

REPUBLIC OF KENYA



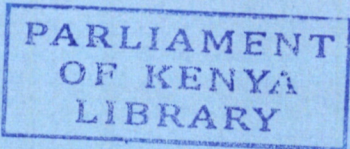
*Paper laid  
By Hon A. Njoroge, leader  
of Majority on the  
30/5/17.*



OFFICE OF THE AUDITOR-GENERAL



**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
NATIONAL COUNCIL FOR LAW  
REPORTING**

**FOR THE YEAR ENDED  
30 JUNE 2016**



**KENYA LAW**  
Where Legal Information is Public Knowledge

**NATIONAL COUNCIL FOR LAW REPORTING**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2016**

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

## I. KEY COUNCIL INFORMATION AND MANAGEMENT

### **Background information**

The National Council for Law Reporting (NCLR) is a state corporation in the Judiciary of Kenya.

NCLR was created in 1994 by virtue of the National Council for Law Reporting Act (Act No. 11 of 1994). The Chief Justice of the Republic of Kenya is the Chairman of the Council, a body that is responsible for the general policy and strategic direction of the institution.

### **(a) Principal Activities**

- i) Our mandate is to publish the judicial opinions of the superior courts of Kenya i.e. the Supreme Court, Court of Appeal and the High Court. NCLR is the designated publisher of the Kenya Law Reports, which are the official law reports of the Republic of Kenya.
- ii) To revise, consolidate and publish the Laws of Kenya, a mandate delegated to NCLR by the Attorney General through Legal Notice No. 29 of 2009, in line with sections 7 and 8 of the Revision of Laws Act.
- iii) NCLR is also mandated to publish such other related publications as it deems necessary. On the Council's website - [www.kenyalaw.org](http://www.kenyalaw.org)- you will find Case Law, the Laws of Kenya, the Parliamentary Hansards, the Kenya Gazette, and the Daily Cause List from various courts, Legal Notices and other publications.

## NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016

### (b) Key management

In the reporting period, the day-to-day management of the Council was under the following key organs:

1. Mr. Long'et Terer – Chief Executive Officer / Editor

### (c) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2016 and who had direct fiduciary responsibility were:

	<b>Designation</b>	<b>Name</b>
1.	CEO / Editor	- Mr. Long'et Kiprono Terer
2.	Ag. Deputy CEO/ SNR. Assistant editor	- Ms. Monica Mellan Achode
3.	Ag. Company Secretary and Team Leader- Law Reporting	- Mr. Cornelius W. Lupao
4.	Team Leader- HR & Administration	- Ms. Janette Lunyolo Watila
5.	Team Leader-Research and Development	- Ms. Linda Awuor Ochieng
6.	Team Leader- Finance	- Mr. Pascal Othieno Oluoch
7.	Team Leader- Laws of Kenya	- Ms.Wambui Kamau
8.	Team Leader-SMCC	- Ms. Emily Adhiambo Nakhungu
9.	Team Leader- ICT	- Mr. Martin L. O. Andago
10.	Team Leader- Strategy, Quality and Assurance	- Ms. Edna Kuria Muthaura
11.	Team Leader- Risk and Internal Audit	- Mr. Frederick Buchanan Abea

**(d) Fiduciary Oversight Arrangements**

**Audit and Finance & General Purposes Committee activities**

- (i) To monitor the integrity of the financial statements of the company and any formal communication relating to the company's financial performance, reviewing significant financial reporting judgments contained in them.
- (ii) To review the company's internal financial controls and risk management systems;
- (iii) To monitor and review the effectiveness of the company's internal audit function and make recommendations to the board, in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
- (iv) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.
- (v) To develop and implement policy on the engagement of the external auditor to supply audit services.

**Parliamentary Committee activities**

- i) Most parliamentary committees investigate specific matters of policy or government administration or performance. Other parliamentary committees are responsible for matters related to the internal administration of the Parliament.
- ii) Committees are able to do things which it would not be possible to undertake in the large, formal environment of the parliament, such as finding out the facts of a case or issue, gathering evidence from expert groups or individuals, sifting evidence and drawing up reasoned conclusions. This kind of work is more effectively carried out by small groups of Members.
- iii) An advantage of committees is that several of them can operate at one time enabling many more investigations to be conducted. Each committee has its own defined area of operation so that it is able to specialize and build up a body of expertise among its members.

**Development partner oversight activities**

- i) Monitor and review progress of projects in relation to the agreed performance contracts.
- ii) Provide recommendations regarding strategic directions, new opportunities for investment, and enhanced performance.
- iii) Approve the development projects budget proposal.

**(e) Council Headquarters**

P.O. Box 10443 – 00100,  
ACK Garden Annex,  
1<sup>st</sup> Ngong Avenue,  
Nairobi,  
KENYA

**(f) Council Contacts**

Telephone : 020 2712767  
E-mail: info@kenyalaw.org  
Website: www.kenyalaw.org

**(g) Council Bankers**

- i. Kenya Commercial Bank,  
Capital Hill Branch,  
P.O Box 69695 – 00400,  
Nairobi.
- ii. Barclays Bank of Kenya,  
Hurlingham Branch,  
P.O Box 34974 – 00100,  
Nairobi.

**(h) Independent Auditors**

Auditor General,  
Office of the Auditor General,  
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.

## LIST OF ABBREVIATIONS

1. AG – Attorney General
2. CPA(K) – Certified Public Accountant of Kenya
3. CSR – Corporate Social Responsibility
4. DPP – Director of Public Prosecutions
5. FLSTAP – Financial and Legal Sector Technical Assistance Project
6. HELB - Higher Education Loans Board
7. ICPAK – Institute of Certified Public Accountants of Kenya
8. ICT - Information communication and Technology department
9. IHRM – Institute of Human Resources Management
10. JPIP- Judiciary Performance Improvement Project
11. KCB OM - Kenya Commercial Bank -Operations and maintenance account
12. KNEC - Kenya National Examination Council
13. KSG - Kenya School of Government
14. KSL - Kenya School of Law
15. LLB – Bachelor of Laws
16. LLM – Master of Laws
17. MTEF – Medium term expenditure framework
18. NHIF- National Hospital Insurance fund
19. NSSF- National Social Security Fund
20. NCLR - National Council for Law Reporting
21. Ph.D – Doctor of Philosophy
22. RHC - Registrar of the High Court
23. SLDP- Senior Leadership Development Programme
24. SMCC - Sales, marketing and customer Care Department
25. SQUAPE – Strategy Quality Assurance and Performance Evaluation
26. UoN – University of Nairobi
27. WIBA – Workmans Injury Benefit Act
28. WHT VAT- With Holding Tax on vatable items

# NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016

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## II. THE NATIONAL COUNCIL FOR LAW REPORTING COUNCIL MEMBERS



Justice David Kenan, Chairman



Prof. Githu Muigai



Hon. Justice Roselyne Nambuye



Hon. Justice Lydia Achode



Ms. Christine Agimba



Prof. Annie Kameri Mbote



Ms. Eva Githinji-  
(Rep. Mr. Sylvester Migwi)



Mr. Michael Muchemi



Ms. Janet Kimeu



Mr. Long'et Terer




**NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016**

NAME	DATE OF BIRTH	DATE OF APPOINTMENT	QUALIFICATIONS	EXPERIENCE
Hon. Justice David Maraga - Chief Justice, President of the Supreme Court of Kenya	1951	2016	LLB- University of Nairobi LLM- University of Nairobi Post graduate diploma - Kenya School of Law	<ul style="list-style-type: none"> <li>• High Court Judge in 2003</li> <li>• Chairman the Kenya Judiciary Working Committee on Election Preparations (JWCEP) in 2012 and Judiciary Committee on Elections (JCE) in 2015</li> <li>• Presiding Judge of the Court of Appeal in Kisumu</li> </ul>
<p><b>1. Hon. Prof. Githu Muigai</b> Attorney General State Law Office &amp; Department of Justice</p>	1960	2013	<ul style="list-style-type: none"> <li>• PHD- UoN</li> <li>• LLM- Colombia University</li> <li>• LLB - UoN</li> <li>• Diploma in Law- KSL</li> </ul>	<ul style="list-style-type: none"> <li>• Lecturer- UoN</li> <li>• Partner, Mohammed Muigai &amp; Co. Advocates</li> </ul>
<p><b>2. Hon. Lady Justice Roselyne Nambuye</b> Judge of the Court of Appeal</p>	1952	2013	<ul style="list-style-type: none"> <li>• LLM- UoN</li> <li>• LLB - UoN</li> <li>• Diploma in Law- KSL</li> </ul>	<ul style="list-style-type: none"> <li>• Judge in the High Court of Kenya</li> <li>• Chairperson, Kenyan Women Judges Association</li> </ul>
<p><b>3. Hon. Lady Justice Lydia Achode</b> Judge of the High Court</p>	1962	2013	<ul style="list-style-type: none"> <li>• LLB- UoN</li> <li>• Diploma in Law- KSL</li> </ul>	<ul style="list-style-type: none"> <li>• Deputy Judge in Anticorruption and Economic crimes of High Court</li> <li>• Judge of high court in 2011</li> <li>• Registrar of High Court of Kenya</li> <li>• Member of Judges and Magistrates Association</li> </ul>


