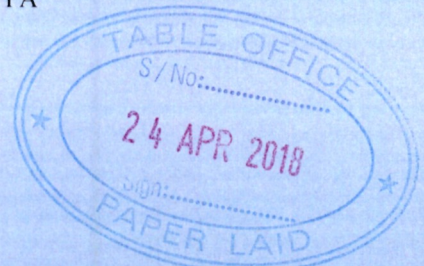


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OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2017**



KENYA LAW
Where Legal Information is Public Knowledge

NATIONAL COUNCIL FOR LAW REPORTING

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

NATIONAL COUNCIL FOR LAW REPORTING FY 2016/2017

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I. KEY COUNCIL INFORMATION AND MANAGEMENT

Background information

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

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

(a) Principal Activities

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

NATIONAL COUNCIL FOR LAW REPORTING FY 2016/2017

(b) Key management

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

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

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

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

(d) Fiduciary Oversight Arrangements

Audit and Finance & General Purposes Committee activities

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

Parliamentary Committee activities

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

Development partner oversight activities

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

(e) Council Headquarters

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

(f) Council Contacts

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

(g) Council Bankers

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

(h) Independent Auditors

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

(i) Principal Legal Adviser




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


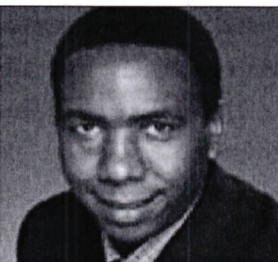

LIST OF ABBREVIATIONS

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





NATIONAL COUNCIL FOR LAW REPORTING FY 2016/2017

II. THE NATIONAL COUNCIL FOR LAW REPORTING COUNCIL MEMBERS

	<ul style="list-style-type: none"> • Date of Birth – 1951 • Date of appointment -2016 • Qualifications: <ul style="list-style-type: none"> ➤ LLM –University of Nairobi ➤ LLB – University of Nairobi ➤ DL- Kenya school of law • Experience: <ul style="list-style-type: none"> ➤ Judiciary Committee on Elections (JCE) in 2015 • Chairman the Kenya Judiciary Working Committee on Election Preparations (JWCEP) in 2012 • Presiding Judge of the Court of Appeal in Kisumu ➤ High Court Judge in 2003
	<ul style="list-style-type: none"> • Date of Birth – 1960 • Date of appointment -2013 • Qualifications: <ul style="list-style-type: none"> ➤ PHD- University o Nairobi ➤ LLM –University of Colombia ➤ LLB – University of Nairobi ➤ DL- Kenya school of Law • Experience: <ul style="list-style-type: none"> ➤ Lecturer University of Nairobi ➤ Partner Mohammed Muigai & Co. Advocates
	<ul style="list-style-type: none"> • Date of Birth – 1971 • Date of appointment -2016 • Qualifications: <ul style="list-style-type: none"> ➤ LLB – University of Nairobi ➤ DL- Kenya school of Law • Experience: <ul style="list-style-type: none"> ➤ Judge, High Court, Nakuru • Chief magistrate • State council at the Attorney General's office

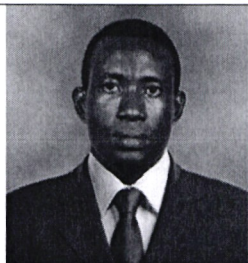
 <p>Hon. Justice Fatuma Sichale Judge of the court of Appeal</p>	<ul style="list-style-type: none"> • Date of Birth – 1958 • Date of appointment -2016 • Qualifications: <ul style="list-style-type: none"> ➤ LLB – University of Nairobi ➤ DL- Kenya school of Law • Experience: <ul style="list-style-type: none"> ➤ Judge, court of Appeal • Director- Kenya Anti-Corruption Commission • State council at the Attorney General's office Presiding Judge of the Court of Appeal in Kisumu ➤ High Court Judge in 2003
 <p>Prof. Kiarie Mwaura Dean School of Law, University of Nairobi</p>	<ul style="list-style-type: none"> • Date of Birth – 1972 • Date of appointment -2016 • Qualifications: <ul style="list-style-type: none"> ➤ Fellow- UK higher Education Academy ➤ PHD- University of Wolverhampton ➤ LLM –Staffordshire University ➤ LLB – University of Nairobi ➤ DL- Kenya school of Law ➤ Certified Public Secretary • Experience: <ul style="list-style-type: none"> ➤ Associate Dean, University of Nairobi ➤ Advocate of the High Court ➤ Transport licensing board in the Judiciary and Ministry of Transport and Infrastructure ➤ Vice Chancellor, Riara University (2013-2015)
 <p>Ms. Jennifer Gitiri Office of the Attorney General & Department of Justice in Kenya</p>	<ul style="list-style-type: none"> • Date of Birth – 1984 • Date of appointment -2016 • Qualifications: <ul style="list-style-type: none"> ➤ LLB – University of Nairobi ➤ DL- Kenya school of Government • Experience: <ul style="list-style-type: none"> ➤ Advocate of the High court ➤ Office of the Attorney General & Department of Justice in Kenya

