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**REPORT**

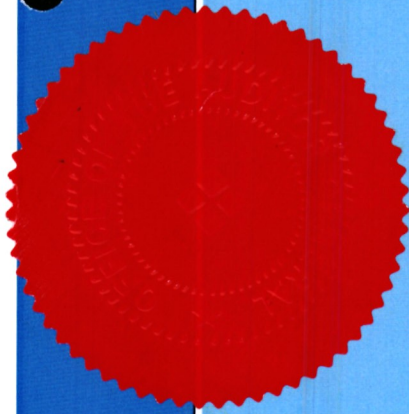
**OF**

**THE AUDITOR-GENERAL**

**ON**

**COUNCIL OF LEGAL EDUCATION  
STAFF CAR LOAN AND  
MORTGAGE SCHEME**

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



THE NATIONAL ASSEMBLY  
PAPER NO. 1 AND 2

DATE: 19 APR 2023

DAY: Wednesday

TABLED BY: Hon. Owen Baya, Deputy leader of the Majority Party

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## **COUNCIL OF LEGAL EDUCATION STAFF CAR LOAN AND MORTGAGE SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE, 2022**

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



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## **1. Key information and management**

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### **a) Background information**

The Council of Legal Education is established by Legal Education Act No. 27 of 2012. The Council has thus established the CLE Staff Car Loan and Mortgage Scheme in accordance to the Salaries and Remuneration Commission Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17<sup>th</sup> December, 2014 on Schemes for State Officers and Other Public Officers of Government of Kenya, National Treasury Circular ZZ/MOF/26/03/86 of 16<sup>th</sup> September 2015 and ZZ/MOF/26/03/86/A (134) of 16<sup>th</sup> March 2016 to all public bodies and regulated by Council of Legal Education (CLE) Staff Car Loan & Mortgage Scheme Regulation of 2020 that were approved by the Board on 16<sup>th</sup> December 2020.

The Scheme is wholly owned by Council of Legal Education located in Nairobi, Kenya.

### **b) Principal Activities**

The principal activities of the CLE staff car loan and mortgage CLE Staff Car Loan and Mortgage Scheme:

- a) To enable CLE staff to access mortgage facilities;
- b) To enable CLE staff to purchase cars.

The Scheme is administered by the National Bank of Kenya. There is a committee appointed by the Chief Executive Officer charged with the responsibility of;

- i. Processing loans from applicants in accordance with laid down approved regulations
- ii. Setting up a revolving scheme for the disbursement of loans
- iii. Supervising the day-to-day operations of the scheme.

### **Vision of CLE**

To motivate CLE staff and immensely contribute towards attraction and retention of requisite skills in the Council of Legal Education.



### **CLE Mission**

To assure quality legal education and training through licensing and supervision of legal education providers; Administration of the Advocates Training Programme examination and advising the Government on legal education.

### **c) CLE Staff Car Loan and Mortgage Scheme Advisory Committee**

Ref	Position	Name
1.	Chairperson	Ms. Ednah Kerubo Oyori
		Ms. Purity Kimathi - Resigned 15 <sup>th</sup> May 2022
2.	Member	Ms. Faith Mwangi
3.	Member	Mr. Jairus Kirande
4.	Member	Mr. Josphat Waithaka
5.	Secretary	Mr. Duncan Nalwenge
6.	Scheme Administrator	National Bank of Kenya

### **d) Key Management**

S/NO	Position	Name
1.	Secretary/Chief Executive Officer	Dr. Wambua Kituku
		Ms. Mary M. Mutugi - Ag. Secretary/ CEO - from 4 <sup>th</sup> June to 30 <sup>th</sup> November 2022
2.	Manager Finance and Accounts	Ms. Ednah Kerubo Oyori
3.	Principal Human Resources and Administration Officer	Ms. Faith Mwangi
4.	Principal Supply Chain Management Officer	Mr. Jairus Kirande
5.	Senior Examination Officer	Mr. Josphat Waithaka
6.	Senior Finance Officer	Mr. Duncan Nalwenge



**e) Fiduciary Oversight Arrangements**

Ref	Position	Name
1	Directorate of Internal Audit	Ms. Ignazia Kaimba
2	Staff Car Loan & Mortgage Advisory Committee	

**f) Registered Offices**

**Council of Legal education**  
P.O. Box 829-00502  
Karen Office park Acacia Block 2<sup>nd</sup> Floor  
Lang'ata Road  
Nairobi, Kenya

**g) CLE Staff Car Loan and Mortgage Scheme Contacts**

Telephone: (254) 20 6980100, 20 2011290  
E-mail: info@cle.or.ke  
Website: www.cle.or.ke

**h) CLE Staff Car Loan and Mortgage Scheme Bankers**

National Bank of Kenya  
Hill Branch  
P.O Box 45219-00100  
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. Management Team**

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**Dr Wambua Kituku**  
**Scheme Administrator**

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Dr Wambua Kituku is an Advocate of the High Court of Kenya and registered EIA/EA Lead Expert with NEMA and holds an EIA and EA certificate from The African Nazarene University. He holds a Ph.D. in Environmental Law from the University of Nairobi, with a focus on regulatory aspects of solid waste management.