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<p><b>4. Ms. Janet Kimeu</b> Advocate, Law society of Kenya</p>	<p><b>1975</b></p>	<p><b>2015</b></p>	<ul style="list-style-type: none"> <li>• LLM</li> <li>• LLB</li> <li>• Diploma in Law- KSL</li> </ul>	<ul style="list-style-type: none"> <li>• Partner at J. M. Mutua &amp; Co. advocatess</li> <li>• Member of The Law Society of Kenya</li> </ul>
<p><b>5. Mr. Michael Muchemi</b> Advocate, Law society of Kenya</p>	<p><b>1983</b></p>	<p><b>2015</b></p>	<ul style="list-style-type: none"> <li>• LLB-</li> <li>• Diploma in Law- KSL</li> </ul>	<ul style="list-style-type: none"> <li>• Partner at Muchemi &amp; Company Advocates</li> <li>• Member of the Law Society of Kenya</li> </ul>
<p><b>6. Ms. Christine Agimba</b> Deputy Solicitor General, State Law Office</p>	<p><b>1963</b></p>	<p><b>2013</b></p>	<ul style="list-style-type: none"> <li>• LLM- University of Warwick, England</li> <li>• LLB- UoN</li> <li>• Diploma in Law- KSL</li> </ul>	<ul style="list-style-type: none"> <li>• Project Manager- FLSTAP (World Bank funded project through Ministry of Finance)</li> </ul>
<p><b>7. Prof. Annie Patricia G. Kameri-Mbote</b> Dean, School of Law, University of Nairobi</p>	<p><b>1964</b></p>	<p><b>2012</b></p>	<ul style="list-style-type: none"> <li>• LLB: University of Nairobi</li> <li>• Diploma in Law- KSL</li> <li>• Ph.D. Stanford University</li> <li>• LLM: University of Warwick, Stanford University</li> </ul>	<ul style="list-style-type: none"> <li>• Founding Research Director of IELRC and the Programme Director for Africa</li> <li>• Dean, School of Law- UoN</li> <li>• Director of Research and Policy Outreach and Acting Executive Director at the African Centre for Technology Studies, Nairobi</li> </ul>
<p><b>8. Mrs Eva Githinji - Kimeiywo (Representing Mr.Sylvester Migwi)</b> Senior Printer, Proof Reading Department, Government Press</p>	<p><b>1975</b></p>	<p><b>2014</b></p>	<ul style="list-style-type: none"> <li>• Bachelor of Arts in Communication (Publishing)</li> <li>• Diploma in Printing Technology</li> </ul>	<ul style="list-style-type: none"> <li>• Quality Management Representative</li> </ul>
<p><b>9. Mr.Long'et Terer</b> Chief Executive/Editor, National Council for Law Reporting</p>	<p><b>1978</b></p>	<p><b>2015</b></p>	<ul style="list-style-type: none"> <li>• LLM: Durham University, United Kingdom</li> <li>• LLB Bangalore University, India</li> <li>• Diploma in Law- KSL</li> </ul>	<ul style="list-style-type: none"> <li>• Editor at NCLR</li> <li>• Snr. State Counsel, Office of the AG and DPP</li> </ul>

III. MANAGEMENT TEAM

<p><i>key manager's photo, name and title</i></p>	<ul style="list-style-type: none"> <li>• <i>key profession/academic qualifications</i></li> <li>• <i>main area of responsibility</i></li> </ul>
 <p>1. Mr. Long'et Kiprono Terer <b>CEO/Editor</b></p>	<ul style="list-style-type: none"> <li>• <i>LLM, LLB</i></li> <li>• <i>Diploma in Law- KSL</i></li> <li>• <i>Corporate Law, Change Management and Senior Management Certificate</i></li> </ul> <p><b>Responsibilities</b></p> <ol style="list-style-type: none"> <li>a. The Administration and management of NCLR;</li> <li>b. Coordinating with the Council to define the strategic priorities of the Council in order to secure the successful achievement of its mandate (vision/mission);</li> <li>c. Support the operations and administration of the Council by advising and informing Council members and supporting Council's performance evaluation;</li> <li>d. Overseeing the implementation of decisions and resolutions and managing the corporate governance relationship between the members of staff and the members of the Council</li> </ol>
 <p>2. Monica Mellan Achode <b>Deputy CEO/ Senior Assistant editor</b></p>	<ul style="list-style-type: none"> <li>• <i>LLB, LLM</i></li> <li>• <i>Diploma in Law- KSL</i></li> <li>• <i>SLDP- KSG</i></li> </ul> <p><b>Responsibilities</b></p> <ol style="list-style-type: none"> <li>a. To assist the Chief Executive/Editor in the development and implementation of the Council's Corporate Strategy.</li> <li>b. To deputise the Chief Executive/Editor in exercising managerial oversight over three core functions of the Council, namely, Law Reporting, Law Revision and Research and Development.</li> <li>c. To guide and work with the Departmental Managers in the implementation of the corporate strategy</li> </ol>
 <p>3. Mr. Cornelius Wekesa Lupao <b>Team Leader – Law Reporting</b></p>	<p><b>Team Leader – Law Reporting</b></p> <ul style="list-style-type: none"> <li>• <i>LLB- UON</i></li> <li>• <i>Diploma in Law- KSL</i></li> <li>• <i>SLDP- KSG</i></li> <li>• <i>Policy and legislative Drafting</i></li> <li>• <i>Professional Training Program in the art of Advanced Trial Advocacy Skills</i></li> </ul> <p><b>Responsibilities</b></p> <ol style="list-style-type: none"> <li>a. Guiding the Law Reporting department internalizing the Council's values and Strategic Plan and in the</li> </ol>

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	<p>fulfilment of the Department's responsibilities under the Plan;</p> <p>b. Co-ordinating the implementation of the Law Reporting Policy and Procedures Manual;</p> <p>c. Undertaking the revision, consolidation and updating of the Kenya Law reports and co-ordinating the preparation of all related publications</p>
 <p>4. Ms. Janette Lunyolo Watila <b>Team Leader- HR and Administration.</b></p>	<ul style="list-style-type: none"> <li>• <i>MSC in Human Resource Management</i></li> <li>• <i>Bachelors in Business Administration (Management Option)</i></li> <li>• <i>Certificate in Strategic Planning</i></li> <li>• <i>Member of IHRM</i></li> </ul> <p><b>Responsibilities</b></p> <p>a. To ensure that the Council attracts and retains the optimum number of employees with the required skills, expertise and competence</p> <p>b. To guide and advise the CEO/Editor and other Managers to identify, train, mentor and groom employees to progressively take up responsibilities;</p> <p>c. To develop and implement a Human Resource Policies and Procedures Manual</p> <p>d. To ensure compliance by the organization with the Constitution, all the laws, rules and regulations governing employment and labour relations</p>
 <p>5. Ms. Linda Achieng Awour <b>Team Leader- Research and Development</b></p>	<ul style="list-style-type: none"> <li>• <i>LLB,LLM- UON</i></li> <li>• <i>Diploma in Law- KSL</i></li> <li>• <i>SLDP</i></li> </ul> <p><b>Responsibilities</b></p> <p>a. Reviewing and analysing legislation and conceptualizing and implementing publication schemes and information products that enhance public access to Legal Information</p> <p>b. Setting and documenting the standards for and sharing of best practices in organizational research and development and legal publishing in Kenya and beyond</p> <p>c. Co-ordinating in the planning, management, co-ordination and controlling the affairs of the Department;</p> <p>d. Partnering with other departments, stakeholders, development partners and such other entities for the effective carrying out of the Organizations mandate and for improved access.</p>



6. Mr. Pascal Othieno Oluoch  
Team Leader- Finance

- *MBA (Strategic Management)*
- *BBM (Accounting)*
- *CPA(K)*

**Responsibilities**

- a. Preparation of budgets, budgetary implementation and control;
- b. Project financial appraisal and management, Revenue and expenditure management; Payroll management
- c. Financial reporting and analysis
- d. Collation of financial estimates and preparation of cash flow forecasts, aggregate expenditure and variance analysis.