NATIONAL COUNCIL FOR LAW REPORTING FY 2016/2017

 <p>Ms. Eva Kimeiywo- Representing Mr. Sylvester migwi</p>	<ul style="list-style-type: none"> • Date of Birth – 1975 • Date of appointment -2014 • Qualifications: <ul style="list-style-type: none"> ➤ BA- Communication (Publishing) ➤ Diploma in Printing technology • Experience: <ul style="list-style-type: none"> ➤ Senior printer at the Government press • Quality Management representative
 <p>Mr. Michael Muchemi Advocate of the high court</p>	<ul style="list-style-type: none"> • Date of Birth – 1983 • Date of appointment -2015 • Qualifications: <ul style="list-style-type: none"> ➤ LLB – University of Nairobi ➤ DL- Kenya school of Government • Experience: <ul style="list-style-type: none"> ➤ Partner Muchemi & Company advocates • Member – Law society of Kenya
 <p>Ms. Janet Kimeu Advocate of the high court</p>	<ul style="list-style-type: none"> • Date of Birth – 1975 • Date of appointment -2015 • Qualifications: <ul style="list-style-type: none"> ➤ LLM –University of Nairobi ➤ LLB – University of Nairobi ➤ DL- Kenya school of Government • Experience: <ul style="list-style-type: none"> ➤ Partner at J.M Mutua & Company advocates • Member- Law Society of Kenya
 <p>Mr. Longet Terer CEO/Editor, NCLR</p>	<ul style="list-style-type: none"> • Date of Birth – 1978 • Date of appointment -2014 • Qualifications: <ul style="list-style-type: none"> ➤ LLM –University of Durham (UK) ➤ LLB – Bangalore University (India) ➤ DL- Kenya school of Government • Experience: <ul style="list-style-type: none"> ➤ Editor/CEO – National council for Law Reporting • Snr. State council, Office of the Attorney General and DPP

III. MANAGEMENT TEAM

<p>key manager's photo, name and title</p>	<p> <ul style="list-style-type: none"> • key profession/academic qualifications • main area of responsibility </p>
<div data-bbox="108 465 343 725" data-label="Image"> </div> <p data-bbox="156 734 438 806"> 1. Mr. Long'et Terer CEO/Editor </p>	<ul style="list-style-type: none"> • LLM,LLB • Diploma in Law- KSL • Corporate Law, Change Management and Senior Management Certificate <p data-bbox="638 633 853 667"><u>Responsibilities</u></p> <ol style="list-style-type: none"> a. The Administration and management of NCLR; b. Coordinating with the Council to define the strategic priorities of the Council in order to secure the successful achievement of its mandate (vision/mission); c. Support the operations and administration of the Council by advising and informing Council members and supporting Council's performance evaluation; d. Overseeing the implementation of decisions and resolutions and managing the corporate governance relationship between the members of staff and the members of the Council
<div data-bbox="108 1198 327 1444" data-label="Image"> </div> <p data-bbox="103 1489 534 1601"> 2. Monica Mellan Achode Deputy CEO/ Senior Assistant editor </p>	<ul style="list-style-type: none"> • LLB, LLM • Diploma in Law- KSL • SLDP- KSG <p data-bbox="638 1339 853 1373"><u>Responsibilities</u></p> <ol style="list-style-type: none"> a. To assist the Chief Executive/Editor in the development and implementation of the Council's Corporate Strategy. b. To deputise the Chief Executive/Editor in exercising managerial oversight over three core functions of the Council, namely, Law Reporting, Law Revision and Research and Development. c. To guide and work with the Departmental Managers in the implementation of the corporate strategy



3. Mr. Cornelius Wekesa Lupao

Team Leader – Law Reporting

Team Leader – Law Reporting

- LLB- UON
- Diploma in Law- KSL
- SLDP- KSG
- Policy and legislative Drafting
- Professional Training Program in the art of Advanced Trial Advocacy Skills

Responsibilities

- a. Guiding the Law Reporting department internalizing the Council's values and Strategic Plan and in the fulfilment of the Department's responsibilities under the Plan;
- b. Co-ordinating the implementation of the Law Reporting Policy and Procedures Manual;
- c. Undertaking the revision, consolidation and updating of the Kenya Law reports and co-ordinating the preparation of all related publications



4. Ms. Janette Lunyolo Watila

Team Leader- HR and Administration.

- MSC in Human Resource Management
- Bachelors in Business Administration (Management Option)
- Certificate in Strategic Planning
- Member of IHRM

Responsibilities

- a. To ensure that the Council attracts and retains the optimum number of employees with the required skills, expertise and competence
- b. To guide and advise the CEO/Editor and other Managers to identify, train, mentor and groom employees to progressively take up responsibilities;
- c. To develop and implement a Human Resource Policies and Procedures Manual
- d. To ensure compliance by the organization with the Constitution, all the laws, rules and regulations governing employment and labour relations



5. Ms. Linda Achieng Awour

Team Leader- Research and Development

- LLB,LLM- UON
- Diploma in Law- KSL
- SLDP

Responsibilities

- a. Reviewing and analysing legislation and conceptualizing and implementing publication schemes and information products that enhance public access to Legal Information
- b. Setting and documenting the standards for and sharing of best practices in organizational research and development and legal publishing in Kenya and beyond
- c. Co-ordinating in the planning, management, co-ordination and controlling the affairs of the Department;
- d. Partnering with other departments, stakeholders, development partners and such other entities for the effective carrying out of the Organizations mandate and for improved access.



6. Mr. Pascal Othieno Oluoch

Team Leader- Finance

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

Responsibilities

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





7. Ms. Wambui Kamau



Team Leader- Laws of Kenya

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

Responsibilities

- e. Guiding the Laws of Kenya department internalizing the Council's values and Strategic Plan and in the fulfillment of the Department's responsibilities under the Plan;
- f. Co-ordinating the implementation of the Law Revision Policy and Procedures Manual;

	<p>g. Keeping the Law Revision Policy, manuals and workflow processes continuously under review and updated;</p> <p>h. Undertaking the revision, consolidation and updating of the Laws of Kenya and co-ordinating the preparation of all related publications</p>
 <p>8. Ms. Emily A. Nakhungu Team Leader- Sales Marketing Customer Care</p>	<ul style="list-style-type: none"> • <i>Bachelor of Arts in Communication and Media</i> • <i>Organizational Performance Index</i> • <i>Certificate in Customer Service Excellence</i> <p><u>Responsibilities</u></p> <ul style="list-style-type: none"> • Be involved in development and implementation of the department's strategies and initiatives in the Council; • Be responsible for developing and implementing the Customer Care Plan which will meet the organizational goal of expanding the Council's customer base; • Work with the Sales support teams to achieve customer satisfaction, revenue generation, and long-term sales and marketing goals in line with the Department and Council's vision, mission and values;
 <p>9. Mr. Martin L. O Andago Team Leader- ICT</p>	<ul style="list-style-type: none"> • <i>BSC Business Information Systems</i> • <i>Linux system Essential Training</i> • <i>Oracle Workforce Development Programme</i> <p><u>Responsibilities</u></p> <p>a. To support the organization in conceptualizing and application of creative, innovative, appropriate, reliable and integrated technological solutions that enable the Council to efficiently and effectively fulfill its mandate;</p> <p>b. To support the organization in the application of world-class technology for law reporting, legal publishing, legal research, law revision and knowledge;</p> <p>c. To continuously transform and improve the operational efficiency of the Council by the application of appropriate technologies;</p>

