| NBV At 30 June 18                    | 26,955,175                          | 15,906,807       | 5,759,825              | 7,970,866             | 3,979,517            | -                    | 60,572,191  |
| NBV At 30 June 17                    | 33,319,142                          | 24,096,440       | 9,254,045              | 3,891,211             | 264,264              | 5,968,502            | 76,793,604  |

Cost of fully depreciated Computer Equipment amount to Kshs. 2,491,092 as at 30 June 2017 and Kshs. 5,698,162 as at 30 June 2018.





# COUNCIL OF LEGAL EDUCATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

| 20. Trade and other Payables from Non- exchange transactions | 2017/2018        | 2016/2017         |
|--------------------------------------------------------------|------------------|-------------------|
|                                                              | Kshs.            | Kshs.             |
| Pension Payable                                              | 216,453          | 7                 |
| PAYE Payable                                                 | 3,618,857        | 4,031,906         |
| Withholding tax payable                                      | 535,124          | 585,934           |
| VAT With holding Payable                                     | 601,843          | 406,210           |
| Contract retention                                           | 619,527          | 1,130,277         |
| Insurance recoveries payable                                 | 3,975            | 3,475             |
| Trade payables                                               | 1,606,979        | 5,328,912         |
| Net Pay payable                                              | 3,377            | 3,377             |
| Income tax payable                                           | 473,570          | 473,570           |
|                                                              | <u>7,679,705</u> | <u>11,963,668</u> |
| 21. Employee Benefit                                         | 2017/2018        | 2016/2017         |
| Leave allowance                                              | 663,882          | 716,518           |
|                                                              | <u>663,882</u>   | <u>716,518</u>    |

Annual leave accrues to employees on a monthly basis, the provision is an estimate of the amounts due to staff at the end of 2017/2018 Financial Year 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.

| Description                               | Defined benefit plan | Post-employment medical benefits | Leave Allowance | Total (2017/2018) |
|-------------------------------------------|----------------------|----------------------------------|-----------------|-------------------|
|                                           | KShs                 | KShs                             | KShs            | KShs              |
| Current benefit obligation                | -                    | -                                | 663,882         | 663,882           |
| Non-current benefit obligation            | -                    | -                                | -               | -                 |
| <b>Total employee benefits obligation</b> | <b>-</b>             | <b>-</b>                         | <b>663,882</b>  | <b>663,882</b>    |

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| 22. Deferred income                 | 2017/2018         | 2016/2017         |
|                                     | Kshs.             | Kshs.             |
| Examination fee received in advance | 47,731,200        | 50,295,500        |
|                                     | <u>47,731,200</u> | <u>50,295,500</u> |

Deferred income related to Bar Examination fee for July and November 2018 Examination.

| Description                  | 2017-2018         | 2016-2017         |
|------------------------------|-------------------|-------------------|
|                              | KShs              | KShs              |
| Bar Examination Fee          | 47,731,200        | 50,295,500        |
| <b>Total deferred income</b> | <b>47,731,200</b> | <b>50,295,500</b> |



# COUNCIL OF LEGAL EDUCATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The deferred income movement is as follows:

|                               | Bar Examination Fee | International funders | Public contributions and donations | Total        |
|-------------------------------|---------------------|-----------------------|------------------------------------|--------------|
| Balance brought forward       | 50,295,500          | 0                     | 0                                  | 50,295,500   |
| Additions                     | 47,731,200          | 0                     | 0                                  | 47,731,200   |
| Transfers to Capital fund     | (0)                 | (0)                   | (0)                                | (0)          |
| Transfers to income statement | (50,295,500)        | (0)                   | (0)                                | (50,295,500) |
| Other transfers               | (0)                 | (0)                   | (0)                                | (0)          |
| Balance carried forward       | 47,731,200          | 0                     | 0                                  | 47,731,200   |

Deferred income transferred to income statement related to income recognized and having met the recognition criteria in the following income accounts

|                  |                                |
|------------------|--------------------------------|
| Exam Resit Fees  | Kshs. 48,035,500               |
| Examination Fees | <u>Kshs. 2,260,000</u>         |
| <b>Total</b>     | <b><u>Kshs. 50,295,500</u></b> |

The income recognized of Kshs. 50,295,500 is related to July 2017 Bar Examination series for the Exam Resit Fees and November 2017 Bar Examination for the Examination Fees.

