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THE AUDITOR-GENERAL

ON

KENYA LAW REFORM COMMISSION

**FOR THE YEAR ENDED
30 JUNE, 2022**



A vibrant agency for responsive law reform

KENYA LAW REFORM COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2022

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

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1. Key Entity Information and Management

(a) Background information

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(No. 19 of 2013) on 25th January 2013 as a successor to the Law Reform Commission, previously established under the repealed Law Reform Commission Act, Cap. 3.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

(b) Principal Activities

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

Our Mandate:

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

- a) keep under review all the law and recommend its reform to ensure—
 - i) that the law conforms to the letter and spirit of the Constitution;
 - ii) that the law systematically develops in compliance with the values and principles enshrined in the Constitution; that the law is, among others, consistent, harmonized, just, simple, accessible, modern and cost-effective in application;
 - iii) the respect for and observance of treaty obligations in relation to international instruments that constitute part of the law of Kenya by virtue of Article 2(5) and (6) of the Constitution;
 - iv) keep the public informed of review or proposed reviews of any laws; and
 - v) keep an updated date of all laws passed and reviewed by Parliament;
- b) work with the Attorney-General and the Commission for the Implementation of the Constitution in preparing for tabling in Parliament the legislation and administrative procedures required to implement the Constitution;
- c) provide advice technical assistance and information to the national and county governments with regard to the reform or amendment of a branch of the law;
- d) upon request or on its own motion, undertake research and comparative studies relating to law reform;
- e) formulate and implement programmes plans and actions for the effective reform of laws and administrative procedures at national and county government levels
- f) consult and collaborate with State and non-State organs, departments or agencies in the formulation of legislation to give effect to the social, economic and political policies for the time being in force;

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- g) formulate by means of draft Bills or otherwise any proposals for reform of national or county government legislation;
- h) upon request or on its own motion, advise the national or county governments on the review and reform of their legislation;
 - i) undertake public education on matters relating to law reform; and
 - ii) Perform such other functions as may be prescribed by the Constitution this Act or any other written law.

Vision:

“A vibrant agency for responsive law reform”

Mission

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

(c) Key Management

The Kenya Law Reform Commission’s day today management is under the following key organs:

- I. Commissioners.
- II. Accounting officer/ Secretary/Chief Executive Officer.
- III. Management.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

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

(e) Fiduciary Oversight Arrangements

The Commission did not have any Fiduciary Oversight arrangements since the Commission was not fully constituted as the Commissions appointed were not sworn in office.

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(f) Entity Headquarters

P.O. Box 34999-00100
Reinsurance Plaza, 3rd Floor
4 Taifa Road
Nairobi, KENYA

(g) Entity Contacts

Telephone: (254) 20 2241201
Fax: (254) 20 2225786
E-mail: info@klrc.go.ke
Website: www.klrc.go.ke

(h) Entity Bankers

Co-operative Bank of Kenya
Uchumi House, Aga Khan Walk
P.O.Box 20818
GPO 00100
Nairobi, KENYA

(i) Independent Auditors

Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

2. The Commissioners.



Ms. Christine Anyango Agimba
Chairperson, KLRC
Appointed on 1st August 2022
Sworn in office on 15th August, 2022

Ms. Agimba, Born on 4th April 1963, holds a Bachelor of Laws (LL. B) degree from the University of Nairobi and a Master`s degree in Law in Development from the University of Warwick, England. She also holds a Diploma in Law from the Kenya School of Law and is an Advocate of the High Court of Kenya. She is a Member of the Chartered Institute of Arbitrators, (Kenya Chapter) and is a Certified Public Secretary, Kenya (CPS-K). She has previously served as a Deputy Solicitor-General at the Office of the Attorney-General and Department of Justice. Ms. Agimba has served on the boards of various government agencies, including: The Council of Legal Education, the Anti-Money Laundering Advisory Board and the National Council of Law Reporting (Kenya Law).



Dr. Mary Wangechi Gaturu, HSC
Full-time Commissioner
Appointed on 1st August 2022.
Sworn in office on 15th August, 2022

Dr. Mary Gaturu, HSC, Born on 11th November 1963, holds a Doctor of Philosophy in Education Administration, Masters of Education in Administration, and a Bachelor of Education Science all from Kenyatta University. She has over 35 years' experience in the education sector where she has served in different capacity including as a Director of Quality Assurance and Standards in the State Department of Early Learning and Basic Education. She has been a council /board member in various State Corporations and Universities namely: Kenya National Examination Council, Kenya Institute of Curriculum Development, Kenya National Qualification Authority, University of Kabianga, Laikipia University, Kenyatta University and Mount Kenya University.



Rose Janet Ayugi
Part-time Commissioner
Appointed on 13th December 2019,
Sworn in office on 15th August, 2022.

Ms. Rose Janet Ayugi, Born on 20th November 1966, holds a bachelor of law degree and a Master's degree in Law both from the University of Nairobi. She holds a Diploma in Law from the Kenya School of Law and is an Advocate of the High Court of Kenya. Ms. Ayugi is currently a senior lecturer in the School of Law at Moi University and a part-time member of the Kenya Law Reform Commission.

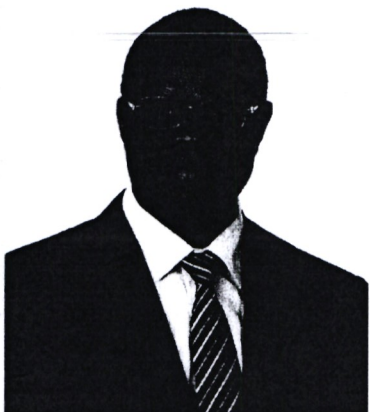
Ms. Ayugi has served as the Chairperson in the Seeds and Plant Varieties Tribunal. She has also served as a member of the board in the following institutions Rules Board (Labor) and Chepserei TVET Elgeyo Marakwet and University of Kabianga.

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Mr. Duncan Okello
Part-time Commissioner
Appointed on 13th December 2019,
Sworn in office on 15th August, 2022.

Duncan, Born on 23rd January 1972, is a political scientist, lawyer, and international relations specialist. He holds a Bachelors of Arts degree in Political Science and History; and a Bachelors of Law degree, both from the University of Nairobi. He also holds a Masters of Arts in International Relations from the University of Kent, at Canterbury, United Kingdom. He has served in the Judiciary as the first Chief of Staff in the Office of the Chief Justice, as the founder Executive Director of the National Council on the Administration of Justice (NCAJ). In April 2017, he was appointed by the Chief Justice as Chair of the Judiciary Inauguration and Swearing-in Committee for the President and Governors to organize, oversee and manage the inauguration processes. He was re-appointed as an Advisor to this Committee in 2022.