	<ul style="list-style-type: none"> • LLB, LLM • Diploma in Law- KSL • ISO Lead Auditor and Commissioner of Oaths <p><u>Responsibilities</u></p> <ul style="list-style-type: none"> □ Lead and manage the corporate affairs function of the Council and act as the Company Secretary and in-house legal counsel; • Formulate, document and implement good corporate governance practices; • Formulate and implement organizational risk management/business continuity management strategies
<p>10. Ms. Edna Kuria Muthaura Team Leader- SQUAPE</p>	
	<ul style="list-style-type: none"> • BBM (Finance & Banking) • CPA(K) • Diploma in Accountancy-KNEC <p><u>Responsibilities</u></p> <ul style="list-style-type: none"> a. Performing audit procedures to verify that controls are operating. b. Develop a flexible annual plan, using an appropriate risk based methodology and including any risks or control concerns identified by Management, and submit the plan to the Audit Committee for review and approval c. Implement the approved audit plan including any special tasks and projects requested by the Audit Committee, and Top Management
<p>11. Mr. Fredrick Buchanan O. Abea Team Leader- Risk and Internal Audit</p>	

IV. CHAIRMAN'S STATEMENT



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

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

The financial year 2016/2017 offered us an opportunity to strengthen our internal processes as part of the wider improvements that we have been undertaking. In this regard the Council for Law Reporting adopted a revised and updated board charter, which will guide its operations in accordance with the standards that have been set by *Mwongozo* – the corporate governance standards for state corporations.

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

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

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

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


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

V. REPORT OF THE CHIEF EXECUTIVE OFFICER



The Financial Year 2016/2017 was a transitional year at the Board of Kenya Law as the then Chairperson, Hon Dr Willy Mutunga, retired from the position of Chair in June 2016. We now have a new Chair, Hon Justice David K. Maraga, EGH, Chief Justice and President, Supreme Court of Kenya. In his inaugural speech the Hon Chief Justice Maraga promised to focus on the improvement of service delivery in the justice sector by enhancing access to justice for all while improving performance and accountability within the Judiciary. These are values, which underpin Kenya Law's ethos.

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

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

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

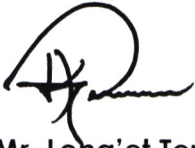
In addition to this we also commenced the re-engineering of our workflow processes so as to ensure that our processes and systems compliment the objectives we have set. Kenya Law therefore committed to undertake the development of a Quality Management System (QMS) and it is hoped that at the end of the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

This year also marked the beginning of the implementation of the Performance Management and Measurement Understanding (PMMU) framework with the Judiciary. This framework was signed against the objectives specified in our Strategic Plan *i.e.* to enhance the modalities of generating and disseminating public legal information; to review and develop appropriate policies and guidelines and legislation for achieving institutional mandates; to enhance the capacity of the institution to discharge its mandate through the

NATIONAL COUNCIL FOR LAW REPORTING FY 2016/2017

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

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



Mr. Long'et Terer,

Chief Executive Officer/ Editor,
National Council for Law Reporting

V. CORPORATE GOVERNANCE STATEMENT

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

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

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

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

Council Committees

Name of the Committee	Members
Audit and Risk management Committee	<ol style="list-style-type: none"> 1. Michael Muchemi 2. Hon. Justice Anthony Ndung'u 3. Prof. Kiarie Mwaura 4. Ms. Jennifer Gitiri
Finance and General purposes Committee	<ol style="list-style-type: none"> 1. Ms. Janet Kimeu 2. Hon. Justice Fatuma Sichale 3. Hon. Linda Murila 4. Ms. Eva Kimeiywo
Technical committee	<ol style="list-style-type: none"> 1. Hon. Justice Anthony Ndung'u 2. Ms Eva Githinji 3. Ms. Linda Murila 4. Mr. Janet Kimeu
Human Resources Committee	<ol style="list-style-type: none"> 1. Hon. Justice Fatuma Sichale 2. Mr. Michael Muchemi 3. Ms. Jennifer Gitiri 4. Prof. Kiarie Mwaura

VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Corporate Social Responsibility is an integral part of how we do our business. It reflects the inescapable reality that if the values of a business fail to resonate with the values of society, it is endangering long-term prosperity. NCLR is committed to identifying and living with the values which are important to our colleagues, customers and community at large.

Some of the CSR activities for the financial year 2016/2017 Included:

1. The Standard Chartered Marathon 14th Edition was held on **Sunday, 30th October, 2016**. The event is hosted annually by the Standard Chartered Bank. The Marathon is the flagship project for the '**Seeing is Believing**' community initiative that aims at raising funds for the needy in the community.
Kenya Law sponsored members of staff to attend the renowned Marathon.
2. In April 2017, Kenya law through the Kenya Law welfare group organized a visitation to the Missionaries of Charity (Mother Teresa) home for the mentally and physically handicapped girls in Langata. The Charity is run by the missionaries' novices and other staff to take care of many handicapped adolescent girls and women by providing boarding, special equipment such as wheelchairs and training them in skills e.g sewing, to prepare them for a means of livelihood in future. The Kenya Law staff spent time at the home and made donations of food and usable items.
3. In April 2017, Team leaders, the team leaders visited a children's home in Kilifi and made donations in kind (dry food stuffs) to support the childrens home.

VII. REPORT OF THE COUNCIL MEMBERS

The Council Members submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of NCLR affairs.