He also holds Bachelor's Degree in Law (LL.B) and Master of Laws (LL.M) from the University of Nairobi. Dr. Kituku also holds a Bachelor of Science Degree from Jomo Kenyatta University of Agriculture and Technology.

Before joining the Council of Legal Education, Dr Kituku worked with the United Nations Development Programme (UNDP) Kenya Country Office for the last ten years, managing civil society strengthening as well as elections programmes.

He has previously practiced law in Nairobi and Machakos and worked for National and well as International NGOs. Dr Kituku has a long consulting experience with the Public Sector, UN bodies, NGOs, Public and Private Sector spanning for over 20 years in such areas as strategy formulation, research, training, and advisory services.

Dr Kituku has taught law at the School of Law, Kenyatta University, where he served as the examination's coordinator as well.

He has supervised a number of Post-graduate students at the Faculty of Law, University of Nairobi.

He has written and published peer-reviewed articles on environmental law and democratic governance issues.

**Date of appointment: 1st December, 2021**

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**Ms. Mary M. Mutugi**

**Ag. Scheme Administrator**

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Ms. Mutugi holds an LL.B (Hons) degree from Moi University, and a Master degree in International Conflict Management. Ms. Mutugi is an Advocate of the High Court of Kenya and a Commissioner of Oath. She has 10 years' experience in Legal Education and Training, four (4) of which are in Legal Education and Regulation.

**Date of Acting Scheme Administration: 1<sup>st</sup> December 2022**

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**CPA Purity Kimathi**

**Council of Legal Education (CLE) Staff Car Loan & Mortgage Scheme/Chair**

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CPA Kimathi is a Certified Public Accountant and a Certified Secretary. She holds an MBA (Finance & Strategic Management) and a Bachelor of Commerce (Finance) from the University of Nairobi. She is a member of the Institute of Certified Public Accountants Kenya (ICPAK) and the Institute of Internal Auditors (IIA). She has over 16 years' experience in Finance & Administration, with keen interest in corporate governance. She previously worked at the Teachers Service Commission.

**Date of Resignation: 15<sup>th</sup> May 2022**

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**CPA Ednah Kerubo Oyori**

**Council of Legal Education (CLE) Staff Car Loan & Mortgage Scheme/Chair**

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Ms. Ednah Kerubo Oyori holds a Master of Science Degree in Finance & Investments from the University of Nairobi, a Bachelor of Arts in Economics Degree from Makerere University and is a Certified Public Accountant.

Ms. Kerubo is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). Ms. Kerubo has served as Manager, Finance and Accounts at the Kenya Film Commission, she has worked as a Senior Accountant with the Kenya Universities and Colleges Central Placement Service and as an Accountant at The University of Nairobi and comes with a vast experience in Finance & Accounts having worked in Positions of Senior Management in the Public Sector.

**Date of Appointment: 22nd November 2021**

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**Mr. Jairus Kirande**

**Council of Legal Education (CLE) Staff Car Loan & Mortgage Scheme/Member**

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Mr. Kirande is the head of Supply Chain Mgt. Department. He holds a MSc. degree in Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology, a Bachelor of Arts degree (Economics) from Egerton University) and a Diploma in Supplies Management. He previously worked with Kenya School of Law and Office of the President (then the Provincial Administration and Internal security), Co-operative College of Kenya (now a University) and CMC Motors Group. He has over 25 years' experience in procurement and inventory Management. He is a Licensed Supply Chain Practitioner with Kenya Institute of supplies Management (KISM).

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**Ms. Faith Mwangi**

**Council of Legal Education (CLE) Staff Car Loan & Mortgage Scheme/Member**

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Ms. Faith N. Mwangi holds a Master's Degree in Business Administration in Strategic Management from the University of Nairobi, a Bachelor of Commerce Degree from Catholic University of Eastern Africa and is a Certified Human Resource Practitioner.

Ms. Mwangi is a member of the Institute of Human Resource Management (IHRM). Prior to joining Council of Legal Education on 15th November 2015, Ms. Mwangi served as Head of Human Resource and Administration at the Radiant Group of Hospitals and the Head of Administration at Market Masters Limited.



**Mr. Duncan Nalwenge**

**Council of Legal Education (CLE) Staff Car Loan & Mortgage Scheme/Secretary and Accountant**

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Mr. Duncan O. Nalwenge holds a Master's of Science Degree in Finance from the Kenyatta University, a Bachelor in Business Management Degree from Moi University and is a Certified Accountant.

Mr. Nalwenge is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). Prior to joining Council of Legal Education on 28th February 2016, Mr. Nalwenge served as a Finance Officer at the Postal Corporation of Kenya.



**Mr. Josphat Waithaka**

**Council of Legal Education (CLE) Staff Car Loan & Mortgage Scheme/Member**

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Mr. Waithaka holds Master of Education degree in Measurements & Evaluation from University of Nairobi, Bachelor of Education degree from Moi University and Diploma in Education from Kenya Science Teachers' College. Waithaka is as a Senior Examination Officer and had also served as an Examination Officer, Registration & Records. Waithaka joined the organization in November 2015. Previously, Waithaka worked as a teacher under Teachers Service Commission and taught at Kagumo Teachers Training College and Misyani Girls Secondary School. While in college, Waithaka served as Deputy Registrar and Assistant Registrar Examinations.

