

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
COUNCIL OF LEGAL EDUCATION**

**FOR THE YEAR ENDED
30 JUNE 2014**

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNCIL OF LEGAL EDUCATION FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Council of Legal Education set out on pages 10 to 35, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, together with a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

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

also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

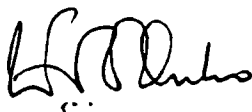
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Council of Legal Education as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with Council for the Legal Education Act, 2012 and with Section 81 and 82 of the Public Finance Management Act, 2012.

Other matter

I draw attention to the following matter:

Although the Council was recently established as an autonomous body after being separated from the Kenya School of Law, necessary structures and management policies to enhance internal controls have not been put in place such as internal audit unit and risk management policy. My opinion is not qualified in respect to this matter.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

27 March 2015

COUNCIL OF LEGAL EDUCATION



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2014

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

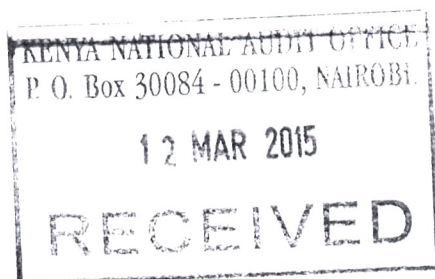


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KEY COUNCIL OF LEGAL EDUCATION INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

Vision of CLE

The Council's vision is to be the choice partner in enhancing quality in legal education and training within East Africa and beyond

CLE Mission

To enhance quality in legal education and training for global competitiveness

Core functions of the Council of Legal Education

- a) Regulate legal education and training in Kenya;
- b) Accredite and licence legal education providers
- c) Supervise legal education providers
- d) Harmonisation of legal education programmes
- e) Advice Government on Legal Education and Training

(c) Key Management

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Secretary/Chief Executive Officer	Prof. W. Kulundu-Bitonye, EBS
2.	Assistant Director Quality Assurance Compliance and Accreditation	Mrs. Josephine Muritu
3.	Senior Standards & Curriculum Development Officer	Ms. Emily Sitati
4.	Procurement Officer	Jairus Kirande
5.	Accountant	Jones O. Otuke

(e) Fiduciary Oversight Arrangements

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

(f) Council of Legal Education

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

(g) Council of Legal Education

Contacts
Telephone: (254) 0202011290, 020 2011382

(h) Council of Legal Education

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




(i) Council of Legal Education

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

(j) Council of Legal Education

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

THE COUNCIL OF LEGAL EDUCATION MEMBERS

 <p>Mr. Fred O.O.N. Ojiambo, MBS, SC - Chairman LL.B. (UON) Dip. (KSL)</p>	<p>Mr. Fred Ojiambo, SC is an Advocate of the High Court of Kenya and the Managing Partner in Kaplan & Stratton Advocates. He is also the chairman of Board of Directors of CFC Stanbic PLC Ltd. He has over 35 years experience having been admitted to the Bar in 1975. His main areas of practice are: Arbitration & Mediation, Banking, Insurance & Telecommunications, Employment & Retirement Benefits and Litigation. He holds an LL.B. Degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law.</p> <p>He is a Member of:</p> <ul style="list-style-type: none"> • Law Society of Kenya • International Bar Association • International Commission of Jurists
 <p>Prof. W. Kulundu-Bitonye, EBS - Secretary & Chief Executive Officer LL.M. (UON), LL.B (Dar-es-Salaam)</p>	<p>Professor Wanyama Kulundu-Bitonye, EBS is the Secretary/Chief Executive of the Council of Legal Education.</p> <p>He holds a LL.M. from the University of Nairobi and an LL.B. from the University of Dar-es-Salaam. He has over 25 years experience in Management and training in law in Kenya, Lesotho and South Africa. Prof. Kulundu-Bitonye previously worked as the Director/Chief Executive Officer of the Council of Legal Education/Kenya School of Law from May, 2004 to January, 2014. Prior to taking his assignment in Kenya, he was professor of Law at Rhodes University, South Africa and National University of Lesotho in Maseru. Professor Kulundu-Bitonye has a long track-record in training in law, Management and has written several books and articles in International and Referred Journals.</p>
 <p>Ms Judy Thongori LL.B (UON), Dip. (KSL) Member & Chairperson, Finance Committee</p>	<p>Ms Thongori is an Advocate of the High Court of Kenya. She holds an LL.B from the University of Nairobi. She is the Managing Partner in the firm of Judy Thongori & Company Advocates with extensive experience in Litigation handling largely Family Law, Commercial and Civil related matters. She has 25 years experience.</p> <p>She is a member of:</p> <ul style="list-style-type: none"> • Law society of Kenya • Federation of Women Lawyers in Kenya



Mr. Eric K. Mutua
LL.M., LL.B (UON),
Dip. (KSL)
Member & Chairman,
Audit & Risk
Management
Committee

Mr. Mutua is an Advocate of the High Court of Kenya. He is the Managing Partner in the firm of E.K. Mutua & Company Advocates. He is the current chairman of the Law Society of Kenya. He holds an LL.B and LL.M. from the University of Nairobi. He has over 15 years' experience.