Principal activities

The principal activities of NCLR continue to be:

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

Results

The results of the National Council for Law reporting for the year ended June 30, 2017 are set out on *page 1* below.

Council Members

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

Auditors

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

By Order of the Council


Council Secretary
Nairobi

Date: 12/03/2018

VIII. STATEMENT OF COUNCIL MEMBERS RESPONSIBILITIES

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

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

Further, the Council Members are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council for and as at the end of the financial year ended on June 30, 2017.

This responsibility includes:

i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Council; iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; iv) Safeguarding the assets of the Council; v) Selecting and applying appropriate accounting policies; and vi) Making accounting estimates that are reasonable in the circumstances.


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

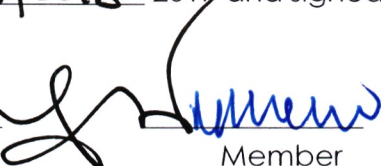
The Council members are of the opinion that the Council's financial statements give a true and fair view of the state of Council's transactions during the financial year ended June 30, 2017, and of the Council's financial position as at that date. The members further confirm the completeness of the accounting records maintained for the Council, which have been relied upon in the preparation of the Council's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The financial statements for National Council for Law Reporting were approved by the Council on 12/3/2018 2017 and signed on its behalf by:


Chairman


Member


Secretary

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

We have audited the accompanying (consolidated) financial statements of *The National Council For Law reporting for the year ended June 30 2017*, which comprise: (i) a statement of financial performance; (ii) a statement of financial position; (iii) a statement of changes in net assets; (iv) a statement of cash flows; (v) a statement of comparison of budget and actual amounts and (v) a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements for the year 2016/2017 and its financial performance as well as cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Auditor General

Date

REPUBLIC OF KENYA

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Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL COUNCIL FOR LAW REPORTING FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Council for Law Reporting set out on pages 1 to 25, which comprise the statement of financial position as at 30 June 2017, 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 National Council for Law Reporting as at 30 June, 2017, 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 National Council for Law Reporting Act, 1994.

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

Basis for Opinion

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

Key Audit Matters

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

Report of the Auditor-General on the Financial Statements of National Council for Law Reporting for the year ended 30 June 2017

Responsibilities of Management and those charged with Governance to the Financial Statements

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

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

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

Those charged with governance are responsible for overseeing the Council's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 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.

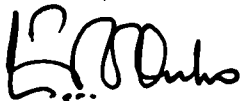
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Council to cease to 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 Council to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

09 April 2018

NATIONAL COUNCIL FOR LAW REPORTING FY 2016/2017

VII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
Revenue from non-exchange transactions			
Transfer from government(gifts in kind)	1	255,000,000	255,961,000
Other Income			
Grants From JPIP	1	18,452,519	15,422,028
Deferred Income realized	2(c)	4,200,475	6,226,641
Transfers : gifts and services-in-kind	1	-	4,212,750
		277,652,994	281,822,419
Revenue from exchange transactions			
Sale of Kenya Law Reports and other related publications	2(a)	7,434,425	9,924,826
Cost of Sales	12	(4,266,798)	(5,919,988)
Gross Profit			
Other incomes (<i>rendering services</i>)	2(b)	2,112,368	-
		5,279,995	4,004,838
Total revenue		282,932,989	285,827,257
Expenses			
Employee Costs	3	149,583,094	133,948,816
Remuneration of Council Board Members	4	2,172,471	2,088,000
Depreciation and amortization expense	5	14,142,280	25,165,921
Repairs and maintenance	6	3,601,231	2,883,668
Contracted services	7	11,943,775	19,687,436
Corporate Donations	8	63,000	2,068,941
General expenses	9	87,715,728	87,432,366
Finance costs	10	270,399	164,368
Total expenses		269,491,978	273,439,516
Other gains/(losses)			
Foreign Exchange Loss	11	-	8,040
Surplus before tax		13,441,011	12,379,701
Taxation (Tax Exempt)		-	-
Surplus for the period		13,441,011	12,379,701

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

NATIONAL COUNCIL FOR LAW REPORTING FY 2016/2017

XI. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
Assets			
Current assets			
Cash and cash equivalents	12	623,257	4,018,767
Receivables from exchange transactions	13	15,439,679	14,941,335
Receivables from non-exchange transactions	13	1,162,193	853,217
Inventories	14	193,580,695	191,811,581
		210,805,824	211,624,900
Non-current assets			
Property, plant and equipment	15	69,334,902	75,301,705
Intangible assets	16	4,385,002	5,846,670
Long term receivables from exchange transactions	17	3,780,255	3,780,255
		77,500,159	84,928,630
Total assets		288,305,983	296,553,530
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	12,670,180	32,258,125
Bank Overdrafts		-	-
Provision for Audit Fees	18	1,800,000	900,000
		14,470,180	33,158,125
Other current liabilities			
Pension Contributions	19	2,389,364	1,189,502
Deferred Income	2	167,505,376	171,705,851
Total liabilities		184,364,920	206,053,478
Net assets			
Capital fund		23,565,276	23,565,276
Retained Earnings		80,375,787	66,934,776
		103,941,063	90,500,052
Total net assets and liabilities		288,305,983	296,553,530

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

Editor / Chief Executive Officer

Date: 12/3/2018

Chairman of the Council

Date: 12/3/2018

NATIONAL COUNCIL FOR LAW REPORTING FY 2016/2017

XI. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

ATTRIBUTABLE TO THE OWNERSHIP OF NATIONAL COUNCIL FOR LAW REPORTING

	Capital Fund	Retained Earnings	Deferred Income	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 30 JUNE 2014	23,565,276	37,643,885	165,992,168	227,201,330
Surplus/(deficit) for the period	-	16,911,190	-	16,911,190
Additions for the Year	-	-	-	-
Depreciation:				
Donated Computers & Long Term Assets	-	-	(5,547,007)	(5,547,007)
Balance as at 30 JUNE 2015	23,565,276	54,555,075	160,445,161	238,565,512
Additions	-	-	17,487,331	17,487,331
Surplus for the period	-	12,379,701	-	12,379,701
Transfer to deferred Income	-	-	(6,226,641)	(6,226,641)
Balance as at 30 JUNE 2016	23,565,276	66,934,776	171,705,851	262,205,903
Additions	-	-	-	-
Surplus for the period	-	13,441,011	-	13,441,011
Transfer to deferred Income	-	-	(4,200,475)	(4,200,475)
Balance as at 30 JUNE 2017	23,565,276	80,375,787	167,505,376	271,446,439