| 23. Provision for Audit Fees Payable | 2017/2018<br>Kshs. | 2016/2017<br>Kshs. |
|--------------------------------------|--------------------|--------------------|
| Audit Fees                           | <u>2,400,000</u>   | <u>0</u>           |
|                                      | <b>2,400,000</b>   | <b>0</b>           |

*Provision for Audit fees relate to Audit fees for four (4) financial years when the Office of Auditor General did not invoice Council of Legal Education.*

| Provision Audit fees | Kshs.           |
|----------------------|-----------------|
| 2013/2014 Audit fee  | 600,000         |
| 2014/2015 Audit fee  | 600,000         |
| 2015/2016 Audit fee  | 600,000         |
| 2016/2017 Audit fee  | 600,000         |
| <b>Total</b>         | <b>2,400,00</b> |

## 24. Cash Generated from Operations

|                                                | 2017-2018          | 2016-2017          |
|------------------------------------------------|--------------------|--------------------|
| Surplus for the year before tax                | 137,163,447        | 136,228,486        |
| <b>Adjusted for:</b>                           |                    |                    |
| Depreciation                                   | 26,718,900         | 23,190,225         |
| <b>Working Capital Adjustments:</b>            |                    |                    |
| Decrease/Increase in inventory                 | (1,023,778)        | 2,292,360          |
| Increase in Receivables                        | 398,027            | (1,611,635)        |
| Decrease/Increase in Deferred Income           | (2,564,300)        | 19,020,500         |
| Decrease/Increase in Payables                  | (4,336,599)        | 4,894,149          |
| <b>Net Cash flow from Operating Activities</b> | <b>156,355,697</b> | <b>184,014,085</b> |





## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

#### 25. Financial Risks Management

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

Council of Legal Education financial risk management objectives and policies are detailed below:

##### Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company. Credit risk arises from bank balances, trade receivables and amounts due from related parties. The Council's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

|                                            | Total amount<br>Kshs | Fully<br>performing<br>Kshs | Past<br>due<br>Kshs | Impaired<br>Kshs |
|--------------------------------------------|----------------------|-----------------------------|---------------------|------------------|
| <b>At 30 June 2018</b>                     |                      |                             |                     |                  |
| Receivables from exchange transactions     | -                    | -                           | -                   | -                |
| Receivables from non-exchange transactions | 2,799,734            | -                           | -                   | -                |
| Bank balances                              | 389,247,265          | -                           | -                   | -                |
| <b>Total</b>                               | <b>392,046,999</b>   | -                           | -                   | -                |
| <b>At 30 June 2017</b>                     |                      |                             |                     |                  |
| Receivables from exchange transactions     | -                    | -                           | -                   | -                |
| Receivables from non-exchange transactions | 3,197,761            | -                           | -                   | -                |
| Bank balances                              | 243,389,057          | -                           | -                   | -                |
| <b>Total</b>                               | <b>246,586,818</b>   | -                           | -                   | -                |

##### Market risk

Council of Legal Education has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing 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 entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

Council of Legal Education Audit Department 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 entity's exposure to market risks or the manner in which it manages and measures the risk.

##### Interest rate risk

Council's interest rate risk arises from investments in short term deposits and Government securities. Council has not invested in short term deposits or Government securities hence this risk is irrelevant.



# COUNCIL OF LEGAL EDUCATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Foreign currency risk

The Council does not hold any foreign currency denominated assets or liabilities and hence there is no exposure to foreign currency risk.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

|                                              | Ksh  | Other<br>currencies | Total |
|----------------------------------------------|------|---------------------|-------|
|                                              | Kshs | Kshs                | Kshs  |
| <b>At 30 June 2018</b>                       |      |                     |       |
| Financial assets(investments, cash ,debtors) | 0    | 0                   | 0     |
|                                              |      | 0                   | 0     |
|                                              |      | 0                   | 0     |
| Liabilities                                  |      | 0                   | 0     |
| Trade and other payables                     | 0    | 0                   | 0     |
| Borrowings                                   | 0    | 0                   | 0     |
| Net foreign currency asset/(liability)       | 0    | 0                   | 0     |

The Council manages foreign exchange risk from future commercial transactions and recognized assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

|                                              | Ksh  | Other<br>currencies | Total |
|----------------------------------------------|------|---------------------|-------|
|                                              | Kshs | Kshs                | Kshs  |
| <b>At 30 June 2017</b>                       |      |                     |       |
| Financial assets(investments, cash ,debtors) | 0    | 0                   | 0     |
|                                              |      | 0                   | 0     |
|                                              |      | 0                   | 0     |
| Liabilities                                  |      | 0                   | 0     |
| Trade and other payables                     | 0    | 0                   | 0     |
| Borrowings                                   | 0    | 0                   | 0     |
| Net foreign currency asset/(liability)       | 0    | 0                   | 0     |

### Price risk

The Council does not hold investments that would be subject to price risk; hence this risk is not relevant.