He is a member of:

- Law society of Kenya
- Institute of Certified Public Secretaries of Kenya
- East African Law Society
- Chartered Institute of Arbitrators
- Legal Associate Kituo Cha Sheria (pro-bono basis)



Mr. Kenneth W. Akide,
SC
LL.B. (UON),
Dip.(KSL)
Member & Chairman,
Quality Assurance &
Compliance
Committee

Kenneth Wabwile Akide, SC is an Advocate of the High Court of Kenya. He holds an LL.B from the University of Nairobi, a Post Graduate Diploma in Law from the Kenya School of Law, is a Certified Public Secretary (K), an Associate of the Chartered Institute of Insurance and an Associate of the Chartered Institute of Arbitrators. He is the immediate former chairman of Law Society of Kenya. He is the Managing Partner in Akide & Company Advocates.

He is a member of:

- Law society of Kenya
- Institute of Certified Public Secretaries of Kenya
- East African Law Society
- Chartered Institute of Arbitrators
- International Commission of Jurists



Hon. Justice Prof. Joel Ngugi, LL.M, JSA (Harvard), LL.B (UON), Dip. (KSL) Member

Justice Joel Ngugi is a Judge of the High Court of Kenya and heads the Judiciary Transformation Secretariat. He is also the Director of the Judiciary Training Institute.

Prior to joining the Judiciary, Justice Ngugi was an Associate Professor of Law at the University of Washington (Seattle, Washington). His teaching and research interests are in the area of Law and Development; International Law; Human Rights; and Contracts Law. He had previously practiced law with the Boston law firm of Foley Hoag, LLP, as a corporate and international litigation associate. He also practiced law with the Kenyan firm Kariuki Muigua & Company Advocates before moving to the United States.

Professor Ngugi has worked with the United Nations Mission in Kosovo (UNMIK) and conducted research work for the Global Coalition for Africa/World Bank, Program on Humanitarian Policy and Conflict Research (HPCR) at Harvard University and at the Global Trade Watch Division of the Public Citizens, Inc. in Washington, DC. He holds an LL.B from the University of Nairobi and a Masters in Law and Doctoral degree in Law from Harvard Law School in Cambridge, Massachusetts. Justice Ngugi represents the Chief Justice in the Kenya Council for Legal Education (CLE) and the Kenya School of Law Board.



Ms Christine Agimba LL.M. (Warwick), LL.B (UON), Dip. (KSL) Member

Ms Christine Agimba is an Advocate of the High Court of Kenya. She holds an LL.B from the University of Nairobi and a Master's degree in Law (LL.M.) from the University of Warwick, England. Ms Agimba is Deputy Solicitor General in the Office of the Attorney General and Department of Justice. She has extensive professional experience from both the private and public sectors in diverse capacities. She has been a Project Manager/Legal Sector Specialist for the Financial and Legal Sector Technical Assistance Project of the Ministry of Finance, Government of Kenya and has also been a partner with the law firm of Hamilton, Harrison and Mathews.



Mr. John K. Chebii
LL.M. (UON), LL.B
(UON), Dip. (KSL)
Member

Mr. John Kipkoech Chebii is an Advocate of the High Court of Kenya and is currently a Senior Lecturer at Moi University School of Law. He holds an LL.B and an LL.M from the University of Nairobi. He is a Certified Public Secretary. He has over 20 years experience in practising and teaching law at University level.

He is a member of:

- Law society of Kenya
- Institute of Certified Public Secretaries of Kenya
- East African Law Society



Dr. Indeje Wanyama
Dr. of Philosophy &
Management, Msc.
Economics, BA
Economics
Member

Dr. Indeje Wanyama is a Senior Assistant Director of Budget in the Ministry of Finance. He holds a Doctor of Philosophy, Master of Economics and Bachelor of Economics Degrees. He has over 10 years experience in corporate and management finance. He previously worked with Githere Investments Ltd as Accountant and Lutheran World Federation as Logistics Assistant.

He is a member of:

- Kenya School of Law Board
- Kirinyaga University College



Ms. Gertrude Nyausi
Angote, LL.B. (UON)
Member

Angote Nyausi Gertrude is an Advocate of the High Court of Kenya. She is currently the Executive Director, Kituo Cha Sheria. She holds an LL.B from the University of Nairobi and is currently pursuing an LL.M at the University of Nairobi. She is a trained trial advocacy teacher from the University of Washington, and has previously engaged as faculty member at the Kenya School of Law. She specializes in the area of Human Rights, by choice and believes in equal access to justice and upholding of human dignity.

She is a member of:

- Law Society of Kenya

MANAGEMENT TEAM



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

Professor Wanyama Kulundu-Bitonye, EBS is the Secretary/Chief Executive of the Council of Legal Education.