7. Ms. Wambui Kamau  
Team Leader- Laws of Kenya

- *LLB*
- *Diploma in Law- KSL*
- *Professional qualifications in Organisational Performance Index (OPI)*

**Responsibilities**

- e. Guiding the Laws of Kenya department internalizing the Council's values and Strategic Plan and in the fulfillment of the Department's responsibilities under the Plan;
- f. Co-ordinating the implementation of the Law Revision Policy and Procedures Manual;
- g. Keeping the Law Revision Policy, manuals and workflow processes continuously under review and updated;
- h. Undertaking the revision, consolidation and updating of the Laws of Kenya and co-ordinating the preparation of all related publications



8. Ms. Emily A. Nakhungu  
Team Leader- SMCC

- *Bachelor of Arts in Communication and Media*
- *Organizational Performance Index*
- *Certificate in Customer Service Excellence*

**Responsibilities**

- Be involved in development and implementation of the department's strategies and initiatives in the Council;
- Be responsible for developing and implementing the Customer Care Plan which will meet the organizational goal of expanding the Council's customer base;
- Work with the Sales support teams to achieve customer satisfaction, revenue generation, and long-term sales and marketing goals in line with the Department and Council's vision, mission and values;

## NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016



9. Mr. Martin L. O Andago  
**Team Leader- ICT**

- *BSC Business Information Systems*
- *Linux system Essential Training*
- *Oracle Workforce Development Programme*

**Responsibilities**

- a. To support the organization in conceptualizing and application of creative, innovative, appropriate, reliable and integrated technological solutions that enable the Council to efficiently and effectively fulfill its mandate;
- b. To support the organization in the application of world-class technology for law reporting, legal publishing, legal research, law revision and knowledge;
- c. To continuously transform and improve the operational efficiency of the Council by the application of appropriate technologies;



10. Ms. Edna Kuria Muthaura  
**Team Leader- SQUAPE**

- *LLB, LLM*
- *Diploma in Law- KSL*
- *ISO Lead Auditor and Commissioner of Oaths*

**Responsibilities**

- Lead and manage the corporate affairs function of the Council and act as the Company Secretary and in-house legal counsel;
- Formulate, document and implement good corporate governance practices;
- Formulate and implement organizational risk management/business continuity management strategies



11. Mr. Fredrick Buchanan O. Abea  
**Team Leader- Risk and Internal Audit**

- *BBM (Finance & Banking)*
- *CPA(K)*
- *Diploma in Accountancy-KNEC*

**Responsibilities**

- a. Performing audit procedures to verify that controls are operating.
- b. Develop a flexible annual plan, using an appropriate risk based methodology and including any risks or control concerns identified by Management, and submit the plan to the Audit Committee for review and approval
- c. Implement the approved audit plan including any special tasks and projects requested by the Audit Committee, and Top Management

#### IV. CHAIRMAN'S STATEMENT



The National Council for Law Reporting plays a critical role in the judicial process, as it is the institution, which acts as the repository of all the jurisprudence that is generated by the courts of the Republic of Kenya.

This is the fourth year of the implementation of Kenya Law's Strategic Plan, which set forth, ambitious and far reaching targets for the organization. I am pleased to report that most of these goals have been met and in some cases surpassed.

The financial year 2015/2016 offered us an opportunity to strengthen our internal processes as part of the wider improvements that we have been undertaking. In this regard the Council for Law Reporting adopted a revised and updated board charter, which will guide its operations in accordance with the standards that have been set by *Mwongozo* – the corporate governance standards for state corporations.

We have also enhanced and improved the internal audit oversight function with the objective of providing independent oversight of Kenya Law's financial reporting and internal control systems: ensuring checks and balances so as to guarantee appropriate remedial action is always taken in time thus enhancing the quality, integrity and reliability of the organization's financial reporting and internal controls.

Kenya Law aims to make public legal information accessible so as to promote the rule of law. We are happy that in this financial year we were able to receive additional funding from the World Bank under the Judiciary Performance Improvement Project (JPIP) to undertake a programme, which we have named "Know your Law" whose objectives are to simplify the text of statutes; translate them into Kiswahili and sensitize the public so that they may be empowered to continue engaging the various governance structures of the country.

On the overall, Kenya Law has made some tremendous gains in the period under review and as we draw closer to the end of our strategic plan period, we are relooking at our activities and priorities and already strategizing for the next planning period.

I would like to thank the Council and the management at Kenya Law for their contribution towards making this organization a proactive, dynamic and successful state corporation.

A handwritten signature in black ink, appearing to read 'David Kenani Maraga'.

Hon. David Kenani Maraga, EGH  
Chief Justice & President of the Supreme Court  
**Chairman, National Council for Law Reporting**

## V. REPORT OF THE CHIEF EXECUTIVE OFFICER



The Financial Year 2015/2016 was a transitional year at the Board of Kenya Law as the then Chairperson, Hon Dr Willy Mutunga, retired from the position of Chair in June 2016. We now have a new Chair, Hon Justice David K. Maraga, EGH, Chief Justice and President, Supreme Court of Kenya. In his inaugural speech the Hon Chief Justice Maraga promised to focus on the improvement of service delivery in the justice sector by enhancing access to justice for all while improving performance and accountability within the Judiciary. These are values, which underpin Kenya Law's ethos.

Kenya Law has continued to discharge its mandate of tracking Kenya's jurisprudence and this has seen more than 10,000 judicial decisions collected and disseminated through our website [www.kenyalaw.org](http://www.kenyalaw.org). We have also ensured that the Laws of Kenya database, which contains both national and county legislation, is up dated and current as it is the reference point for Kenyans on the legal regime of Kenya. These activities were made possible by the government grants of 255 million that we received in the financial year. This amount was 4 million less than what we received in the previous year but we were able to supplement this using various donor-supported initiatives.

Though we fell short of the sales target for the year we were able to double our sales income as compared to the previous financial year as there was an increase of 45% in the overall sales figures. We purpose to improve our A in A collections in the coming year by exploring other innovative and effective ways in which we can ensure the sale of our publications and other online services.

We recognize that Kenya Law employees are the its most important resource and we therefore spent 11% more on employee costs in the year as we effected promotions for 67% of the staff members. These, together with continued improvements in the work environment are meant to enhance productivity and efficiency within the organization.

In addition to this we also commenced the re-engineering of our workflow processes so as to ensure that our processes and systems compliment the objectives we have set. Kenya Law therefore committed to undertake the development of a Quality Management System (QMS) and it is hoped that at the end of the process Kenya Law will be certified as being ISO 9001:2015 compliant.

This year also marked the beginning of the implementation of the Performance Management and Measurement Understanding (PMMU) framework with the Judiciary. This framework was signed against the objectives specified in our Strategic Plan *i.e.* to enhance the modalities of generating and disseminating public legal information; to review and develop appropriate policies and guidelines and legislation for achieving institutional mandates; to enhance the capacity of the institution to discharge its mandate through the provision and management of human, infrastructure and ICT resources; and to create an institutional brand that enhances the visibility of the products and services of the organization. In the cycle that ended June

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human, infrastructure and ICT resources; and to create an institutional brand that enhances the visibility of the products and services of the organization. In the cycle that ended June 2016, Kenya Law was evaluated and achieved an aggregate score of 2.851, which constituted an overall achievement of Very Good. While we note that this was a good performance, we continue to aim even higher. Our aspiration is to achieve an excellent to outstanding score in the provision of our services to our clients while achieving the same score in our PMMU.