Waithaka is a member of various committees and at different positions.

Waithaka is a person of integrity and maintains highest standards of ethics, confidentiality and professionalism.

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### **3. Chairperson's Report**



The Council is pleased to present the Staff Car Loan and Mortgage Annual Report and Financial Statements for the Council of Legal Education for the year ended June 30, 2022.

The scheme provides staff with the opportunity to buy or build a house using a mortgage loan that is repayable within a term of up to 20 years. The CLE scheme will also facilitate staff to acquire motor vehicles through the provision of loans to purchase vehicles repayable within a term of up to five years.

#### ***Rationale of the CLE Staff Car Loan and Mortgage Scheme***

To effectively execute its mandate towards the realisation of its Vision, the Council endeavours to attract, motivate and retain top talent. The scheme was established as a means to achieving this goal. Through the Scheme, employees access housing and car loans at competitive concessionary interest rates. Since this is a revolving fund, upon a repayment, the funds are lent out to other employees who presents an application.

Additionally, administering the scheme and providing affordable housing loans to employees, the Council will be supporting the Government's objective of providing 500,000 new affordable housing units to the public by 2022 under the "Big 4 Agenda".

Further, the scheme emanates from the Car Loan and Mortgage Schemes for State and other Public Officers of the Government of Kenya that was established in December 2014 by the Salaries and Remuneration Commission's (SRC) in collaboration with the National Treasury. The Council is indeed grateful to the National Treasury and the Salaries and Remuneration Commission for their respective roles in enabling the scheme to achieve its objectives of facilitating staff access the facility.



***Governance and Management of the CLE Staff Car Loan and Mortgage Scheme***

The Council has set up a revolving fund to facilitate the operation of the scheme. The Council also provides the governance and management capacity to run the funds. The loan entitlement and conditions are stipulated in detailed CLE Staff car loan and mortgage scheme regulations. The CLE staff car loan and mortgage scheme Advisory Committee has been set up to oversee the administration and implementation of the scheme.

***Sustainability of the CLE Staff Car Loan and Mortgage Scheme***

The Council of Legal Education has set aside initial capital of Kshs 107 million to the Scheme. To ensure sustainability, the scheme operates as a revolving fund, where the repayments by beneficiaries are utilised to provide loans to new applicants.

Finally, the Council is grateful to the Government, which through National Treasury and the Office of the Attorney General and State Law Office and Salaries and Remuneration Commission has continued to guide and support the Council to improve the welfare of the staff through the scheme. It is anticipated that the provision of this facility shall encourage the staff to continue undertaking their duties and responsibilities with zeal and patriotism.

CPA Ednah Kerubo Oyori

**CHAIRPERSON, CAR LOAN AND MORTGAGE ADVISORY COMMITTEE  
COUNCIL OF LEGAL EDUCATION**



#### **4. Report from the Ag. Scheme Administrator**

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The Council has the pleasure of presenting the Council of Legal Education CLE Staff Car Loan and Mortgage Scheme's financial statements for the financial year 2021/2022. The financial statements comprise of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Net Assets and Statement of Cash Flows. The Council employed prudent financial management in line with Government Financial Regulations and International Public Sector Accounting Standards resulting in facilitation of efficient and effective administration of the CLE Staff Car Loan and Mortgage Scheme.

The CLE Staff Car Loan and Mortgage Scheme's operations and activities for the Financial Year 2021/2022 included appointment of an administrator for the scheme and opened an operation bank account for the staff car loan and mortgage scheme.

In the financial year, the scheme opened bank accounts with the National Bank of Kenya as the scheme's administrator and made a transfer of Kshs 107 million as initial seed for the scheme. The Council will operate the scheme as a revolving fund, where the repayments by the beneficiaries are utilised to provide loans to new applicants. The Council will continue to mobilise budgetary allocations in subsequent financial years to enable all staff to access the facility.

I am grateful to the Council members and other stakeholders for the successful establishment, funding and administration of the CLE Staff car loan and mortgage scheme. I encourage all staff members to utilise the facility for improvement of their welfare and to remain resilient and focused in the performance of their duties.

Ms. Mary M. Mutugi, OGW  
**SCHEME ADMINISTRATOR /Ag. SECRETARY/CHIEF EXECUTIVE OFFICER  
COUNCIL OF LEGAL EDUCATION**



## **5. Corporate Governance Statement**

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### ***a. Appointment and removal of Staff Car Loan and Mortgage Advisory Committee***

The Secretary/ Chief Executive Officer will appoint a 5-member committee to the Staff Car Loan and Mortgage Advisory Committee to oversee the implementation and administration of the scheme as per the CLE staff car loan and mortgage regulation.

### ***b. Roles and functions of the Advisory Committee members,***

The functions of the Car Loan and Mortgage Scheme Advisory Committee will include;

- i. Advise the CEO on the selection of service provider for the administration of the Scheme,
- ii. Liaise with service provider to set up a revolving fund for disbursement of loans,
- iii. Supervise the day to day running of the Scheme, supervise the disbursement of funds,
- iv. Forward successful applications with recommendation to the service provider,
- v. Ensure books of account are kept and other records to the scheme of all the loans financed from the scheme,
- vi. Furnish such information regarding the administration of the Scheme as may be required for examination and Audit by the Auditor General or under any law,
- vii. Designate or appoint such staff as may be necessary to assist in administration of the Scheme and may require such staff to carry such inspections as may be necessary to verify any information submitted to the committee.



