

REPUBLIC OF KENYA

PARLIAMENT
OF KENYA
LIBRARY



*Paper laid by
h m
mpif
29/3/2018.*

OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR
ENDED 30 JUNE 2017**



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
- 5 FEB 2018
RECEIVED



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017
TABLE OF CONTENT

| | |
|--|-------|
| TABLE OF CONTENT | i |
| KEY COUNCIL OF LEGAL EDUCATION INFORMATION AND MANAGEMENT | ii |
| THE COUNCIL OF LEGAL EDUCATION MEMBERS..... | iv |
| MANAGEMENT TEAM | viii |
| CHAIRMAN'S STATEMENT | x |
| REPORT OF THE SECRETARY/CHIEF EXECUTIVE OFFICER..... | xi |
| CORPORATE GOVERNANCE STATEMENT..... | xii |
| MANAGEMENT DISCUSSION AND ANALYSIS..... | xv |
| Quality Assurance and Licencing Department..... | xv |
| Financial performance | |
| CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING | xviii |
| REPORT OF THE COUNCIL MEMBERS | xix |
| STATEMENT OF COUNCIL'S RESPONSIBILITIES | xx |
| REPORT OF THE INDEPENDENT AUDITORS ON THE COUNCIL OF LEGAL EDUCATION FOR THE YEAR ENDED 30 JUNE 2017..... | xxi |
| Financial Statements | |
| STATEMENT OF FINANCIAL PERFORMANCE | 1 |
| STATEMENT OF FINANCIAL POSITION..... | 2 |
| STATEMENT OF CHANGES IN NET ASSETS..... | 3 |
| STATEMENT OF CASH FLOW..... | 4 |
| STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT 2016/2017 | 5 |
| NOTES TO THE FINANCIAL STATEMENTS | 8 |
| PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS | 28 |
| Appendix 1: PROJECTS IMPLEMENTED BY COUNCIL OF LEGAL EDUCATION..... | 31 |
| Appendix 2: INTER-ENTITY TRANSFERS..... | 32 |
| Appendix 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES | 36 |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

KEY COUNCIL OF LEGAL EDUCATION INFORMATION AND MANAGEMENT

(a) Background information

The Council of Legal Education is established by Legal Education Act No. 27 of 2012. It is governed by the Council which is responsible for the general policy and strategic direction. Council of Legal Education is domiciled in the Republic of Kenya

(b) Principal Activities

Vision of CLE

Assure quality and globally competitive legal education and training in Kenya

CLE Mission

To promote quality legal education and training in Kenya through licensing, equation of legal foreign qualifications and harmonization of law programmes.

The function of the Council as per Legal Education Act No. 27 of 2012 Section 6 are:

- i) Regulate Legal Education and Training in Kenya;
- ii) Accredite and licence legal education providers
- iii) Supervise Legal Education providers
- iv) Harmonisation of Legal Education programmes
- v) Advice Government on Legal Education and Training
- vi) Recognize and Approve Qualifications obtained outside Kenya for purpose of admission to the roll
- vii) Administer professional examination prescribed under section 13 of Advocates Act

(c) Key Management

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

(d) Fiduciary Management

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

| No | Designation | Name |
|----|---|------------------------------|
| 1. | Secretary/Chief Executive Officer | Prof.W. Kulundu-Bitonye, EBS |
| 2. | Ag. Director Quality Assurance Compliance & Accreditation | Ms. Mutugi Mary Mugure |
| 3. | Ag. Director Examination | Dr. Jacob K. Gakeri |
| 4. | Assistant Director Finance, Planning and Administration | Mr. Jones Otuke |
| 5. | Assistant Director Office Administrative Services/PA to CEO | Mrs. Phoebe W. Kariuki |
| 6. | Internal Auditor | Ms. Ignazia K. Kaimba |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

(e) Fiduciary Oversight Arrangements

The Audit, governance and risk management committee

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

Finance and General Purpose committee

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

(f) Council of Legal Education Headquarters

P.O. Box 829-00502
Karen Office Park Acacia Block 2nd Floor
Langata Road
NAIROBI, KENYA
Telephone: (254) 20 6980100, 20 2011290
E: mail: info@cle.or.ke
Website: www.cle.or.ke

(g) Council of Legal Education Bankers

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

(h) Independent Auditors

Auditor General
Kenya National Audit Office
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



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017




THE COUNCIL OF LEGAL EDUCATION MEMBERS

| BOARD MEMBER | PARTICULARS |
|--|--|
|  <p>Mr. Fred O.O.N. Ojiambo, MBS, SC - Chairman LL.B. (UON) Dip. (KSL)</p> | <p>Mr. Fred Ojiambo, SC is an Advocate of the High Court of Kenya and the Managing Partner in Kaplan & Stratton Advocates. He is also the Chairman of Board of Directors of CFC Stanbic PLC Ltd. He has over 35 years' experience having been admitted to the Bar in 1975. His main areas of practice are: Arbitration & Mediation, Banking, Insurance & Telecommunications, Employment & Retirement Benefits and Litigation. He holds an LL.B. Degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law.</p> <p>He is a Member of:</p> <ul style="list-style-type: none"> • Law Society of Kenya • International Bar Association <p>International Commission of Jurists Retired on 8th February 2017</p> |
|  <p>Prof. W. Kulundu-Bitonye, EBS - Secretary & Chief Executive Officer LL.M. (UON), LL.B (Dar-es-Salaam)</p> | <p>Professor Wanyama Kulundu-Bitonye, EBS is the Secretary/Chief Executive of the Council of Legal Education.</p> <p>He holds a LL.M. from the University of Nairobi and an LL.B. from the University of Dar-es-Salaam. He has over 25 years experience in Management and training in law in Kenya, Lesotho and South Africa. Prof. Kulundu-Bitonye previously worked as the Director/Chief Executive Officer of the Council of Legal Education/Kenya School of Law from May, 2004 to January, 2014. Prior to taking his assignment in Kenya, he was professor of Law at Rhodes University, South Africa and National University of Lesotho in Maseru. Professor Kulundu-Bitonye has a long track-record in training in law, Management and has written several books and articles in International and Referred Journals.</p> |
|  <p>Ms Judy Thongori LL.B (UON), Dip. (KSL) Member & Chairperson, Finance Committee</p> | <p>Ms Thongori is an Advocate of the High Court of Kenya. She holds an LL.B from the University of Nairobi. She is the Managing Partner in the firm of Judy Thongori & Company Advocates with extensive experience in Litigation handling largely Family Law, Commercial and Civil related matters. She has 25 years experience.</p> <p>She is a member of:</p> <ul style="list-style-type: none"> • Law society of Kenya • Federation of Women Lawyers in Kenya <p>Retired on 8th February 2017</p> |



COUNCIL OF LEGAL EDUCATION



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| | |
|---|---|
|  | <p>Mr. Mutua is an Advocate of the High Court of Kenya. He is the Managing Partner in the firm of E.K. Mutua & Company Advocates. He is the current chairman of the Law Society of Kenya. He holds an LL.B and LL.M. from the University of Nairobi. He has over 15 years' experience.</p> <p>He is a member of:</p> <ul style="list-style-type: none">• Law society of Kenya• Institute of Certified Public Secretaries of Kenya• East African Law Society• Chartered Institute of Arbitrators• Legal Associate Kituo Cha Sheria (pro-bono basis) <p>Retired on 8th February 2017</p> |
|  | <p>Kenneth Wabwile Akide, SC is an Advocate of the High Court of Kenya. He holds an LL.B from the University of Nairobi, a Post Graduate Diploma in Law from the Kenya School of Law, is a Certified Public Secretary (K), an Associate of the Chartered Institute of Insurance and an Associate of the Chartered Institute of Arbitrators. He is the immediate former chairperson of Law Society of Kenya. He is the Managing Partner in Akide & Company Advocates.</p> <p>He is a member of:</p> <ul style="list-style-type: none">• Law society of Kenya• Institute of Certified Public Secretaries of Kenya• East African Law Society• Chartered Institute of Arbitrators• International Commission of Jurists <p>Retired on 8th February 2017</p> |
|  | <p>Justice Joel Ngugi is a Judge of the High Court of Kenya and heads the Judiciary Transformation Secretariat. He is also the Director of the Judiciary Training Institute.</p> <p>Prior to joining the Judiciary, Justice Ngugi was an Associate Professor of Law at the University of Washington (Seattle, Washington). His teaching and research interests are in the area of Law and Development; International Law; Human Rights; and Contracts Law. He had previously practiced law with the Boston law firm of Foley Hoag, LLP, as a corporate and international litigation associate. He also practiced law with the Kenyan firm Kariuki Muigua & Company Advocates before moving to the United States.</p> <p>Professor Ngugi has worked with the United Nations Mission in Kosovo (UNMIK) and conducted research work for the Global Coalition for Africa/World Bank, Program on Humanitarian Policy and Conflict Research (HPCR) at Harvard University and at the</p> |



COUNCIL OF LEGAL EDUCATION



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| | |
|---|---|
| | <p>Global Trade Watch Division of the Public Citizens, Inc. in Washington, DC. He holds an LL.B from the University of Nairobi and a Masters in Law and Doctoral degree in Law from Harvard Law School in Cambridge, Massachusetts. Justice Ngugi represents the Chief Justice in the Kenya Council for Legal Education (CLE) and the Kenya School of Law Board.</p> |
|  <p>Ms Christine Agimba LL.M.(Warwick), LL.B (UON), Dip.(KSL) Member</p> | <p>Ms Christine Agimba is an Advocate of the High Court of Kenya. She holds an LL.B from the University of Nairobi and a Master's degree in Law (LL.M.) from the University of Warwick, England. Ms Agimba is Deputy Solicitor General in the Office of the Attorney General and Department of Justice. She has extensive professional experience from both the private and public sectors in diverse capacities. She has been a Project Manager/Legal Sector Specialist for the Financial and Legal Sector Technical Assistance Project of the Ministry of Finance, Government of Kenya and has also been a partner with the law firm of Hamilton, Harrison and Mathews.</p> <p>Retired on 19th May 2017</p> |
|  <p>Mr. John K. Chebii LL.M.(UON), LL.B (UON), Dip. (KSL) Member</p> | <p>Mr. John Kipkoech Chebii is an Advocates of the High Court of Kenya and is currently a Senior Lecturer at Moi University School of Law. He holds an LL.B and an LL.M from the University of Nairobi. He is a Certified Public Secretary. He has over 20 years experience in practising and teaching law at University level. He is a member of:</p> <ul style="list-style-type: none">• Law society of Kenya• Institute of Certified Public Secretaries of Kenya <p>East African Law Society</p> <p>Retired on 8th February 2017</p> |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| | |
|--|---|
|  | <p>Angote Nyausi Gertrude is an advocate of the High Court of Kenya. She is currently the Executive Director, Kituo Cha Sheria. She holds an LL.B from the University of Nairobi and is currently pursuing an LL.M at the University of Nairobi. She is a trained trial advocacy teacher from the University of Washington, and has previously engaged as faculty member at the Kenya School of Law. She specializes in the area of Human Rights, by choice and believes in equal access to justice and upholding of human dignity.</p> |
| <p>Ms. Gertrude Nyausi Angote, LL.B. (UON Member</p> | <p>She is a member of:</p> <ul style="list-style-type: none">• Law Society of Kenya |
|  | <p>Mr. Tom Khakame is the Ag. Director- Accounting Services at the National Treasury</p> <p>He holds a degree in Finance and Strategic Management and a CPA III finalist</p> <p>He is currently pursuing his Phd</p> |
| <p>Mr. Tom Khakame</p> | |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017