Hon. Kiraitu Murungi
Part-time Commissioner
Appointed on 13th December 2019,
Sworn in office on 15th August, 2022.

Hon. Kiraitu Murungi, Born on 1st January 1952, holds a Bachelor of Laws degree from the University of Nairobi and Master's degrees in Law from the University of Nairobi and Harvard University, USA. He holds a Diploma in Law from the Kenya School of Law and is an Advocate of the High Court of Kenya. Hon. Kiraitu is an experienced advocate and public officers. He has previously served as the Governor and Senator of Meru County. He has also served as a Member of Parliament for Imenti South Constituency in Meru County. During his tenure as the Cabinet Secretary in the Ministry of Justice and Constitutional Affairs, he was instrumental in supporting legal, regulatory and institutional reforms in the legal sector. He has also served as a Cabinet Secretary in the Ministry of Energy.



Ms. Linda Musilivi Murila
Part-time Commissioner
Appointed on 13th December 2019,
Sworn in office on 15th August, 2022.

Ms. Murila, Born on 1st January 1963, is an advocate of the High Court of Kenya. She holds a Bachelor of Laws (LL. B) degree from the University of Nairobi. She has a Diploma in Law from the Kenya School of Law, and an Advanced Diploma in Legislative Drafting from the University of West Indies, Barbados. She has served in various capacities such as: Chief State Counsel, Legislative Drafting Department and as representative of the Attorney General to the National Council for Law Reporting. She has also served as a draftsman to the Inter-Parties Parliamentary Group on Constitutional Reforms among other several portfolios.

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Prof. Paul Wambua Musili
Vice-Chairperson
Appointed on 13th December 2019,
Sworn in office on 15th August, 2022.

Prof. Wambua, Born on 17th May 1961, holds a Bachelor of Laws (LL.B) degree from the University of Nairobi, a Post Graduate Diploma in Law from the Kenya School of Law, a Master of Laws degree from the University of London, England, a Master of Business Administration (MBA -*Magna cum Laude*) from the United States International University (USIU)-Africa and a Doctor of Laws (LL.D) in Maritime Law and Law of the Sea from Ghent University, Belgium. He is currently a Professor of Law at the University of Nairobi, School of Law. He has previously been: the first Chancellor of the University of Embu and Dean at Kabarak University School of Law. He also served as a Board member in the Constitution of Kenya Review Commission (CKRC)



Ms. Dorcas Oduor Agik
Part-time Commissioner
Appointed on 7th July 2021, Sworn in
office on 15th August, 2022.



Ms. Oduor, Born on 11th December 1965, is an advocate of the High Court of Kenya and holds a Masters of Arts in International Conflict Management (UoN), a Bachelor of Laws (LL.B) degree (UoN) and a Diploma in Law from Kenya School of Law. She is currently serving as Secretary Public Prosecution at the office of the Director of Public Prosecution (DPP). She has been a member in various agencies/Commissions.







Mr. Joash Dache, MBS
Secretary/Chief Executive Officer.
Appointed on 25th January 2012




Mr. Joash Dache, born on 23rd June 1979, is the Secretary/Chief Executive Officer of the Kenya Law Reform Commission. He is a Certified Public Secretary CPS (K), an Advocate of the High Court of Kenya. Mr Dache holds: an LL.M. degree (Monash University, Australia), LL.B. degree (University of Nairobi), a Diploma in Law (Kenya School of Law) and also has a Certificate in Legislative Drafting (University of London). Mr. Dache has undergone the Strategic Leadership and Development Programme (SLDP), (Kenya School of Government) and various other professional courses both locally and abroad. Mr. Dache is the Accounting Officer in the Commission and is mandated with managing the day to day operations of the Commission

3. Management Team

	<p>Mr. Joash Dache, MBS, Secretary/Chief Executive Officer. Mr. Joash Dache, born on 23rd Jun June 1971, is the Secretary/Chief Executive Officer of the Kenya Law Reform Commission. He is a Certified Public Secretary CPS (K), an Advocate of the High Court of Kenya. Mr Dache holds: an LL.M. degree (Monash University, Australia), LL.B. degree (University of Nairobi), a Diploma in Law (Kenya School of Law) and also has a Certificate in Legislative Drafting (University of London). Mr. Dache has undergone the Strategic Leadership and Development Programme (SLDP), (Kenya School of Government) and various other professional courses both locally and abroad. Mr. Dache is the Accounting Officer in the Commission and is mandated with managing the day to day operations of the Commission. He was appointed to the position on 25th January 2012.</p>
	<p>Mr. Peter Musyimi, HSC, Ag. Director Legislative Services. Mr. Peter Musyimi born on 19th September 1969, an Advocate of the High Court of Kenya with over twenty (20) years' working experience. He holds a Master's Degree in Law (Public Finance), Bachelor of Laws Degree from University of Nairobi, a Post Graduate Diploma from Kenya School of Law and a Post Graduate Diploma in Legislative Drafting from the International Law Institute (ILI-Kampala). He has undergone training in Strategic Leadership Programme from Kenya School of Government. Mr. Musyimi is currently responsible for the execution of the Commission's mandate as set out in the Act and is the Alternate AIE Holder. He was appointed as the acting director on 6th July 2022</p>
	<p>Ms. Mercy Muthuuri, Ag. Director Corporate Services. Ms.. Mercy Muthuuri, born on 15th February 1974, is an Advocate of the High Court of Kenya and a Certified Public Secretary with over twenty years' professional experience. She is the holder of a Master's Degree in Law, Bachelor of Laws Degree and a Postgraduate Diploma in Law. Other trainings she has attended include the Strategic Leadership Development Programme, the Senior Management Course and the Women Capacity Building for Effective Management and Leadership Programme. Ms. Mercy is currently in charge of the supervision and coordination of the non-technical departments of the Commission. She was appointed as acting director on 6th July 2022.</p>
	<p>Ms. Susan Kuria, Head of Administration Ms. Susan Kuria, born on 22nd October 1964, has over 20 years' experience in public administration and has previously worked with National Treasury and DPM. She holds a Bachelor of Arts Degree in Economics/Commerce. Other trainings she has undergone include: Best Practices in Public Expenditure Management; Management and Administration of HIV/Aids programs; Governance, Performance Improvement; Ethics and Anti-Corruption Reforms and a Senior Management Course from the Kenya School of Government. She was appointed to the position on 17th June 2020.</p>