***c. CLE Staff Car Loan and Mortgage Scheme Advisory Committee meetings held***

<b>s/no</b>	<b>Date</b>
1.	10 <sup>th</sup> August, 2021
2.	4 <sup>th</sup> February, 2022
3.	29 <sup>th</sup> April, 2022



## **6. Management Discussion and Analysis**

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### *a) Financial performance*

The CLE Staff Car Loan and Mortgage Scheme's operations and activities for the Financial Year 2021/2022 included appointment of the scheme's administrator as the National Bank of Kenya and opening of the scheme's operation's bank account. CLE transferred Kshs 107 million as seed capital to the Scheme.

### *b) Key projects or investments decision implemented*

CLE Staff Car Loan and Mortgage Scheme has appointed an Administrator for the scheme. The Committee has received six (6) mortgage applications from staff members which are being processed by the bank.

### *c) Compliance with statutory requirements*

During Financial Year 2021/2022 CLE Staff Car Loan and Mortgage Scheme complied with the statutory requirements.

### *d) Major risks facing the CLE Staff Car Loan and Mortgage Scheme*

#### **Credit Risk Management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company. Credit risk arises from bank balances, trade receivables and amounts due from related parties. The scheme administrator National bank of Kenya on behalf of the Council assesses the credit quality of each customer who are staff members, taking in to account its financial position, past experience and other factors.



### **Interest rate risk**

The interest rate risk arises from investments in short term deposits and Government securities. The scheme has not invested in short term deposits or Government securities.

### **Price risk**

The CLE Staff Car Loan and Mortgage Scheme does not hold investments that would be subject to price risk.

### **Liquidity risk management**

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

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

The CLE Staff Car Loan and Mortgage Scheme is up to date in remitting its statutory and financial obligations which are;

### **Report of Staff Car Loan and Mortgage Scheme Advisory Committee**

The Council hereby submits the report together with the audited financial statements for the year ended June 30, 2022, which shows the state of the scheme affairs.

### **Performance**

The Financial statements of the scheme for the year ended June 30, 2022 are set out on page 1 to 5.



*Council of Legal Education Staff Car loan and Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2022*

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**Auditors**

The Auditor General is responsible for the statutory audit of the Council of Legal Education scheme in accordance with Article 229 of the Constitution of Kenya, Public Audit Act 2015.

By Order of the Council

**CORPORATE SECRETARY/SECRETARY TO THE BOARD  
COUNCIL OF LEGAL EDUCATION**

**NAIROBI**

Date 2022/12/15.....



## **7. Statement of Management's Responsibilities**

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Section 81 of the Public Finance Management Act, 2012 requires CLE staff car loan and mortgage scheme to prepare financial statements. The scheme, gives a true and fair view of the state of affairs of the financial year and the operating results of scheme for that year. The Council is also required to ensure that the scheme keeps proper accounting records, which disclose with reasonable accuracy of the financial position of the scheme. The Council is also responsible for safeguarding the assets of the Scheme.

The Council is responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs for year ended on June 30, 2022. These responsibilities include:

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

The Council takes responsibility for the scheme's Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates. This should be in conformity with International Public-Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, the State Corporations Act and Legal Education Act, 2012. The Council is of the opinion that financial statements of the Scheme give a true and fair view of the state of the Scheme's transactions during the financial year ended June 30, 2022. In addition, gives the financial position as at that date.



The Council further, confirms the completeness of the accounting records are well maintained and could be relied on in the preparation of the CLE staff car loan and mortgage scheme financial statements as well as the adequacy of the systems of internal financial control.

However, nothing has come to the attention of the Board to indicate that the CLE staff car loan and mortgage scheme will not remain a going concern for at least the next twelve months from the date of this statement.

#### **Approval of the financial statements**

The Council approved the scheme's Financial Statements on 13<sup>th</sup> December 2022 and signed on its behalf by:

.....  
**Ms. Mary M. Mutugi, OGW**

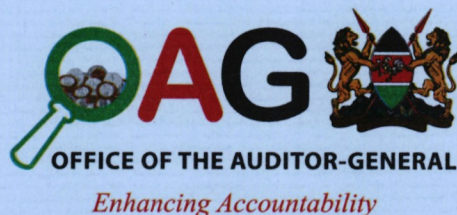
**Scheme Administrator/Ag. Chief Executive Officer**

.....  
**CPA Ednah Kerubo Oyori**

**Chair/CLE Staff Car Loan &  
Mortgage Scheme**

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
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**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON COUNCIL OF LEGAL EDUCATION STAFF CAR LOAN AND MORTGAGE SCHEME FOR THE YEAR ENDED 30 JUNE, 2022**

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### **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.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Council of Legal Education Staff Car Loan and Mortgage Scheme set out on pages 1 to 23, 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 statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council of Legal Education Staff Car Loan and Mortgage Scheme as at 30 June, 2022, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Council of Legal Education (CLE) Staff Car Loan and Mortgage Regulations, 2020 and 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 Council of the Legal Education Staff Car Loan and Mortgage Scheme in accordance with ISSAI 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Irregular Opening of a Bank Account**

Audit review revealed that The National Treasury had granted authority to the Scheme Management to open and operate a bank account with the National Bank of Kenya. However, the Scheme Management opened and operated a second bank account in the

same bank whose authority to open was not provided for audit review. This is contrary to Section 28(1) of the Public Finance Management Act, 2012 which requires The National Treasury to authorize opening, operating and closing of bank accounts and sub accounts for all National Government entities.