MANAGEMENT TEAM

| | |
|---|---|
|  | <p>Professor Wanyama Kulundu-Bitonye, EBS Secretary/Chief Executive Officer Council of Legal Education LL.M. (UON), LL.B. (Dar-es-Salaam)</p> <p>Prof. Kulundu, holds a LL.M. from the University of Nairobi and an LL.B. from the University of Dar-es-Salaam. He has over 20 years of experience in Management and training of law in Kenya, Lesotho and South Africa. Prof. Kulundu-Bitonye previously worked as the Director/Chief Executive Officer of the Council of Legal Education/Kenya School of Law from May, 2004 to January, 2014. Prior to taking his assignment in Kenya, he was professor of Law at Rhodes University, South Africa and National University of Lesotho in Maseru. Professor Kulundu-Bitonye has a long track-record in training in law, Management and has written several books and articles in International and Referred Journals.</p> |
|  | <p>Dr. Jacob Gakeri Ag. Director Examinations</p> <p>Dr. Gakeri is an Advocate of the High Court and a Certified Public Secretary. He holds the LLB and LLM degrees from the University of Nairobi. LLM from the University of Houston, Texas and the SJD from Indiana University, Bloomington, U.S.A. Dr. Gakeri previously worked as a Senior Lecturer at the Department of Private Law, University of Nairobi, School of Law, Parklands Campus. He has previously served as a Part-time lecturer in Law at the Strathmore University School of Accountancy and an Examiner for KASNEB</p> |
|  | <p>Ms. Mutugi Mary Mugure Ag. Director Quality Assurance, Compliance and Accreditation</p> <p>Ms. Mutugi holds an LL.B degree from Moi University (Honours), and a Master degree. She is also an Advocate of the High Court of Kenya and a Commissioner of Oath. She has 10 years' experience in Legal Education and Training, 3 of which are in Legal Education and Regulation.</p> |
|  | <p>Mr Jones Otuke Assistant Director Finance, Planning and Administration</p> <p>Mr Otuke holds an MBA (Finance) from University of Nairobi, Bachelors in Business Management from Moi University and he is a Certified Public Accountant of Kenya (CPA-K). He is a member of Institute of Certified Public Accountants Kenya (ICPAK). He has over 10 years of experience in the field of Finance. He previously worked for the Kenya School of Law and Ministry of Finance.</p> |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| | |
|--|--|
|  | <p>Mrs. Phoebe W. Kariuki Assistant Director Office Administrative Services/PA to the CEO</p> <p>Mrs. Kariuki holds a Master of Business Administration (Strategic Management), a Bachelors Degree in Management & Office Administration, a Professional Diploma in Law from the Institute of Legal Executives (UK) and a Diploma in Secretarial Studies. She has attended various administration and management skills training both locally and abroad specializing in Minutes & Report writing, Performance contracting, Strategic Management, Balanced Score Card, Leadership, Managing Change among others. She has over 20 years work experience. She has previously worked with Kenya School of Law and various Government Ministries in the Republic of Kenya.</p> |
|  | <p>Ms. Ignazia K. Kaimba Internal Auditor</p> <p>Ms Kaimba holds a Master of Business Administration (Finance) and a Bachelor's Degree in Commerce from the University of Nairobi. She is a Certified Internal Auditor (CIA) and member of Global Institute of Internal Auditors (IIA). She is also a Certified Information System's Auditor and member of Information Systems Audit and Control Association (ISACA). She has over 15 years' experience in the area of risk management and corporate governance. She previously worked for Ministry of Finance, Ethics and Anti-Corruption Commission (EACC) and Chuka University.</p> |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

CHAIRMAN'S STATEMENT

Council is pleased to present the Annual Report and Financial Statements for the Council of Legal Education for the year ended June 30, 2017. During the period under review CLE registered significant growth in its operation with the expanded mandate. Council established structures to deliver the mandates and am happy to note that we successfully conducted Bar Examination in the year 2016/2017.

CLE is mandated to regulate, licence and supervise legal education in Kenya, we have taken this responsibility with utmost seriousness, giving our best to achieve set targets. Our hope, vision and purpose is to ensure that the quality of legal education in the country is at par with, if not, the best in the world. In this regard Council renewed the licences of 3 legal education providers and licenced 1 legal provider for the first time.

Council continues to monitor the quality of Legal education in the country through quality audits. This program ensures that Licenced legal education providers comply with the conditions of the licence hence protecting the public and consumers of legal education. During the Financial Year Council conducted 4 legal audits and conducted 4 Inspections in licenced legal educations providers and prospective legal education providers.

Council continues to conduct Bar examination, where 4,186 candidates were examined during the year and 1,113 qualifying candidates were gazetted for admission to the Bar.

At a policy level, the Council continues to engage legal education stakeholders with a view of enhancing quality of legal education which is aligned to the country's Vision 2030. The Council remains focused on its mandate, in particular on the role it plays in promoting quality of legal education.

I take this opportunity to thank all our stakeholders for your continued support throughout the year. The Government particularly Office of attorney General and Department of Justice, The National Treasury, Council members, Management, staff who have played crucial roles in enabling CLE to achieve what it did in the year under review.

As we embark on a new year we are eager to continue collaborating with each of you towards making ours a success story of professionalism and great achievements.

CHAIRMAN
COUNCIL OF LEGAL EDUCATION



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

REPORT OF THE SECRETARY/CHIEF EXECUTIVE OFFICER



Since the inception under the new regulatory framework Council of Legal Education has made concerted efforts in promoting and enhancing quality of legal education in the country. Council continues to play its transformative role in the legal education sector as mandated by the Government of Kenya.

During the year, Four (4) Institutions were audited, Four (4) inspected. Subsequently Three (3) Institutions qualified for licence renewal while one (1) legal education provider qualified for licencing to provide LL.B Degree programmes in the country. This raised licenced legal education providers in the country to 12 (Twelve).

Council continues to receive and process applications for recognition and approval of foreign qualifications. During the year Council developed criteria to equate foreign law qualifications, in this line Council received and processed 395 applications.

In the year 2016/2017, Council successfully conducted Bar examination in July and November 2016 under the expanded mandate of CLE. In the two the examination series 4,186 candidates were examined and 1,113 qualified candidates were gazetted for admission into the Roll of Advocates.

Council also made tremendous improvements in several other areas which include reviewing of service delivery systems, risk management, enhancing the capacity of human resources, providing conducive working environment, strengthening ICT infrastructure.

In the period under review, the Council's revenue increased from **Kshs.294.6 Million** in 2015/16 to **Kshs.415.6 Million** in 2016/17. This is attributed to an increase of Government of Kenya subvention which increased from Kshs.168.8 million in 2016/2016 to kshs.259.5 million in 2016/2017.

Total recurrent expenditure rose from **Kshs.220.6 million** in 2015/16 to **Kshs.279.3 Million** in 2016/17. The increase is due to the bar examination cost, staff cost and increase in operation cost.

The Council's total asset base increased from **Kshs.166.6 Million** in 2015/2016 to **Kshs.326.7 Million** in 2016/17 financial year. Non-current assets went up by 74% from **Kshs.57.2 million** to **shs. 76.8 million**.

On behalf of Council let me appreciate the support I have received from both the National Government, legal education sector players and stakeholders. Finally let me take this opportunity to commend the Council, management and staff, for the conclusion of yet another successful year.

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



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

CORPORATE GOVERNANCE STATEMENT

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

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

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

The Council has an approved council charter to guide the operation and conduct of council matters.

Council members are appointed as set out in the Legal Education Act, 2012 Section 4 and functions of Council of Legal Education are set out in Legal Education Act Section 8.

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

Finance and General Purpose Committee

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

The members of Finance and General Purpose Committee are;

- | | |
|----------------------------------|--|
| 1. Ms Judy Thongori | - Chairperson (Retired on 8 th February 2017) |
| 2. Hon. Justice Prof. Joel Ngugi | - Member |
| 3. Ms Christine Agimba | - Member (Replaced on 19 th May 2017) |
| 4. Mr. John K. Chebii | - Member (Retired on 8 th February 2017) |
| 5. Mr. Tom Khakame | - Member |
| 6. Ms Gertrude Nyausi Angote | - Member |
| 7. Prof. W. Kulundu-Bitonye, EBS | - Secretary |

Accreditation and Compliance Committee

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



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The committee members are:

- | | |
|---|--|
| 1. Mr. Kenneth W. Akide, SC | - Chairman (Retired on 8 th Feb 2017) |
| 2. Hon. Justice Prof. Joel Ngugi Ms Christine Agimba | - Member - Member (Replaced on 19 th May 2017) |
| 3. Mr. Eric K. Mutua | - Member (Retired on 8 th Feb 2017) |
| 4. Ms Judy Thongori | - Member (Retired on 8 th Feb 2017) |
| 5. Mr. Fred O.O.N. Ojiambo, MBS, SC | - on invitation (Retired on 8 th Feb 2017) |
| 6. Prof. W. Kulundu-Bitonye, EBS | - Secretary |

Examination Committee

The Examination Committee was established in 2015/16 Financial Year to administer the policy and procedures established by Council for the Bar Examination. The Committee ensures that Bar Examination Candidates are examined in accordance with the regulations, consider examination results and authorize gazettement of candidates who have met the requirements to be admitted to the Roll of Advocates.

The Committee members are:

- | | |
|----------------------------------|--|
| 1. Hon. Justice Prof. Joel Ngugi | - Chairman |
| 2. Ms Christine Agimba | - Member (Replaced on 19 th May 2017) |
| 3. Mr. Eric K. Mutua | - Member (Retired on 8 th Feb 2017) |
| 2. Mr. John K. Chebii | - Member (Retired on 8 th Feb 2017) |
| 3. Ms Gertrude Nyausi Angote | - Member |
| 4. Prof. W. Kulundu-Bitonye, EBS | - Secretary |

Audit, Governance and Risk Management.