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



Mrs. Josephine Muritu
Assistant Director Quality Assurance, Compliance and Accreditation Department

Mrs. Muritu is an Advocate of the High Court of Kenya. She holds an LLB degree from the University of Nairobi and a post graduate Diploma in Law from the Kenya School of Law. She is also trained in legislative drafting. She is currently undertaking a Master's Degree course in Organisational Leadership at the African International University.

Mrs. Muritu has over 10 years experience in accreditation of higher education institutions. She previously worked with the Commission for University Education (formerly Commission for Higher Education) as the Head of Legal Unit.



Mrs. Emily Sitati
Senior Standards and Curriculum Development Officer

Mrs. Sitati is a Senior Standards and Curriculum Development Officer. She holds a Masters of Education in Education Management and Planning from Kenyatta University, Bachelors of Education (Home Economics) from Kenyatta University. She is currently undertaking a PhD in Education Management and Policy Studies at Masinde Mulilo University of Science and Technology. She is a Certified Monitoring and Evaluation professional. Mrs. Sitati has over 18 years experience and previously worked with Ministry of Education as Senior Quality Assurance Officer and a secondary school teacher.



Mr. Jairus Ounza Kirande
Procurement Officer.

Mr. Kirande is the head of Procurement Department. He holds a MSc. Degree in Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology, a Bachelor of Arts Degree (Economics) from Egerton University and a Diploma in Supplies Management. He previously worked with Kenya School of Law and Office of the President (then the Provincial Administration and Internal security) as Procurement Officer, Co-operative University College of Kenya (formerly Cooperative College of Kenya) as the Head of Procurement and CMC Motors Group as Stores Supervisor. He has over 16 years experience in procurement and inventory Management. He is a member of the Kenya Institute of supplies Management (KISM).



Mr Jones Otuke
Accountant

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

CHAIRMAN'S STATEMENT



I am delighted to present the Annual Report and Financial Statements of the Council of Legal Education for the year ended 30th June 2014. This is the first Annual Reports for the Council after the delinking from the Kenya School of Law.

The Legal Education Act, No. 27 of 2012 which establishes the Council of Legal Education was assented on 21st September, 2012 and commenced on 28th September 2012. The members of the Council of Legal Education were appointed and gazetted on 6th February 2013. The newly appointed members of the Council of Legal Education were inducted in the July 2013.

The primary mandate of the Council of Legal Education is to regulate, licence and supervise legal education providers, and advising government on matters related to legal education. Towards this end the Council accredits legal education provides to assure quality legal education.

The year 2013/2014 was a defining period for the Council, it is the period that the Council completed the refurbishment and partitioning of the newly acquired office space at the Karen Office Park and relocated in February 2014. The Council started its operations with basic staff of 2 deployed and 6 seconded from Kenya School of Law. The Council has undertaken foundational infrastructural development for the delivery of services to the public.

During the period under review the Council undertook activities to ensure, quality legal education to the public, fairness in the licensing and accrediting of legal education providers and public participation in the development regulation and standards. The Council has accredited 6 legal education programmes during the review period and has planned to accredit 8 more programmes in the next fiscal year.

In spite of the foregoing, the Council encountered institutional and operational challenges in the execution of its mandate. The challenges that the Council faced include budgetary constraints and low staff capacity to discharge the mandate of the council. To overcome the challenges the Council will leverage on technology to increase accessibility and efficiency in delivery of service. The Council will diversify sourcing of funds and recruit highly competent staff.

I would like to thank our partners as well as the stakeholders for the support they have given us. Let me also thank our clients for their continued feedback that has helped us improve service delivery.

Finally, I thank my fellow Council members for giving me support in providing guidance and leadership to the Council. The Management and staff have worked tirelessly and I commend them generously on behalf of the Council.


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

REPORT OF THE SECRETARY/CHIEF EXECUTIVE OFFICER



I am delighted to be part of the Council of Legal Education in the presentation of its first Annual Report for year ended 30th June 2014. The presentation of this Report marks a milestone in the history of the Council as a new institution.

The objective of Legal Education Act No. 27 of 2012 is to promote legal education and maintenance of the highest possible standards in legal education and provide a system to guarantee the quality of legal education and legal education providers. The criteria for accrediting legal education programmes has been enhanced to improve quality. The quality assurance process of the Council has been developed with the aim of assuring and enhancing quality of legal education programmes. The quality assurance process of the Council is designed to raise standards of legal education programmes in Kenya at par with international standards.

The Council has made tremendous progress which undoubtedly laid foundation for future operation and delivery of its mandate. The council acquired and partitioned its offices at the Karen Office park where data and voice networking has been undertaken. The Council furnished and moved into the new offices in February 2014. The Council engaged consultants to determine the organizational structure and staff establishment for the council, the assignment was completed in April 2014. The Chief of Staff and Head of Public Service has approved on behalf of the Government of the Republic of Kenya the recruitment of the required staff.

The Council has continued to contribute generally to the growth and sustainability of higher education in Kenya, with particular focus on legal education and training. The Council, in addition to improving access in higher education in the country majors on assuring quality and relevance in legal education and training. This has resulted in the accreditation of six legal education programmes; five degree and one diploma programme.