In the circumstances, the Management was in breach of the law.

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Scheme's ability to continue 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 Scheme 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.

Those charged with governance are responsible for overseeing the Scheme'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 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 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 Scheme's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme'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 Scheme to cease to continue 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 Scheme 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

11 January, 2023



### 9. Statement of Financial Performance for the year ended 30<sup>th</sup> June 2022

Description	Note	2021/2022 Kshs.	2020/2021 Kshs.
<b>Revenue from non-exchange transactions</b>			
Transfers from OAG	6	-	-
		-	-
<b>Revenue from exchange transactions</b>			
Interest income	7	792,201	-
		<b>792,201</b>	-
<b>Total revenue</b>		<b>792,201</b>	-
<b>Expenses</b>			
Surplus before tax		792,201	-
Taxation	8	(118,830)	-
<b>Surplus after Tax</b>		<b>673,371</b>	-

The notes set out on pages 6 to 22 form an integral part of these Financial Statements

The financial statements set out on page 1 to 5 were signed on behalf of the Board of Directors by:

Ms. Mary M. Mutugi,  
OGW  
Scheme Administrator /  
Ag. Chief Executive  
Officer

Date: 2022/12/15

Duncan Nalwenge  
Accountant to the CLE  
Staff Car Loan and  
Mortgage Scheme

ICPAK M/No: 14700

Date: 15/12/2022

Ednah Kerubo Oyori  
Chair to the CLE Staff  
Car Loan and Mortgage  
Scheme

Date: 15/12/2022




Council of Legal Education Staff Car loan and Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2022


10. Statement of Financial Position as at 30<sup>th</sup> June 2022


Description	Note	2021/2022	2020/2021
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	107,886,001	-
Receivables from exchange transactions		-	-
Receivables from Non- exchange transactions	10	-	57,093,800
<b>Total Current Assets</b>		<b>107,886,001</b>	<b>57,093,800</b>
<b>Non-current assets</b>			
Receivables from exchange transactions		-	-
<b>Total assets</b>		<b>107,886,001</b>	<b>57,093,800</b>
<b>Liabilities</b>			
Trade and other payables	8	118,830	-
<b>Total Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>118,830</b>	<b>-</b>
<b>Net Liabilities</b>		<b>118,830</b>	<b>0</b>
CLE Staff Mortgage Scheme	11	87,093,800	57,093,800
CLE Staff Car Loan Scheme	11	20,000,000	-
Accumulated surplus		673,371	-
<b>Accumulated Reserves and reserves</b>		<b>107,767,171</b>	<b>57,093,800</b>
<b>Total net assets and liabilities</b>		<b>107,886,001</b>	<b>57,093,800</b>

The accounting policies and explanatory notes set out on pages 6 to 22 to these financial statements form an integral part of the financial statements.

The CLE Staff car loan and mortgage scheme financial statements set out on pages 1 to 5 were approved on 15/12 2022 and signed

  
.....  
Ms. Mary M. Mutugi,  
OGW  
Scheme Administrator /  
Ag. Chief Executive  
Officer

  
.....  
Duncan Nalwenge  
Accountant to the CLE  
Staff Car Loan and  
Mortgage Scheme  
ICPAK M/No: 14700

  
.....  
Ednah Kerubo Oyori  
Chair to the CLE Staff  
Car Loan and Mortgage  
Scheme



*Council of Legal Education Staff Car loan and Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2022*

**12. Statement of Cash Flows for the year ended 30<sup>th</sup> June 2022**

Description	Note	2021/2022	2020/2021
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest income		792,201	-
<b>Total receipts</b>		<b>792,201</b>	<b>-</b>
<b>Payments</b>			
Taxation		118,830	-
<b>Total payments</b>		<b>118,830</b>	<b>-</b>
<b>Cash flow from operating activities</b>		<b>673,371</b>	<b>-</b>
<b>Effects of Working Capital Changes</b>			
Increase in receivables			-57,093,800
Decrease in receivables		57,093,800	-
Increase in Trade and other payables		118,830	-
<b>Total Working Capital Changes</b>		<b>57,212,630</b>	<b>-</b>
<b>Net cash flow from operating activities</b>		<b>57,886,001</b>	<b>-57,093,800</b>
<b>Cash flows from investing activities</b>			
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		(-)	(-)
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Receipts into the mortgage account		30,000,000	57,093,800
Receipts into CLE Staff Car Loan account		20,000,000	-
<b>Net cash flows used in financing activities</b>		<b>50,000,000</b>	<b>57,093,800</b>
<b>Net increase in cash and cash equivalents</b>		<b>107,886,001</b>	<b>(-)</b>
Cash and cash equivalents at 1 July 2021		-	-
<b>Cash and cash equivalents at 30 June 2022</b>		<b>107,886,001</b>	<b>-</b>