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

The members of the committee are:

- | | |
|----------------------------------|--|
| 1. Mr. Eric K. Mutua | - Chairman (Retired on 8 th Feb 2017) |
| 2. Mr. Tom Khakame | - Member |
| 3. Mr. John K. Chebii | - Member (Retired on 8 th Feb 2017) |
| 4. Mr. Kenneth W. Akide | - Member (Retired on 8 th Feb 2017) |
| 5. Ms Gertrude Nyausi Angote | - Member |
| 6. Prof. W. Kulundu-Bitonye, EBS | - on invitation |
| 7. Internal Auditor(CLE) | - Secretary |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

COUNCIL MEETING ATTENDANCE

Meetings held by the Council and committees (1 July 2016 to 30 June 2017)

| Council/ Committee | Number of Meetings held |
|--|-------------------------|
| Council | 4 |
| Finance and General Purpose Committee (FGPC) | 1 |
| Accreditation and Compliance Committee (ACC) | 5 |
| Examination Committee (EC) | 1 |
| Audit, Governance and Risk Committee (AGRC) | 1 |
| Ad hoc Recruitment Committee (ARC) | 1 |

Summary of attendance in meetings

| Council Member | Council Meetings | | FGPC | | ACC | | EC | | AGRC | | ARC | | Total Meetings | |
|------------------------------------|------------------|------|------|------|------|------|------|------|------|------|------|------|----------------|------|
| | App. | Att. | App. | Att. | App. | Att. | App. | Att. | App. | Att. | App. | Att. | App. | Att. |
| Mr. Fred O. O. N. Ojiambo, MBS, SC | 4 | 4 | 0 | 0 | 5 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 9 |
| Ms. Judy Thongori | 4 | 3 | 1 | 1 | 5 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 11 | 5 |
| Mr. Kenneth W. Akide, SC | 4 | 3 | 0 | 0 | 5 | 5 | 0 | 0 | 1 | 1 | 1 | 1 | 11 | 10 |
| Hon. Justice Prof. Joel Ngugi | 4 | 3 | 1 | 0 | 5 | 1 | 1 | 1 | 0 | 0 | 1 | 1 | 12 | 6 |
| Mr. Erick Mutua | 4 | 2 | 0 | 0 | 5 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 12 | 6 |
| Ms. Christine Agimba | 4 | 4 | 1 | 0 | 5 | 5 | 1 | 1 | 0 | 0 | 1 | 1 | 12 | 11 |
| Mr. John K. Chebii | 4 | 4 | 1 | 1 | 0 | 0 | 1 | 1 | 1 | 1 | 0 | 0 | 7 | 7 |
| Ms. Gertrude Nyausi Angote | 4 | 3 | 1 | 1 | 0 | 0 | 1 | 1 | 1 | 1 | 0 | 0 | 7 | 6 |
| Mr. Tom Khakame | 4 | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 6 | 2 |

App. - Applicable

Att. - Attended

Note

Applicable refers to the number of meetings members were eligible to attend during the period

Attended refers to the number of meetings members attended during the period.



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Quality Assurance and Licencing Department

Council inspected four (4) training institutions for licencing during the financial year. Three (3) institutions qualified for licence renewal and one (1) legal education provider qualified for licencing. Legal education institutions inspected included:

| Institution | Date of Inspection | Programme | Licencing Status |
|---------------------------------------|----------------------------------|-----------|--|
| Catholic University of Eastern Africa | 25 th August, 2016 | LL.B | Licenced. Valid until 16 th September, 2021 |
| Kenyatta University | 7 th September, 2016 | LL.B | Licence renewed. Valid until 14 th December, 2021 |
| Riara University | 30 th September, 2016 | LL.B | Licence renewed. Valid until 14 th December, 2021 |
| Strathmore University | 7 th October, 2016 | LL.B | Licence renewed. Valid until 9 th November, 2021 |

In 2016/2017 Financial Year, Council successfully conducted Audits in the following institutions:

1. Kisii University - 16th September, 2016
2. Daystar University - 8th May, 2017
3. Mount Kenya University - 9th May, 2017
4. University of Nairobi (Mombasa Campus) - 30th June, 2017

Bar Examination Department

During the year 2016/2017, Council administered Bar examination to 4,186 candidates in July and November 2016 respectively. 1,113 qualifying candidates were gazetted for admission to the Bar.

Finance, Planning and Administration Department

ISO Certification

During 2016/2017 Council implemented ISO 9001:2015 Quality Management System with the help of a consultant. Council expects to be certified in 2017/2018 Financial Year.

Financial performance

In the period under review, the Council's revenue was **Kshs.412.9 million**. Total recurrent expenditure was **Kshs.279.4 million**. The Council's total asset base for the Financial Year 2016/2017 is **Kshs.333.9 million**

Information Communication Technology

During the year, the section facilitated the procurement of data back-up and recovery system. Upon completion, the system will ensure process continuity in case of a disaster.

The section commenced the automation of key processes by implementing Enterprise Resource Planning (ERP) system. Once the project is completed Council will enhance its efficiency and offer services on a digital platform.



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

During the year the department facilitated the procurement, installation and commissioning security surveillance system in the Council offices.

Procurement

The section facilitated the procurement of goods and services required by user departments while complying with the Procurement Law and Regulations.

Training / Conferences

Council of Legal Education sponsored 28 members of staff to various trainings in different disciplines and nominated 14 management staff to relevant conferences.

Council has and will continue making tremendous improvements in several other areas which include reviewing of service delivery systems, risk management, enhancing the capacity of human resource, providing conducive working environment, strengthening of ICT infrastructure, review of institutional, legal and regulatory framework.

Staff Medical Scheme

Human Resource facilitated the procurement of staff medical scheme with Madison Insurance. The section continues to monitor and facilitate utilization of this benefit.

Internship

In 2016/2017 Council continues to provide 3 months internship opportunities to students who wish to gain practical experience in their areas of study. Council provided five (5) internships during the year.

Council of Legal Education compliance with statutory requirements

During Financial Year 2016/2017 Council of Legal Education has complied with statutory requirements. Where Council has not remitted statutory deductions to the agencies, provisions for payables have been provided as per the accounting policies and the International Public-Sector Accounting Standards (IPSAS).

Key projects and investment decisions Council of Legal Education is planning/implementing

Council finished the implementation of two projects in the 4th quarter of 2016/17 financial year namely.

1. Refurbishment of Examination Department offices
2. Data cabling
3. Enterprise Resource Planning System

Major risks facing Council of Legal Education

Risks

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 Council's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Interest rate risk

The Council's interest rate risk arises from investments in short term deposits and Government securities. Council has not invested in short term deposits or Government securities hence this risk is irrelevant.

Price risk

The Council does not hold investments that would be subject to price risk; hence this risk is not relevant

Liquidity risk management

Liquidity risk is the risk that the Council will not be able to meet its financial obligations when they fall due. The Council's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, 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 arrears in statutory/financial obligations

Council of Legal of Legal education is up to date in remitting its statutory and financial obligations.



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

In the Financial Year 2016/2017 Council of Legal Education participated in the 2nd Edition of Kakamega Forest Marathon dubbed **KAKAMEGA FOREST MARATHON** Run! Restore! Conserve!

The objective of Kakamega Forest Marathon is for advocacy for the preservation and conservation of the Kakamega Forest, which is the only Guinea Congolian Forest in Kenya. Council was represented by ten (10) members of staff who participated in tree planting session and the ten (10) Kilometres run.

This annual event that serves as a memorial and as a standard set for future generations about the importance of preserving the environment and ecosystem in which we all live, work and from which we derive great benefit from.

Council also sponsored the East Africa Law Society for the 2016 East Africa Law Society Young Lawyers Conference held in Dar es Salaam, Tanzania. The East Africa Law Society works to promote adherence to the Rule of Law, good governance and the respect for Human Rights in East Africa; and has formal Observer Status with the East African Community and the African Commission on Human Rights and People's Rights. The conference theme for the inaugural conference was "Regional Integration and Professional Development".



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

REPORT OF THE COUNCIL MEMBERS

The Council submit this report together with the financial statements for the year ended June 30, 2017 which show the state of the Council of Legal Education affairs.

Principal activities

Council of Legal Education was established by Legal Education Act No 27, of 2012. The function of the Council as per Legal Education Act No. 27 of 2012 section 6 are:

- i) Regulate legal education and training in Kenya;
- ii) Accredite and licence legal education providers
- iii) Supervise legal education providers
- iv) Harmonisation of legal education programmes
- v) Advice Government on Legal Education and Training
- vi) Recognize and approve qualifications obtained outside Kenya for purpose of admission to the roll
- vii) Administer professional examination prescribed under section 13 of Advocates Act

Results

The Financial statements of the Council of Legal Education for the year ended June 30, 2017 are set out on page 1 to 31.

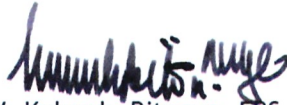
Council Members

The members Council who served during the year are shown on page v to ix. During the year Five (5) Council members retired when their term expired and One (1) Council Member was replaced as per section 4 (g) of the Legal Education Act 2012.

Auditors

The Auditor General is responsible for the statutory audit of the Council of Legal Education in accordance with Article 229 of the Constitution of Kenya, Public Audit Act 2015, Public Finance Management (PFM) Act, 2012 and of the Legal Education Act No. 27 of 2012 Section 28 which empowers the Auditor General to audit Council of Legal Education's Financial Statements.

By Order of the Council


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

Date.....*20th*.....*December,*.....*2017*



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

STATEMENT OF COUNCIL'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 28 of the Legal Education Act, 2012 requires Council to prepare financial statements in respect of the Council of Legal Education, which give a true and fair view of the state of affairs of the Council of Legal Education at the end of the financial year and the operating results of the Council of Legal Education for that year. The Council is also required to ensure that the Council of Legal Education keeps proper accounting records which disclose with reasonable accuracy the financial position of the Council of Legal Education. The Council is also responsible for safeguarding the assets of the Council of Legal Education.

The Council is responsible for the preparation and presentation of the Council of Legal Education's financial statements, which give a true and fair view of the state of affairs of the Council of Legal Education for 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 of Legal Education;
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv)
- iv) Safeguarding the assets of the Council of Legal Education;
- v) Selecting and applying appropriate accounting policies; and
- vi) Making accounting estimates that are reasonable in the circumstances.

The Council accept responsibility for the Council of Legal Education Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public-Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, the State Corporations Act and Legal Education Act, 2012. The Council is of the opinion that the Council of Legal Education's financial statements give a true and fair view of the state of Council's transactions during the financial year ended June 30, 2017, and of the Council of Legal Education's financial position as at that date. The Council further confirm the completeness of the accounting records maintained for the Council of Legal Education, which have been relied upon in the preparation of the Council of Legal Education's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Council of Legal Education's Financial Statements are yet to be approved by Council:

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



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

REPORT OF THE INDEPENDENT AUDITORS ON THE COUNCIL OF LEGAL EDUCATION FOR THE YEAR ENDED 30 JUNE 2017

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON COUNCIL FOR LEGAL EDUCATION FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Council for Legal Education set out on pages 1 to 32, 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 Council for Legal Education 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 the Council of Legal Education Act, 2012.

In addition, as required by Article 229(6) of the Constitution, except for the matter described in the Other Matter section of my report, based on the audit 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 Council for Legal Education 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 judgment, are of most significance in the audit of the financial statements. Except for the matters described

Report of the Auditor-General on the Financial Statements of Council for Legal Education for the Year ended 30 June 2017

in the Other Matter Section of my report, there were no Key Audit Matters to report in the year under review.

Other Matter

- (i) As reported in the prior year (2015/2016) it was observed that various institutions and individuals had sued the Council challenging some decisions of the Council. The intent of the Council for Legal Education Act 2012, was that such cases would be initially determined by the Tribunal established under the Act after which a dissatisfied party could seek redress from the High Court. Members and Chairperson of the Tribunal were interviewed and appointed by the Judicial Service Commission vide letters dated 21 May 2013 and 10 June 2014 respectively but the Tribunal has not been operationalized. No reason has been given for failure to operationalize the Tribunal.
- (ii) It is noted that out of the ten Council members, the term for 70% of the members expired in 8th February 2017. The Council and the sub- committees of the Council were unable to convene any meeting since February 2017 due to lack of quorum. Further, the appointing authority contravened the Code of Governance for State Corporations provisions on succession planning of the Council for not staggering the tenure of Council members to ensure a phased transition.
- (iii) **Exam Related Costs on Project and Oral Examinations**

The statement of financial performance as at 30 June 2017 reflected examination related costs of Kshs.54,547,803. Out of this balance Kshs.7,390,275 represented payments to Kenya School of Law in relation to cost of administering Project and oral examinations, which were being administered by the School on behalf of the Council for the first time.