	<p>CPA. Margaret W. Githae, Head of Accounting Unit - CPA. Margaret W. Githae , born on 3rd November 1967 is an Accountant by profession with over 29 years working experience in the public sector. She holds a Masters of Business Administration (Finance) & a Minor in Strategic Management, Bachelor's Degree in Accounting and Finance both from Kenya Methodist University. Other trainings attended include the Senior Management Course from the Kenya School of Government. She was seconded to the Commission from the Office of the Attorney General and Department of Justice .Ms Margaret is in-charge of all payments processing and financial reporting in the Commission. She joined the Commission on 1st March 2021.</p>
	<p>Dr. Felistus Kabiru, Head of Human Resource Dr. Felistus Kabiru, born on 10th May 1970, has over 20 years' experience in human resource management. She holds a Doctor of Philosophy in Management from Dedan Kimathi University of Technology, an MBA (HR) from Catholic University of Eastern Africa and holds several other trainings including: a higher diploma in HRM, Diploma in Counselling and a Strategic Leadership Development Programme Certificate from Kenya School of Government. Dr. Kabiru is currently in charge of all the functions within the HR Department. She was appointed to the position on 1st September 2016.</p>
	<p>Mr. James Ruteere, Head of ICT Mr. James Ruteere an ICT professional born on 15th September 1969. He holds a Bachelor`s degree in IT and a diploma in IT. He is currently undertaking a Master Program in ICT Management at JKUAT. He is further certified in: Cyberoam Certified Network Security (CCNSP) & Hardware Maintenance and ISO Auditor. Other trainings attended include Senior Management Course at Kenya School of Government and Cyber-crime and examination course. Mr. Rutere is in charge of Information Technology within the Commission. He was appointed to the position on 25th May 2022.</p>
	<p>CPA Cornelius Musangi, Head of Finance CPA Cornelius Musangi, born on 1st April 1986, has over 13 years of professional experience in both public and private sector. CPA Musangi has a Master of Business Administration from JKUAT and a Bachelor of Commerce (Finance) from the Catholic University of eastern Africa. In addition, he holds other trainings including: TDPK, Public sector reporting (PSR) and Institutional risk and quality management system training. He is a member of the Institute of Certified Public Accountants of Kenya. Mr. Musangi is in charge of Budget preparation, implementation and monitoring. He was appointed to the position on 17th July 2017.</p>

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	<p>Dr. Jacob Otachi, Head of Corporate Affairs & Communications Dr. Jacob Otachi, born on 27th August 1987, is a governance, public policy communications practitioner. He holds a PhD in Governance, Master's degree in Communication (University of Nairobi) and a Bachelor's degree in Information Science (Moi University). He has undergone additional trainings including: Climate Finance Governance (Germany); Knowledge Management (Thailand); ICT and Data Governance in Anti- Corruption (Lithuania) among others. He supports KLRC in matters corporate communications and access to information. He was appointed to the position on 19th July 2021.</p>
	<p>Mr. Alex Mwangi Matheri, Head of Planning Unit Mr. Matheri, born on 27th December 1985, is currently the Senior Planning Officer at the Kenya Law Reform Commission. He holds a Bachelor's degree in Mathematics from the University of Nairobi with extensive experience and knowledge in preparation and implementation of budget forecasts, strategic plans, policy documents and organizational management. He has attained certification in Senior Management Course (SMC) from the Kenya School of Government. He is currently undertaking a Masters course in Public Policy and Administration at Kenyatta University city campus, Nairobi. He was appointed to the position on 11th November 2020.</p>
	<p>CPA. James Kahunyo, Head of internal Audit CPA. James Kahunyo, born on 8th September 1983, has over 10 years of experience in Audit work. He has a Bachelor's of Commerce (Finance), Certified Public Accountant of Kenya (CPAK), and A member of ICPAK as well as certified Internal Auditors (CIA). He has also undergone Senior Management Course from Kenya School of Government among other courses. He was deployed to the Commission from the National Treasury on 11th October 2018.</p>
	<p>Mr. Reuben M. Mauki, Head of Supply Chain Management Mr. Mauki, is a licensed Supply Chain Management Practitioner with progressive experience in both public and private procurement. He holds Master of Business Administration (UoN), Bachelor of Commerce - Procurement and SCM option (UoN) and Professional Diploma in Procurement and Supply (CIPS). He is also a graduate of Strategic Leadership Development Programme (SLDP) and Senior Management Course (SMC) from Kenya School of Government. He is a member in good standing at the Kenya Institute of Supplies Management (KISM). He was appointed to the position on 14th December 2020.</p>



Mr. Danstone K. Malava, Head of Records Management

Mr. Malava, born on 19th October 1980, is currently the Principal Records Management Officer at the KLRC. He holds a Master's of Science Degree in Information Science from Kenyatta University with vast knowledge and experience in organization operations, quality management system and information security system. Malava has attained Strategic Leadership Development Course (SLDP) and Leadership Challenge Course both from the Kenya School of Government (KSG), Lead Auditors' Course in ISO/IEC/27001:2013 and ISO 9001:2015. He is involved in offering Strategic Leadership and advisory services in the areas of Information Security, Records Management, Strategy, Knowledge Management and Enterprise Resource Planning for management of organizational risks. He was appointed to the position on 14th December 2020.

4. Chairperson's Statement

During the Financial Year ended 30th June 2022, the Commission had no Chairperson's statement as the appointing authority had not appointed the Commissioners. However, The Chairperson Ms. Christine Agimba and Commissioner Dr. Mary Gaturu were appointed on 1st August 2022 for a period of six years and five years respectively, while the six (6) part-time Commissioners were appointed on 13th December 2019 for a period of five (5) years. The appointment of Jacob Ondari was revoked and replaced by Commissioner Dorcas Agik Oduor on 7th July 2021.

The Chairperson and all the Commissioners were sworn into office on 15th August 2022.

5. Report of the Chief Executive Officer.



We are delighted at the publication of the KLRC's Annual Report and Financial Statements for the year ended 30th June 2022. The Report and Statements are a reflection of the work done and milestones achieved in the reporting period towards the realization of our mandate and functions as drawn from: the Constitution of Kenya 2010, the Kenya Law Reform Commission Act, 2013, the State Corporations Act, Cap 446 and the County Government's Act, 2012, Section 5(3) among other instruments. These instruments of governance also inform the commission's establishment, structure and operations. The Report details the activities of KLRC during the period under review, achievements, challenges and the mitigating factors for addressing them. Further, the Report documents the progress made in law reform in Kenya generally.

As promulgated in the Constitution, Kenya adopted a devolved system of government comprising of both National and County levels in which KLRC is the primary law reform agency. KLRC continues to offer technical assistance and advice on the review of laws, policies, regulations and other instruments of governance to both levels of Government. Further the Commission offers advisory opinions and undertakes research on legal matters as informed by emerging issues, court decisions and global trends.

While the year was not without its challenges, the management team and staff of KLRC continued to successfully implement its mandate and to advance its goals and objectives set in its Strategic Plan 2018-2022. The strategic objectives adhered to during the year under review were to: implement the Constitution of Kenya, 2010, enable implementation of the government's Big Four Agenda, enhance research and advisory functions of KLRC for informed law reform, enhance effective public education on law reform matters in Kenya, enhance the institutional capacity and profile of the Commission for strategic positioning in the country and build human resource capacity for quality service delivery.