The Council is also working with other institutions in the Country, most of which are operating under provisional licence to improve on their curriculum and supporting resources in order to attain full accreditation status. To date four Law Schools have been awarded full accreditation and two more have qualified for the award pending small adjustment on their curricular and resource base.

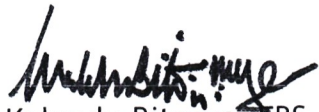
The council has achieved remarkable results, in spite of the institutional and operational challenges encountered by the Council. The major challenges include budgetary constraints and inadequate staff levels. Going forward the Council will indeed leverage on technology and enhance staff capacity to deliver its mandate.

During the year, the Council received grants from the Government totalling to Kshs.73 Million and Non-Cash grant of Kshs.32.6 Million from Kenya School of Law. The funds from Kenya School of Law were part of 43 Million allocated to the Council of Legal Education for its operationalization in 2012/2013 and were to be accounted for at the Kenya School of Law. Since the Council is at its formative stage it utilized 35.5 Million on development expenditure. The projects implemented include office refurbishment and partitioning, purchase of 2 motor vehicles, purchase of office furniture and data and voice networking.

Since its re-establishment in February 2014 Council has made great strides, this progress would not have been possible without the unrelenting support of the Council members who provided strategic direction and leadership in the execution of the programmes and activities. I wish to thank the Chairman, Senior Council Fred O.O.N. Ojiambo and the entire membership of the Council for their dedication and commitment.

I am grateful to all stakeholders who supported us in various ways during the reporting period. In particular, I thank the Government through the Office of the Attorney General and the National Treasury for their support during the financial year. May I also thank most profusely my small management team and staff for their dedication and forbearance in delivering the vision and mission of the Council under difficult circumstances. Well done!

The Council of Legal education is committed to its Mission of enhancing quality in legal education and training for global competitiveness. I call upon all stakeholders to support and strengthen the Council to greater heights as it starts its long journey as a regulator in legal education in Kenya



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

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

Finance and General Purpose Committee

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

The members of Finance and General Purpose Committee are;

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

Accreditation and Compliance Committee

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

The committee members are:

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

Audit, Governance and Risk Management.

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

The members of the committee are:

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

To this end:

1. The Council is an Equal Opportunities Employer which promotes diversity and does not differentiate on grounds of gender, ethnicity, religion, sexual orientation or physical ability.
2. The Council is committed to providing a safe, fair and stimulating work environment that empowers employees to make a meaningful contribution to the organisations performance development, and offers challenging and rewarding opportunities for personal and professional growth. The council recognizes the importance of attracting and retaining the best staff.
3. The Council is committed to achieving service levels that meet the expectations of our client. The council undertakes to institute programmes that will ensure that clients receive quality consistent and reliable services. Council will implement processes to manage client complaints and provide feedback promptly and sensitively.
4. The Council commits to being open and transparent in the interests of promoting best practice in the financial resources for the public good.

REPORT OF THE COUNCIL MEMBERS

The Council submit this report together with the financial statements for the year ended June 30, 2014 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) Licence legal education providers
- iii) Supervise legal education providers and
- iv) Advising government on matters related to legal education and training.

Results

The Financial statements of the Council of Legal Education for the year ended 30th June, 2014 are set out on page 13 to 38

Directors

The members of the Board of Directors who served during the year are shown on page 4 are in accordance with Legal Education Act No. 27 of 2012.

Auditors

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

By Order of the Council


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

NAIROBI
Date.....12th March, 2015.....

STATEMENT OF COUNCIL'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 28 of the Legal Education Act, 2012 which require the 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/period and the operating results of the Council of Legal Education for that year/period. The Council is also required to ensure that the Council of Legal Education keeps proper accounting records which disclose with reasonable accuracy the financial position of the Council of Legal Education. The Council is also responsible for safeguarding the assets of the Council of Legal Education.

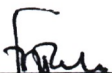
The Council is responsible for the preparation and presentation of the Council of Legal Education's financial statements, which give a true and fair view of the state of affairs of the Council of Legal Education for and as at the end of the financial year ended on June 30th, 2014. This responsibility 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) safeguarding the assets of the Council of Legal Education; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accept responsibility for the Council of Legal Education Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, the State Corporations Act and Legal Education Act, 2012. The Council is of the opinion that the Council of Legal Education's financial statements give a true and fair view of the state of Council's transactions during the financial year ended June 30, 2014, and of the Council of Legal Education's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the Council of Legal Education, which have been relied upon in the preparation of the Council of Legal Education's financial statements as well as the adequacy of the systems of internal financial control.