I would like to take this opportunity to appreciate the Council for their constant and timely guidance and to thank all the staff at Kenya Law for their consistent hard work and dedication that has led to the achievement of these results.



Long'et Terer,  
Chief Executive Officer/ Editor,  
**National Council for Law Reporting**

## V. CORPORATE GOVERNANCE STATEMENT

The National Council for Law Reporting regards corporate governance as critical to the success of the organization. Our approach to governance remains unchanged. It begins with the recognition that governance is not simply a set of rules but the framework supporting core values which define what is and what is not acceptable. It is an expression of the way we want to conduct ourselves which informs actions and decisions whether or not there is a specific rule for the situation, and which supports the culture and behaviours that we wish to foster.

The operations of NCLR are conducted in accordance with the best practices anchored in principles of accountability and transparency as well as compliance with relevant laws and regulations. In this context, the organization discharges its mandate based on strong corporate governance principles through application of high and consistent ethical standards. Accordingly the organization attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

The Council defines the organization's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. It is the responsibility of the Council Members to ensure that the NCLR implements sound corporate governance and evaluate the Corporate Governance statement and other policies and procedures that benefit the organization and its stakeholders. NCLR aims to ensure that the maximum possible value is created for its stakeholders. Good corporate governance shall ensure an appropriate distribution of roles between the owners, the Council and the management team, and also contribute to reducing risk and ensuring sustainable value creation.

The governance framework, the corporate culture and human relationships that underpin all governance frameworks, are operating as expected. The roles and functions of the Chairman and the Editor/CEO are distinct and their respective responsibilities clearly defined within the organization. The Council comprises of ten (10) Council Members, nine (9) of whom are non-executive members of the Council including the Chairman.

The Council has developed a Charter to guide its operations is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities. The Council has set up the following Committees, which meet under well-defined terms of reference:

- i) Audit Committee
- ii) Finance and General Purposes Committee
- iii) Technical Committee
- iv) Human Resources Committee

**VII. REPORT OF THE COUNCIL MEMBERS**

The Council Members submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of NCLR affairs.

**Principal activities**

The principal activities of NCLR continue to be:

- i) To publish the official reports of the judicial opinions of the superior courts of Kenya. The Council is the designated publisher of the Kenya Law Reports, which are the official law reports of the Republic of Kenya.
  
- ii) To revise, consolidate and publish the Laws of Kenya, through Legal Notice No. 29 of 2009, through which the Attorney General has delegated to the Council the powers of law revision conferred by sections 7 and 8 of the Revision of Laws Act.
  
- iii) To publish such other related publications as it deems necessary. On the Council's website - [www.kenyalaw.org](http://www.kenyalaw.org)- you will find Case Law, the Laws of Kenya, the Parliamentary Hansards, the Kenya Gazette, and the Daily Cause List from various courts, Legal Notices and other publications.

**Results**

The results of the National Council for Law reporting for the year ended June 30, 2016 are set out on *page 1 below*.

**Council Members**

The members of the Council who served during the reporting period are shown on *page vi* in accordance with the *NCLR Act No. 11 of 1994*.

**Auditors**

The Auditor General is responsible for the statutory audit of NCLR in accordance with the Public Audit Act 2015.

By Order of the Council



Council Secretary  
Nairobi

Date: .....



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VII. STATEMENT OF COUNCIL MEMBERS RESPONSIBILITIES

Section 89 of the Public Finance Management Act, 2012 and The State Corporations Act Cap 446 of laws of Kenya, require the Council to prepare financial statements in respect of National Council for Law Reporting, which give a true and fair view of the state of affairs of the Council at the end of the financial year and the operating results of the Council for that year.

The Council Members are also required to ensure that the Council keeps proper accounting records which disclose with reasonable accuracy the financial position of the Council. The Council members are also responsible for safeguarding the assets of the Council.

Further, the Council Members are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council for and as at the end of the financial year ended on June 30, 2016.

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

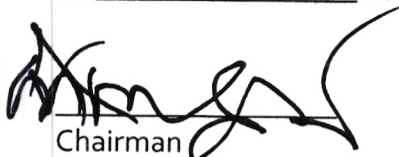
The Council members accept responsibility for the Council's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act.

The Council members are of the opinion that the Council's financial statements give a true and fair view of the state of Council's transactions during the financial year ended June 30, 2016, and of the Council's financial position as at that date. The members further confirm the completeness of the accounting records maintained for the Council, which have been relied upon in the preparation of the Council's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

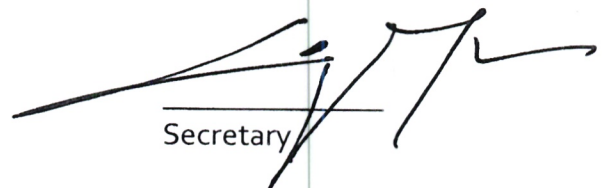
The financial statements for National Council for Law Reporting were approved by the Council on 30<sup>th</sup> DECEMBER 2016 and signed on its behalf by:



Chairman



Member



Secretary

## VI. REPORT OF THE INDEPENDENT AUDITORS ON THE NATIONAL COUNCIL FOR LAW REPORTING

We have audited the accompanying (consolidated) financial statements of *The National Council For Law reporting for the year ended June 30 2016*, which comprise: (i) a statement of financial performance; (ii) a statement of financial position; (iii) a statement of changes in net assets; (iv) a statement of cash flows; (v) a statement of comparison of budget and actual amounts and (v) a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

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

### **Auditors' responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit 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 auditors' 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 Council'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 management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the accompanying financial statements for the year 2015/2016 and its financial performance as well as cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

\_\_\_\_\_  
Auditor General

\_\_\_\_\_  
Date

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### **REPORT OF THE AUDITOR-GENERAL ON NATIONAL COUNCIL FOR LAW REPORTING FOR THE YEAR ENDED 30 JUNE 2016**

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the National Council for Law Reporting set out on pages 1 to 25, which comprise the statement of assets as at 30 June 2016, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

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

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

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. 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

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*Report of the Auditor-General on the Financial Statements of National Council for Law Reporting for the year ended 30 June 2016*

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.

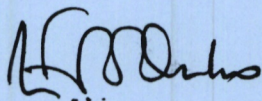
### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Council for Law Reporting as at 30 June 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with National Council for Law Reporting Act, 1994.

### **Other Matter**

#### **Classification of Account**

During the year, the Council acquired software worth Kshs.6,321,960 which was however classified as general expenses instead of intangible assets as required. My opinion is not qualified in respect of this matter.



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

**Nairobi**

**08 May 2017**

**VII. STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2015-2016 Kshs	2014-2015 Kshs
<b>Revenue from non-exchange transactions</b>			
Transfer from government(gifts in kind)	1	255,961,000	259,941,190
<b>Other Income</b>			
Grants From JPIP	1	15,422,028	15,238,493
Deferred Income	2	6,226,641	-
Transfers : gifts and services-in-kind	1	4,212,750	-
		<b>281,822,419</b>	<b>276,846,933</b>
<b>Revenue from exchange transactions</b>			
Sale of Kenya Law Reports and other related publications		9,924,826	6,810,504
Cost of Sales		(5,919,988)	(4,517,467)
<b>Gross Profit</b>		<b>4,004,838</b>	<b>2,293,037</b>
<i>Other incomes</i>	2	-	1,313,962
		<b>4,004,838</b>	<b>3,606,999</b>
<b>Total revenue</b>		<b>285,827,257</b>	<b>280,453,932</b>
<b>Expenses</b>			
Employee Costs	3	133,948,816	119,928,333
Remuneration of Council Board Members	4	2,088,000	1,415,000
Depreciation and amortization expense	5	25,165,921	16,660,439
Repairs and maintenance	6	2,883,668	6,261,366
Contracted services	7	19,687,436	32,343,053
Corporate Donations	8	2,068,941	27,000
General expenses	9	87,432,366	86,701,687
Finance costs	10	164,368	191,458
<b>Total expenses</b>		<b>273,439,516</b>	<b>263,528,336</b>
<b>Other gains/(losses)</b>			
Foreign Exchange Loss	11	8,040	14,406
<b>Surplus before tax</b>		<b>12,379,701</b>	<b>16,911,190</b>
Taxation (Tax Exempt)		(-)	(-)
<b>Surplus for the period</b>		<b>12,379,701</b>	<b>16,911,190</b>