.....  
Ms. Mary M. Mutugi,  
OGW  
Scheme Administrator /  
Ag. Chief Executive  
Officer

.....  
Duncan Nalwenge  
Accountant to the CLE  
Staff Car Loan and  
Mortgage Scheme  
ICPAN M/No: 14700

.....  
Ednah Kerubo Oyori  
Chair to the CLE Staff  
Car Loan and Mortgage  
Scheme



*Council of Legal Education Staff Car loan and Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2022*

**11. Statement of Changes in Net Assets for the year ended 30<sup>th</sup> June 2022**

Description	Staff Mortgage	Staff Car Loan	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.	Kshs.
As at 1 July 2020	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Funds received during the year	57,093,800	-	-	57,093,800
Transfers	-	-	-	-
As at 30 June 2021	57,093,800	-	-	57,093,800
Balance as at 1 July 2021	57,093,800	-	-	57,093,800
Surplus for the period	-	-	673,371	673,371
Funds received during the year	30,000,000	20,000,000	-	50,000,000
Transfers	-	-	-	-
Balance as at 30 June 2022	87,093,800	20,000,000	673,371	107,767,171



**13. Statement of Comparison of Budget and Actual amounts for the year ended 30<sup>th</sup> June 2022**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
<b>Revenue</b>						
Transfers from AG	-	-	-	-	-	0%
Interest income	-	-	-	792,201	-	0%
<b>Total Revenue</b>	-	-	-	792,201	-	0%
<b>Expenses</b>						
Use of goods and services	-	-	-	-	-	0%
Taxation	-	-	-	118,830	-	0%
Finance cost	-	-	-	-	-	0%
<b>Expenditure</b>	-	-	-	-	-	0%
<b>Surplus for the period</b>	-	-	-	673,371	-	
<b>Capital Expenditure</b>	-	-	-	-	-	0%



## **14. Notes to the Financial Statements**

### **i) General Information**

Council of Legal Education Staff Car Loan and Mortgage established pursuant to the Salaries and Remuneration Commission Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17<sup>th</sup> December, 2014 on staff Car Loan and Mortgage CLE Staff Car Loan and Mortgage Schemes for State Officers and Other Public Officers of Government of Kenya, National Treasury Circular ZZ/MOF/26/03/86 of 16<sup>th</sup> September 2015 and ZZ/MOF/26/03/86/A (134) of 16<sup>th</sup> March 2016 to all public bodies and the CLE Staff Car Loan and Mortgage Scheme, 2020.

### **ii) 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 CLE Staff car loan and mortgage scheme accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Council Staff Car Loan and Mortgage Scheme.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and the Legal Education Act No. 27 of 2012 Section 28 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.



**Notes to the Financial Statements (Continued)**

**iii) Adoption of New and Revised Standards**

**a. New and amended standards and interpretations in issue effective in the year ended 30 June 2022**

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

**b. New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2022.**

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 41: Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an CLE Staff Car Loan and Mortgage Scheme's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"><li>i. Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li><li>ii. Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li><li>iii. Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between the CLE Staff Car Loan and Mortgage Scheme's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li></ul> <p><b><i>This will not affect the CLE Staff car loan and mortgage scheme</i></b></p>



<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 42: Social Benefits	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting CLE Staff car loan and mortgage scheme provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>a) The nature of such social benefits provided by the CLE Staff Car Loan and Mortgage Scheme;</li> <li>b) The key features of the operation of those social benefit CLE Staff Car Loan and Mortgage Schemes; and</li> <li>c) The impact of such social benefits provided on the CLE Staff Car Loan and Mortgage Scheme's financial performance, financial position and cash flows.</li> </ul> <p><b><i>This will not affect the CLE Staff car loan and mortgage scheme</i></b></p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><b><i>This will not affect the CLE Staff car loan and mortgage scheme</i></b></p>



Standard	Effective date and impact:
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p><b><i>This will not affect the CLE Staff car loan and mortgage scheme</i></b></p>
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the CLE Staff Car Loan and Mortgage Scheme. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><b><i>This will not affect the CLE Staff car loan and mortgage scheme</i></b></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued</p>



Standard	Effective date and impact:
	operations to be presented separately in the statement of financial performance. <b><i>This will not affect the CLE staff car loan and mortgage scheme</i></b>

#### c. Early adoption of standards

The CLE Staff car loan and mortgage scheme did not early - adopt any new or amended standards in the year 2021/2022.

#### d. Significant Accounting Policies

##### Revenue recognition

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

###### 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). In case the transfer is free from conditions, it is probable that the economic benefits or service potential related to the asset will flow to the CLE Staff car loan and mortgage scheme and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

##### ii) Revenue from exchange transactions

###### Interest income

The CLE Staff car loan and mortgage scheme will have a Current bank account for the staff car loan account and mortgage account. The Council does not expect to receive any future cash receipts from the current accounts.



#### **e. Budget information**

The original budget for FY 2021-2022 was approved by the National Assembly. Subsequent revision and additional appropriations were made to the approved the budget in accordance with specific approvals from the Council and The National Treasury and Planning. The additional appropriations are added to the original budget by CLE Staff car loan and mortgage scheme upon receiving the respective approvals from the Council and The National Treasury and Planning to conclude the final budget. Accordingly, Council of Legal Education recorded no appropriation on the 2020-2021 budget following the governing body's approval.