NATIONAL COUNCIL FOR LAW REPORTING FY 2016/2017

XII.STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

		2016-2017	2015-2016
Receipts	Note	Kshs	Kshs
Government grants and subsidies	1	255,000,000	255,961,000
Grants from the Judiciary Performance Improvement Programme	1	18,452,519	15,422,028
Deferred Income	1	4,200,475	
Rendering of services	2(b)	2,112,368	4,212,750
Sale of goods and services	2(a)	7,434,425	9,924,826
Total Receipts		<u>287,199,787</u>	<u>281,307,854</u>
Payments			
Employee Costs	3	149,583,094	133,948,816
Finance cost	10	270,399	172,408
Remuneration of Council members	4	2,172,471	2,088,000
Repairs and Maintenance	6	3,601,231	2,883,668
Contracted Services	7	11,943,775	19,687,436
donations	8	63,000	2,068,941
cost of sales	12	4,266,798	5,919,988
General expenses including Depreciation	9	101,858,008	81,150,675
Total payments		<u>273,758,776</u>	<u>247,919,932</u>
Net Income for the period		13,441,011	33,387,922
Add back: Depreciation and Amortisation expense		14,142,280	-
less: Depreciation on Assets acquired under the Judiciary Performance Improvement Programme		(4,200,475)	-
Net cash flows from operating activities		23,382,816	-
Cash flows from Changes in working capital			
Decrease)/Increase in Receivables from exchange transactions		(498,344)	(3,434,100)
Decrease)/Increase in Receivables from non- exchange transactions		(308,976)	(166,005)
Decrease)/Increase in Inventories		(1,769,114)	(35,183,397)
Decrease)/Increase in payables from Non-exchange transactions		(17,488,083)	11,655,659
Net cash flows from Working capital		<u>(20,064,517)</u>	<u>(27,127,843)</u>
Cash flows from Investing capital			
Purchase of Property, Plant and Intangible assets		(6,713,809)	(4,155,767)
Net cash flows used in investing activities		(6,713,809)	(4,155,767)
Net increase/(decrease) in cash and cash equivalents		(3,395,509)	2,104,313
Cash and cash equivalents at 1st July 2016		<u>4,018,767</u>	<u>1,914,454</u>
Cash and cash equivalents at 30th June 2017		<u>623,257</u>	<u>4,018,767</u>

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

XI.

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Variance Performance difference
	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Government grants and subsidies	260,000,000	0	260,000,000	255,000,000	(5,000,000)	(0.02)
Income from sales of publications	20,548,454	0	20,548,454	7,434,425	(13,114,029)	(0.64) a
Other Income	4,212,750	0	4,212,750	2,112,368	(2,100,382)	(0.50) b
Deferred Income	0	0	0	4,200,475	4,200,475	0
Grants from Development partners	47,907,342	0	47,907,342	18,452,519	(29,454,823)	(0.61) c
Total income	332,668,546	0	332,668,546	287,199,787	(45,468,759)	
Expenses						
Compensation of employees	170,181,868	0	170,181,868	149,583,094	20,598,774	0.12
Payment of Goods and services	23,572,857	0	23,572,857	16,839,013	6,733,844	0.29 d
Finance cost	252,000	0	252,000	270,399	(18,399)	(0.07)
Rent paid	23,235,377	0	23,235,377	23,035,293	200,084	0.01
Other payments (4,6,7,8,12)	27,354,917	0	27,354,917	22,047,275	5,307,642	0.19 e
General Expenses	88,071,528	0	88,071,527	61,983,702	26,087,826	0.30 f
Total expenditure	332,668,547	0	332,668,546	273,758,776	58,909,770	
Surplus for the period	0	0	0	13,441,011	(13,441,011)	

- a) Variance is due to delays in disbursement of funds by the IEBC towards a project to publish Digests and handbooks on Election Petitions.
- b) Variance is due to increased use of the online platform, delays by the Attorney General to issue a gazette notice to allow the sale of the complete Laws of Kenya volumes and insufficient Human resources (due to GOK freeze on employment) to publish and market published products.
- c) Variance is due to procurement delays under the Judicial Performance Improvement Programme (JPIP) in the year under review.
- d) Variance is due to inadequate funds owing to low collections from sale of publications (Appropriations-In-Aid).
- e) Variance is due to inadequate funds owing to low collections from sale of publications (Appropriations-In-Aid).
- f) Variance is due to procurement delays under the Judicial Performance Improvement Programme (JPIP) in the year under review.

XIII. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

a) Statement of compliance

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and the International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the National Council for Law reporting financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS).

The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Council and all values are rounded to the nearest Kenya shilling. The accounting policies have been consistently applied to all the years presented.

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

- (i) *Relevant new standards and amendments to published standards effective for the year ended 30 June 2017*

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

- (ii) *Expected impact of issued relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017*

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

- (iii) *Early adoption of standards*

The NCLR Council did not early-adopt any new or amended standards in 2017.

a) Basis of preparation

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

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

- Grants from the National Government

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

- Donor Grants (Donations in Kind)

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

- Donor Grants (Conditional Grants)

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

- Recognition of Other Income

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

ii) Revenue from exchange transactions

- Sale of goods

Revenue from the sale of legal publications such as Kenya law reports, laws of Kenya and other related publications such as Constitution of Kenya, Constitutional and supreme court digests is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of NCLR. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Council operational

NATIONAL COUNCIL FOR LAW REPORTING FY 2016/2017

differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes

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

d) Property, plant and equipment

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

The annual depreciation rates in use are as follows:

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

e) Intangible assets

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

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

The depreciation rate as follows: ~

Intangible assets - 20%.

f) Inventories

Inventory is measured at cost upon initial recognition.