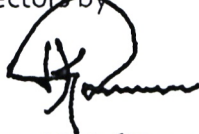
The notes set out on pages 6 to 25 form an integral part of the Financial Statements

# NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016

## XI. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2015-2016 Kshs	2014-2015 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	4,018,767	2,201,687
Receivables from exchange transactions	13	14,941,335	11,507,235
Receivables from non-exchange transactions	13	853,217	687,212
Inventories	14	191,811,581	156,628,184
		<b>211,624,900</b>	<b>171,024,318</b>
<b>Non-current assets</b>			
Property, plant and equipment	15	75,301,705	79,431,801
Intangible assets	16	5,846,670	7,308,338
Long term receivables from exchange transactions	17	3,780,255	3,780,255
		<b>84,928,630</b>	<b>90,520,394</b>
<b>Total assets</b>		<b>296,553,530</b>	<b>261,544,712</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	18	32,258,125	17,760,222
Bank Overdrafts		-	287,233
Provision for Audit Fees		900,000	3,880,000
		<b>33,158,125</b>	<b>21,927,455</b>
<b>Other current liabilities</b>			
Pension Contributions	19	1,189,502	1,051,746
Deferred Income	2	171,705,851	160,445,161
<b>Total liabilities</b>		<b>206,053,478</b>	<b>183,424,362</b>
<b>Net assets</b>			
Capital fund		23,565,276	23,565,276
Retained Earnings		66,934,776	54,555,075
		<b>90,500,052</b>	<b>78,120,351</b>
<b>Total net assets and liabilities</b>		<b>296,553,530</b>	<b>261,544,713</b>

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



Editor / Chief Executive Officer

Date: 30<sup>th</sup> DECEMBER 2016



Chairman of the Council

Date: 30<sup>th</sup> DECEMBER 2016

**XI. STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2016**

**Attributable to the owners of the National Council for Law Reporting**

	<b>Capital Reserve</b> Kshs	<b>Retained Earnings</b> Kshs	<b>Total</b> Kshs
Balance as at 30 JUNE 2014	23,565,276	37,643,885	61,209,161
Surplus/(deficit) for the period	0	16,911,190	16,911,190
<b>Balance as at 30 JUNE 2015</b>	<b>23,565,276</b>	<b>54,555,075</b>	<b>78,120,351</b>
Surplus/(deficit) for the period	0	12,379,701	12,379,701
<b>Balance as at 30 JUNE 2016</b>	<b>23,565,276</b>	<b>66,934,776</b>	<b>90,500,052</b>

# NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016

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## XII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	2016 Kshs	2014/15 Kshs
<b>Cash flows from operating activities</b>		
Net Surplus / Deficit from operations	12,379,701	16,911,190
Add Back:		
Depreciation Expense	23,704,253	14,833,085
Amortization Expense	1,461,668	1,827,085
Deferred Income	(6,226,641)	
Loss on Disposal	2,068,941	
<b>Net cash flows from operating activities</b>	<b>33,387,922</b>	<b>33,571,360</b>
<b>Cashflows from Changes in working capital</b>		
Increase/Decrease in Receivables from exchange transactions	(3,434,100)	1,498,504
Increase/Decrease in Receivables from non- exchange transactions	(166,005)	(1,616)
Increase/Decrease in Inventories	(35,183,397)	604,121
Increase/Decrease in payables from exchange transactions	14,497,903	(537,961)
Increase/Decrease in payables for Audit fees	(2,980,000)	860,000
Increase/Decrease in payables- Employee Benefit obligation	137,756	(1,827,456)
<b>Net cash flows from Working capital</b>	<b>(27,127,843)</b>	<b>595,593</b>
<b>Net cash flows from Investing capital</b>		
Purchase of Fixed Assets	(4,155,767)	(31,519,475)
Purchase of software	-	(894,000)
<b>Net cash flows used in investing activities</b>	<b>(4,155,767)</b>	<b>(32,413,475)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,104,313</b>	<b>1,754,016</b>
Cash and cash equivalents at 1 JULY	1,914,454	160,439
<b>Cash and cash equivalents at 30 JUNE</b>	<b>4,018,767</b>	<b>1,914,454</b>

XI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Variance Performance difference
	2015-2016 Kshs	2015-2016 Kshs	2015-2016 Kshs	2015-2016 Kshs	2015-2016 Kshs	2015-2016
<b>Revenue</b>						
Government grants and subsidies	261,460,000	-	261,460,000	255,961,000	5,499,000	(2)
Income from sales of publications	28,776,000	-	28,776,000	9,924,826	18,851,174	(66) (a)
Other Income	64,480,000	4,212,750	68,692,750	25,861,419	42,831,331	(62) (b)
<b>Total income</b>	<b>354,716,000</b>	<b>4,212,750</b>	<b>358,928,750</b>	<b>291,747,245</b>	<b>67,181,505</b>	
<b>Expenses</b>						
Compensation of employees	139,279,109	-	139,279,109	133,948,816	5,330,293	4
Payment of Goods and services	159,638,034	-1,400,000	158,238,034	75,898,597	82,339,737	52(b)
Finance cost	260,000.00	-	260,000.00	164,368	95,632	37
Rent paid	20,662,857	-	20,662,857	19,786,583	876,274	4
Other payments	34,876,000	5,612,750	40,488,750	49,569,180	(9,080,430)	(22) (b)
Grants and subsidies paid	-	-	-	-	-	
<b>Total expenditure</b>	<b>354,716,000</b>	<b>4,212,750</b>	<b>358,928,750</b>	<b>279,367,544</b>	<b>84,134,360</b>	
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,379,701</b>		

- a) There was 66% under collection of Income from sales of publications occasioned by the inability of our institutional customers including the Judiciary and the State Law Office to commit on orders due to insufficient budgetary allocations for their Library votes.
- b) The 62% under absorption in other income is related to the under expenditure of 52% in payments of goods and services attributed to procurement delays for the JPIP funded programmes which had not been completed by the end of the financial year ending 30 June 2016. Other payments recorded an over absorption of 22% due to increased depreciation expense attributable to donated assets.

# NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016

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## XIV. NOTES TO THE FINANCIAL STATEMENTS

### 1. Statement of compliance and basis of preparation

#### a) Statement of compliance

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and the International Public Sector Accounting Standards (IPSAS) for non-commercial entities, The National Council for Law reporting 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 and all values are rounded to the nearest Kenya shilling. The accounting policies have been consistently applied to all the years presented.

#### b) Application of new and revised International Public Sector Accounting Standards (IPSAS)

- (i) *Relevant new standards and amendments to published standards effective for the year ended 30 June 2016*

Several new and revised standards and interpretations were effective during the year. The Council Board Members have evaluated the impact of the new standards and interpretations and none of them had an impact on the Council's financial statements.

- (ii) *Expected impact of issued relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2016*

The Council Board Members have evaluated the impact of the new standards not yet effective for the year and none of them had an impact on the Council's financial statements.

- (iii) *Early adoption of standards*

The NCLR Council did not early-adopt any new or amended standards in 2016.

#### c) Basis of preparation

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

## 2. Summary of significant accounting policies

### a) Revenue recognition

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

- Grants from the National Government  
NCLR recognizes grants from the National Government when the event occurs and the asset recognition criteria are met. An inflow of resources from a non-exchange transaction recognized as an asset shall be recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

- Donor Grants (Donations in Kind)  
Donor funds are received through Judiciary supported programmes and other development Agencies. Revenues from non-exchange transactions with donor entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) Under Donations in Kind; the economic benefits or service potential related to the asset will flow to the Council and can be measured reliably.

- Donor Grants (Conditional Grants)  
These funds are recognised at fair value when there is reasonable assurance that NCLR will comply with the Conditions attaching to them and the funds will be received. Donor funds related to purchase of assets are treated as deferred income and allocated to statement of financial performance income over the useful lives of the related assets while grants related to expenses are treated as donor fund income in the income statement.

- Recognition of Other Income

Include monies received from other transactions apart from sale of books e.g good will transfers, Funds for projects and grants in kind from other institutions used for training such as JPIP grants for members of staff capacity building activities. These are recognized when received.