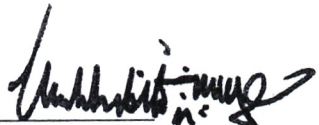
Nothing has come to the attention of the Council to indicate that the Council of Legal Education will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Council of Legal Education's Financial Statements were approved by the Board on 26th September, 2014 and signed on its behalf by:



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



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

FINANCIAL STATEMENTS

COUNCIL OF LEGAL EDUCATION STATEMENT OF FINANCIAL PERFORMANCE For the year ended 30 June 2014


	Notes	2013/2014 Kshs.
Revenue from non-exchange transactions		
Transfers from governments	3	73,000,000
Non Cash Grants	4	32,696,719
		<u>105,696,719</u>
Revenue from exchange transactions		
Other income	5	15,000
		<u>15,000</u>
Total revenue		<u>105,711,719</u>
Expenses		
Employee costs	6	13,186,262
Repairs and Maintenance	7	83,985
Depreciation and amortization expense	14	5,912,959
General Expenses	8	21,819,525
Council Allowances and expenses	9	5,617,329
ICT related costs	10	205,500
Total expenses		<u>46,825,560</u>
Other gains/(losses)		
Surplus before tax		58,886,159
Surplus for the period		<u>58,886,159</u>
Attributable to:		
Surplus attributable to owners of the controlling entity		58,886,159
		<u>58,886,159</u>

The notes set out on pages 20 to 38 form an integral part of the Financial Statements

**COUNCIL OF LEGAL EDUCATION
STATEMENT OF FINANCIAL POSITION
As at 30th June 2014**

	Notes	2013/2014 Kshs.
Assets		
Current assets		
Cash and cash equivalents	11	31,504,772
Receivables from non-exchange transactions	12	601,360
Inventories	13	<u>735,560</u>
		32,841,692
Non-current assets		
Property, plant and equipment	14	30,236,715
		<u>30,236,715</u>
Total assets		<u><u>63,078,407</u></u>
Liabilities		
Current liabilities		
Payables from exchange transactions	15	3,972,288
Employee benefit obligation	16	219,960
		4,192,248
Non-current liabilities		
Total liabilities		<u><u>4,192,248</u></u>
Net assets		58,886,159
Accumulated surplus		<u>58,886,159</u>
Total net assets and liabilities		<u><u>63,078,407</u></u>

The Financial Statements set out on pages 13 to 38 were signed on behalf of the Council by:


Secretary/Chief Executive Officer
Council of Legal Education


Chairman of Council
Council of Legal Education

Date 12th March 2015

Date 12th MARCH 2015

COUNCIL OF LEGAL EDUCATION
STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2014

	Reserves Capital reserve Kshs	Accumulated surplus Kshs	Total Kshs
Balance as at 30 JUNE 2012	0	0	0
Surplus/(deficit) for the period	-	-	0
Transfers to/from accumulated surplus	0	0	0
Balance as at 30 JUNE 2013	0	0	0
			0
Surplus for the period	-	58,886,159	58,886,159
Transfers to/from accumulated surplus	0	0	0
Balance as at 30 JUNE 2014	-	58,886,159	58,886,159

COUNCIL OF LEGAL EDUCATION
STATEMENT OF CASH FLOWS
For the year ended 30 June 2014

Notes

	2013/2014
Cash generated from operations	Shs
Surplus for the year before tax	58,886,159
Adjusted for:	
Depreciation	5,912,959
Non Cash Grant - Assets	-17,171,498
Working capital adjustments:	
Increase in inventory	-735,560
Increase in receivables	-601,360
Increase in payables	4,192,248
Net cash flows from operating activities	<u>50,482,949</u>
Cash flow from investment activities	
Purchase of Property Plant and Equipment	<u>-18,978,177</u>
Net Cash flow used in investment activities	-18,978,177
Net cash flows used in financing activities	31,504,772
Cash and Cash Equivalent as at 1st July 2013	<u>0</u>
Cash and Cash equivalent as at 30th June 2014	<u><u>11 31,504,772</u></u>

COUNCIL OF LEGAL EDUCATION

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS 2013/2014

Income estimates	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Variance
	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014	
	Kshs	Kshs	Kshs	Kshs	Kshs	
GoK Grants - Recurrent	50,000,000	23,000,000	73,000,000	73,000,000	-	0%
Appropriation In Aid (Accreditation fees)	-	2,000,000	2,000,000	15,000	1,985,000	99%
Non Cash Grants	-	-	-	32,696,719	32,696,719	100%
Total Income	50,000,000	25,000,000	75,000,000	105,711,719	30,711,719	41%
		-			-	
RECURRENT EXPENDITURE		-			-	
CLE Board Expenses	7,000,000	-	7,000,000	5,617,329	1,382,671	20%
Sub Total	7,000,000	-	7,000,000	5,617,329	1,382,671	20%
STAFF COSTS		-			-	
Basic Salaries	11,800,000	1,571,600	13,371,600	9,156,218	4,215,382	32%
House Allowance	3,288,000	2,448,000	5,736,000	2,240,000	3,496,000	61%
Leave Allowance	3,900,000	3,367,281	532,719	291,834	229,821	43%
Commuter Allowance		1,000,000	1,000,000	-	1,000,000	100%
Club Membership Subscription		500,000	500,000	-	500,000	100%
Domestic Staff allowance		400,000	400,000	-	400,000	100%
Medical Employer Contributions		1,000,000	1,000,000	196,680	803,320	80%
NSSF Employer Contributions		100,000	100,000	9,600	90,400	90%