In the reporting period, KLRC received GOK grants of Kshs. 266,660,000 to implement its targets and mandate as compared to the previous year where KLRC received Kshs

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272,118,373. Whereas the Commission's allocation has been reducing steadily over the years, the mandate and the expenditure have been on an upward trend thus hindering implementation and completion of critical projects as set out in the strategic plan.

Despite the limited resources, KLRC was able to undertake development of legislation to address emerging issues, gaps and challenges for law reform and the continuous implementation of the Constitution. The projects focused on key strategic pillars of electoral reforms that enhanced transparency, accountability and credibility of the just concluded electoral process. In addition, we have been proactive in supporting health care reforms towards the realization of Universal Healthcare Coverage (UHC) among other pillars of the Big Four Agenda. We commenced two critical research projects namely: a) Research on ending hospital detention for non-payment of hospital bills by patients admitted in hospitals and b) Research on the adoption of penalty and fee units in drafting legislation relating to penal and fee provisions in Kenya. These projects aim to address the legislative and policy gaps in the targeted sectors.

During the Financial Year 2021/2022, the Commission had only six part-time appointed Commissioners who had not been sworn in. However, the Secretariat, under the guidance of the office of the Attorney General, pursued KLRC's mandate in accordance with all applicable statutory provisions. KLRC will continue to ensure the effective implementation of its programmes and projects as set out in the strategic plan and the annual performance contract. It is key to note that the Commission received the appointment of Ms. Christine Agimba and Dr. Mary Gaturu as Chairperson and fulltime Commissioner respectively on 1st August 2022 and were subsequently sworn in on 15th August 2022 together with the part-commissioners thus operationalizing the Commission.



Joash Dache, MBS

Secretary/ Chief Executive Officer.

6. Statement of Performance against Predetermined Objectives for Financial Year 2021/2022

Introduction

Section 81 subsection 2 (f) of the Public Management Act, 2012 requires the Accounting Officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

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

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

KLRC develops its annual work plans and performance contracts based on the above strategic objectives. Each FY's performance contract is aligned with the strategic objectives in the strategic plan. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The KLRC achieved its performance targets set for the FY 2021/2022 period for its strategic objectives as indicated in the table below:

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Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Implementation of the Constitution of Kenya, 2010 the government's big four agenda	To Develop legislation for implementation of the Constitution of Kenya, 2010	% of laws reviewed to address emerging issues, gaps and challenges	<ul style="list-style-type: none"> • Review of laws • Preparation of legislation required to implement the Constitution. 	<ul style="list-style-type: none"> • Reviewed the laws relating to the power of mercy and submitted to the Attorney General. • Reviewed the Kenya Law Reform Commission Act, 2013 and prepared a draft bill • Reviewed the Consumer Protection Act, No. 46 of 2012 and draft Consumer Amendment (Bill) prepared • Reviewed the Kenya Society for the Blind Act, Cap. 251 and an Amendment was prepared • Developed Guidelines for review of Caps. 151-300 • Political Parties (Amendment) Act, 2022; • The Political Parties Disputes Procedure (Amendment) Regulations, 2022; • Prepared the Elections (Parliamentary and County Elections) (Amendment) Petitions Rules, 2022; which has been passed by parliament. • Prepared The purpose of the Court of Appeal (Elections Petition) (Amendment) Rules, 2022; • The Elections (Amendment) Act, 2022 • Review of the Election Campaign Financing (Amendment) Bill, 2022; and • Prepared the Political Parties' Primaries Bill, 2021.

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	To Prepare legislation to enable implementation of the government's Big Four Agenda	% of laws reviewed to address emerging issues, gaps and challenges	<ul style="list-style-type: none"> • Sensitizing MDAs on the policy and legislation formulation process 	<ul style="list-style-type: none"> • Reviewed the statutory and regulatory framework for state corporations • Review the Survey Act, Cap. 299 • Develop the Geophysical Professional Bill, 2021
Research and advisory functions for informed law reform	To enhance research and advisory functions in KLRC for informed law reform	No. of legal research on policies, laws, regulations	<ul style="list-style-type: none"> • Develop or review a Research Policy • Development of concept papers • Disseminating research findings. 	<ul style="list-style-type: none"> • Research on ending hospital detention for non-payment of hospital bills. The project is still ongoing • Legislative proposal for the adoption of penalty and fee units in drafting legislation relating to penal and fee provisions
Enhance effective public education on law reform matters in Kenya	To enhance effective public education on law reform matters in Kenya	No of counties and/or MDAs where public education on law reform was undertaken	<ul style="list-style-type: none"> • Holding conferences, workshops, talk shows and seminars 	<ul style="list-style-type: none"> • Publicized law reform initiatives in Wajir, Marsabit, Mandera, Samburu, Turkana, Trans Nzoia, West Pokot, Lamu, Tana River, Garissa, Taita Taveta.
	To enhance conformity of county legislation to existing laws and the Constitution	No. of counties supported in aligning legislation to existing laws and the Constitution No. of county	<ul style="list-style-type: none"> • Drafting legislation • Develop/review county policy papers • Dissemination of the legislation developed. 	<ul style="list-style-type: none"> • Development of the Makueni County Equitable Development Bill • Development of the Turkana County Extractive Bill • Marsabit Health Services Bill • Implementation of KLRC-Makueni MOU on review of County Legislation • Review of the Garissa Health Facilities Improvement Bill

7. Corporate Governance Statement

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

Section 15 of the KLRC Act, 2013 (as revised in 2020), further provides for removal of a Commissioner on the basis of grounds stipulated in section 14. The Board conducts its business as laid out in the second schedule of the KLRC Act and other written laws which regulate: quorum, decision making, remuneration and allowances, declaration of conflict of interest and ethics compliance. Commissioners meet at least once a month to review projects and programmes of the Commission and provide appropriate direction to the Secretariat. When there is need, Commissioners may meet more frequently. In the reporting period, the Commissioners had no meeting as the Board was yet to be fully constituted. At the beginning of every financial year, the Chairperson, on behalf of the Commission, signs a performance contract upon which an evaluation is conducted to assess performance at the end of the year.

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

8. Management Discussion and Analysis

Introduction

Over the last five years, Commission's law reform projects and programmes have been aligned to the broad government goals including the full implementation of the Constitution of Kenya, Kenya Vision 2030 Flagship projects/programmes, the 'Big Four' Agenda, and the Sustainable Development Goals (SDGs), among others. Pursuant to the 2018-2022 KLRC Strategic Plan, the Commission's work plans over the last five years have included the following salient projects and activities:

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

The KLRC operational and financial performance.