#### ii) Revenue from exchange transactions

- Sale of goods

Revenue from the sale of legal publications such as Kenya law reports, laws of Kenya and other related publications such as Constitution of Kenya, Constitutional and supreme court digests 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

## NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016

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probable that the economic benefits or service potential associated with the transaction will flow to the Council.

### **b) Budget information**

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 NCLR. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Council operational 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**

The National Council for Law reporting is semi-autonomous State Corporation. For this purposes it is exempted from paying Corporation tax through a valid Tax exemption Certificate No. of 1995.

### **d) Property, plant and equipment**

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

The annual depreciation rates in use are as follows:

- Motor Vehicles - 20%
- Computer, Networks and other IT equipment - 33 1/3%
- Office Furniture and fixtures - 10%
- Office equipment - 15%

### **e) Intangible assets**

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

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

The depreciation rate as follows:

Intangible assets - 20%.

### **f) Inventories**

Inventory is measured at cost upon initial recognition.

Costs incurred in bringing each product to its present location and condition is accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

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

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

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

### **g) Nature and purpose of reserves**

The National Council for Law Reporting creates and maintains reserves in terms of specific requirements.

Reserves include:

- Capital Fund which is the sum of total assets that were transferred to NCLR on its delinking from the Judiciary in July 2006. This is treated as the start-up Capital of the institution.
- Retained earnings which are the sum of all accumulated surpluses and deficits as at the reporting date. The institutional policy is to credit any subsequent surpluses to and/or to charge any subsequent losses to this reserve as appropriate.

### **h) Changes in accounting policies and estimates**

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

### **i) Employee benefits:**

#### **Retirement benefit plans**

The Council provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which NCLR pays fixed contributions of 20% into a fund managed by ICEA Lion Insurance (Kenya) Limited, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

A Gratuity is payable to the Editor on completion of a periodic contract. This is budgeted for in the year it falls due for payment.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cash held in M-Pesa Account, 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 imprest and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

### **j) Comparative figures**

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

### **k) Financial Instruments: Recognition and Measurement**

The Council has ensured recognition and measurement of financial assets; financial liabilities and contracts to buy or sell non-financial items have been captured in line with IPSAS 29.

## **l) Related parties**

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 Entity, or vice versa. Members of key management are regarded as related parties and comprise the CEO, Deputy CEO and senior managers.

Other related parties include the Government of Kenya, Judiciary ( Main Ministry), Other development partners such as Transparency international, Council of governors, Kenya Police service. The policy of the Council is that all related parties should declare their interest at all times in any institutional process that might occasion a conflict of interest if they participated in the same without declaring their interest. This will then allow management to decide on the best way to execute the process in a manner that transparency and accountability is seen to have been adhered to.

## **m) Significant judgments and sources of estimation uncertainty**

The preparation of NCLR'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 was continued going concern anchored on; i) Continued government funding, and ii) Continued donor funding. NCLR 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 our control. Such changes are reflected in the assumptions when they occur.

### ***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

## NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016

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### ***Contingent Assets and Contingent Liabilities***

As a matter of policy, the National Council for Law Reporting makes provisions for contingent liabilities when there is a reasonable estimation that an event has occurred or will occur that has a potential of creating a measurable liability or loss to the institution. However, when an event has occurred or will occur that has a potential of creating a measurable benefit or Asset to the institution i.e. a Contingent assets, the institution only discloses the same in the notes to the financial statements. There were no contingent assets or liabilities reported in the year ended June 30, 2016.

### ***Provisions***

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. The provision for Audit fees has been subjected to this treatment.

#### **n) 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, 2016.

**WORKINGS ON NOTES TO THE FINANCIAL STATEMENTS**

**1. Revenues from Non-Exchange transactions**

	<b>2016</b>	<b>2015</b>
	Kshs	Kshs
Grants from The Government of Kenya	255,961,000	259,941,190
Grants in Kind from the World Bank (JPIP)	32,909,359	15,238,493
Grants from other development partners	4,212,750	1,667,250
<b>Total grants</b>	<b>294,083,109</b>	<b>276,846,933</b>

***Detailed analysis of the Grants to the National Council for Law Reporting.***

- a) Government of Kenya- There are non-conditional grants by the government allocated to NCLR for recurrent expenditure
- b) Judiciary performance improvement Project grants- are non-cash Income that refers to the monetary value of Assets and expenses for items procured by and paid by JPIP. Specifically, it includes rent expenses and service charge paid for under the JPIP. The expense items and Assets in this regard have been captured in the statement of financial performance and matched to this item of income
- c) Development partners (Transparency International/ Council of Governors) - Are conditional grants for consultancy services offered by the National Council for Law Reporting.

**2 a. Other Incomes**

	<b>2016</b>	<b>2015</b>
	Kshs	Kshs
Incomes from other sources	-	1,313,962
<b>Total</b>	<b>-</b>	<b>1,313,962</b>

*Other Income 2014/2015 was funds refunds by members of staff for trainings which had initially been paid for by the Council but were to be sponsored by the JPIP.*

**2 b. Deferred Income**

Deferred income for the year is recognised to be equivalent to the depreciated / used value of donated assets for the year.

<b>Item</b>	<b>Kshs</b>
Balance as at 30 JUNE 2015 transferred from Other Reserves (Capital Donations)	160,445,161
Add: Grants in Kind from the Judicial Performance Project (JPIP)	
Motor Vehicle	5,569,200
Furniture	9,160,000
Computers	2,758,131
<b>Totals as at 30 JUNE 2015</b>	<b>177,932,492</b>

## NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016

Less: Depreciated/used amounts transferred to deferred income	(6,226,641.00)
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<b>Balance C/F as at 30 JUNE 2016</b>	<b>171,705,851.00</b>
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### 3. Employee costs ( These are remunerative costs for 73 Members of staff)

	2016	2015
	Kshs	Kshs
Employee related costs - salaries and wages	49,309,908	43,171,206
Employee related costs - contributions to pensions, Nssf, Group life and medical scheme expenses	19,991,110	20,302,437
Transport allowance	8,584,000	8,388,000
House allowance	30,045,000	28,560,000
Airtime Allowance	1,881,000	1,708,500
Domestic Servant Allowance	171,600	-
Employee Reward and motivation costs	300,000	-
Extraneous Allowance	3,985,000	3,660,000
Entertainment Allowance	4,030,000	3,540,000
Non Practising Allowance	3,340,000	3,120,000
Gratuity	-	-
Leave Allowance	998,000	988,000
Responsibility Allowance	1,950,000	1,620,000
Security Allowance	1,935,000	1,857,500
Library Allowance	110,000	-
Special Duty Allowance	808,366	1,169,079
Training Expenses	6,287,521	1,633,626
WIBA	222,311	209,985
<b>Total Employee costs</b>	<b>133,948,816</b>	<b>119,928,333</b>

### Average No. of Employees at 30<sup>th</sup> June 2016

	2016	2015
Permanent Management	11	10
Permanent Employees	73	72
Temporary/ Contract employees	15	10

### 4. Remuneration of Council members

	2016	2015
	Kshs	Kshs
Allowances to Council members and Chairman's Honorarium	2,088,000	1,415,000
<b>Total Council members remuneration</b>	<b>2,088,000</b>	<b>1,415,000</b>

### 5. Depreciation and amortization expense

## NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016

	2016 Kshs	2015 Kshs
Property, plant and equipment	23,704,253	14,833,354
Intangible assets	1,461,668	1,827,085
Total depreciation and amortization	25,165,921	16,660,439

### 6. Repairs and maintenance

Maintenance of Communication Equipment  
 Maintenance of Computers  
 Maintenance of Furniture  
 Maintenance of Plant, MC and Equipment  
 Motor Vehicle repairs and Maintenance and cleaning  
 Total repairs and maintenance

### 7. Contracted services

	2016 Kshs	2015 Kshs
Contracted Professional services	12,328,507	21,948,351
Contracted Technical Services	5,095,546	6,650,711
Courier and Postage	2,263,383	3,743,991
Total contracted services	<b>19,687,436</b>	<b>32,343,053</b>

### 8. Corporate Donations

	Kshs	Kshs
Corporate donations	2,068,941	27,000
<b>Total Donations</b>	<b>2,068,941</b>	<b>27,000</b>

Corporate donations for the year refer to the fair value of excess furniture donated through a disposal committee process to the Mbagathi District Hospital as part of a Corporate Social Responsibility exercise for the financial year 2015/2016 (Note 15).