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

- Raw materials: purchase cost using the weighted average cost method.

NATIONAL COUNCIL FOR LAW REPORTING FY 2016/2017

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

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

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

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

g) Nature and purpose of reserves

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

Reserves include:

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

h) Changes in accounting policies and estimates

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

i) Employee benefits:

Retirement benefit plans

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash held in M-Pesa Account, cash at bank, short-term deposits on call and highly liquid investments with an original maturity of

NATIONAL COUNCIL FOR LAW REPORTING FY 2016/2017

three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

j) Comparative figures

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

k) Financial Instruments: Recognition and Measurement

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

l) Related parties

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

Other related parties include the Government of Kenya, Judiciary (Main Ministry), Other development partners such as Transparency international, Council of governors, Kenya Police service.

The policy of the Council is that all related parties should declare their interest at all times in any institutional process that might occasion a conflict of interest if they participated in the same without declaring their interest. This will then allow management to decide on the best way to execute the process in a manner that transparency and accountability is seen to have been adhered to.

m) Significant judgments and sources of estimation uncertainty

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

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year was continued going concern anchored on; i) Continued government funding, and ii) Continued donor funding.

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NCLR based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond our control. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Council

- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

- The nature of the processes in which the asset is deployed

- Availability of funding to replace the asset

- Changes in the market in relation to the asset

Contingent Assets and Contingent Liabilities

As a matter of policy, the National Council for Law Reporting makes provisions for contingent liabilities when there is a reasonable estimation that an event has occurred or will occur that has a potential of creating a measurable liability or loss to the institution. However, when an event has occurred or will occur that has a potential of creating a measurable benefit or Asset to the institution i.e. a Contingent assets, the institution only discloses the same in the notes to the financial statements. There were no contingent assets or liabilities reported in the year ended June 30, 2017.

Provisions

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

n) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

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WORKINGS ON NOTES TO THE FINANCIAL STATEMENTS

1. Revenues from Non-Exchange transactions

	2017	2016
	Kshs	Kshs
Grants from The Government of Kenya	255,000,000	251,961,000
Grants in Kind from the World Bank (JPIP)	18,452,519	32,909,359
Grants in Kind from other Development partners	-	4,212,750
Deferred Income Realized	4,200,475	-
Total grants	277,652,994	294,083,109

Analysis of the Grants to the National Council for Law Reporting is as follows;

- a) Government of Kenya- There are non-conditional grants by the government allocated for recurrent expenditure
- b) Judiciary performance improvement Project grants are non-cash Income that refers to the monetary value of Assets and expenses for items procured by and paid by JPIP. Specifically, it includes rent expenses and service charge paid for under the JPIP. The expense items and Assets in this regard have been captured in the statement of financial performance and matched to this item of income.

2 (a). Revenues from Exchange transactions

	2017	2016
	Kshs	Kshs
Sales of Kenya Law Reports, Laws of Kenya and other Legal Publications	7,434,425	9,924,826
Total	7,434,425	9,924,826

2 (b). Other Incomes

	2017	2016
	Kshs	Kshs
Income from other sources	2,112,368	0
Total	2,112,368	0

Other incomes are conditional grants for consultancy services offered by the National Council for Law Reporting from development partners in the FY 2016/2017 we received funds from Kenya Police and United Nations Wildlife services.

2 (c). Deferred Income

Deferred Income for the year is recognized to be equivalent to the depreciation / used value of donated assets or economic benefits derived therefrom, in the year.

	Kshs
Balance as at 30 June 2016	171,705,851
Less:	
Depreciated on donated assets (transferred to deferred incomes)	(4,200,475)
Balance as at 30 June 2017	<u>167,505,376</u>

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3. Employee Costs (These are remunerative costs for 73 Members of staff)

	2017 Kshs	2016 Kshs
Employee Related Costs - Salaries & Wages	57,301,691	49,309,908
Employee Related Costs - Contributions to Pensions, NSSF, Group Medical, life	21,754,711	19,991,110
Transport Allowances	8,574,000	8,584,000
House Allowances	33,240,000	30,045,000
Airtime Allowances	2,251,000	1,881,000
Domestic Servant Allowance	187,200	171,600
Extraneous Allowances	4,080,000	3,985,000
Employee Reward & Motivation	320,000	300,000
Entertainment Allowances	4,140,000	4,030,000
Non Practising Allowances	3,240,000	3,340,000
Leave Allowances	1,177,297	998,000
Responsibility Allowance	2,780,000	1,950,000
Security Allowance	2,050,000	1,935,000
Library Allowances	120,000	110,000
Special Duty Allowance	612,297	808,366
Training expenses	7,300,532	6,287,521
WIBA	454,365	222,311
	149,583,094	133,948,816

Average No. of Employees at 30th June 2017

	2017	2016
Permanent Management	11	11
Permanent Employees	62	62
Temporary/ Contract employees	17	15

4. Remuneration of Council members

Allowances to Council members and Chairman's Honorarium

	2017 Kshs	2016 Kshs
Chairman's Honoraria	783,000	1,044,000
Directors Emoluments	1,264,000	984,000
Other Allowances	125,471	60,000
	2,172,471	2,088,000

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5. Depreciation and amortization expense

	2017	2016
	Kshs	Kshs
Property, Plant and Equipment	12,680,612	23,704,253
Intangible assets	1,461,668	1,461,668
Total depreciation and amortization	14,142,280	25,165,921

6. Repairs and maintenance

	2017	2016
	Kshs	Kshs
Maintenance of Plant, MC and Equipment	351,213	121,100
Maintenance of Furniture and Equipment	164,450	269,150
Maintenance and cleaning of Motor Vehicle	161,403	204,758
Maintenance of Computers	2,765,665	1,703,500
Maintenance of communication equipment	158,500	585,160
Total Repairs and Maintenance	3,601,231	2,883,668