The operations of Kenya Law Reform Commission are funded through Government grants. During the last five years the Commission has been funded as follows:

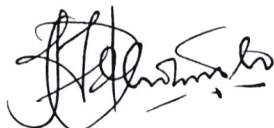
5-YEAR BUDGET BREAKDOWN	
FINANCIAL YEAR	APPROVED BUDGET ESTIMATES
2017/2018	330,700, 000
2018/2019	305, 460,000
2019/2020	298,440,000
2020/2021	272,118,373
2021/2022	266.660,000

The continued downsizing of the Commission's annual budget has impact on its ability to fully discharge its mandate. During the financial year 2021/22, for instance, KLRC received recurrent grants of KShs. 266,660,000. This amount could not sustain the Commission's work plan for financial year. Consequently, the KLRC further received approval from the National Treasury to utilize Kshs. 31,940,500 from retained earnings. This was meant for implementation of activities

**Kenya Law Reform Commission.
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v) Auditors

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



**Mr. Joash Dache, MBS
Secretary/CEO**

11. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act and The Kenya Law Reform Commission Act of 2013 require the preparation of Financial Statements in respect of Kenya Law Reform Commission, which give a true and fair view of the state of affairs of the Commission at the end of the Financial Year 2021/2022 and the operating results of the Commission for year 2021/2022. The Commissioners are required to ensure that the Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Commission. The Commissioners are also responsible for safeguarding the assets of the Commission.

The Commissioners are responsible for the preparation and presentation of the Commission's Financial Statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the Financial Year 2021/2022 ended on June 30, 2022. 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 entity; (iii) Designing, Implementing and Maintaining internal controls relevant to the preparation and fair presentation of the Financial Statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the Assets of the Commission; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Commissioners accept responsibility for the Commission's Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) and The Kenya Law Reform Act 2013 (No. 19 of 2013). The Commissioners are of the opinion that the Commission's Financial Statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2022, and of the Commission's financial position as at that date.

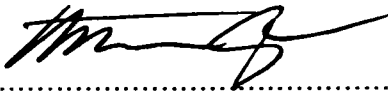
The Commissioner's further confirm the completeness of the Accounting Records maintained for the Commission, which have been relied upon in the preparation of the Commission's Financial Statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Kenya Law Reform Commission Financial Statements were approved by the Commission on March 28, 2023 and signed on its behalf by:



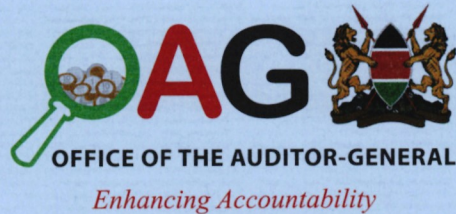
.....
Name: Christine A. Agimba
Chairperson of the Commission



.....
Name: Mr. Joash Dache, MBS.
Accounting Officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA LAW REFORM COMMISSION FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

Opinion

I have audited the accompanying financial statements of the Kenya Law Reform Commission set out on pages 1 to 32, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of

changes in net assets, statement of cash flows and statements of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Law Reform Commission as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Law Reform Commission Act, 2013 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Law Reform Commission Management in accordance with ISSAIs 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Property, Plant and Equipment

As previously reported, the Commission's fleet of motor vehicles included one (1) motor vehicle with registration number GKA 139N whose ownership documents remained in the name of the defunct Ministry of Justice and Constitutional Affairs. Although Management indicated that they were pursuing the formal transfer of the vehicle with the Office of the Attorney General and Department of Justice and the National Transport and Safety Authority, the process had not been concluded as at 30 June, 2022.

Under the circumstances, the legal ownership of the motor vehicle by the Commission as at 30 June, 2022 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Under-Staffing

As previously reported, a review of employee records and staff payroll for the year ended 30 June, 2022 revealed that the Commission had of sixty-seven (67) employees against the staff establishment of two hundred and twenty-two (222) employees resulting in understaffing by one hundred and fifty-five (155).

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

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Commissioners

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

In preparing the financial statements, Management is responsible for assessing the Commission's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Commission or to cease operations.

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

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

The Commissioners are responsible for overseeing the Commission's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Commission to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 April, 2023

Kenya Law Reform Commission.
Annual Report and Financial Statements
For the year ended June 30, 2022.

13. Statement of Financial Performance for the year ended 30 June 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities	6	266,660,000	273,118,373
Total revenue from non-exchange transactions		266,660,000	273,118,373
Revenue from exchange transactions			
Other income	7	21,000	45,000
Total revenue from exchange transactions		21,000	45,000
Total revenue		266,681,000	272,163,373
Expenses			
Use of goods and services	8	138,855,718	118,917,388
Employee costs	9	143,541,950	146,283,520
Remuneration of Commissioners	10	-	-
Depreciation and amortization expense	11	6,105,954	4,744,178
Repairs and maintenance	12	1,958,141	3,258,887
Total expenses		290,461,763	273,203,973
Other gains			
Gain from sale of PPE	13	1,592,300	111,750
Surplus before tax		(22,188,463)	(928,849)
Taxation		-	-
Surplus for the period		(22,188,463)	(928,849)
Remission to National Treasury		-	-
Deficit for the Year	17	(22,188,463)	(928,849)

The notes set out on pages 7 to 29 form an integral part of these Financial Statements.

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



Name: Mr. Joash Dache, MBs

Accounting Officer

Date: 28/03/ 2023



Name: CPA Margaret Githae

Head of Accounts

ICPAK M/No:13051

Date : 28/03/ 2023



Name: Christine A. Agimba

Chairperson of the

Commission

Date : 28/03/ 2023

Kenya Law Reform Commission.
Annual Report and Financial Statements
For the year ended June 30, 2022.

14 Statement of Financial Position as at 30 June 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	14	23,805,396	51,963,282
Receivables from Non-Exchange Transactions	15	10,599,938	10,274,971
Inventories	19	4,762,368	4,549,441
Total Current Assets		39,167,702	66,787,694
Non-Current Assets			
Property, Plant and Equipment	22	22,475,681	14,357,304
Intangible Assets	23	-	1,762,040
Total Non- Current Assets		22,475,681	16,119,344
Total Assets		61,643,383	82,907,038
Current Liabilities			
Trade and Other Payables		-	-
Total Liabilities		-	-
Net Assets			
Accumulated Surplus		29,320,483	58,255,274
Capital Fund		32,322,900	24,651,764
Total Net Assets		61,643,383	82,907,038
Total Net Assets and Liabilities		61,643,383	82,907,038

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



Name: Mr. Joash Dache, MBs

Accounting Officer

Date: 28/03/ 2023

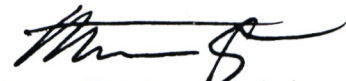


Name: CPA Margaret Githae

Head of Accounts

ICPAK M/No:13051

Date : 28/03/ 2023



Name: Christine A. Agimba

Chairperson of the

Commission

Date : 28/03/ 2023

Kenya Law Reform Commission.
Annual Report and Financial Statements
For the year ended June 30, 2022.