### 9. General expenses

The following are included in general expenses:

	2016	2015
Accessories for Computers and Printers	1,513,193	1,958,885
Audit Fees	810,000	860,000
Cleaning of Motor Vehicles	-	116,554
Parking Fees	869,090	1,409,470
Telephone Expenses	1,633,042	1,546,127

## NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016

Motor Vehicle Insurance	-	244,966
Motor Fuels and Lubricants	298,342	454,520
Domestic Sundry	1,596,401	1,287,045
Foreign Sundry	223,295	284,749
Foreign Travel	2,117,033	1,675,000
Domestic Travel	3,062,771	4,355,322
Domestic Accommodation	2,553,560	5,232,196
Foreign Subsistence	837,752	1,993,100
Domestic Subsistence	8,313,706	5,342,556
Foreign Accommodation	568,599	-
Rent Expense	19,786,583	19,204,674
Advertising and Publicity	2,286,114	3,558,299
Casual Labour	-	1,519,152
Catering Costs	2,888,833	3,596,595
Conferences/Seminars for Committees	2,498,885	692,850
Computer Software Expenses	6,321,960	-
Education and Library	1,039,684	1,027,203
General Office Supplies	1,254,981	2,394,172
Internet Connections	1,858,844	-
Laundry Expenses	57,250	-
Legal Fees, Dues and arbitration costs	-	504,000
Membership Fees and subscription to Professional Bodies	297,360	337,340
Current Transfers, Grants and Subsidies	-	1,702,256
Publishing and Printing Services	14,550,310	17,251,020
Sanitation services and Dry Cleaning	632,550	868,103
Subscriptions to Newspapers	785,467	-
Temporary Committee Costs	3,125,000	2,725,100
Utilities (Cleaning, Security and cooking Gas)	2,238,459	2,970,228
Trade shows and Exhibitions	3,413,302	1,590,205
<b>Total general expenses</b>	<b><u>87,432,366</u></b>	<b><u>86,701,687</u></b>

### 10. Finance costs

	2016	2015
	Kshs	Kshs
Bank Charges	164,368	191,458
<b>Total Finance Costs</b>	<b><u>164,368</u></b>	<b><u>191,458</u></b>

### 11. Foreign Exchange Loss

	2016	2015
	Kshs	Kshs
Foreign Exchange loss	8,040	14,406
<b>Total Foreign Exchange loss</b>	<b><u>8,040</u></b>	<b><u>14,406</u></b>

# NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016

## 12. Cash and cash equivalents

	2016	2015
	Kshs	Kshs
Bank Overdraft	-	287,233
Bank Overdraft KCB OM Account	-	287,233
	2016	2015
	Kshs	Kshs
KCB OM Account	2,049,587	-
KCB Donations and Grants account	17,773	25,813
Barclays Bank Account (revenue)	1,542,977	2,064,124
Cash-on-hand (Petty cash and M-Pesa)	408,430	111,750
<b>Total cash and cash equivalents</b>	<b><u>4,018,767</u></b>	<b><u>2,201,687</u></b>

Details of the cash and cash equivalents

### 12 (a) Banks

Name of the Bank	Bank Account Number	Currency	2016 Kshs	2015 Kshs
KCB O&M account	1103135449	KSH	2,049,587	-
KCB Donations and Grants account	1131298241	USD	17,773	25,813
Barclays Bank of Kenya	0451230484	KSH	1,542,977	2,064,124
<b>Total</b>			<b>3,610,337</b>	<b>2,089,937</b>

### 12 (b) Cash at hand

Form of cash holding e.g liquid cash, MPESA, e.t.c	2016 Kshs	2015 Kshs
Cash at hand	107,240	12,000
MPESA	301,190	99,750
<b>Total</b>	<b>408,430</b>	<b>111,750</b>

### 13. Receivables from Transactions

	2016	2015
	Kshs	Kshs
Receivables from Exchange transactions (Sale of Law reports and other Legal Publications by NCLR)	14,941,335	11,507,235
Imprest refunds receivable	7,597	
Receivables from Non-Exchange Transactions (salary Advances offered to staff members as per HR manual)	845,620	687,212
<b>Total current receivables</b>	<b><u>15,794,552</u></b>	<b><u>12,194,447</u></b>

## NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016

### 14. Inventories

	2016 Kshs	2015 Kshs
Stock of Kenya Law Reports	188,680,977	153,331,234
Stock of Library Books	3,099,474	3,099,474
Stock of stores Supplies	31,130	197,476
Total inventories at the lower of cost and net realizable value	191,811,581	156,628,184

### 15. Property, plant and equipment

	Computer Equipment Kshs	Furniture and Fittings Kshs	Motor Vehicle Kshs	Office Equipment Kshs	Total Kshs
<b>Cost</b>					
At 1 <sup>st</sup> July 2012	39,503,827	2,047,139	961,806	1,900,419	44,413,191
At 1 <sup>st</sup> July 2013	31,305,247	2,838,054	961,806	3,442,014	38,547,121
At 1 <sup>st</sup> July 2014	38,952,324	31,299,226	615,556	8,756,920	79,624,026
Additions	14,064,802	13,994,197	-	3,460,207	31,519,206
At 30 June 2015	41,686,056	45,293,423	615,556	12,217,126	99,812,161
At 1 <sup>st</sup> July 2015	41,686,056	45,293,423	615,556	12,217,126	99,812,161
Additions (NCLR)	927,159	1,211,000	-	2,017,608	4,155,767
Additions (Donor)	2,758,131	9,160,000	5,569,200	-	17,487,331
Disposals	-	(2,068,941)	-	-	(2,068,941)
At 30 June 2016	45,371,346	53,595,482	6,184,756	14,234,734	119,386,318
<b><u>Depreciation and Impairment</u></b>					
<b>Accumulated Depreciation as at 1<sup>st</sup> July 2015</b>	13,895,338	4,529,342	123,111	1,832,569	20,380,360
Depreciation Charge for the year	14,972,544	5,359,548	1,236,951	2,135,210	23,704,253
<b>Accumulated Depreciation as at 30<sup>th</sup> June 2016</b>	28,867,882	9,888,890	1,360,062	3,967,779	44,084,613
<b><u>Net Book Values</u></b>					
As at 30 June 2016	16,503,464	43,706,592	4,824,694	10,266,955	75,301,705
As at 30 June 2015	27,790,718	40,764,081	492,445	10,384,557	79,431,801

### 16. Intangible assets

**NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016**

<b>Cost</b>	KShs
At 1 July 2014	9,135,423
Additions	-
At 30 June 2015	9,135,423
Additions	-
At 30 June 2016	<u><b>9,135,423</b></u>

**Amortization and impairment**

At 1 July 2014	
Amortization	(1,827,085)
At 30 June 2015	
Amortization	(1,461,668)
At 30 June 2016	<u><b>(3,288,753)</b></u>
 Net book values	
<b>At 30 June 2016</b>	<b>5,846,670</b>
<b>At 30 June 2015</b>	<b>7,308,338</b>

**17. Long term Receivables from exchange transactions**

	<b>2016</b>	<b>2015</b>
	Kshs	Kshs
Long term receivables from exchange transactions	<u>3,780,255</u>	<u>3,780,255</u>
	<u><b>3,780,255</b></u>	<u><b>3,780,255</b></u>

The Long term receivables from exchange transactions refer to a rent deposit paid for the of the Councils secretariat offices.

**18. Trade and other payables from exchange transactions**

	<b>Ksh</b>	<b>Ksh</b>
PAY as you Earn	2,409,634	4,997,710
VAT	665,470	414,746
Donations Payable	165,000	165,000
HELB Payable	277	39,367
Insurance Payable	11,514	48,981
Loan Payable	836,960	671,156
NHIF Payable	4,600	1,600
Payable to RHC	203,794	203,794
NSSF Payable	58,000	56,400
Sheria SACCO Payable	1,582,029	1,323,575
Welfare Payable	102,300	205,100
Other Payables	26,218,547	9,632,793
	<u><b>32,258,125</b></u>	<u><b>17,760,222</b></u>

## NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016

### 19. Pension Contributions

	2016 Kshs	2015 Kshs
Pensions Contributions due – Employee	396,501	350,582
Pensions Contributions due - Employer	793,001	701,164
	<b>1,189,502</b>	<b>1,051,746</b>

### 20. Capital Commitments

Capital commitments at the end of the year for which provision has been made in the financial statements. This was in relation to commitments made for publication and printing of Kenya Law Reports, conducting a Customer Satisfaction Survey and a Quality Management System certification, all programs that are in progress. These payments are to crystallize in the financial year 2016/2017.