### Liquidity risk management

Liquidity risk is the risk that Council will not be able to meet its financial obligations when they fall due. The Council's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of damaging reputation.

The Council ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in





## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

|                               | Less than 1<br>month | Between 1-3<br>months | Over 3<br>months | Total             |
|-------------------------------|----------------------|-----------------------|------------------|-------------------|
|                               | Kshs                 | Kshs                  | Kshs             | Kshs              |
| <b>At 30 June 2018</b>        |                      |                       |                  |                   |
| Trade payables                | 1,606,979            | -                     | -                | 1,606,979         |
| Current portion of borrowings | -                    | -                     | -                | -                 |
| Provisions                    | -                    | -                     | -                | -                 |
| Deferred income               | 47,731,200           | -                     | -                | 47,731,200        |
| Employee benefit obligation   | 663,882              | -                     | -                | 663,882           |
| <b>Total</b>                  | <b>50,002,061</b>    | <b>-</b>              | <b>-</b>         | <b>50,002,061</b> |
| <b>At 30 June 2017</b>        |                      |                       |                  |                   |
| Trade payables                | 5,328,912            | -                     | -                | 5,328,912         |
| Current portion of borrowings | -                    | -                     | -                | -                 |
| Provisions                    | -                    | -                     | -                | -                 |
| Deferred income               | 50,295,500           | -                     | -                | 50,295,500        |
| Employee benefit obligation   | 716,518              | -                     | -                | 716,518           |
| <b>Total</b>                  | <b>56,340,930</b>    | <b>-</b>              | <b>-</b>         | <b>56,340,930</b> |

### Capital Risk Management

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

|                                             | 2017-2018          | 2016-2017          |
|---------------------------------------------|--------------------|--------------------|
|                                             | Kshs               | Kshs               |
| Revaluation reserve                         | -                  | -                  |
| Retained earnings                           | 400,846,278        | 263,682,831        |
| Capital reserve                             | -                  | -                  |
| <b>Total funds</b>                          | <b>400,846,278</b> | <b>263,682,831</b> |
| Total borrowings                            | -                  | -                  |
| Less: cash and bank balances                | (389,247,265)      | (243,389,057)      |
| Net debt/(excess cash and cash equivalents) | (389,247,265)      | (243,389,057)      |
| <b>Gearing</b>                              | <b>0%</b>          | <b>0%</b>          |

### 26. Related parties' transactions

Entities and other parties related to Council of Legal Education include those parties who have ability to exercise control or exercise significant influence over its Operating and Financial decisions. Council of Legal Education is related to

- i) The National Government;
- ii) State Law Office and Department of Justice;
- iii) Council Members;
- iv) Key Management;

The following transactions were carried out with related parties



# COUNCIL OF LEGAL EDUCATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Related party transactions

|                                                           | 2017/2018<br>Kshs.    | 2016/2017<br>Kshs.    |
|-----------------------------------------------------------|-----------------------|-----------------------|
| Transactions with related parties                         |                       |                       |
| <b>a) Grants from the Government</b>                      |                       |                       |
| Transfers from State Law Office and Department of Justice | 260,200,000           | 259,500,000           |
| <b>Total</b>                                              | <b>260,200,000</b>    | <b>259,500,000</b>    |
| <b>b) Key Management compensation</b>                     |                       |                       |
| Directors' emoluments                                     | 2,797,002             | 5,831,423             |
| Compensation to the CEO                                   | 7,997,560.70          | 8,737,205             |
| Compensation to key management                            | 22,457,336.90         | 24,226,499.40         |
| <b>Total</b>                                              | <b>33,251,899.60</b>  | <b>38,795,127.40</b>  |
| <b>Total</b>                                              | <b>293,451,899.60</b> | <b>298,295,127.40</b> |