16. Statement of Cash Flows for the year ended 30 June 2022

	Notes	2021-2022 Kshs	2020-2021 Kshs
Cash flows from operating activities			
Receipts			
Transfers from other governments entities	6	266,660,000	272,118,373
Other Income	7	21,000	45,000
Total Receipts		266,681,000	274,131,022
Payments			
Employees Costs	9	143,541,950	146,283,520
Remuneration to Commissioners	10	-	-
Use of Goods and Services	8	138,855,718	118,917,387
Repair and Maintenance	12	1,958,141	3,258,887
Total payments		284,355,810	268,459,794
Increase in inventory	18	(212,927)	529,638
Increase in Receivable	15	(324,967)	(1,723,559)
Working capital adjustments		(537,894)	(1,193,921)
Net cash flows from operating activities		(18,212,704)	2,509,658
Cash flows from investing activities			
Purchase of property, plant, and equipment	19	(13,505,131)	(1,042,650)
Proceeds from sale of PPE	13	1,592,300	111,750
Net cash flows used in investing activities		(11,912,831)	(930,900)
Cash flows from financing activities			
Net cash flows used in financing activities		-	-
Net cash flows used in financing activities		-	-
Prior year adjustments; Insurance recoveries	20	1,967,649	-
Net increase/Decrease in cash & cash Equivalent		(28,157,886)	1,578,758
Cash and cash equivalents as at 1 July 2021	14	51,963,282	50,384,524
Cash and cash equivalents as at 30 June 2022	14	23,805,396	51,963,282

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



Name: Mr. Joash Dache, MBs

Accounting Officer

Date: 28/03/2023



Name: CPA Margaret Githae

Head of Accounts

ICPAK M/No: 13051

Date: 28/03/2023



Name: Christine A. Agimba

Chairperson of the
Commission

Date: 28/03/2023

Kenya Law Reform Commission.
Annual Report and Financial Statements
For the year ended June 30, 2022.

15 Statement of Changes in Net Assets for the year ended 30 June 2022

	Retained Earnings	Capital Fund	Totals
	Kshs.	Kshs.	Kshs.
Balance as at 1st July 2019	-	35,385,137	35,385,137
Surplus for the year 30.06.2020	48,450,750	-	48,450,750
Capital Grants Received during the Year	-	-	-
Transfer of depreciation/amortisation from capital Grants to retained earnings	5,989,195	(5,989,195)	-
As at June 30th 2020	54,439,945	29,395,942	83,835,887
Balance as at 1st July 2020	54,439,945	29,395,942	83,835,887
Surplus for the year 30.06.2021	(928,849)	-	(928,849)
Capital Grants Received during the Year	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	4,744,178	(4,744,178)	-
As at June 30th 2021	58,255,274	24,651,764	82,907,038
Balance as at 1st July 2021	58,255,274	24,651,764	82,907,038
Surplus for the year 30.06.2022	(22,188,463)	-	(22,188,463)
Transfer of depreciation/amortisation from capital fund to retained earnings	6,105,954	(6,105,954)	-
Adjustment; Transfer to capital fund (Note 16)	(13,777,090)	13,777,090	-
Adjustment; Insurance recoveries (Note 20)	1,967,649	-	1,967,649
Adjustment; prior year errors (Note 21)	(1,042,841)	-	(1,042,841)
As at June 30th 2022	29,320,483	32,322,900	61,643,383

Kenya Law Reform Commission.
Annual Report and Financial Statements
For the year ended June 30, 2022.

17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2022

ITEM DESCRIPTION	Approved Budget	Re-Allocation	Final Budget	Actual on Comparable Basis	Performance Difference	% of Utilization
Recurrent Budget						
Revenue						
Transfers from other Government entities	266,660,000	-	266,660,000	266,660,000	-	100%
Transfers from retained earnings	-	18,163,410	18,163,410	18,163,410	-	0%
Other Income	-	-	-	21,000	(21,000)	0%
Total income	266,660,000	18,163,410	284,823,410	284,844,410	(21,000)	100%
Expenses						
Employee costs	146,112,084	(1,016,888)	145,095,196	143,541,950	1,553,246	99%
Board expenses	30,985,434	(30,985,434)	-	-	-	0%
Use of Goods and services	83,344,625	54,425,448	137,770,073	139,007,679	(1,237,606)	101%
Repair and maintenance	6,217,857	(4,259,716)	1,958,141	1,958,141	19,227	100%
Total Expenditure	266,660,000	18,163,410	284,823,410	284,507,770	334,867	100%
Surplus for the period	-	-	-	336,640		
Capital Budget						
Transfers from retained earnings	-	13,777,090	13,777,090	13,777,090	-	100%
Total income	-	13,777,090	13,777,090	13,777,090	-	100%
Capital Expenditure						
Refurbishment of Buildings		3,700,000	3,700,000	4,276,085	(576,085)	116%
Purchase of Office Furniture		1,740,000	1,740,000	986,665	753,335	57%
Purchase of Computers		3,999,190	3,999,190	3,983,448	15,742	100%
Renovations (painting maintenance)		1,770,000	1,770,000	1,698,600	71,400	96%
Upgrade of network security		2,567,900	2,567,900	2,560,333	7,567	100%
Surplus for the period		13,777,090	13,777,090	13,505,131	271,959	98%

Reconciliation of Statement of performance and statement of Budget Comparison

Item	KShs.
Surplus from statement of performance	(22,188,463)
Add back: Depreciation & Non budget receipts	
Depreciation and amortization	6,105,954
Transfer from retained earnings	18,163,410
Less : Prepayments and receipts recognized in the performance	
Prepaid Internet	(151,960)
Gain on sale PPE	(1,592,300)
Surplus from statement of Budget	336,640

Budget notes

- i. Other Income
The changes in other income is as a result of the Commission receiving income from the sale of tender documents which was not originally incorporated in the budget.
- ii. Refurbishment of Buildings
The over-utilization on Refurbishment was due to additional carpeting in one of the floors of the Commission that had not been incorporated in the initial budgetary allocation.
- iii. Purchase of office furniture.
The under-utilization on furniture and fittings was as a resulted of the allocation being utilized to offset the over-utilization reported on refurbishment of buildings.
- iv. Basis of Accounting
The difference on the reported surplus between the Statement of Financial performance and the Statement on Budget comparison is due to the difference in basis of accounting adopted.

18. Notes to the Financial Statements

1. General Information

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

2. Statement of Compliance and Basis of Preparation

The Financial Statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the KLRC's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Notes of these financial statements.