During its governing Council meeting of 24 March 2016, the Council had resolved (Minute reference: 5.7.2) that existing arrangements with the School should be revised, by having a formal agency agreement in place. However, as at the time of the audit, no agency agreement between the two entities had been put in place.

Without a formal agreement between the parties, it was difficult to establish the obligations and responsibilities of each party in relation to administration of Project and oral examination.

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 continue to sustain its services, and using going concern accounting assumption unless the management either intends 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 of Kenya. 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 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 Council's 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 of the entities or business activities 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

12 March 2018



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017
FINANCIAL STATEMENTS

COUNCIL OF LEGAL EDUCATION
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2017

| | Notes | 2016/2017 | 2015/20156 |
|---|-------|--------------------|--------------------|
| Revenue from non-exchange transactions | | Kshs. | Kshs. |
| Transfers from governments | 6 | 259,500,000 | 168,849,738 |
| | | 259,500,000 | 168,849,738 |
| Revenue from exchange transactions | | | |
| Rendering of services | 7 | 156,055,980 | 125,761,204 |
| Other Income | 8 | 19,000 | |
| | | 156,074,980 | 125,761,204 |
| Total revenue | | 415,574,980 | 294,610,942 |
| Expenses | | | |
| Employee costs | 9 | 103,911,427 | 86,677,805 |
| Council Allowances and Expenses | 10 | 5,831,423 | 15,771,129 |
| Repairs and Maintenance | 11 | 1,029,574 | 421,689 |
| General Expenses | 12 | 88,015,530 | 60,029,142 |
| ICT Related Costs | 13 | 2,820,512 | 692,496 |
| Examination Related Costs | 14 | 54,547,803 | 39,947,513 |
| Depreciation and Amortization Cost | 18 | 23,190,225 | 17,151,347 |
| | | | |
| Total expenses | | 279,346,494 | 220,691,121 |
| Surplus before tax | | 136,228,486 | 73,919,821 |
| Surplus/(Deficit) for the period | | 136,228,486 | 73,919,821 |
| Attributable to: | | | |
| Surplus/(deficit) | | 136,228,486 | 73,919,821 |

The notes set out on pages 8 to 29 form an integral part of the Financial Statements




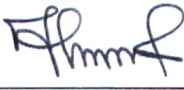
COUNCIL OF LEGAL EDUCATION


ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017
COUNCIL OF LEGAL EDUCATION
STATEMENT OF FINANCIAL POSITION
As at 30th June 2016

| | Notes | 2016/2017 | 2015/20156 |
|---|-------|--------------------|--------------------|
| | | Kshs. | Kshs. |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 15 | 243,389,057 | 102,204,868 |
| Receivables from non-exchange transactions | 16 | 3,197,761 | 1,586,126 |
| Inventories | 17 | 3,278,096 | 5,570,456 |
| Total Current Assets | | 249,864,913 | 109,361,450 |
| Non-current assets | | | |
| Property, plant and equipment | 18 | 76,793,603 | 57,153,932 |
| Total Non-Current Assets | | 76,793,603 | 57,153,932 |
| Total assets | | 326,658,516 | 166,515,381 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | 19 | 11,963,668 | 6,822,962 |
| Employee benefit obligation | 20 | 716,516 | 963,074 |
| Deferred Income | 21 | 50,295,500 | 31,275,000 |
| Total Current Liabilities | | 62,975,684 | 39,061,036 |
| Non-current liabilities | | - | - |
| Total liabilities | | 62,975,684 | 39,061,036 |
| Net assets | | 263,682,832 | 127,454,345 |
| Revenue Reserves | | 127,454,345 | 53,534,524 |
| Surplus/(deficit) for the year | | 136,228,486 | 73,919,821 |
| Accumulated funds | | 263,682,831 | 127,454,345 |

The Financial Statements set out on pages 1 to 29 were signed on behalf of the Council by:


Prof. W. Kulundu-Bitonye, EBS
Secretary/Chief Executive Officer
Council of Legal Education


Jones Otuke
Assistant Director Finance
Planning & administration
ICPAK No. 11319
Council of Legal Education


Chairman of Council
Council of Legal Education

Date.....~~20th~~ Dec. 2017

Date.....20/12/2017

Date.....~~20th~~ Dec. 2017



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

**COUNCIL OF LEGAL EDUCATION
STATEMENT OF CHANGES IN NET ASSETS**

For the year ended 30 June 2017

| | Capital reserve | Accumulated surplus | Total |
|---|----------------------------|--------------------------------|--------------------|
| | Kshs | Kshs | Kshs |
| Changes in Equity for the year 2015/16 | | | |
| Balance as at 1st July 2015 | - | 53,534,524 | 53,534,524 |
| Surplus/(deficit) for the period | - | 73,919,821 | 73,919,821 |
| Transfers to/from accumulated surplus | - | - | - |
| Balance as at 30th June, 2016 | - | 127,454,345 | 127,454,345 |
| Changes in Equity for the year 2016/17 | | | |
| Balance as at 1st July 2016 | - | 127,454,345 | 127,454,345 |
| Surplus/(deficit) for the period | - | 136,228,486 | 136,228,486 |
| Transfers to/from accumulated surplus | - | - | - |
| Balance as at 30 JUNE 2017 | - | 263,682,831 | 263,682,831 |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

COUNCIL OF LEGAL EDUCATION

STATEMENT OF CASH FLOW

For the year ended 30 June 2017

| | Notes | 2016/2017 | 2015/20156 |
|--|-------|---------------------|---------------------|
| Cash generated from operations | | Kshs. | Kshs. |
| Surplus for the year before tax | | 136,228,486 | 73,919,821 |
| Adjusted for: | | | |
| Depreciation | 18 | 23,190,225 | 17,151,347 |
| Contributed assets | | - | - |
| Working capital adjustments: | | | |
| Increase in inventory | | 2,292,360 | (4,523,149) |
| (Increase)/Decrease in receivables | | (1,611,635) | (617,024) |
| Increase/(Decrease) in payables | | 23,914,649 | 9,122,304 |
| Net cash flows from operating activities | | 184,014,085 | 95,053,299 |
| Cash flow from investment activities | | | |
| Purchase of Property Plant and Equipment | 18 | (42,829,896) | (26,919,810) |
| Net Cash flow used in investment activities | | (42,829,896) | (26,919,810) |
| Net cash flows used in financing activities | | - | - |
| Net increase in Cash and Cash Equivalents | | 141,184,189 | 68,133,490 |
| Cash and Cash Equivalent as at 1st July 2016 | | 102,204,868 | 34,071,378 |
| Cash and Cash Equivalent as at 30th June 2017 | 15 | 243,389,057 | 102,204,868 |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

COUNCIL OF LEGAL EDUCATION
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT 2016/2017

| Income | Budget | Actual on comparable basis | Performance difference | % Variance |
|--------------------------------|--------------------|----------------------------|------------------------|------------|
| | 2016-2017 | 2016-2017 | 2016-2017 | |
| | Kshs | Kshs | Kshs | |
| GoK Grants - Recurrent | 259,500,000 | 259,500,000 | - | - |
| Accreditation Fees | 2,400,000 | 4,800,000 | -2,400,000 | -100% |
| Examination Fees | 116,000,000 | 149,665,980 | -33,665,980 | - 29% |
| Foreign Qualification Equation | 2,100,000 | 1,590,000 | 510,000 | 24% |
| Other Income | - | 19,000 | 19,000 | |
| Total Income | 380,000,000 | 415,574,980 | -35,536,980 | |
| RECURRENT EXPENDITURE | | | | |
| CLE Board Expenses | 8,000,000 | 5,831,423 | 2,168,577 | 27% |
| Sub Total | 8,000,000 | 5,831,423 | 2,168,577 | |
| STAFF COSTS | | | | |
| Basic Salaries | 68,839,939 | 68,041,506 | 798,434 | 1% |
| House Allowance | 16,392,000 | 13,449,645 | 2,942,355 | 18% |
| Leave Allowance | 2,109,859 | 1,456,994 | 652,865 | 31% |
| Commuter Allowance | 4,986,000 | 3,843,532 | 1,142,468 | 23% |
| Club Membership Subscription | 100,000 | 75,042 | 24,958 | 25% |
| Medical Employer Contributions | 4,130,397 | 3,912,172 | 218,225 | 5% |
| NSSF Employer Contributions | 100,000 | 94,800 | 5,200 | 5% |
| Pension Employer Contributions | 13,767,987 | 13,037,736 | 730,251 | 5% |
| Sub Total | 110,426,182 | 103,911,427 | 6,514,756 | |
| Repairs & Maintenance | 1,000,000 | 1,029,574 | -29,574 | -3% |
| Sub Total | 1,000,000 | 1,029,574 | -29,574 | |
| Administrative Costs | | | | |
| Training & Development | 9,000,000 | 6,028,818 | 2,971,182 | 33% |
| Official Entertainment | 2,000,000 | 974,740 | 1,025,260 | 51% |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| Income | Budget | Actual on comparable basis | Performance difference | % Variance |
|--|--------------------|----------------------------|------------------------|------------|
| Conference & Workshops | 15,000,000 | 5,248,296 | 9,751,704 | 65% |
| Office Rent | 21,000,000 | 20,663,030 | 336,970 | 2% |
| Cleaning Services | 1,000,000 | 255,005 | 744,995 | 74% |
| Security Services | 3,000,000 | 1,990,667 | 1,009,333 | 34% |
| Postage & Courier Services | 500,000 | 55,455 | 444,545 | 89% |
| Electricity and electrical consumables | 100,000 | 8,100 | 91,900 | 92% |
| Printing & Stationery | 9,000,000 | 6,604,894 | 2,395,106 | 27% |
| Newspapers & Periodicals | 1,500,000 | 767,860 | 732,140 | 49% |
| Telephone Services | 2,000,000 | 1,505,595 | 494,405 | 25% |
| Vehicle Fuel | 2,000,000 | 1,070,139 | 929,861 | 46% |
| General Insurance | 2,000,000 | 788,576 | 1,211,424 | 61% |
| Travel and accommodation | 15,000,000 | 13,446,568 | 1,553,431 | 10% |
| Meal Allowance | 2,500,000 | 2,226,910 | 273,090 | 11% |
| Bank service charge | - | 426,656 | -426,656 | -100% |
| Other Taxes, Levies & Penalties | - | - | - | - |
| Audit Fees | 600,000 | - | 600,000 | 100% |
| Professional Fees | 22,000,000 | 17,477,220 | 4,522,780 | 21% |
| Publicity/Publication & Adverts | 4,000,000 | 6,739,445 | -2,739,445 | -68% |
| Staff Welfare | 2,000,000 | 1,737,557 | 262,443 | 13% |
| Sub Total | 114,200,000 | 88,015,531 | 26,184,468 | |
| Depreciation Expense | | | | |
| Depreciation | - | 23,190,225 | -23,190,225 | -100% |
| Sub Total | - | 23,190,225 | -23,190,225 | |
| ICT Related Costs | | | | |
| Web Design, hosting & Maintenance | 2,000,000 | 1,629,656 | 370,344 | 19% |
| Software Hardware maintenance | 2,000,000 | 830,856 | 1,169,144 | 58% |
| Software Licencing Compliance | 5,000,000 | - | 5,000,000 | 100% |
| Internet & E-mails | 2,100,000 | 360,000 | 1,740,000 | 83% |
| Sub Total | 11,100,000 | 2,820,512 | 8,279,488 | |
| Bar Examination Costs | | | | |
| Hire of Examination Centres | 14,000,000 | 12,446,182 | 1,553,818 | 11% |
| Examination Setting and Moderation | 2,500,000 | 2,523,785 | -23,785 | -1% |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| Income | Budget | Actual on comparable basis | Performance difference | % Variance |
|--|--------------------|----------------------------|------------------------|------------|
| Examination Marking, Moderation & Checking | 12,000,000 | 13,574,768 | -1,574,768 | -13% |
| Hire of Examination Marking Centres | 11,500,000 | 10,152,688 | 1,347,312 | 12% |
| Examination Invigilation | 3,500,000 | 3,093,182 | 406,818 | 12% |
| Examination Printing | 3,500,000 | 5,225,600 | -1,725,600 | -49% |
| Examination Answer Booklets | 3,500,000 | 141,322 | 3,358,678 | 96% |
| Project & Oral Examination | 8,000,000 | 7,390,275 | 609,725 | 8% |
| Legal Education Revolving Fund | 50,000,000 | 0 | | |
| Sub-total | 108,500,000 | 54,547,802 | 3,952,198 | |
| Sub Total Recurrent | 353,226,182 | 279,346,494 | | |
| Surplus (Deficit) | 26,773,818 | 136,228,486 | | |
| Purchase of Assets | | | | |
| Source of funds | | | | |
| Retained Earnings | 30,000,000 | 0 | 0 | |
| Accumulated surplus | 26,773,818 | 136,228,486 | 13,943,922 | 25% |
| Total Income | 56,773,818 | 136,228,486 | 13,943,922 | |
| Expenditure on purchase of Assets | | | | |
| Furniture & Equipment | 4,000,000 | 4,284,681 | 1,041,468 | 26% |
| Purchase of Motor Vehicle | 14,273,818 | 13,455,313 | 818,505 | 6% |
| Computer Equipment | 8,500,000 | 3,607,425 | 4,892,575 | 58% |
| Data Cabling | 5,500,000 | 5,298,985 | -1,125,134 | 20% |
| Integrated Information System | 13,500,000 | 5,968,502 | 7,531,498 | 56% |
| Telecommunication / Security Facility | - | - | - | |
| Office Partition | 11,000,000 | 10,214,990 | 785,010 | 7% |
| Sub Total | 56,773,818 | 42,829,896 | | |
| Total Budget | 410,000,000 | 322,176,390 | | |
| Retained Earnings | 56,773,818 | 93,398,590 | | |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Council of Legal Education is established by Legal Education Act No. 27 of 2012 and derives its authority and accountability from the Act. Council of Legal Education is wholly owned by the Government of Kenya and is domiciled in Kenya.