|                                                           | 2017/2018          | 2016/2017          |
|-----------------------------------------------------------|--------------------|--------------------|
| Transfers from State Law Office and Department of Justice | 260,200,000        | 259,500,000        |
| Transfers to related parties                              | -                  | -                  |
|                                                           | <u>260,200,000</u> | <u>259,500,000</u> |
| <b>Council Members and expenditure</b>                    | <b>2017/2018</b>   | <b>2016/2017</b>   |

|                            |                  |                  |
|----------------------------|------------------|------------------|
| Council members allowances | 2,797,002        | 5,831,423        |
|                            | <u>2,797,002</u> | <u>5,831,423</u> |

| Description                   | 2017-2018<br>KShs | 2016-2017<br>KShs |
|-------------------------------|-------------------|-------------------|
| Chairman's Honoraria          | 194,667           | 582,857           |
| Council Sitting Allowances    | 1,029,205         | 1,284,000         |
| Per Diem Allowance            | 73,000            | 1,470,048         |
| Travelling Allowance          | 117,880           | 1,959,460         |
| Training (Board Induction)    | 1,245,884         | 406,058           |
| Board Lunch during inspection | 124,200           | 129,000           |
| Under cast Chairman honoraria | 56,000            | -                 |
| <b>Total Council expenses</b> | <b>2,853,003</b>  | <b>5,831,423</b>  |

|                                    | 2017/2018         | 2016/2018         |
|------------------------------------|-------------------|-------------------|
| <b>Key management remuneration</b> |                   |                   |
| Key management compensation        | 30,454,898        | 32,963,704        |
|                                    | <u>30,454,898</u> | <u>32,963,704</u> |

### 27. Operating Lease

Council has leased office premises under an operating lease. The three leases typically run for 6 years with an option for renewal. Lease payments are increased accordingly to reflect market rentals. The Council does not have an option to purchase the leased asset at the expiry of the lease period. There are no contingent rents recognized in the Statement of Financial Performance





## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The first lease commencement date is 1/7/2013 and is to run for 6 years while second lease commenced on 1/7/2014 and is to run for 6 years and the third lease commenced on 1/7/2016 and is to run for 6 years.

At the end of the reporting period, Council had Outstanding Commitments of kshs.40,654,278.54 under non-cancellable Operating Leases in relation to the lease of the office premises.

#### 28. Contingent Liabilities

Council is involved in some Civil legal proceedings, the Council members believe, based on the information currently available, that the Council does not have any contingent liabilities which are likely to have a material effect on the results of the Councils' operations, financial position or liquidity. Therefore, no provision has been made in the financial statements.

| Contingent liabilities                     | 2017-2018 | 2016-2017 |
|--------------------------------------------|-----------|-----------|
|                                            | Kshs      | Kshs      |
| 34 Court cases pending as at June 30, 2018 | -         | -         |
| Bank guarantees in favour of subsidiary    | -         | -         |
| <b>Total</b>                               | <b>-</b>  | <b>-</b>  |

#### 29. Capital Commitments

| Capital Commitment            | 2017-2018 | 2016-2017 |
|-------------------------------|-----------|-----------|
|                               | KShs      | KShs      |
| Authorised for                | 0         | 0         |
| Authorised and contracted for | 0         | 0         |
| <b>Total</b>                  | <b>0</b>  | <b>0</b>  |

#### 30. Dividends/Surplus Remission

In accordance with Section 219 (2) of the PFM Act Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the year end of each financial year. Or the entity remitted Kshs. (FY 2017 Kshs.). The entity did not make any surplus during the year (FY 2017 Nil) and hence no remittance to the Consolidated Fund.

#### 31. Retirement Benefit obligation

Council operates a defined contribution retirement benefit plan for eligible employees. The assets of the plan are held separately from those of the Council in funds under the control of trustees. The scheme is administered by an independent administration company and is funded by contributions from the Council and employees. Councils' obligations to the staff retirement benefits plan are charged to the Statement of Financial Position as they fall due or, in the case of service gratuity, as they accrue to each employee.

The Council also makes contributions to the statutory defined contribution scheme, National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The Councils' obligations under the Scheme are limited to specific contributions legislated from time to time, which are currently at KShs. 200 per employee per month.

The total pension expense recognized in the income statement of KShs. 13 million (FY 2016/17: KShs. 13 million) represents contributions paid to the plan by the Council at 20% rate of the basic salaries.



## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Employees contribute 10% of their basic salary. The employee contribution has been included within the employee costs.

The table below outlines the amount remitted to the fund since inception. This has been done up to end of 30<sup>th</sup> June 2018.

| No     | Financial Year | Employer   | Employee   | Gross      |
|--------|----------------|------------|------------|------------|
| 1      | 2013/2014      | 277,682    | 138,841    | 416,523    |
| 2      | 2014/2015      | 4,486,394  | 2,243,197  | 6,729,591  |
| 3      | 2015/2016      | 9,773,390  | 4,886,695  | 14,660,085 |
| 4      | 2016/2017      | 13,037,736 | 6,518,868  | 19,556,604 |
| 5      | 2017/2018      | 13,232,474 | 6,616,237  | 19,848,711 |
| Totals |                | 40,807,676 | 20,403,838 | 61,211,514 |

### 32. Events after the Reporting Period

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

### 33. Ultimate and Holding Entity

Council of Legal Education is a Semi-Autonomous Government Agency under the State Law and Department of Justice. Its ultimate parent is the Government of Kenya.

### 34. Currency

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

### 35. Statement of Comparison of Budget and Actual

#### a) Changes from Original Budget

Council of Legal Education did not have any budget change in the Financial Year 2017/2018.

#### b) GoK Grant- Recurrent

The budget item did not report any variance, this is because Council received the full subvention from Government as per the appropriation bill.

#### c) Accreditation fee

Statement of Comparison of Budget and Actual shows -100% variance on Appropriation in Aid from accreditation fees paid by institutions licensed to teach legal studies. During 2017/2018 financial year Council collected Kshs. 4.1 million against a target of Kshs. 2.4 million due to enhanced compliance to CLE regulations.

The Council collected Kshs. 0.8 Million against a target of Kshs. 2.1 Million in Foreign Qualification Equation leading to a 60% variance due to reduction in student seeking for foreign qualification.

#### d) Examination fees

Council realised a variance of -56% on examination fees. The variance is due to the high numbers of candidates who registered for the Bar examination than projected,





## **COUNCIL OF LEGAL EDUCATION**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018**

#### **e) CLE Board Expenses**

CLE board expenses have a variance percentage of 64%. Council and its committees had reduced activities in the FY 2017/2018. The Council had no members in the first half of the financial year. The new Council were nominated in February 2018.

#### **f) Employee Costs**

Council of Legal education spent Kshs. 107.6 million on staff costs against a budget of Kshs. 129.7 million in 2017/2018. This led to a variance of 8%.

#### **g) General Expenses Costs**

During the 2015/16 Financial Year, Budget items under the General administration category have a favourable variance of 21% due to the austerity measures put in place.

#### **h) ICT related costs**

During the 2015/16 Financial Year, Budget items under the ICT Related Cost category have a favourable variance of 16% due to the austerity measures put in place.

#### **i) Bar examination costs**

During the 2015/16 Financial Year, Budget items under the Bar Examination Cost category have a favourable variance of 40% due to the austerity measures put in place.

#### **j) Depreciation expenses**

This has been included in the budget vs actual amount for reconciliation purpose with the with the Financial Performance for 2017 / 2018. During the budgeting process depreciation is not included as it is a non-cash transaction hence the -100% variance.

#### **K) Audit Fees**

The Office of the Auditor General is yet to bill the Council for audits undertaken for the past 4 financial years. The variance is caused by the creation of the provision to pay Audit Fees.



## COUNCIL OF LEGAL EDUCATION

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018 APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

| Reference No. on the external audit Report | Issue / Observations from Auditor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Management comments                                                                                                                                                                                                                                                                                                                                                  | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------|
| Other Matter                               | As reported in the prior year (2015/2016) it was observed that various institutions and individuals had sued the Council challenging some decisions of the Council. The intent of the Council of Legal Education Act 2012, was that such cases would be initially determined by the Tribunal established under the Act after which a dissatisfied party would seek redress from the High Court. Members and Chairperson of the Tribunal were interviewed and appointed by the Judicial Service Commission vide letters dated 21 May 2013 and 10 June 2014 respectively but the Tribunal has not been operationalized. No reason has been given for failure to operationalize the Tribunal. | All Statutory Tribunals were taken over by the Judiciary under Article 169(d) of the Constitution. A Policy position was take that the remunerative policies of ALL Tribunals would be administered by the Judiciary. In subsequent budgetary engagements, the budget for the Legal Education Appeal Tribunal among other Tribunals was taken over by the Judiciary. | Dr. J. K. Gakeri<br>Secretary/C<br>EO                          | Solved                            | June 2019                                                        |
|                                            | It is noted that out of the ten Council members, the term of 70% of the members expired on 8 <sup>th</sup> February 2017.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Section 4(5) (a) (b) (c) (d) € (f) (g) (h) and (i) of the Legal Education Act No. 27 of 2012, provides for the nomination and appointment of Members of Council. Six (6) Council                                                                                                                                                                                     |                                                                |                                   |                                                                  |