7. Contracted services

	2017	2016
	Kshs	Kshs
Contracted Professional services	4,616,648	12,328,507
Contracted Technical Services	7,327,127	5,095,546
Courier and Postage Services	-	2,263,383
Total contracted services	11,943,775	19,687,436

8. Corporate Donations

	2017	2016
	Kshs	Kshs
Corporate donations	63,000	2,068,941
Total Donations	63,000	2,068,941

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9. General expenses

	2017	2016
	Kshs	Kshs
Internet Connections	1,960,711	1,858,844
Parking Fees	1,243,026	869,090
Catering Costs	3,602,442	2,888,833
Computer Software Expenses	6,714,142	6,321,960
Education and Library	1,349,980	1,825,151
Subscriptions to Newspapers	721,440	0
Other Fuels (Cooking Gas)	15,450	5,850
Cleaning Services	1,231,822	1,081,889
Consumables (Accessories for Computers and Printers, sanitary and cleaning materials)	3,383,590	2,145,743
Audit Fees	900,000	810,000
Telephone Expenses	1,809,439	1,633,042
Travel and Subsistence (Domestic and Foreign)	18,824,489	19,273,117
Motor Fuels and Lubricants	330,715	298,342
Rent Expense	23,035,293	19,756,583
Advertising and Publicity	924,085	2,286,114
Conferences/Seminars for Committees	2,900,735	2,498,885
Postage Services	392,433	-
Laundry Expenses	-	57,250
Legal Fees, Dues and arbitration costs	435,384	-
Membership Fees and subscription to Professional Bodies	551,916	297,360
Trade shows and Exhibitions	399,200	3,413,302
Printing and general office stationery	13,070,755	15,805,291
Security Services	867,680	1,150,720
Temporary Committee Costs	3,051,000	3,125,000
Total general expenses	87,715,728	87,432,366

10. Finance costs

	2017	2016
	Kshs	Kshs
Bank Charges	270,399	164,368
Total Finance Costs	270,399	164,368

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11. Foreign Exchange Loss

	2017	2016
	Kshs	Kshs
Foreign Exchange loss	0	8,040
Total Foreign Exchange loss	0	8,040

12. Cost of sales

	2017	2016
	Kshs	Kshs
Cost of sales for legal publications in the year	4,266,798	5,919,988
Total Foreign Exchange loss	4,266,798	5,919,988

Bank Overdraft KCB OM Account

	2017	2016
	kshs	Kshs
KCB OM Account	(731)	2,049,587
KCB Donations and Grants account	10,173	17,773
Barclays Bank Account (revenue)	17,787	1,542,977
Cash-on-hand (Petty cash)	22,128	107,240
M-Pesa Account	573,900	301,190
Total cash and cash equivalents	623,257	4,018,767

Details of the cash and cash equivalents

12 (a) Banks

Name of the Bank	Bank Account Number	Currency	2017 Kshs	2016 Kshs
KCB O&M account	1103135449	KSH	(731)	2,049,587
KCB Donations and Grants account	1131298241	USD	10,173	17,773
Barclays Bank of Kenya	0451230484	KSH	17,787	1,542,977
Total			27,229	3,610,337

12 (b) Cash at hand

Form of cash holding e.g liquid cash, MPESA, e.t.c	2017 Kshs	2016 Kshs
Cash at hand	22,128	107,240
MPESA	573,900	301,190
Total	596,028	408,430

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13. Receivables from Transactions

	2017	2016
	Kshs	Kshs
Receivables from Exchange transactions (Sale of Law reports and other Legal Publications by NCLR)	15,439,679	14,941,335
Imprest refunds receivable	405,000	7,597
Receivables from Non-Exchange Transactions (salary Advances offered to staff members as per HR manual)	757,193	845,620
Total current receivables	<u>16,601,872</u>	<u>15,794,552</u>

14. Inventories

	2017	2016
	Kshs	Kshs
Stock of Kenya Law Reports	190,401,257	188,680,977
Stock of Library Books	3,139,378	3,099,474
Stock of stores Supplies	40,060	31,130
Total inventories at the lower of cost and net realizable value	<u>193,580,695</u>	<u>191,811,581</u>

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15. Property, plant and equipment					
	Computer Equipment	Furniture and Fittings	Motor Vehicle	Office Equipment	Total
Cost / NBV	Kshs	Kshs	Kshs	Kshs	Kshs
Cost at 1 st July 2012	39,503,827	2,047,139	961,806	1,900,419	44,413,191
NBV at 1 st July 2014	38,952,324	31,299,226	615,556	8,756,920	79,624,026
NBV at 1st July 2015	41,686,056	45,293,423	615,556	12,217,126	99,812,161
Additions (NCLR)	927,159	1,211,000	-	2,017,608	4,155,767
Additions (Donor)	2,758,131	9,160,000	5,569,200	-	17,487,331
Disposals	-	(2,068,941)	-	-	(2,068,941)
Totals at 30 June 2016	45,371,346	53,595,482	6,184,756	14,234,734	119,386,318
NBV at 1st July 2016	16,503,464	43,706,592	4,824,694	10,266,955	75,301,705
Additions (NCLR)	6,652,503	61,306	-	-	6,713,809
Additions (Donor)	-	-	-	-	-
Disposals	-	-	-	-	-
At 30 June 2017	23,155,967	43,767,898	4,824,694	10,266,955	82,015,514
<u>Depreciation and Impairment</u>					
Accumulated Depreciation as at 1 st July 2016	24,387,341	10,095,784	1,335,440	3,692,894	39,511,459
Depreciation Charge for the year	5,798,840	4,376,790	964,939	1,540,043	12,680,612
Accumulated Depreciation as at 30th June 2017	30,186,181	14,472,574	2,300,379	5,232,937	52,192,071
<u>Net Book Values</u>					
As at 30 June 2017	17,357,127	39,391,108	3,859,755	8,726,912	69,334,902
As at 30 June 2016	16,503,464	43,706,592	4,824,694	10,266,955	75,301,705
Depreciation Charge for the year to Statement of Changes in Equity	2,319,536	916,000	964,939	-	4,200,475
Depreciation Charge for the year to Statement of Income	3,479,304	3,460,790	0	1,540,043	8,480,137