Principal Activity of the Council of Legal Education

- (a) Regulate legal education and training in Kenya offered by legal education providers;
- (b) Licence legal education providers;
- (c) Supervise legal education providers; and
- (d) Advise the Government on matters relating to legal education and training.
- (e) Recognise and approve qualifications obtained outside Kenya for purposes of admission to the Roll.
- (f) Administer such professional examinations as may be prescribed under section 13 of the Advocates Act.

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

The Council of Legal Education's Financial Statements have been prepared in accordance with and in compliance to International Public Sector Accounting Standards (IPSAS) which was adopted in the year 2013/2014 following the gazettment of the Public Sector Accounting Standards Board (PSASB), which was established by the Public Financial Management Act (PFM) No.18 of 24th July 2012. PSASB issued Financial Reporting Standards and Guidelines to be adopted by all state organs and Public Sector Entities, which Council complies with. The Financial Statements have been prepared in accordance to PFM Act and State Corporations Act and International Public Sector Accounting Standards (IPSAS). The Financial Statements are presented in Kenya shillings, which is the functional and reporting currency of the Council. The accounting policies have been consistently applied to all the years presented.

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

3. Adoption of New and Revised Standards

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

| Standard | Impact |
|--|---|
| IPSAS 33: First time adoption of Accrual Basis IPSAS | (Effective for annual periods beginning on or January 1, 2017) Council of Legal Education adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply. |
| IPSAS 34: Separate Financial Statements | (Effective for annual periods beginning on or January 1, 2017) Council of Legal Education does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply. |
| IPSAS 35: Consolidated Financial Statements | (Effective for annual periods beginning on or January 1, 2017) Council of Legal Education does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply. |
| IPSAS 36: Investments in Associates and Joint | (Effective for annual periods beginning on or January 1, 2017) Council of Legal Education does not have investments in associates or joint ventures and therefore the standard does not apply. |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| Standard | Impact |
|---|--|
| Ventures | |
| IPSAS 37: Joint Arrangements | (Effective for annual periods beginning on or January 1, 2017) Council of Legal Education does not have an interest in a joint arrangement and therefore the standard does not apply. |
| IPSAS 38: Disclosure of Interests in Other Entities | (Effective for annual periods beginning on or January 1, 2017) Council of Legal Education does not have an interests in other entities and therefore the standard does not apply. |

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

| Standard | Effective date and impact: |
|--------------------------------------|--|
| IPSAS 39: Employee Benefits | Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. |
| IPSAS 40: Public Sector Combinations | Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations. |

iii. Early adoption of standards

Council of Legal Education did not adopt any new or amended standards in year 2017.

4. Summary of significant accounting policies

a) Revenue Recognition

i) Revenue from Non-Exchange Transactions - IPSAS 23

Transfers from Other Government Entities

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

ii) Revenue from Exchange Transactions - IPSAS 9

Rendering of Services

The Council recognizes revenue from rendering of services like Licencing fee, bar examination fees and foreign qualification fees when the event occurs or by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Revenue from Students for examination is recognized when the Examination takes place. The fee is allocated to each examination series on a basis which reflects the extent to which services rendered.

b) Budget Information - IPSAS 24

The original budget for FY 2016-2017 was approved by the National Assembly. Subsequent reallocations were made to the approved budget in accordance with specific approvals from the Council. The reallocations to the original budget by Council of Legal Education were done upon receiving the respective approvals from the Council. Accordingly, Council of Legal Education recorded reallocations on the 2016-2017 budget following the governing body's approval.

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

c) Taxes

Sales tax

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Property, plant and Equipment - IPSAS 17

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

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



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The annual depreciation rates in use are:

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

Council derecognizes items of property, plant and equipment and /or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on de recognition of the asset is included in the surplus or deficit when the asset is derecognized. (Disclosure note 18)

e) Intangible Asset

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

Computer software amortization rate is 33.3% per annum (Disclosure note 18)

f) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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

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

Total payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease. When an operating lease is terminated before the expiry of the lease period, any payment required to be made to the lessor by way of penalty is recognized as expense in the year in which termination takes place.

Rentals payable under operating leases are recognized as an operating expense on the straight-line basis over the term of the relevant lease. (Further disclosure note 24)

g) Inventories - IPSAS 12

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



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

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

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

Consumable stock is valued at cost using weighted average method. (Disclosure note 17)

i) Provisions

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

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

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

Contingent Liabilities

The Council does not recognize 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 Council has 12 (twelve) pending cases in Court. Council does not foresee any outflow of economic resources on the cases in court. (Further disclosure note number 25)

Contingent Assets

Council does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more future events not wholly within the control of the Council in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statement. If it has become virtually certain that an inflow of economic benefit 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.



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

j) Nature and Purpose of Reserves

Council of Legal Education creates and maintains reserves in terms of specific requirements. Reserves are listed as below

- i) Retained Earnings - this is the sum of all accumulated surplus and deficits as at the reporting date
- ii) Capital Development Reserve - this represents funds set aside by Council for specified capital development
- iii) Legal Education revolving fund reserve - this represents funds set aside for the legal Education Revolving Fund.

k) Changes in Accounting Policies and Estimates - IPSAS 3

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

l) Employee Benefits - IPSAS 25

i) Retirement benefit Plans

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

The Council and its employees also contribute to the National Social Security Fund, a statutory defined contribution pension scheme. The Council's contributions in respect of retirement benefit are charged as expenses in the year to which they become payable. (Disclosure note 26)

ii) Short Term Employee Benefits

The cost of short term employee benefits, such as leave pay, is recognized during the period in which the employee renders related services. (Disclosure note 20)

m) Related Parties- IPSAS 20

The Council regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Council. Council considers the Government (Disclosure in note 6), Council members, and Senior Management (Disclosure in note 23) as related parties.

n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests, petty cash balance and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year (further disclosure in note 15).



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

o) Comparative Figures

Council of Legal Education was established by the Legal Education Act 2012. It became fully operational as from June 1, 2013, this being the 4th year of operations, comparative figures are for 2015/2016 financial year.

5. Significant Judgments and Sources of Estimation Uncertainty - IPSAS 1

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

i) Estimates and Assumptions

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

ii) 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

iii) Provisions

Provisions are raised and management determines an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Provision for Audit Fee has been subjected to this treatment.

Provision for bad debt

Council makes provision for bad debt using accounts receivable aging method. An account receivable that is more than two (2) years becomes a doubtful debt.

iv) 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.



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| | | |
|---|-----------|-----------|
| | 2016/2017 | 2015/2016 |
| | Kshs. | Kshs. |
| 6. Revenue from non-exchange transactions | | |
| Transfer from Government | | |

| Name of the Entity sending the grant | Amount recognized to Statement of Comprehensive Income KShs | Amount deferred under deferred income KShs | Amount recognised in capital fund. | Total grant income during the year 2016-2017 | 2015-2016 |
|--|---|--|------------------------------------|--|--------------------|
| | | | KShs | KShs | KShs |
| Office of Attorney General and Department of Justice | 259,500,000 | - | - | 259,500,000 | 168,849,738 |
| Total | 259,500,000 | - | - | 259,500,000 | 168,849,738 |

GOK recurrent and development grants were operational grants from the Government through the Office of Attorney General and Department of Justice disbursed as follows;

| | Date | Recurrent | Development | Total |
|-------------------------|------------|--------------------|-------------|--------------------|
| 1 st quarter | 25/08/2016 | 64,875,000 | - | 64,875,000 |
| 2 nd quarter | 17/10/2016 | 64,875,000 | - | 64,875,000 |
| 3 rd quarter | 08/02/2017 | 64,875,000 | - | 64,875,000 |
| 4 th quarter | 05/05/2017 | 64,875,000 | - | 64,875,000 |
| Total | | 259,500,000 | - | 259,500,000 |

| | | |
|---------------------------------------|--------------------|--------------------|
| 7. Revenue from exchange transactions | 2016/2017 | 2015/2016 |
| Rendering of services | Kshs. | Kshs. |
| Accreditation fees | 4,800,000 | 6,802,704 |
| Equating Foreign qualification | 1,590,000 | 2,000,000 |
| Examination | 88,695,580 | 70,548,500 |
| Resits | 47,380,400 | 28,925,000 |
| Remarks | 13,590,000 | 17,485,000 |
| | <u>156,055,980</u> | <u>125,761,204</u> |

Council of legal education levies fees for services rendered as per Legal Education Act, 2012 and Legal Education (Accreditation and Quality Assurance) Regulation 2016.