# COUNCIL OF LEGAL EDUCATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

| Reference No. on the external audit Report | Issue / Observations from Auditor                                                                                                                                                                                                                                                                                                                                    | Management comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------|
|                                            | <p>The Council and the sub-committees of the Council were unable to convene any meetings since February 2017 due to lack of quorum. Further, the appointing authority contravened the Code of Governance for State Corporations provisions on succession planning of the Council for not staggering the tenure of Council Members to ensure a phased transition.</p> | <p>Members of the re-established Council of Legal Education were gazetted on 8<sup>th</sup> February 2013 for a term of four years which expired on 8<sup>th</sup> February 2017.</p> <p>The Council of Legal Education wrote to the Attorney General's Office on 16<sup>th</sup> December 2016 to advise that the term of the Council Members was coming to an end for the Attorney General's Office to take steps to make the necessary appointments for purpose of continuity.</p> <p>At its meeting held on 25<sup>th</sup> November 2016, Council recommended that new appointments were necessary for purpose of continuity. It was imperative for Council to continue transacting critical business including approval of Bar Examinations.</p> <p>The Honourable Attorney General gazetted six (6) Members of the Council under Section 4(5) (b) (c) (d) (e) (f) on 20<sup>th</sup> February 2018 vide Gazette Notice No. 1660. The Chair of Council was gazetted on 6<sup>th</sup> April 2018 vide Gazette No. 3140. One (1) Member under 4(5) (f) is yet to be gazetted. The newly constituted Council convened to transact business on 16<sup>th</sup> February 2018.</p> | Dr. J. K. Gakeri<br>Secretary/C<br>EO                          | Solved                            |                                                                  |
|                                            | The statement of financial performance as at 30 June 2017 reflected examination related costs of Kshs.54,547,803. Out                                                                                                                                                                                                                                                | The Council of Legal Education was mandated to conduct Bar Examination through Statute Law (Miscellaneous Amendments) Act, 2014. Prior to this amendment, the Kenya School                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                |                                   |                                                                  |



# COUNCIL OF LEGAL EDUCATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

| Reference No. on the external audit Report | Issue / Observations from Auditor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Management comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------|
|                                            | <p>of this balance Kshs.7,390,275 represented payments to the Kenya School of Law in relation to costs of administering Project and Oral Examinations, which were being administered by the School on behalf of the Council for the first time.</p> <p>During its governing Council meeting of 24 March 2016, the Council had resolved (Minute reference:5.7.2) that existing arrangements with the School should be revised by having a formal agency agreement in place. However, as at the time of the audit, no agency agreement between the two entities had been put in place.</p> <p>Without a formal agreement between the parties, it was difficult to establish the obligations and responsibilities of each party in relation to administration of Project and Oral examination.</p> | <p>of Law administered the Examination. The Second Schedule to the Council of Legal Education (Kenya School of Law) Regulations, 2009 provides that:</p> <p>a) Written Examination - 60% (unless otherwise provided all written examinations shall constitute a 3-hour paper);</p> <p>b) Oral Examination - 20%;</p> <p>c) Project work - 20%;</p> <p>d) Unless stated in the particular course study the pass mark in this programme shall be 50%.</p> <p>To ensure a smooth transition, CLE and KSL held numerous meetings on how to migrate the Bar Examination from the School to the Council. The first consultative meeting was held on 16<sup>th</sup> March, 2015 where the Director, KSL and CEO CLE agreed to form a joint technical committee on migration of the Bar Examination from KSL to CLE.</p> <p>The two institutions appointed a seven (7) Member Technical Committee which held its first meeting on 30<sup>th</sup> March 2015.</p> <p>The Technical Committee deliberated on the following items;</p> <p>a) Registration and management of students</p> <p>b) Migration of the Bar Examination</p> <p>c) Delegation of certain aspects of the Bar Examination</p> <p>d) Pre-Bar Examination</p> <p>e) Financial implication of the</p> | Director of Examination                                        | Solved                            | June 2019                                                        |