Pension Employer Contributions		2,000,000	2,000,000	1,280,866	719,134	36%
Acting Allowance		100,000	100,000	-	100,000	100%
Other Staff Allowances		-	-	11,064	-	100%
Sub Total	18,988,000	5,752,319	24,740,319	13,186,262	11,554,057	47%
Repair and Maintenance						
Repair & Maintenance	300,000	-	300,000	83,985	216,015	72%
Sub Total	300,000	-	300,000	83,985	216,015	72%
General Administrative Costs						
Training & Development	3,000,000	1,000,000	2,000,000	300,402	1,699,598	85%
Entertainment		500,000	500,000	193,212	306,788	61%
Staff Welfare	500,000	-	500,000	48,690	451,310	90%
Conference & Workshops		2,000,000	2,000,000		2,000,000	100%
Stakeholder's Engagement & Conf.	6,000,000	3,000,000	3,000,000	2,427,392	572,608	19%
Office Rent	3,000,000	6,200,000	9,200,000	6,798,566	2,401,434	26%
Cleaning Services	1,000,000	-	1,000,000	126,073	738,915	74%
Security Services	500,000	-	500,000	151,844	348,156	70%
Postage & Courier Services	200,000	-	200,000	15,310	184,690	92%
Electricity and electrical consumables				24,000	24,000	100%
Printing & Stationery	4,000,000	1,500,000	2,500,000	857,230	1,042,222	42%
Development of Strategic Plan	1,200,000	-	1,200,000	-	1,200,000	100%
Newspapers & Periodicals	300,000	-	300,000	333,880	33,880	11%
Telephone Services	400,000	-	400,000	198,759	201,241	50%

Vehicle Fuel	500,000	-	500,000	520,690	20,690	4%
General Insurance	300,000	200,000	500,000	116,300	383,700	77%
Travel and accommodation	2,000,000	-	2,000,000	1,730,482	269,518	13%
Meal Allowance		700,000	700,000	723,125	23,125	3%
Publicity/Publications & Adverts	5,000,000	2,000,000	3,000,000	3,216,160	216,160	7%
Accreditation Costs	4,800,000	1,800,000	3,000,000	744,130	2,255,870	75%
Tribunal Expenses	10,000,000	7,500,000	2,500,000	-	2,500,000	100%
Audit Fees	500,000	-	500,000	-	500,000	100%
Professional Fees	2,000,000	2,359,681	4,359,681	3,293,280	1,066,401	24%
Sub Total	45,200,000	4,840,319	40,359,681	21,819,525	17,804,596	44%
Depreciation Expense						
Depreciation	-	-	-	5,912,959	5,912,959	
Sub Total	-	-	-	5,912,959	5,912,959	
ICT Related Costs						
Web Design, hosting & Maintenance	500,000	1,000,000	1,500,000	2,500	1,497,500	100%
Software maintenance	200,000	-	200,000	38,000	162,000	81%
Hardware maintenance	400,000	-	400,000	-	400,000	100%
Internet & E-mails	500,000	-	500,000	165,000	335,000	67%
Sub Total	1,600,000	1,000,000	2,600,000	205,500	2,394,500	92%
Total Recurrent Budget	73,088,000	1,912,000	75,000,000	47,561,120	27,438,880	37%
Surplus (Deficit)	23,088,000	23,088,000	-	58,150,599	58,150,599	

DEVELOPMENT BUDGET	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	
	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014	
Sources of funds	Kshs	Kshs	Kshs	Kshs	Kshs	
KSL Grant - Development	35,000,000	-	35,000,000	-	35,000,000	
Total Development Income	35,000,000	-	35,000,000	-	35,000,000	
Development Expenditure		-				
ICT Requirements	2,000,000	1,000,000	3,000,000	2,491,093	508,907	17%
Office Furniture	2,500,000	2,500,000	5,000,000	4,647,281	352,719	7%
Telecommunication facilities	400,000	3,600,000	4,000,000	3,772,570	227,430	6%
Motor vehicle	6,000,000	2,000,000	8,000,000	7,908,801	91,199	1%
Office Partitioning	3,000,000	12,000,000	15,000,000	17,329,930	2,329,930	16%
Total Development Expenditure	13,900,000	21,100,000	35,000,000	36,149,675	1,149,675	

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

2. Summary of significant accounting policies

a) Revenue Recognition

i) Revenue from Non-Exchange Transactions - IPSAS 23

Fees, Taxes and Fines

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

Transfers from Other Government Entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Council and can be measured reliably.

ii) Revenue From Exchange Transactions - IPSAS 9

Rendering of Services

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

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

Sale of Goods

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

Interest Income

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

b) Budget Information - IPSAS 24

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

c) Taxes - IAS 12

Current Income Tax

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

Deferred Tax

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

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

Sales Tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property - IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 40-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