- Council charged Licencing fees @ Kshs.1,600,000.00
- Council charges equation of foreign qualification @ Kshs.10,000
- Council charges Kshs.5,000 per unit bar examination for nine units
- Council charges Kshs.10,000 per unit for re-sits
- Council charges Kshs.15,000 per unit for re-marks



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| | 2016/2017 | 2015/2016 |
|--|--------------------|-------------------|
| | Kshs. | Kshs. |
| 8. Other Income | <u>19,000</u> | - |
| | <u>19,000</u> | |
| <i>Other income is from sale of tender documents @ 1,000 to 19 bidders</i> | | |
| 9. Employee Costs | | |
| Basic Salaries | 68,041,506 | 59,138,461 |
| House Allowance | 13,449,645 | 10,049,334 |
| Leave allowance | 1,456,994 | 1,555,548 |
| Medical employers contribution | 3,912,172 | 3,010,989 |
| NSSF Employer contribution | 94,800 | 71,400 |
| Pension employer contribution | 13,037,736 | 9,773,390 |
| Other Staff benefits | 75,042 | 150,084 |
| Commuter Allowances | 3,843,532 | 2,928,599 |
| | <u>103,911,427</u> | <u>86,677,805</u> |
| 10. Council expenses | | |
| Council Allowances and expenses | 5,085,823 | 11,639,844 |
| Finance and General Purpose Committee | 95,200 | 260,000 |
| Quality Assurance and Accreditation Committee | 400,000 | 3,761,285 |
| Risk and Audit Committee | 115,200 | 110,000 |
| Examination Committee | 135,200 | - |
| | <u>5,831,423</u> | <u>15,771,129</u> |

| Description | 2016-2017 | 2015-2016 |
|-------------------------------|------------------|-------------------|
| | KShs | KShs |
| Chairman's Honoraria | 582,857 | 960,000 |
| Council Sitting Allowances | 1,284,000 | 4,021,285 |
| Daily Subsistence Allowances | 1,470,048 | 8,971,655 |
| Transport | 1,959,460 | |
| Training | 406,058 | 1,818,189 |
| Others | 129,000 | |
| Total Council expenses | 5,831,423 | 15,771,129 |

| | | |
|--------------------------------------|------------------|----------------|
| 11. Repairs and Maintenance | | |
| Building repair & Maintenance | 131,142 | 27,880 |
| Plant & equipment maintenance | 1,966 | 14,999 |
| Motor vehicle repair and maintenance | 896,467 | 378,810 |
| | <u>1,029,575</u> | <u>421,689</u> |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| | 2016/2017 | 2015/2016 |
|-------------------------------------|-------------------|-------------------|
| | Kshs. | Kshs. |
| 12. General Expenses | | |
| Advertising and publicity | 6,739,445 | 5,344,223 |
| Office rent | 20,663,030 | 15,966,672 |
| Newspapers and Journals | 767,860 | 471,956 |
| Printing and Stationery | 6,604,894 | 2,492,032 |
| Cleaning materials and materials | 255,005 | 437,790 |
| Security services | 1,990,667 | 1,370,704 |
| Travel and accommodation | 13,446,569 | 10,807,797 |
| Meal Allowance | 2,226,910 | 3,938,500 |
| Fuel | 1,070,139 | 704,732 |
| Insurance expenses | 788,576 | 547,165 |
| Postage and delivery | 55,455 | 81,879 |
| Telephone and Faxes | 1,505,595 | 1,445,716 |
| Electrical consumables | 8,100 | 7,400 |
| Professional fees | 17,477,220 | 9,718,502 |
| Official entertainment | 974,740 | 879,385 |
| Staff welfare | 1,737,557 | 1,047,842 |
| Training and Development | 6,028,818 | 3,883,361 |
| Conferences and workshops | 5,248,296 | 193,024 |
| Other Taxes, Levies & Penalties | - | 261,735 |
| Bank Service charges | 426,656 | 428,727 |
| | 88,015,530 | 60,029,142 |
| 13. ICT related costs | | |
| Web Hosting | 1,629,657 | 170,727 |
| Internet and E-mail | 360,000 | 329,999 |
| Computer Repairs and maintenance | 830,856 | 191,769 |
| | 2,820,512 | 692,496 |
| 14. Exam Related Costs | | |
| Hire of Examination Centre | 12,446,182 | 7,857,075 |
| Exam Setting & Moderation | 2,523,785 | 1,291,330 |
| Exam marking, moderation & Checking | 13,574,768 | 14,187,306 |
| Exam Marking Centres | 10,152,688 | 8,908,105 |
| Examination Invigilation | 3,093,182 | 2,780,233 |
| Examination Printing | 5,225,600 | 4,390,485 |
| Exam Answer Booklets | 141,322 | 532,980 |
| Project and Orals Examination | 7,390,275 | - |
| | 54,547,803 | 39,947,513 |
| 15. | | |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| | 2016/2017 | 2015/2016 |
|---------------------------------|--------------------|--------------------|
| | Kshs. | Kshs. |
| Cash and Cash equivalent | | |
| Bank account No. 01023033161101 | 218,142,439 | 92,862,624 |
| Bank account No. 01023033161100 | 25,093,823 | 9,249,052 |
| Petty cash | 152,795 | 93,191 |
| | <u>243,389,057</u> | <u>102,204,868</u> |

| | | 2016-2017 | 2015-2016 |
|-------------------------------------|----------------|--------------------|--------------------|
| Financial institution | Account number | KShs | KShs |
| a) Current account | | | |
| National Bank of Kenya -Hill Branch | 01023033161101 | 218,142,439 | 92,862,624 |
| National Bank of Kenya -Hill Branch | 01023033161100 | 25,093,823 | 9,249,052 |
| Sub- total | | 243,236,262 | 102,111,677 |
| b) Others(specify) | | | |
| Petty Cash | | 152,795 | 93,191 |
| Sub- total | | 152,795 | 93,191 |
| Grand total | | 243,389,057 | 102,204,868 |

16. Receivable from non-exchange transactions

| | | |
|-------------------------|------------------|------------------|
| Accounts receivable | 143,667 | - |
| Prepayments | 1,533,992 | 1,024,743 |
| Staff Advances | 906,117 | 76,279 |
| PAYE Receivable | 234,000 | 234,000 |
| VAT Withheld | - | - |
| Imprest Account | 307,461 | - |
| Medical Expense Payable | 72,524 | 251,104 |
| | <u>3,197,761</u> | <u>1,586,126</u> |

PAYE Receivable include PAYE remitted to Kenya revenue Authority inadvertently for members of Council who did not attend meetings. The Accounts Receivables is for amounts paid to Tina Holdings for provision of fuel in the FY 2014/2015. The Company ceased operating Petrol Station and Council is yet to be refunded.

17. Inventories

| | | |
|-------------------|------------------|------------------|
| Consumable stores | <u>3,278,096</u> | <u>5,570,456</u> |
| | 3,278,096 | 5,570,456 |

Inventories is valued at cost and it is made up of consumable stock in the general operation of the Council that include the following:

1. General Stationery ksh.2,491,451.00
2. Cleaning Materials ksh.267,916.80
3. Examination material ksh.518,728.00



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

18. Property, Plant and Equipment

| | Furniture, Fittings & fixture | Motor Vehicle | Plant and equipment | Computer equipment | Computer Software | Work-In- Progress | Total |
|--------------------------------------|-------------------------------------|------------------|------------------------|-----------------------|----------------------|----------------------|-------------|
| Depreciation rate | 12.5% | 20% | 20% | 33.3% | 33.3% | 0.0% | |
| Cost | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. | |
| At 1 July 2015 | 37,113,650 | 7,908,801 | 11,293,389 | 8,189,255 | - | - | 64,505,095 |
| Additions | 1,791,240 | 19,584,048 | 318,495 | 4,434,107 | 791,920 | - | 26,919,810 |
| Disposal/fully depreciated items | - | - | - | - | - | - | - |
| Transfer/ adjustment | - | - | - | - | - | - | - |
| At 30th June 2016 | 38,904,890 | 27,492,849 | 11,611,884 | 12,623,632 | 791,920 | - | 91,424,905 |
| At 1 July 2016 | 38,904,890 | 27,492,849 | 11,611,884 | 12,623,362 | 791,920 | - | 91,424,905 |
| Additions | 13,173,522 | 13,455,313 | 6,625,134 | 3,607,425 | - | 5,968,502 | 42,829,896 |
| Disposal/fully depreciated items | - | - | - | - | - | - | - |
| Transfer/ adjustment | - | - | - | - | - | - | - |
| At 30th June 2017 | 52,078,412 | 40,948,162 | 18,237,018 | 16,230,786 | 791,920 | 5,968,502 | 134,254,800 |
| Depreciation and impairment | | | | | | | |
| At 1 July 2015 | 7,386,358 | 3,163,520 | 3,013,192 | 3,556,556 | - | - | 17,119,626 |
| Depreciation for the year | 4,863,111 | 5,498,570 | 2,322,377 | 4,203,580 | 263,709 | - | 17,151,347 |
| Impairment | - | - | - | - | - | - | - |
| Disposals/fully depreciated items | - | - | - | - | - | - | - |
| Transfer/ adjustment | - | - | - | - | - | - | - |
| At 30th June 2016 | 12,249,469 | 8,662,090 | 5,335,569 | 7,760,136 | 263,709 | - | 34,270,973 |
| At 1 July 2016 | 12,249,469 | 8,662,090 | 5,335,569 | 7,760,136 | 263,709 | - | 34,270,973 |
| Depreciation for the year | 6,509,801 | 8,189,632 | 3,647,404 | 4,579,440 | 263,947 | - | 23,190,225 |
| Impairment | - | - | - | - | - | - | - |
| Disposals/fully depreciated items | - | - | - | - | - | - | - |
| Transfer/ adjustment | - | - | - | - | - | - | - |
| At 30th June 2017 | 18,759,270 | 16,851,722 | 8,982,973 | 12,339,576 | 527,656 | - | 57,461,198 |
| NBV At 30th June 2017 | 33,319,141 | 24,096,439 | 9,254,046 | 3,891,210 | 264,264 | 5,968,502 | 76,793,603 |
| At 30th June 2016 | 26,655,421 | 18,830,759 | 6,276,315 | 4,863,226 | 528,211 | - | 57,153,932 |

Cost of fully depreciated Computer Equipment amount to Kshs. 2,491,092 purchased in 2013/14



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| 19. Payables from Non- exchange transactions | 2016/2017 | 2015/2016 |
|--|------------|-----------|
| | Kshs. | Kshs. |
| Pension Payable | 7 | 9 |
| PAYE Payable | 4,031,906 | 1,732,871 |
| Withholding tax payable | 585,934 | 921,633 |
| VAT With holding Payable | 406,210 | 1,242,119 |
| Contract retention | 1,130,277 | - |
| Insurance recoveries payable | 3,475 | 3,975 |
| Trade payables | 5,328,912 | 2,387,886 |
| Net Pay payable | 3,377 | 3,376 |
| Income tax payable | 473,570 | 531,093 |
| | 11,963,668 | 6,822,962 |
| 20. Employee Benefit | | |
| Leave allowance | 716,518 | 963,704 |
| | 716,518 | 963,704 |