# COUNCIL OF LEGAL EDUCATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------|
|                                            |                                   | <p>migration</p> <p>The Joint Committee resolved that during the transition period Council should delegate administration of the Oral Examination and Projects to the School. The School would invoice Council for the expenditures arising from the Examination processes.</p> <p>Following the deliberations of the Joint Technical Committee, CLE communicated to the School the resolutions vide Letter Ref. CLE/BOD/8A VOL.1 (8) dated 24<sup>th</sup> April 2015. The letter read in part that "Council takes full charge of Bar Examination exclusively, but will work out on a delegated basis outsourcing aspects of the Examination to the School as shall be determined by the Council"</p> <p>Under the arrangement between the two institutions, Council delegated the conduct of Projects and Oral Examination to the School. The School would be reimbursed the expenditure incurred in conducting the Examination. In the Financial Year ended 30<sup>th</sup> June 2017, Council incurred Kshs.54,547,803.00 to administer Bar Examination of which Kshs.7,390,275.00 was reimbursed to KSL for conducting Projects and Oral Examination. The reimbursement was done at actual cost incurred by the School at the following rates;</p> <p>a) Project Examination -</p> |                                                                |                                   |                                                                  |



# COUNCIL OF LEGAL EDUCATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--------------------------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------|
|                                            |                                   | <p>Kshs.800.00 per candidate<br/>b) Oral Examination -<br/>Kshs.5,000.00 per hour for the examiner</p> <p>At its meeting of 24<sup>th</sup> March 2016, Council resolved that the arrangement with KSL be revised, by having a formal Agency Agreement in place. Management drafted the Agency Agreement and forwarded it to KSL for its concurrence and approval by the Board for implementation. However, the agreement had not been finalized by February 2017 when the term of the Council expired.</p> |                                                                |                                   |                                                                  |

### Guidance Notes:

- Use the same reference numbers as contained in the external audit report;
- Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Prof. Githu Muigai, EGC, SC  
CHAIRMAN  
COUNCIL OF LEGAL EDUCATION

Date.....

Secretary/ CEO  
Council of Legal Education  
P. O. Box 800502, Karen  
NAIROBI  
Gakeri  
SECRETARY/CEO  
COUNCIL OF LEGAL EDUCATION

Date.....

## APPENDIX II: PROJECTS IMPLEMENTED BY COUNCIL OF LEGAL EDUCATION





# COUNCIL OF LEGAL EDUCATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Projects

Projects implemented by Council of Legal Education and Funded by development partners

| Project title | Project Number | Donor | Period/duration | Donor commitment | Separate donor reporting required as per the donor agreement (Yes/No) | Consolidated in these financial statements (Yes/No) |
|---------------|----------------|-------|-----------------|------------------|-----------------------------------------------------------------------|-----------------------------------------------------|
| 1             | -              | -     | -               | -                | -                                                                     | -                                                   |
| 2             | -              | -     | -               | -                | -                                                                     | -                                                   |

**NB:** Donor grants and transfer from other MDA's are not applicable to Council of Legal Education.

### Status of Projects completion

|              | Project                                                                      | Total project Cost | Total expended to date | Completion % to date | Budget            | Actual per quarter | Sources  |
|--------------|------------------------------------------------------------------------------|--------------------|------------------------|----------------------|-------------------|--------------------|----------|
| 1            | Implementation of Performance Management System by use of Balance Score Card | 2,800,000          | 1,284,138              | 50%                  | 2,800,000         | 1,284,138          | Internal |
| 2            | Implementation of the Enterprise Risk Management                             | 2,991,000          | 0                      | 0                    | 2,991,000         | 0                  | Internal |
| 3            | Implementation of the E-Board system                                         | 1,600,000          | 1,438,000              | 85%                  | 1,600,000         | 1,438,000          | Internal |
| 4.           | Installation of Air Condition                                                | 5,406,296          | 0                      | 0                    | 5,500,000         | 0                  | Internal |
| <b>Total</b> |                                                                              | <b>12,797,296</b>  | <b>2,722,138</b>       |                      | <b>12,891,000</b> | <b>2,722,138</b>   |          |