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

e) Property, plant and Equipment - IPSAS 17

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

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

The depreciation applied on straight line are as follows:

The annual depreciation rates in use are:

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

f) Leases - IPSAS 13

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Council. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Council also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Council will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

g) Intangible Assets - IPSAS 31

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

The useful life of the intangible assets is assessed as either finite or indefinite.

i) Research and Development Costs

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

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

- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

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

h) Financial Instruments - IPSAS 29

Financial Assets

Initial recognition and measurement

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

Loans and Receivables

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

Held-to-Maturity

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

Impairment of Financial Assets

The Council assesses at each reporting date whether there is objective evidence that a financial asset or a Council's financial assets is impaired. A financial asset or Council's financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition

the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Council's financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

ii) Financial liabilities

Initial Recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Council determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and Borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

i) Inventories - IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Council.

Consumable stock is valued at cost using weighted average method.

j) Provisions - IPSAS 19

Provisions are recognized when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Council expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent Liabilities

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

Contingent Assets

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

k) Nature and Purpose of Reserves

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

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

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

l) Changes in Accounting Policies and Estimates - IPSAS 3

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

m) Employee Benefits - IPSAS 25

Retirement benefit Plans

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

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

Short Term Employee Benefits

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

n) Foreign Currency Transactions - IPSAS 4

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

o) Borrowing Costs - IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases

when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related Parties - IPSAS 20

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

q) Service Concession Arrangements - IPSAS 32

The Council analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Council recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Council also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Comparative Figures

Council of Legal Education was established by the Legal Education Act 2012. It became fully operational as from 1st June 2013, this being the 1st year of operations, there were no comparative figure.

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

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

Estimates and Assumptions

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

Useful Lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date.

u) Subsequent Events - IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

	2013/2014 Kshs.
3 Transfer from Government	
GOK Recurrent grant	<u>73,000,000</u>
	<u><u>73,000,000</u></u>

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

1 st and 2 ^{ns} Quarter	25,000,000
2 nd , 3 rd quarter and supplementary	<u>48,000,000</u>
Total	<u>73,000,000</u>

4 Non Cash Grants

Non Cash grants - Assets	17,171,498
Non Cash grants - Recurrent expenditure	<u>15,525,221</u>
Other Grants	<u><u>32,696,719</u></u>

The Non- cash grants represent the funds used by Kenya School of Law to purchase assets, goods and services for the Council of Legal education. The funds were allocated to the Council and released through Kenya School of Law in the year 2012/13 for Council operationalization. This was because the council of legal education was not recognized in the chart of accounts.

5 Other Income

Equating Foreign	10,000
Sale of Tender	<u>5,000</u>
	<u><u>15,000</u></u>

The Council is entitled by legislation to charge fees for services rendered and for tender documents

6 Employee Costs

Basic Salaries	9,156,218
House Allowance	2,240,000
Leave allowance	291,834
Medical employers contribution	196,680
NSSF Employer contribution	9,600
Pension employer contribution	1,280,866
Other Staff benefits	<u>11,064</u>
	<u><u>13,186,262</u></u>

7 Repairs and Manatenance

Building repair & Manatenance	1,000
Plant, equipment repair & Manatenance	53,805
Motor vehicle repair and Manatenance	<u>29,180</u>
	<u><u>83,985</u></u>

8 General Expenses

Advertising and publicity	3,216,160
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Office rent	6,798,566
Newspapers and Journals	333,880
Printing and Stationery	857,230
Cleaning materials and materials	126,073
Security services	151,844
Travel and accommodation	1,730,482
Meal allowances	723,125
Fuel	520,690
Insurance expenses	116,300
Postage and delivery	15,310
Telephone and Faxes	198,759
Electrical consumables	24,000
Professional fees	3,293,280
Official entertainment	193,212
Staff welfare	48,690
Training and Development	300,402
Conferences and workshops	2,427,392
Accreditation expenses	744,130
	<u>21,819,525</u>
9 Council expenses	
Council Allowances and expenses	3,604,504
Finance and General	448,000
Quality Assurance and	1,414,825
Risk and Audit	150,000
	<u>5,617,329</u>
10 ICT Related Expenses	
Web Hosting	2,500
Internet and E-mail	165,000
Software and hardware	38,000
	<u>205,500</u>
11 Cash and Cash	
Bank account No.	27,255,394
Bank account No.	4,196,124
Petty cash	53,254
	<u>31,504,772</u>
12 Receivable from Non-Exchange Transactions	
Prepayments	196,720
Staff Advances	404,640

601,360

Prepayments relate insurance policies for motor vehicle and staff advances relate to salary advance to staff as per the Kenya School of Law Human resource policy that is used as the Council develops its policy

13 Inventories

Consumable stores	735,560
	<u>735,560</u>

Inventory is made up of consumable stock in the general operation of the Council. The inventory was valued at cost