Annual leave accrues to employees on a monthly basis, the provision is an estimate of the amounts due to staff at the end of 2016/2017 Financial Year based on the terms of employment and Staff Manual. The salary scale used in the estimate are those payable at the end of financial year.

| Description | Defined benefit plan | Post employment medical benefits | Leave Allowance | Total |
|---|----------------------|----------------------------------|-----------------|----------------|
| | KShs | KShs | KShs | KShs |
| Current benefit obligation | - | - | 716,518 | 716,518 |
| Non-current benefit obligation | - | - | - | - |
| Total employee benefits obligation | - | - | 716,518 | 716,518 |

| 21. Deferred income | 2016/2017 | 2015/2016 |
|-------------------------------------|------------|------------|
| | Kshs. | Kshs. |
| Examination fee received in advance | 50,295,500 | 31,275,000 |
| | 50,295,500 | 31,275,000 |

Deferred income related to bar examination fee for July 2017 examination.

| Description | 2016-2017 | 2015-2016 |
|------------------------------|-------------------|-------------------|
| | KShs | KShs |
| Bar Examination Fee | 50,295,500 | 31,275,000 |
| Total deferred income | 50,295,500 | 31,275,000 |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The deferred income movement is as follows:

| | Bar Examination Fee | International funders | Public contributions and donations | Total |
|-------------------------------|---------------------|-----------------------|------------------------------------|--------------|
| Balance brought forward | 31,275,000 | 0 | 0 | 31,275,000 |
| Additions | 50,295,500 | 0 | 0 | 50,295,500 |
| Transfers to Capital fund | (0) | (0) | (0) | (0) |
| Transfers to income statement | (31,275,000) | (0) | (0) | (31,275,000) |
| Other transfers | (0) | (0) | (0) | (0) |
| Balance carried forward | 50,295,500 | 0 | 0 | 50,295,500 |

22. Financial Risks Management

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

Council of Legal Education financial risk management objectives and policies are detailed below:

Credit risk

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 Council's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

| | Total amount Kshs | Fully performing Kshs | Past due Kshs | Impaired Kshs |
|--|--------------------|-----------------------|---------------|---------------|
| At 30 June 2017 | | | | |
| Receivables from exchange transactions | - | - | - | - |
| Receivables from non-exchange transactions | 3,197,761 | - | - | - |
| Bank balances | 243,389,057 | - | - | - |
| Total | 246,586,818 | - | - | - |
| At 30 June 2016 | | | | |
| Receivables from exchange transactions | - | - | - | - |
| Receivables from non-exchange transactions | 1,586,126 | - | - | - |
| Bank balances | 102,204,868 | - | - | - |
| Total | 103,790,994 | - | - | - |

Market risk

Council of Legal Education has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 entity's income or the value of its holding of financial



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

Council of Legal Education Audit Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

Council's interest rate risk arises from investments in short term deposits and Government securities. Council has not invested in short term deposits or Government securities hence this risk is irrelevant.

Foreign currency risk

The council does not hold any foreign currency denominated assets or liabilities and hence there is no exposure to foreign currency risk.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

| | Ksh | Other currencies | Total |
|--|------|------------------|-------|
| | Kshs | Kshs | Kshs |
| At 30 June 2017 | | | |
| Financial assets(investments, cash ,debtors) | 0 | 0 | 0 |
| | | 0 | 0 |
| | | 0 | 0 |
| Liabilities | | 0 | 0 |
| Trade and other payables | 0 | 0 | 0 |
| Borrowings | 0 | 0 | 0 |
| Net foreign currency asset/(liability) | 0 | 0 | 0 |

Price risk

The Council does not hold investments that would be subject to price risk; hence this risk is not relevant.

Liquidity risk management

Liquidity risk is the risk that Council will not be able to meet its financial obligations when they fall due. The Council's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, 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.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| | Less than 1 month | Between 1-3 months | Over 3 months | Total |
|-------------------------------|-------------------|--------------------|---------------|-------------------|
| | Kshs | Kshs | Kshs | Kshs |
| At 30 June 2017 | | | | |
| Trade payables | 5,328,912 | - | - | 5,328,912 |
| Current portion of borrowings | - | - | - | - |
| Provisions | - | - | - | - |
| Deferred income | 50,295,500 | - | - | 50,295,500 |
| Employee benefit obligation | 716,518 | - | - | 716,518 |
| Total | 56,340,930 | - | - | 56,340,930 |
| At 30 June 2016 | | | | |
| Trade payables | 2,387,886 | - | - | 2,387,886 |
| Current portion of borrowings | - | - | - | - |
| Provisions | - | - | - | - |
| Deferred income | 31,275,000 | - | - | 31,275,000 |
| Employee benefit obligation | 963,074 | - | - | 963,074 |
| Total | 34,625,960 | - | - | 34,625,960 |

Capital Risk Management

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

| | 2016-2017 | 2015-2016 |
|---|--------------------|--------------------|
| | Kshs | Kshs |
| Revaluation reserve | - | - |
| Retained earnings | 263,682,831 | 127,454,345 |
| Capital reserve | - | - |
| Total funds | 263,682,831 | 127,454,345 |
| Total borrowings | - | - |
| Less: cash and bank balances | (243,389,057) | (102,204,868) |
| Net debt/(excess cash and cash equivalents) | (243,389,057) | (243,341,609) |
| Gearing | 0% | 0% |

23. Related parties' transactions

Entities and other parties related to Council of Legal Education include those parties who have ability to exercise control or exercise significant influence over its Operating and Financial decisions. Council of Legal Education is related to

- i) The National Government;
- ii) State Law Office and Department of Justice;
- iii) Council Members;
- iv) Key Management;

The following transactions were carried out with related parties



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Related party transactions

| | | |
|---|--------------------|--------------------|
| Transfers from State Law Office and Department of Justice | 259,500,000 | 168,849,738 |
| Transfers to related parties | - | - |
| | <u>259,500,000</u> | <u>168,849,738</u> |

Council Members and expenditure

| | | |
|----------------------------|------------------|-------------------|
| | 2016/2017 | 2015/2016 |
| Council members allowances | <u>5,831,423</u> | <u>15,771,129</u> |
| | <u>5,831,423</u> | <u>15,771,129</u> |

| Description | 2016-2017 KShs | 2015-2016 KShs |
|-------------------------------|-------------------|-------------------|
| Chairman's Honoraria | 582,857 | 960,000 |
| Council Sitting Allowances | 1,284,000 | 4,021,285 |
| Daily Subsistence Allowances | 1,470,048 | 8,971,655 |
| Transport | 1,959,460 | 1,818,189 |
| Training | 406,058 | |
| Others | 129,000 | |
| Total Council expenses | 5,831,423 | 15,771,129 |

Key management remuneration

| | | |
|-----------------------------|----------------------|----------------------|
| Key management compensation | <u>32,963,704.40</u> | <u>28,169,369.60</u> |
| | <u>32,963,704.40</u> | <u>28,169,369.60</u> |

24. Operating lease

Council has leased office premises under an operating lease. The three leases typically run for 6 years with an option for renewal. Lease payments are increased accordingly to reflect market rentals. The Council does not have an option to purchase the leased asset at the expiry of the lease period. There are no contingent rents recognized in the Statement of Financial Performance

The first lease commencement date is 1/7/2013 and is to run for 6 years while second lease commenced on 1/7/2014 and is to run for 6 years and the third lease commenced on 1/7/2016 and is to run for 6 years.

At the end of the reporting period, Council had Outstanding Commitments of kshs.61,624,514.54 under non-cancellable Operating Leases in relation to the lease of the office premises.

25. Contingent Liabilities

Council is involved in some Civil legal proceedings, the Council members believe, based on the information currently available, that the Council does not have any contingent liabilities which are likely to have a material effect on the results of the Councils' operations, financial position or liquidity. Therefore, no provision has been made in the financial statements.

| Contingent liabilities | 2016-2017 Kshs | 2015-2016 Kshs |
|---|-------------------|-------------------|
| Court case 12 against the Council | - | - |
| Bank guarantees in favour of subsidiary | - | - |
| Total | - | - |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

26. Retirement Benefit obligation

Council operates a defined contribution retirement benefit plan for eligible employees. The assets of the plan are held separately from those of the Council in funds under the control of trustees. The scheme is administered by an independent administration company and is funded by contributions from the Council and employees. Councils' obligations to the staff retirement benefits plan are charged to the Statement of Financial Position as they fall due or, in the case of service gratuity, as they accrue to each employee.

The Council also makes contributions to the statutory defined contribution scheme, National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The Councils' obligations under the Scheme are limited to specific contributions legislated from time to time, which are currently at KShs. 200 per employee per month.

The total pension expense recognized in the income statement of KShs. 13 million (FY 2015/16: KShs. 9.7 million) represents contributions paid to the plan by the Council at 20% rate of the basic salaries. Employees contribute 10% of their basic salary. The employee contribution has been included within the employee costs.

The table below outlines the amount remitted to the fund since inception. This has been done up to end of 30th June 2017.

| No | Financial Year | Employer | Employee | Gross |
|----|----------------|-------------------|-------------------|-------------------|
| 1 | 2013/2014 | 277,682 | 138,841 | 416,523 |
| 2 | 2014/2015 | 4,486,394 | 2,243,197 | 6,729,591 |
| 3 | 2015/2016 | 9,773,390 | 4,886,695 | 14,660,085 |
| 4 | 2016/2017 | 13,037,736 | 6,518,868 | 19,556,604 |
| | Totals | 27,575,202 | 13,787,601 | 41,362,803 |

27. Statement of Comparison of Budget and Actual

a) Changes from Original Budget

Council of Legal Education did not have any budget change in the Financial Year 2016/2017.

b) GoK Grant- Recurrent

The budget item did not report any variance, this is because Council received the full subvention from Government as per the appropriation bill.

c) Accreditation fee

Statement of Comparison of Budget and Actual shows -100% variance on Appropriation in Aid from accreditation fees paid by institutions licensed to teach legal studies. During 2016/2017 financial year Council collected Kshs. 4.8 million against a target of Kshs. 2.4 million due to enhanced compliance to CLE regulations.

The Council collected Kshs. 1.6 Million against a target of Kshs. 2.1 Million in Foreign Qualification Examination leading to a 24% variance due to reduction in student seeking for foreign Qualification.

d) Examination fees

Council realised a variance of -29% on examination fees. The variance is due to the high numbers of candidates who registered for the Bar examination than projected,



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

e) CLE Board Expenses

CLE board expenses have a variance percentage of 27%. Council and its committees had reduced activities in the FY 2016/2017 due to retirement of 5 Council members and 1 replaced from the Council and their replacement is yet to be done.

f) Staff Costs

Council of Legal education spent Kshs. 103.9 million on staff costs against a budget of Kshs. 110.5million in 2016/2017. This led to a variance of 6%.