CLE staff car loan and mortgage CLE Staff car loan and mortgage scheme budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement on financial performance, whereas the budget is prepared on a cash basis.

#### **f. Financial Instruments**

##### **1) 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 CLE Staff car loan and mortgage scheme 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 considering 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 CLE Staff car loan and mortgage scheme 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, with 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 CLE Staff car loan and mortgage scheme assesses at each reporting date whether there is an objective evidence that a financial asset or a scheme of financial assets is impaired. Management then follows the procedure required by Regulation 145 of the PFM Act. A financial asset of the scheme 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 scheme that can be reliably estimated. Evidence of impairment may include the following indicators:

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

## **2) 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 CLE Staff car loan and mortgage scheme 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.

**a. Contingent liabilities**

The Scheme 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. The CLE Staff car loan and mortgage scheme had no contingent liability during the year.

**b. Contingent assets**

The CLE Staff Car Loan and Mortgage Scheme 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 schemes 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. The CLE staff Car Loan and Mortgage Scheme had no contingent assets during the year.

**c. Nature and purpose of reserves**

CLE Staff Car Loan and Mortgage Scheme creates and maintains reserves in terms of specific requirements. Reserves are listed as below;

- i) Accumulated Surplus - this is the sum of all accumulated surplus and deficits as at the reporting date.
- ii) CLE Staff car loan and mortgage scheme- this represents funds set aside as seed money to operationalize the scheme once opening of the Bank Account is approved by the National Treasury and Planning.



**d. Changes in accounting policies and estimates**

The CLE Staff car loan and mortgage scheme recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**e. 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.

**f. Related parties**

The CLE Staff car loan and mortgage scheme regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Scheme, or vice versa. Members of key management are regarded as related parties and comprise the Directors/Trustee, the Scheme Managers, and Scheme Accountant.

**g. 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 at National Bank of Kenya at the end of the financial year.

**h. Comparative figures**

There was no prior year amendment.



**i. Events after the reporting period**

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

**j. Ultimate and Holding CLE Staff Car Loan and Mortgage Scheme**

The scheme is established under Section 24 (4) PFM Act under the Council of Legal Education. Its ultimate parent is the Government of Kenya.

**k. Currency**

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

**l. Significant judgement and sources of estimation uncertainty**

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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



- i) The condition of the asset is based on the assessment of experts employed by the Scheme
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii) The nature of the processes in which the asset is deployed
- iv) Availability of scheme to replace the asset
- v) Changes in the market in relation to the asset



**Note 6: Transfers from the Parent Ministry**

Description	2021/2022	2020/2021
	Kshs.	Kshs.
Transfers from Government entities-operations	-	-
<b>Total</b>	-	-

**Note 7: Interest income**

Description	2021/2022	2020/2021
	Kshs.	Kshs.
Interest Income on bank deposit - Mortgage Loans	644,256	-
Interest Income on bank deposit - Car Loans	147,945	-
<b>Total Interest Income</b>	<b>792,201</b>	-

The CLE staff car loan and mortgage scheme funds earned interest at the rate of 3% p.a.

**Note 8: Taxation**

Description	2021/2022	2020/2021
	Kshs.	Kshs.
Tax Charged on Interest Income / payable	118,830	-
<b>Income Tax expense</b>	<b>118,830</b>	-

The amount of interest earned on the deposits attract a withholding tax of 15% that is deducted at source by the bank.

The withholding tax was accrued during the year and its payable

**Note 9: Cash and cash equivalents**

Description	2021/2022	2020/2021
	Kshs.	Kshs.
CLE Staff Mortgage Account	87,738,056	-
CLE Staff Car loan Account	20,147,945	-



*Council of Legal Education Staff Car loan and Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2022*

<b>Total Cash and Cash equivalents</b>	<b>107,886,001</b>	<b>-</b>
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**Note 9B:**

Detailed analysis of the cash and cash equivalents in banks:

		2021/2022	2020/2021
Financial Institution	Account number	Kshs.	Kshs.
<b>Mortgage and Car Loan Fund</b>			
Mortgage Account - National Bank of Kenya	01521244901101	87,738,056	-
Car loan Account - National Bank of Kenya	01521244901100	20,147,945	
<b>Grand Total</b>		<b>107,886,001</b>	<b>-</b>

**Note 10: Receivables from Non-Exchange transactions**

Description	2021/2022	2020/2021
	Kshs.	Kshs.
Transfer from CLE main account	-	57,093,800
<b>Total Receivables from Non-Exchange Transactions</b>	<b>-</b>	<b>57,093,800</b>

**Note 11: Reserves**

Description	2021/2022	2020/2021
	Kshs.	Kshs.
CLE staff Mortgage Reserve	87,738,056	-
CLE staff Car loan Reserve	20,147,945	57,093,800
<b>Total car loan and mortgage</b>	<b>107,886,001</b>	<b>57,093,800</b>

The scheme received a transfer Kshs.107, 093,800.00 from CLE main account.



## **Other Disclosures**

### **m. Financial risk management**

The Scheme's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The CLE Staff Car Loan and Mortgage Scheme'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 CLE Staff car loan and mortgage scheme 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 CLE Staff Car Loan and Mortgage Scheme's financial risk management objectives and policies are detailed below:

#### **i) Credit risk**

The CLE Staff car loan and mortgage scheme 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 Scheme management based on prior experience and their assessment of the current economic environment.

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



Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
<b>At 30 June 2022</b>				
Receivables from Exchange Transactions-Car loans and mortgages		-	-	-
Receivables from Non-Exchange Transactions		-	-	-
Bank Balances	107,886,001	107,886,001	-	107,886,001
<b>Total</b>	<b>107,886,001</b>	<b>107,886,001</b>	<b>-</b>	<b>107,886,001</b>
<b>At 30 June 2021</b>				
Receivables from Exchange Transactions- Car loans and mortgages	-	-	-	-
Receivables from Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the CLE Staff car loan and mortgage scheme Administrator, who has built an appropriate liquidity risk management framework for the management of the Scheme's short, medium, and long-term Scheming and liquidity management requirements. The scheme administrator manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

Description	Less than 1 month Kshs.	Between 1-3 months Kshs.	Over 5 months Kshs.	Total Kshs.
<b>At 30 June 2022</b>				
Trade Payables	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2021</b>				
Trade Payables	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**iii) Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the CLE Staff Car Loan and Mortgage Scheme'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 CLE Staff Car Loan and Mortgage Scheme's Finance Department is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

There has been no change to the CLE Staff Car Loan and Mortgage Scheme's exposure to market risks or the manner in which it manages and measures the risk.

**iv) Interest rate risk**

Interest rate risk is the risk that the CLE Staff Car Loan and Mortgage Scheme's financial condition may be adversely affected as a result of changes in interest rate levels. The Scheme's interest rate risk arises from bank deposits. This exposes the scheme to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Scheme's deposits.

***Management of interest rate risk***

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

***Sensitivity analysis***

The CLE Staff car loan and mortgage scheme analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts.



The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

**v) Capital Risk management**

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

<b>Description</b>	<b>2021/2022</b>	<b>2020/2021</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Revolving CLE Staff Car Loan and Mortgage Scheme	107,093,800	-
Accumulated surplus	673,371	-
<b>Total CLE Staff Car Loan and Mortgage Schemes</b>	<b>107,767,171</b>	<b>-</b>
Less: cash and bank balances	(107,886,001)	-
Net debt/ (excess cash and cash equivalents)	-	-
<b>Gearing</b>	<b>-</b>	<b>-</b>

**vi) Taxation**

The amount of interest earned on the deposits attract a withholding tax of 15% that is deducted at source by the bank.



**15. Annexes**

**Annex I: Progress on Follow Up of Prior Year Auditor’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)
Late submission of financial statements	The financial statements of the Council of Legal Education Staff Car Loan and Mortgage Scheme for year ended 30 <sup>th</sup> June, 2021 were submitted on 11 <sup>th</sup> January, 2022 which was three (3) months after the statutory deadline. This is contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 any other legislation, shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate to.	Awaiting PAC recommendation	Not resolved	N/A

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Ms. Mary M. Mutugi, OGW  
Ag. Chief Executive Officer  
Scheme Administrator/CEO

Date... 2022/12/15 .....



*Council of Legal Education Staff Car loan and Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2022*

**Annex II: Inter-entity Confirmation Letter**

The Council of Legal Education wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2022 as indicated in the table below.

Confirmation of amounts received by CLE Staff Car Loan and Mortgage Scheme as at 30 <sup>th</sup> June 2022						
Reference Number	Date Disbursed	Amounts Disbursed by CLE Staff Car Loan and Mortgage (KShs) as at 30 <sup>th</sup> June 2022			Amount Received by CLE Staff Car Loan and Mortgage Scheme (KShs) as at 30 <sup>th</sup> June 2021 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)		
	01/04/2022	107,093,800	-	-	107,093,800	0
<b>Total</b>	-	-	-	-	-	-

I confirm that the amounts shown above are correct as of the date indicated.

**Accountant**

Duncan Nalwenge  
CLE Car Loan and Mortgage Scheme

Sign:  .....

Date: 15/12/2022 .....

**Manager Finance & Accounts**

Ednah Kerubo Oyori  
Council of Legal Education

Sign:  .....

Date: 15/12/2022 .....



**Annex III: Reporting of Climate Relevant Expenditures**

Name and contact details of contact person .....

Project Name	Project Description	Project Objectives	Project Activities	Source Of CLE Staff Car Loan and Mortgage Schemes				Implementing Partners
				Q1	Q2	Q3	Q4	
	N/A							

Council of Legal Education (CLE) Staff Car Loan and Mortgage Scheme did not have expenditure under this category.



**Annex IV: Disaster Expenditure Reporting Template**

Date:						
CLE Staff Car Loan and Mortgage Scheme						
Period to which this report refers (FY)	N/A	Quarter				
Name of Reporting Officer	N/A					
Contact details of the reporting officer:	Email	Telephone				
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

Council of Legal Education (CLE) Staff Car Loan and Mortgage Scheme did not have expenditure under this category.