	2016 Kshs	2015 Kshs
Authorised and contracted for	26,218,547	9,632,793
Authorised but not contracted for	-	-
	<b>26,218,547</b>	<b>9,632,793</b>

### 21. Operating lease commitments

Operating lease commitments represent rent expenses payable by the Council for its leased office premises and warehouse.

	2016	2015
Due within 1 Years	23,043,705.20	19,204,674
Due within 2-5 years	20,976,940.82	49,493,786
<b>Total</b>	<b>44,420,646.02</b>	<b>68,698,460</b>

NCLR has no commitments to operating leases in the later than 5 Years category.

### 22. Financial Risk Management

The NCLR's financial risk management objectives and policies are detailed below:

#### (a) Significant accounting policies

Risk is an integral part of operations in any institution. NCLR is exposed to various risks, including credit risk and liquidity risk. The risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring.

**(b) Financial risk management objectives**

NCLR'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. NCLR does not hedge any risks and has in place policies to ensure that credit is extended to customers with an established credit history.

The financial risk management objectives and policies are as outlined below:

**c. Credit risk**

Credit risk is the risk that a borrower is unable to meet her financial obligations to the lender. NCLR's credit risk is primarily attributable to its cash and cash equivalents and trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the council's management based on prior experience and their assessment of the current economic environment.

Bank balances are fully performing. The trade receivables under the fully performing category are paying their debts as they continue trading. The default rate is low. The debt that is overdue is not impaired and continues to be paid.

The amount that best represents the company's maximum exposure to credit risk is made up as follows:

	<b>Total Amount Kshs</b>	<b>Fully Performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2016</b>				
Bank balances	3,610,337	3,610,337	-	-
Receivables from exchange transactions	18,721,590	18,721,590	-	-
Receivables from non-exchange transactions	853,217	853,217	-	-
	=====	=====	=====	=====
<b>At 30 June 2015</b>				
Bank balances	2,089,937	2,089,937	-	-
Receivables from exchange transactions	15,287,490	15,287,490	-	-
Receivables from non-exchange transactions	687,212	687,212	-	-
	=====	=====	=====	=====

## NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016

### iii) Liquidity risk

*Liquidity risk* is a financial risk that for a certain period of time at a given financial asset, security or commodity cannot be traded quickly enough in the market without impacting the market price.

Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations. Ultimate responsibility for liquidity risk management rests with the council board members, which has built an appropriate liquidity risk management framework for the management of the council's short, medium and long-term funding and liquidity management requirements. The council manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows.

The table below analyses the council's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below 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 month  Kshs	Between 1 – 3 months  Kshs	Over 3 months  Kshs
<b>At 30 June 2016</b>				
Trade and other payables	18	32,350,533	-	-
Long term Liabilities	19	1,215,956	-	-
Bank Overdraft	12	-	-	-
		<b>33,447,627</b>	-	-
		=====	=====	=====
<b>At 30 June 2015</b>				
Trade payables	18	17,760,222	-	-
Long term Liabilities	19	1,051,746	-	-
Bank Overdraft	12	287,233	-	-
		<b>19,099,201</b>	-	-
		=====	-	-

### (e) Market risk

Market risk refers to the risk an institution faces resulting from movements in market prices. In particular, changes in interest rates, foreign exchange rates, and equity and commodity prices. It comprises of Price risk, Fair value interest rate risk and Foreign exchange risk.

#### (i) Price risk

This is risk of a decline in the value of a security or a portfolio that can be minimized through diversification, unlike market risk.

NCLR does not hold investments that would be subject to price risk; hence this risk does not directly affect our net worth.

(ii) Fair value interest rate risk

This is a risk that future cash flows will fluctuate because of changes in market interest rates. Investments and borrowings subject to fixed rates expose the Council to fair value interest rate risk, as the fair value of the financial instrument fluctuates because of changes in market interest rates.

NCLR does not hold interest bearing assets or liabilities subject to fair value interest rate risk; hence this risk does not directly affect our net worth.

(iii) Foreign exchange risk

This is risk that an asset or investment denominated in a foreign currency will lose value as a result of unfavourable exchange rate fluctuations between the investment's foreign currency and the investment holder's domestic currency.

The Council occasionally receives grants denominated in foreign currency especially in US Dollars. This exposes the Council to risks that may arise from fluctuations in the foreign currency exchange rates. The Council has a USD bank account for transacting receipts and payments in USD to minimise the exposure to exchange risks.

Sensitivity analysis on the Foreign exchange of the Council's USD Account reported a Forex loss attributed to loss in value of the Kenya shilling to the US dollar at the year-end date.

The analysis assumes that exchange rate fluctuations on currency derivatives that form part of an effective cash flow hedge relationship affect the fair value reserve in equity and the fair value of the hedging derivatives.

	2016	2015
	Ksh	Ksh
Bank Balances (USD account)	17,773	25,813
Increases by 5%	18,662	27,103
Decrease by 5%	16,844	24,523

**23. Capital risk management**

The council's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the council consists of equity attributable to equity holders, comprising capital fund, reserves and retained earnings. The council would ordinarily monitor its capital risk using the gearing ratio. Gearing ratio is calculated as net borrowings over the total capital. The Council had no borrowings as at 30 June 2016 and 30 June 2015.

	2016 Kshs	2015 Kshs
The Council's capital is made up as follows:		
Capital fund	23,565,276	23,565,276
Retained earnings	66,934,776	54,555,075

## NATIONAL COUNCIL FOR LAW REPORTING FY 2015/2016

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**Net Assets**

90,500,052    78,120,351

### 24. Related Parties

A *related party* is a person or entity that is *related* to the entity that is preparing its financial statements (referred to as the 'reporting entity')

The related parties to the Council include:

- Government of Kenya- The Government of Kenya is the primary financier of the Council as a State Corporation. The GOK Transfers non-conditional Grants to the National Council for Law Reporting every financial year.
- Grants in Kind from the World Bank Judiciary Performance Improvement Programme (JPIP) – The World Bank is a development partner funding the JPIP project of which the Council is a key beneficiary. Provide Conditional grants to the National Council for Law Reporting through the Judiciary.
- Judicial Service Commission- This is the body that gives the broad strategic direction for the entire Judiciary that is our parent ministry; that then influences the Council's strategy. It also approves the entire Judiciary budget as envisaged in the Judiciary Fund.
- Council members – This is the body that gives the strategic direction of the National Council for Law Reporting and provides oversight over Council activities.
- Key Management – This are the persons who manage the secretariat and implement the policy direction and strategies of the National Council for Law Reporting as detailed by the Council members. The Council has a total of 11 management staff.

Transactions are at arm's length recognized depending on policy.

### Related party disclosures

	<b>2016</b>	<b>2015</b>
	<b>Kshs</b>	<b>Kshs</b>
1. Grants from the Government of Kenya	255,961,000	259,941,190
2. Grants in Kind from the World Bank (JPIP)	15,422,028	15,238,493
3. Board Members Remuneration	<b>2,088,000</b>	<b>1,415,000</b>
a. Chairman's Honorarium	1,044,000	1,044,000
b. Sitting Allowances	1,044,000	371,000
4. Key management Compensation	<b>34,335,952</b>	<b>29,886,559</b>
a. Salaries	12,997,514	11,014,227
b. Allowances	21,338,438	18,872,332

### 25. Ultimate holding entity

The Judiciary of Kenya is the immediate parent institution of the National Council for Law Reporting.

**26. Currency**

The financial statements are presented using the functional currency Kenya Shillings (Kshs).

**27. Events after the reporting period**

There are no material non-adjusting events after the reporting date.

**c) PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

There were no issues raised by the external auditor from the previous financial year(s) that were still outstanding as at 30<sup>th</sup> June 2016.



Editor / Chief Executive Officer

Date.....



Council Chairman

Date.....