- i. House Allowance - this had a favourable variance of 18%. The Council is yet to fill all the posts as approved in the organization structure as it did not get suitable staff.
- ii. Leave Allowance - this had a favourable variance of 31%. The Council had planned to fill all the post as approved and had budgeted for their leave allowance.
- iii. Commuter allowance - this had a favourable variance of 23%. The Council had planned to fill all the post as approved and had budgeted for their leave allowance.
- iv. Club membership allowance - this had a favourable variance of 25%. The annual subscription to the club is calendar year but the Council budget is Financial year, the balance is usually paid in the subsequent financial year.

g) General Administrative Costs

During the 2015/16 Financial Year, Budget items under the General administration category have a favourable variance.

- i) Training and Development - this had a favourable variance of 33%. Staff did not attend training as planned due to exigency of duty.
- ii) Official entertainment - this had a favourable variance of 51% due to the austerity measures during the year.
- iii) Conference & workshop - this had a favourable variance of 65%. Council did not conduct the stakeholder conference as planned due to the Task force on Legal reforms activities.
- iv) Cleaning services - has a favourable variance of 74%. During the year the Council acquired additional office space which was occupied in April and not in January as initially planned leading to the favourable variance.
- v) Security services - has a favourable variance of 34%. This is because bar examination security was provided by the Kenya Police Service and not Private security firm as initially planned .
- vi) Postage & courier services - this has a favourable variance of 89%. Posting of official items at the Council reduced in the financial year thus the variance.
- vii) Electricity and electrical consumables - has a favourable variance of 92%. During the year the Council acquired additional office space which was occupied in April and not in January as initially planned leading to the favourable variance.
- viii) Printing and stationery - this had a favourable variance of 27%, this is due to austerity measures and increased automation reducing need to print.
- ix) Newspaper and periodicals - this had a favourable variance of 49%. The Council changed to online newspaper subscription, which is cheaper leading to the variance.
- x) Telephone services - this had a favourable variance of 25% as the landline was in operational for three months.
- xi) Vehicle fuel - this had a favourable variance of 46%. The Council had budgeted to purchase official vehicles in the beginning of the financial year but due to late procurement, the vehicles were delivered in the 3rd and 4th quarters.
- xii) General insurance - this has a favourable variance of 61%. The Council had planned to acquire WIBA at the beginning of the year but due to late procurement this was not achieved. This was also caused by the late delivery of the official vehicles.
- xiii) Meal allowance - this had a favourable variance of 11%.



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

- xiv) Professional fees - had a favourable variance of 21%. The Council faces a number of litigation which reduced in the year leading to the variance.
- xv) Publicity, publication & advertisement - had a negative variance of -68%. This variance was caused by the new instructions on advertising by the government on the use of MYGOV that had not been budgeted for by the Council in the financial year and that is more expensive than the Council procured services from the local dailies directly.
- xvi) Staff welfare - this had a favourable variance of 13%, this is because council did not recruit all staff as intended.

h) ICT related costs

- i) Web design, hosting & maintenance - this had a favourable variance of 19% due to the competitive pricing of vendors.
- ii) Software hardware maintenance - this had a favourable variance of 58%. The Council had planned to acquire data back up and firewall during the year but this was not achieved due to delayed procurement.
- iii) Software licencing compliance - this had a favourable variance of 100%. The Council had planned to acquire data back up and firewall but this was not achieved due to delay in procurement process.
- iv) Internet & email - this had a favourable variance of 83%. The Council had budgeted to increase its band width from 30mbps to 50mbps but this was not achieved due to non-responsiveness in the procurement process.

i) Bar examination costs

- i) Hire of Examination Centres - this had a favourable variance of 11% due to competitive prices and discounts from vendors.
- ii) Examination Marking, Checking & Moderation - had a variance of -13% as the Council had to engage the services of more markers so as to beat the set deadline for release of results.
- iii) Hire of Examination Marking Centre - had a variance of 12% since we were able to get a good rate for marking at the same venue for the two-exam series.
- iv) Examination invigilation - had a favourable variance of 12% based on the numbers of invigilators deployed.
- v) Examination printing - had a negative variance of -49% since most of the official printing of the exams is done in our offices.
- vi) Examination Answer Booklets - had a variance of 96% since the Council did not procure new booklets this Financial Year as there was sufficient stock.

j) Depreciation expenses

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

k) Development Budget

Integrated information system project was started within the year and was not fully implemented since the development, training, pilot run and full implementation is to be done in the next Financial Year.

Computer equipment reported a variance of 58% as the Council did not purchase examination printer due to need to change specification.

Furniture and Equipment had a variance of 26% as the Council due to delayed input of professionals to facilitate the furnishing of examination storage space.



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|--|--|-----------------------------------|--|
| Other Matter | It was observed that various institutions and individuals had taken the Council to the High Court challenging some of the decisions of the Council. The intent of the Council of Legal Education Act 2012, was such cases would be initially determined by the Tribunal established under the Act after which a dissatisfied party could seek redress from the High Court. It has been revealed further that members and chairperson of the Tribunal were interviewed and appointed by the Judicial Service Commission vide letter dated 21 May 2013 and 10 June 2014 respectively but the Tribunal has not been operationalized. No reason has been given for failure to operationalize the Tribunal. | <p>The Legal Education Act no 27 of 2012 establishes a Legal Education Appeals Tribunal under Section 29(1) of the Act which is an <i>ad hoc</i> Tribunal appointable by the Judicial Service Commission.</p> <p>By letter JSC/1/2 of 21st May, 2013 the Secretary of the JSC notified the Hon. AG of the appointments of members of the Legal Education Appeals Tribunal and requested the operationalization of the same which did not include the Chairperson.</p> <p>On 14th July by letter Ref. CLE/MISC/3 VOL1/(17) the Secretary of CLE notified the AG of the appointment of the Chairperson of the Tribunal completing the appointment process of the Appeals Tribunal. The Secretary also requested the Hon. AG to intercede with Treasury to avail a budget for the Tribunal including funds for premises where the Tribunal as stipulated under Section 40 (l) of the Legal Act would operate from.</p> <p>By Letter Ref. AG/CONF/9/14/2 VOL I (15) dated 20th November</p> | <p>Prof. Kulundu -Bitonye</p> <p>Chief Executive Officer</p> | Partly Solved | December 2017 |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|-----------------------------------|---|--|-----------------------------------|--|
| | | <p>2013 the Director, Administration Office of the AG and Department of Justice wrote to among others, the Chairs, JSC and SRC appointing a technical committee to advise the AG on the remuneration and allowances payable to member of the Tribunal. The then Secretary of Council/School was a member of the panel.</p> <p>The panel never met and therefore the remuneration and allowances payable to the tribunal were never determined.</p> <p>At a subsequent time, all Statutory Tribunals were taken over by the Judiciary under Article 169 (d) of the Constitution and a policy position was taken that the remunerative policies of ALL Tribunals would be administered from the Judiciary. In subsequent budgetary engagements, the budget for the Legal Education Tribunal among other Tribunals was taken over by the Judiciary.</p> <p>Although the Chairperson and Members of the Tribunal were appointed it has never been operationalized as the remuneration and allowances determinable under Section 40 (I) of the Legal Education Act were never undertaken and in any case, the administration of ALL Tribunals has now been</p> | | | |



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|-----------------------------------|---|--|-----------------------------------|--|
| | | moved to the Judiciary and administered centrally from there. | | | |

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

FW

CHAIRMAN
COUNCIL OF LEGAL EDUCATION

Date 20th Dec. 2017

Prof. W. Kulundu-Bitonye, EBS
SECRETARY/CEO
COUNCIL OF LEGAL EDUCATION

Date 20th Dec. 2017



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Appendix 1: PROJECTS IMPLEMENTED BY COUNCIL OF LEGAL EDUCATION

Projects

Projects implemented by Council of Legal Education and Funded by development partners

| Project title | Project Number | Donor | Period/duration | Donor commitment | Separate donor reporting required as per the donor agreement (Yes/No) | Consolidated in these financial statements (Yes/No) |
|---------------|----------------|-------|-----------------|------------------|---|---|
| 1 | - | - | - | - | - | - |
| 2 | - | - | - | - | - | - |

NB: Donor grants and transfer from other MDA's are not applicable to Council of Legal Education.

Status of Projects completion

| | Project | Total project Cost | Total expended to date | Completion % to date | Budget | Actual per quarter | Sources |
|--------------|---------------------------|--------------------|------------------------|----------------------|-------------------|--------------------|----------|
| 1 | Exam office refurbishment | 10,326,581 | 10,725,739 | 100% | 11,000,000 | 10,725,739 | Internal |
| 2 | ERP System | 13,263,339 | 5,968,502 | 25% | 13,500,000 | 5,968,502 | Internal |
| 3 | Data Cabling | 5,493,702 | 4,932,125 | 100% | 5,500,000 | 4,932,125 | Internal |
| Total | | 29,083,622 | 21,626,367 | | 30,000,000 | 21,626,367 | |

NB: Council initiated the three projects in the 3rd Quarter FY 2016/2017 and completed two of them in the 4th Quarter FY 2016/2017. Installation of ERP System is the only ongoing project carried into FY 2017/2018.

INTER-ENTITY TRANSFERS

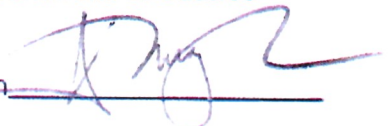
| | | | |
|---|----------------------------|----------------------------|--|
| ENTITY NAME: | | COUNCIL OF LEGAL EDUCATION | |
| Break down of Transfers from the State Law Office and Department of Justice | | | |
| FY 16/17 | | | |
| a. Recurrent Grants | | | |
| | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | 25/08/2016 | 64,875,000.00 | 2016/2017 |
| | 17/10/2016 | 64,875,000.00 | 2016/2017 |
| | 08/02/2017 | 64,875,000.00 | 2016/2017 |
| | 05/05/2017 | 64,875,000.00 | 2016/2017 |
| | Total | 259,500,000.00 | |
| b. Development Grants | | | |
| | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | 0 | |
| | Total | 0 | |
| c. Direct Payments | | | |
| | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | 0 | |
| | Total | 0 | |
| d. Donor Receipts | | | |
| | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | 0 | |
| | Total | 0 | |

The above amounts have been communicated to and reconciled with State Law Office and Department of Justice

Mr. Jones O. Otuke
 Assistant Director Finance, Planning
 and Administration
 Council of Legal Education

Head of Accounting Unit
 State Law Office and
 Department of Justice

Sign  10/08/17

Sign 



COUNCIL OF LEGAL EDUCATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017
 Appendix 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

| Name of the MDA/Donor Transferring the funds | Date received as per bank statement | Nature: Recurrent/ Development/ Others | Total Amount - KES | Where Recorded/recognized | | | | | Total Transfers during the Year |
|--|-------------------------------------|--|--------------------|------------------------------------|--------------|-----------------|-------------|---------------------------|---------------------------------|
| | | | | Statement of Financial Performance | Capital Fund | Deferred Income | Receivables | Others - must be specific | |
| Ministry of Planning and Devolution | - | Recurrent | - | - | - | - | - | - | - |
| Ministry of Planning and Devolution | - | Development | - | - | - | - | - | - | - |
| USAID | - | Donor Fund | - | - | - | - | - | - | - |
| Ministry of Planning and Devolution | - | Direct Payment | - | - | - | - | - | - | - |
| Total | | | | | | | | | |

NB: Donor grants and transfer from other MDA's are not applicable to Council of Legal Education.