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

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

3. Adoption of New and Revised Standards

Early adoption of standards

Kenya Law Reform Commission did not early – adopt any new or amended standards in year 2021/2022.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Commission and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

The Commission recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to 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 Entity.

Interest income

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

ii) Revenue from exchange transactions

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Commission upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Commission recorded additional appropriations of kshs.31,940,500 from the previous year's surplus on the 2021-2022 budget following the National Treasury approval through the State Law Office and Department of Justice.

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

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

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

c) Taxes

Current income tax

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

taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

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

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

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

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

Sales tax

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

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

- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

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

e) Property, plant and equipment

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

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

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

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

Asset Class	Estimated Useful Life	Rate (%)
Motor Vehicle (saloon & Pickups)	6 Years	16.67
Computers and IT Equipment	3.33 Years	30
Furniture and Fittings	8 Years	12.5

f) Leases

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

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

g) Intangible assets

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

The useful life of the intangible assets is between 5-8 Years or as otherwise specified in the contract.

- Software 20.0%

h) Research and development costs

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

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

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

i) Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and Receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity 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 Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Commission assesses at each reporting date whether there is objective evidence that a financial asset or an Entity of financial assets is impaired. A financial asset or an Entity of financial

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

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

b) Financial liabilities

Initial recognition and measurement

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

Loans and borrowing

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

j) Inventories

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

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) 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 of the Commission.

k) Provisions

Provisions are recognized when the Entity 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 Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

l) Contingent liabilities

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

m) Contingent assets

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

n) Nature and purpose of reserves

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

o) Changes in accounting policies and estimates

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

p) Employee benefits

Retirement benefit plans

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

q) Foreign currency transactions

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

r) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

s) Related parties

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

t) Service concession arrangements

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

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

u) Cash and cash equivalents

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

v) Comparative figures

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

w) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Notes to the Financial Statements (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

Useful lives and residual value

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

- a) The condition of the asset based on the assessment of experts employed by the Commission.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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

Notes to the Financial Statements (Continued)

6. Transfers from Other Government entities

Description	2021-2022	2020-2021
	KShs	KShs
Unconditional Grants		
Operational Grant	266,660,000	272,118,373
Other Grants	-	-
Total Unconditional Grants	266,660,000	272,118,373

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

Name Of The Entity Sending The Grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total transfers 2021-22	Prior year 2020-2021
	KShs	KShs	KShs	KShs	KShs
State Law Office and Department of Justice	266,660,000	-	-	266,660,000	272,118,373
Total	266,660,000	-	-	266,660,000	272,118,373

7. Other Income

Description	2021-2022	2020-2021
	Kshs	Kshs
Income from sale of tender	21,000	45,000
Total other income	21,000	45,000

8. Use of Goods and Services

Description	2021-2022	2020-2021
	KShs	KShs
Contracted Guard and cleaning services	1,283,308	1,499,332
Contracted professional services	364,738	-
Contracted Technical services	225,040	242,110
Memberships and Subscriptions	353,268	659,400
Advertising	212,115	555,663
Bank Charges	625,740	641,760
Newspaper and Journals	159,200	116,740
Conferences and delegations	28,168,086	22,464,824
Fuel and oil	2,406,500	999,991
Supplies of Accessories for Computers	1,418,390	3,208,289

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Description	2021-2022	2020-2021
	KShs	KShs
Internet & Email	1,671,560	1,697,732
Postage	-	20,000
Purchase of Uniforms	-	203,984
Education and Library	79,510	296,589
Printing and stationery	793,000	588,809
Rental and Parking	32,928,620	38,289,086
Telecommunication	2,352,871	4,408,846
Training and Development	14,548,026	8,830,891
Office and general supplies	2,841,096	3,603,673
Travel, motor car, accommodation, subsistence, and other allowances	48,284,201	30,589,674
Sanitary and cleaning items	140,450	-
Total	138,855,718	118,917,387

9. Employee Costs

	2021-2022	2020-2021
	KShs.	KShs
Salaries and wages	114,817,504	116,445,957
Employer contribution to health insurance schemes	18,483,112	17,599,294
Employer contribution to pension schemes	10,241,334	9,004,553
Gratuity	-	3,233,716
Employee costs	143,541,950	146,283,520

10. Board Expenses

Description	2021-2022	2020-2021
	Kshs	KShs
Chairman/Directors' Honoraria	-	-
Sitting Allowances	-	-
Medical Insurance	-	-
Induction and Training	-	-
Travel and Accommodation	-	-
Other Allowances	-	-
Total	-	-

11. Depreciation and Amortization Expense

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, plant and equipment	5,386,754	3,989,018
Intangible assets	719,200	755,160
Total depreciation and amortization	6,105,954	4,744,178

12. Repairs and Maintenance

Description	2021-2022	2020-2021
	Kshs	Kshs
Refurbishment of Buildings	-	980,850
Motor Vehicles	1,217,561	2,278,037
Furniture and Fittings	-	-
Computers and Accessories	740,580	-
Total Repairs and Maintenance	1,958,141	3,258,887

13. Gain on Sale of Assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Motor vehicle	1,475,000	-
Furniture & Fittings	105,000	111,750
IT Equipments	12300	-
Total gain on sale of assets	1,592,300	111,750

14. Cash and Cash Equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Account	23,805,396	51,963,282
Total Cash And Cash Equivalents	23,805,396	51,963,282

14. b) Detailed Analysis of the Cash and Cash Equivalents

		2021-2022	2020-2021
Financial Institution	Account number	Kshs	Kshs
Current Account			
Cooperative Bank of Kenya	01141309236200	23,805,396	51,963,282
Grand Total		23,805,396	51,963,282

15. Receivables from Non-Exchange Transactions

	2021-2022	2020-2021
	Kshs.	Kshs.
Insurance premium prepayments.	9,190,075	8,853,847
Salary Advance.	987,903	1,151,124
Parking Deposit-Regent Management	270,000	270,000
Prepayments on Internet	151,960	-
Total	10,599,938	10,274,971

16. Transfer from retained earnings to capital fund of Kshs. 13,777,090 for purchase of office computers and other It equipments, renovations and refurbishment of buildings, and purchase of furniture.

17. Deficit for the year.

The statement of performance shows a deficit of Kshs. (22,188,463). This is not actual deficit since the Commission had received authority from the National treasury to utilize Kshs. 18,163,410. A reconciliation statement has been provided for under the Statement of Budget Comparison

18. Recurrent Account

Description	2021-2022
	Kshs
Transfers from Other Government entities	266,660,000
Transfer from Retained Earnings	18,163,410
Balance carried down	284,823,410

19. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Consumable stores	4,762,368	4,549,441
Total inventories at the lower of cost and net realizable value	4,762,368	4,549,441

20. The Commission recovered insurance amount of Kshs. 1,967,649 as overpayments for the previous year's premiums from the service provider.