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16. Intangible assets

	2017	2016
Intangible Assets		
At 30th June	9,135,423	9,135,423
Additions	-	-
	9,135,423	9,135,423
Amortization and Impairment		
At 30th June	(3,288,753)	(1,827,085)
Amortization in the year	(1,461,668)	(1,461,668)
	(4,750,421)	(3,288,753)
Net Book Value	4,385,002	5,846,670

17. Long term Receivables from exchange transactions

	2017	2016
	Kshs	Kshs
Long term receivables from exchange transactions	3,780,255	3,780,255
	3,780,255	3,780,255

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

18. Trade and other payables from exchange transactions

	2017	2016
	Kshs	Kshs
Trade Payables	-	26,218,547
Third Party Payments	14,266,386	5,835,784
Other Payables	203,794	203,794
	14,470,180	32,258,125

19. Pension Contributions

	2017	2016
	Kshs	Kshs
Pensions Contributions due – Employee	796,455	396,501
Pensions Contributions due - Employer	1,592,909	793,001
	2,389,364	1,189,502

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20. Capital Commitments

There was no Capital commitment at the end of the year for which provision has been made in the financial statements. However, Commitments made in the financial year 2015/2016 was in relation to publication and printing of Kenya Law Reports, conducting a Customer Satisfaction Survey and a Quality Management System certification. These payments were paid up in the financial year 2016/2017.

	2017	2016
	Kshs	Kshs
Authorised and contracted for	-	26,218,547
Authorised but not contracted for	-	-
	-	26,218,547
	-	26,218,547

21. Operating lease commitments

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

	2017	2016
	kshs	kshs
Due within 1 Years	23,992,174	23,043,705
Due within 2-5 years	95,968,698	20,976,941
Total	119,960,872	44,420,646

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

22. Financial Risk Management

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

(a) Significant accounting policies

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

(b) Financial risk management objectives

NCLR's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. NCLR does not hedge any risks and has in place policies to ensure that credit is extended to customers with an established credit history.

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

c. Credit risk

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

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

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

	Total Amount Kshs	Fully Performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2017				
Bank balances	623,257	623,257	-	-
Receivables from exchange transactions	15,439,679	15,439,679	-	-
Receivables from non-exchange transactions	1,162,193	1,162,193	-	-
	=====	=====	=====	=====
At 30 June 2016				
Bank balances	3,610,337	3,610,337	-	-
Receivables from exchange transactions	18,721,590	18,721,590	-	-
Receivables from non-exchange transactions	853,217	853,217	-	-
	=====	=====	=====	=====

iii) Liquidity risk

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

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

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maintaining banking facilities through continuous monitoring of forecast and actual cash flows.

The table below analyses the council's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

		Less than 1 month	Between 1 – 3 months	Over 3 months
	Note	Kshs	Kshs	Kshs
At 30 June 2017				
Trade and other payables	18	14,470,180	-	-
Other Current Liabilities	19	2,389,364	-	-
Bank Overdraft	12	-	-	-
		16,859,544	-	-
		=====	=====	=====
 At 30 June 2016				
Trade payables	18	32,350,533	-	-
Other Current Liabilities	19	1,189,502	-	-
Bank Overdraft	12	-	-	-
		33,540,035	-	-
		=====		

(e) Market risk

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

(i) Price risk

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

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

(ii) Fair value interest rate risk

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

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

(iii) Foreign exchange risk

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

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

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

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

	2017	2016
	Kshs	Kshs
Bank Balances (USD account)	10,173	17,773
Increases by 5%	10,681	18,662
Decrease by 5%	9,665	16,844

23. Capital risk management

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

The capital structure of the council consists of equity attributable to equity holders, comprising capital fund, reserves and retained earnings. The council would ordinarily monitor its capital risk using the gearing ratio. Gearing ratio is calculated as net borrowings over the total capital. The Council had no borrowings as at 30 June 2016 and 30 June 2017.

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	2017	2016
	Kshs	Kshs
The Council's capital is made up as follows:		
Capital fund	23,565,276	23,565,276
Retained earnings	80,375,787	66,934,776
Net Assets	<u>103,941,063</u>	<u>90,500,052</u>

24. Related Parties

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

The related parties to the Council include:

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

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

Related party disclosures

	2017	2016
	Kshs	Kshs
1. Grants from the Government of Kenya	255,000,000	255,961,000
2. Grants in Kind from the World Bank (JPIP)	18,452,519	15,422,028
3. Board Members Remuneration	2,172,471	2,088,000
a. Chairman's Honorarium	783,000	1,044,000
b. Sitting Allowances	1,389,471	1,044,000
4. Key management Compensation	37,784,548	34,335,952
a. Salaries	14,315,952	12,997,514
b. Allowances	23,468,496	21,338,438

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25. Ultimate holding entity

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

26. Currency

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

27. Events after the reporting period

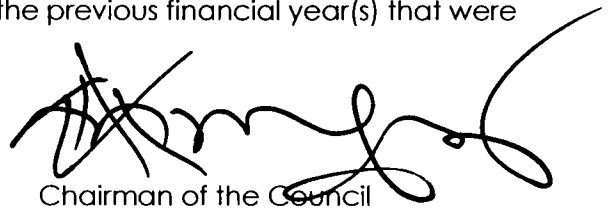
There are no material non-adjusting events after the reporting date.

c) PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

There were no issues raised by the external auditor from the previous financial year(s) that were still outstanding as at 30th June 2017.



Editor / Chief Executive Officer



Chairman of the Council

Date...12/3/2018.....

Date...12/3/2018.....