14 Property, Plant and Equipment

	Furniture, Fittings & fixture	Motor Vehicle	Plant and equipment	Computer equipment	Total
Depreciation rate	12.50%	20%	20%	33.3%	
Cost	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000	Kshs. 000
At 1 July 2013	-	-	-	-	-
Additions:	21,977,211	7,908,801	3,772,570	2,491,093	36,149,675
Purchase of assets	9,815,713	2,898,801	3,772,570	2,491,093	18,978,177
Non Cash Grant- Assets	12,161,498-	5,010,000	-	-	17,171,498
Disposal	-	-	-	-	-
Transfer/ adjustment	-	-	-	-	-
At 30th June 2014	21,977,211	7,908,801	3,772,570	2,491,093	36,149,675
Depreciation and impairment					-
At 1 July 2013	-	-	-	-	-
Depreciation	2,747,151	1,581,760	754,514	829,534	5,912,959
Impairment	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/ adjustment	-	-	-	-	-
At 30th June 2014	2,747,151	1,581,760	754,514	829,534	5,912,959
Net book values					
At 30th June 2014	19,230,060	6,327,040	3,018,056	1,661,559	30,236,715
At 30th June 2013	-	-	-	-	-

15 Payables from Non- exchange transactions

PAYE Payable	4,195
Withholding tax	20,880
Contract retention	1,042,553
Insurance recoveries	3,975
Trade payables	2,890,126
Net Pay payable	10,560
	<u>3,972,288</u>

16 Employee Benefit

Leave Allowance

219,960
<u>219,960</u>

Annual leave accrues to employees on monthly basis, the provision is an estimate of the amounts due to staff at the financial year end based on the terms of employment and the Kenya School of Law Human resources policy. The salary scales used in the estimate are those payable at end of the financial year.

17 Statement of Comparison of Budget and Actual

a) Changes from Original Final budget

Council of legal education budget changed from the original budget through a supplementary appropriation Act (1), 2014 that allocated additional funds amounting to Kshs. 23,000,000.

The Council also received Non Cash Grant from Kenya School of Law amounting to Kshs. 32,696,719. The Non- cash grants represent the funds used by Kenya School of Law to purchase assets, goods and services for the Council of Legal education. The funds were allocated to the Council and were released and accounted through Kenya School of Law in the year 2012/13 for Council operationalization. This was because the council of legal education was not recognized in the chart of accounts. There were no other material differences between the final approved budget and the actual amounts.

b) Appropriation in Aid

Statement of Comparison of Budget and Actual shows 99% variance on Appropriation in Aid. This income is raised from accreditation application fees. During 2013/2014 financial year council did not receive any new application for accreditation.

c) CLE Board Expenses

CLE board expenses have a variance percentage of 20%. Council and its committees conducted their meeting as planned with the exception of Risk and Audit committee. The committee did not meet as planned as Council did not have an internal Auditor who is the secretary and who informs the Committee's agenda.

d) Staff Costs

Council was operationalized in February 2014 seven months into the 2013/2014 financial year and had not recruited the full establishment as budget hence a variance of between 32% and 100%. Council forwarded proposed salary structure to Salaries and Remuneration Commission for approval however the Commission authorised the Council to use Kenya School of Law salary structure a waiting the processing of the proposed structure hence a

variance of 100% on some benefits like Commuter allowance, club membership subscription, domestic staff allowance.

e) Repair and Maintenance

Council relocated to its new offices in February 2014 and since most assets were under guarantee and within the 6 months defect period the Council did not spend the repair budget in full hence a variance of 72%.

f) General Administrative Costs

Most budget items under the General administration category have a variance of more than 10%. The operationalization of the Council in February 2014 resulted to the lack of capacity to utilize the budget as planned. Council operated with a staff capacity of 8 staff members from February 2014 to the end of the Financial Year hence lack of capacity to full operationalize the Council and utilize the budget allocations. The budget items affected include; Training and development, official entertainment, staff welfare, conference and workshops, office rent, cleaning services and material, security services, postage and courier, printing and stationary, strategic plan development, telephone services, General insurance, accreditation costs, tribunal expenses , audit fees and professional fees.

g) Depreciation expenses

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

h) ICT related costs

Council budgeted to develop its website during the 2013/2014 financial year but this activity was not undertaken due to lack of capacity to implement the activity as not ICT officer not been recruited. Approval to recruit staff was received on 30th June 2014.

Software maintenance, hardware maintenance and internet and Email budget items reported a variance of more than 10% because Council started its operation seven months into the financial year and no maintenance was done as the computer assets purchased during the year were new and were under guarantee.

i) ICT equipment requirements


Council reports a variance of 17% on this budget item because the procurement plan was not implemented in as expected due to time constraint.

j) Office Partitioning


Council reports a variance of 16% on office partitioning budget item, the variance was occasioned by a variation as the project was being implemented. The variation was to provide for an omission in the bill quantities for steel bars for the ceiling, burglar proof steel doors. The project Manager sectioned the variation for the project to be completed.

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

This being the first year operation of operation the Council of Legal Education does not have follow up items of auditor recommendations.


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

Date. 12th MARCH, 2015.....


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

Date. 12th March, 2015.....