21. Prior year errors relates to non-recognition of expenditures consumable inventories

22. Property, Plant and Equipment

a)

	Furniture fittings and	Motor vehicles	Computers	Total
Cost	Kshs	Kshs	Kshs	Kshs
As at 1st July 2020	10,336,497	26,119,067	11,624,050	48,079,614
Additions	250,000		792,650	1,042,650
Disposals	-	-	-	-
Transfer/Adjustments	-	-	-	-
As at 30th June 2021	10,586,497	26,119,067	12,416,700	49,122,264
Additions	6,961,350	-	6,543,781	13,505,131
Disposals	-	-	-	-
Adjustments	-	-	-	-
As at 30th June 2022	17,547,847	26,119,067	18,960,481	62,627,395
As at 1 July 2020	4,106,109	18,502,855	8,166,979	30,775,942
Depreciation	810,049	1,904,053	1,274,916	3,989,018
Transfer/adjustments	-	-	-	-
Impairment	-	-	-	-
As at 30th June 2021	4,916,157	20,406,908	9,441,895	34,764,960
Depreciation	1,578,961	952,217	2,855,876	5,386,754
Adjustments	-	-	-	-
Impairment	-	-	-	-
Disposals				
As at 30th June 2022	6,495,119	21,359,125	12,297,471	40,151,715
Net Book Values				
As at 30th June 2021	5,670,340	5,712,159	2,974,805	14,357,304
As at 30th June 2022	11,052,728	4,759,942	6,663,010	22,475,680

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Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Motor Vehicles	20,134,130	16.67%
Computers and Related Equipment	14,846,587	30%
Office Equipment, Furniture And Fittings	13,551,150	12.5%
Total	48,531,867	

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

23. Intangible Assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At beginning of the year 2021	3,596,000	3,596,000
Additions during the year	-	-
At end of the year 2021	3,596,000	3,596,000
Additions—internal development	-	-
At end of the year 2022	3,596,000	3,596,000
Amortization and impairment		
At beginning of the year 2021	2,876,800	1,078,800
Amortization during the year	719,200	755,160
At end of the year 2022	3,596,000	1,833,960
Impairment loss	-	-
At end of the year 2022	-	1,833,960
NET COST as at end of 2022	-	1,762,040

Retirement benefit Asset/ Liability

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

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

24. Financial Risk Management

The Commission's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Entity'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. The Entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

i) Credit risk

The Entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Entity's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

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

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2022				
Receivables from non-exchange transactions	10,599,938	10,599,938	-	-
Bank balances	23,805,396	23,805,396	-	-
Total	34,405,334	34,405,334	-	-
As at 30 June 2021				
Receivables from non-exchange transactions	10,274,971	10,274,971	-	-

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Bank balances	51,963,282	51,963,282	-	-
Total	62,138,253	62,138,253	-	-

Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Commissioners sets the Commission's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

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

iii) Market risk

The Commission has put in place an internal audit function to assist it in assessing the risk faced by the Entity on an on-going basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Commission's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Commission's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Commission's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

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

Management of interest rate risk

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To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

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

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

Nature of related party relationships

Entities and other parties related to the Kenya Law Reform Commission include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

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

Other related parties include:

- i) Key management.
- ii) Commissioners.

	2021-2022	2020-2021
	Kshs	Kshs
a) Key management compensation		
Commissioner's emoluments	-	-
Compensation to key management	17,558,100	22,533,696
Total	17,558,100	22,533,696

25. Surplus Remission.

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Commission did not make any surplus during the year (FY 2021-2022 Nil) and hence no remittance to the Consolidated Fund.

Surplus Remission Payable

	2021-2022	2020-2021
	Kshs	Kshs
Payable at the beginning of the year	-	-
Paid during the year	1,967,649	-
Payable at end of the year	1,967,649	-

The surplus to be remitted relates to unutilized insurance recoveries for financial year 2020-2021

26. Events after the Reporting period

The Commissioners were sworn into office on 15th August 2022 after the appointment of the Chairperson and the fulltime Commissioner on 1st August 2022. The part-time Commissioners had been appointed earlier in 2019 but had not been sworn into office.

27. Ultimate and Holding Entity

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

28. Currency

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

29. Appendix

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Page 2 Paragraph 4 (Other matter)	Property, Plant & Equipment-No ownership for motor vehicle Registration GKA 139N and GKA 281G	It is true the ownership documents of vehicle GKA 281G were under the defunct Ministry of Justice and Constitutional Affairs, however at the time of response the vehicle has been registered under the Commission logbook Number K4300329U. The Commission is still pursuing with NTSA on getting ownership documents for GKA139N	Not Resolved We are now pursuing the transfer for GKA 139N	Within FY 2022/2023
Page 3 Paragraph 3	Lack of functional oversight structures	It is true the Commission operated without a functional Oversight Body and requisite committees to provide oversight to the management activities. However, the Mwongozo guidelines provide that in the absence of a Board, Management Oversight is done by the Ministry responsible for the organization hence the approvals are done through the Office of the Attorney General and Department of Justice. The Commission is awaiting the appointment of Commissioners.	Resolved The Chairperson of the Commission has been appointed and the Board is fully constituted effective August 1st 2022.	Within FY 2022/2023
Page 3 Paragraph 3	Understaffing-A review of employee records and staff payroll for the year ended 30th June	It's true the Commission is understaffed by one hundred and seventy five personnel, this is due to freeze on recruitment by the National Treasury.	Not Resolved The Commission recruited an additional seven officers however four other officers	

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Reference on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	2021, revealed that the Commission had sixty-five employees against an establishment of two hundred and forty. The under-staffing may hinder effective service delivery by the Commission		exited the Commission on attaining the retirement age.	
Page 3 Paragraph 4	Asset Management-As disclosed in Note 15 to the financial statements, the statement of financial position reflects property, plant and equipment net balance of Kshs. 14,357,304 as at 30 June 2021. However, the Assets register was not updated with pertinent details including clear description of the Assets date of acquisition, cost, location and unique identification number of Assets. Further the assets	It is true the Commission does not have an updated asset register. However, the PPE and depreciation figures disclosed in the financial statement are based on the previous year's reported costs plus additions during the year under review. The Commission is undertaking a comprehensive asset register and tagging the assets with unique identification numbers in the financial year.	Resolved. The Commission developed a comprehensive Asset register in line with The National Treasury guideline of 2020. The Commission is planning to undertake tagging of all assets with Unique Identification Numbers.	FY 2022/2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>were not tagged with Unique Identification numbers. Consequently the Commission's Internal control and risk management on assets were weak during the year under review.</p>			



Secretary/CEO

Date: