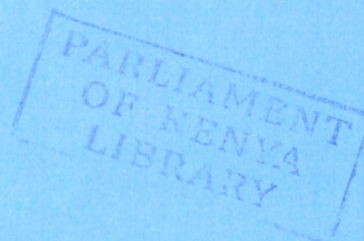


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
THE KENYA SCHOOL OF LAW**

**FOR THE YEAR  
ENDED 30 JUNE 2018**



1. The first part of the document  
 discusses the importance of  
 maintaining accurate records  
 and the role of the  
 auditor in this process.  
 It also highlights the  
 need for transparency and  
 accountability in financial  
 reporting.



THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 26 JUN 2019

DAY:

Wednesday

(Hon. Aden Duale, MP  
(HOM))

BY: Harimo Solomon

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI

1 OCT 2018

RECEIVED

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# THE KENYA SCHOOL OF LAW

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

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

**KENYA SCHOOL OF LAW**  
**ANNUAL REPORT & FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**TABLE OF CONTENTS**

	<b>Page</b>
I. KEY KENYA SCHOOL OF LAW INFORMATION AND MANAGEMENT .....	2
II. THE KENYA SCHOOL OF LAW BOARD MEMBERS .....	7
III. MANAGEMENT TEAM .....	11
IV. CHAIRMAN'S STATEMENT .....	15
V. REPORT OF THE CHIEF EXECUTIVE OFFICER .....	16
VI. CORPORATE GOVERNANCE STATEMENT .....	21
VII. MANAGEMENT DISCUSSION AND ANALYSIS .....	23
VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT .....	25
IX. REPORT OF THE BOARD OF DIRECTORS .....	26
X. STATEMENT OF BOARD'S RESPONSIBILITIES .....	28
XI. REPORT OF THE INDEPENDENT AUDITORS OF THE KENYA SCHOOL OF LAW .....	30
XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2018 ..	31
XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 <sup>TH</sup> JUNE 2018 .....	32
XIV. STATEMENT OF CHANGES IN NET ASSETS .....	34
XV. STATEMENT OF CASH FLOWS AS AT 30 <sup>TH</sup> JUNE 2018 .....	35
XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 <sup>TH</sup> JUNE 2018 .....	36
XVII. NOTES TO THE FINANCIAL STATEMENTS .....	38
XVIII. PROGRESS ON FOLLOW – UP OF AUDITORS RECOMMENDATIONS .....	56
XIX. APPENDIX 1: INTER-ENTITY TRANSFERS .....	57

**KENYA SCHOOL OF LAW  
ANNUAL REPORT & FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**I. KEY KENYA SCHOOL OF LAW INFORMATION AND MANAGEMENT**

**a) Background information**

The School was established in 1963, following the recommendations of the Denning Commission on Legal Education in Africa to the effect that the Country needed practical and professional legal training for legal practitioners in addition to the basic academic content being offered by various Universities and Colleges.

The School was re-established in 1995 as a public institution – a Semi-Autonomous Government Agency (SAGA) - mandated under the Council of Legal Education Act, Cap. 16A of the Laws of Kenya to dispense practical legal training for and on behalf of the Government of Kenya. The School's first programme was the Advocates Training Programme (ATP) undertaken to train lawyers for admission as advocates of the High Court of Kenya and this remains the School's flagship programme.

The School was further mandated to provide Continuing Professional Development (CPD) training (Section 6 of the Council of Legal Education Act Cap 16A). The training was practice-oriented and intended to enhance legal competencies and skills in the delivery of legal services in the Country. The CPD programmes targets legal professionals engaged in the administration of justice, legal practitioners in the public and private sectors, as well as other professionals whose duties involve interpretation, administration and enforcement of law.

The mandate of the School was further reinforced by the report of the Ministerial Task Force on the Development of a Policy and Legal Framework for Legal Education and Training (2005), which recommended inter alia, the "setting up of an independent and autonomous public training institution with the sole responsibility of training in various aspects of law as well as training for the private sector and collaborating with international agencies to discharge their mandate".

The School's training portfolio has been enlarged further, in view of the promulgation of two Acts separating the functions of the Council of Legal Education (CLE) from those of the School. The Legal Education Act No. 27 of 2012 tasks CLE with policy, oversight and regulation responsibilities; while the Kenya School of Law Act No. 26 of 2012 makes the School responsible for legal training at all levels, including Advocates and Para-legal training and Continuing Professional Development service delivery in the areas of training and continuing legal education. The two Acts were assented to on 21<sup>st</sup> September, 2012 and commenced on 28<sup>th</sup> September, 2012 and 15<sup>th</sup> January, 2013 respectively.

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

The School is governed by a Board of Directors which is responsible for the general policy and strategic direction.

**b) Principal Activities**

**Vision of Kenya School of Law**

A preferred centre of excellence in professional legal training in East African Region and beyond.

**Mission Statement**

To offer quality and practical training in law and other related disciplines for the professional development of lawyers and other actors in legal sector.

**Core functions of the School**

- Training of advocates for entry into the legal profession,
- Continuing professional legal development,
- Provision of Para-legal training,
- Provision of specialized and customized legal training in the public service, and
- Offering consultancy and research services

**Values**

- Integrity
- Excellence
- Client orientation
- Teamwork and partnership
- Competence and professionalism
- Transparency and accountability

**c) Key Management**

The School's day-to-day management is under the Director/Chief Executive Officer and Secretary to the Kenya School of Law Board. The Board of Directors exercise oversight role of policy formulation. The other key management of the School comprises of the Deputy Director, Assistant Directors and Heads of Departments.

**d) Fiduciary Management**

The key management personnel who held office during the year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

No.	Designation	Name
1.	Director/Chief Executive Officer	- Prof. PLO Lumumba, Left on 16 <sup>th</sup> March 2018
2.	Director/Chief Executive Officer	- Dr. Henry K. Mutai, Appointed 1 <sup>st</sup> April 2018
3.	Deputy Director	- Prof. Morris Kiwinda Mbondenyei, Left on Sept 14th 2018
4.	Asst. Director, Finance & Admin	- Mr. Amos K. Mwangi, Resigned July 2018
5.	Assistant Director, ATP	- Ms. Anna Konuche, Joined – November 2017
6.	Ag. Asst. Director, ATP & PS	- Hon (rtd) Judge Richard Kuloba
7.	Asst. Director, CPD, P&R	- Mr. Isaac Simiyu, Appointed 1 <sup>st</sup> October, 2017
8.	Human Resource & Admin Manager	- Mrs. Joyce Maingi
9.	Finance Manager	- CPA Anaclet B. Okumu Left – Aug 2017
10.	Finance Manager	- CPA Patrick M. Gachuhi, Appointed Mar 2018
11.	Procurement Manager	- Ms Mariam Ali Mahmud
12.	Internal Audit Manager	- Mrs. Maria Aridi
13.	Academic Services Manager	- Mr. Fredrick Muhia
14.	Legal Clinics Manager	- Mr. Albert Simiyu
15.	Paralegal Studies Programme Coordinator	- Ms. Anastacia Otieno
16.	Librarian	- Ms Agnes Mwai
17.	PA/Senior Legal Officer	- Ms Brenda Kiberenge

**e) Fiduciary Oversight Arrangements**

The fiduciary oversight arrangements of the School are by the Board of Directors who carry out the oversight duties through the Board Committees. These committees are: Finance and General Purpose which is charged with the responsibilities of budgetary planning, budget approval and procurement plans. It also provides policy guidance on implementation of Finance, Human Resources and Information strategies; Audit, Governance and Risk Management Committee is a statutory committee whose responsibilities include evaluating the adequacy of the existing Governance and Risk management systems and processes to ensure sound financial procedures and accountability and the Academic Affairs Committee which develops legal training policies and programmes to meet domestic market requirements and also to comply with international best practices, develop policies and strategies for managing Kenya School of Law examinations, provide guidelines and advice the government on matters pertaining to legal training. The School has also set up Corruption Prevention Committee whose membership comprises of key management staff.

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**f) The Kenya School of Law Headquarters**

Langata South Road, Karen

P.O. Box 30369 - 00100

**Nairobi, Kenya**

**g) The Kenya School of Law Contacts**

Telephone: (254) 020 – 2699581/1/2/3/4/5/6. ISDN: (020) – 8896000

Fax : +254-20-8891722

E-mail: lawschool@ksl.ac.ke

Website: www.ksl.ac.ke

**DROPPING ZONE**

141 Revlon Professional Plaza

Tubman Road, Nairobi

**h) The Kenya School of Law Bankers**

**1) National Bank of Kenya**

Hill Plaza

P.O. Box 45219

City Square 00100

**Nairobi, Kenya**

**2) Barclays Bank of Kenya**

Corporate Branch

Barclays Plaza

P.O BOX 4661 – 0100

**Nairobi, Kenya**

**3) Equity Bank of Kenya**

Supreme Branch

Karen

**Nairobi, Kenya**

**4) Co-operative Bank of Kenya**

Karen Branch

P.O Box 24644-00502

**Karen, Kenya**

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**i) The Kenya School of Law Independent Auditors**

Auditor - General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084 GPO 00100

**Nairobi, Kenya**

**j) The Kenya School of Law Principal Legal Advisor**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

**Nairobi, Kenya**

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**II. THE KENYA SCHOOL OF LAW BOARD MEMBERS**

Board Member's photo, name, and role	Date of birth, Key qualifications and work experience
 <p style="text-align: center;">Prof. Fatuma N. Chege Member Associate Professor in Education and Dean, School of Education, Kenyatta University</p>	<ul style="list-style-type: none"> <li>❖ DOB: 4<sup>th</sup> June, 1955</li> <li>❖ Associate Professor in Education and Dean, School of Education, Kenyatta University</li> <li>❖ Doctor of Philosophy (Ph.D) – Education with specialization in Gender and Education</li> <li>❖ Date of appointment as a member: 15<sup>th</sup> July 2017</li> <li>❖ Date of Appointment as Chair Person: 30<sup>th</sup> August 2018</li> </ul>
 <p style="text-align: center;">Hon. Lady Justice Pauline Nyamweya Member Representing Chief Justice, Republic of Kenya</p>	<ul style="list-style-type: none"> <li>❖ DOB: 1966</li> <li>❖ Resident Judge, Machakos High Court</li> <li>❖ Lecturer - Faculty of Law, University of Nairobi</li> <li>❖ Secretary – The Capital Markets Tribunal</li> <li>❖ Bachelor of Laws (LL.B),</li> <li>❖ Postgraduate Dip. In Law,</li> <li>❖ Master of Laws (LLM) (University of Cambridge, UK)</li> <li>❖ Member – Central Depository Settlement Corporation</li> </ul>
 <p style="text-align: center;">Prof. Michael Nyongesa Wabwile Ph.D. Member Representing University Law Lecturers in Kenya</p>	<ul style="list-style-type: none"> <li>❖ DOB: 3<sup>rd</sup> April, 1970</li> <li>❖ Bachelor of Laws (LL. B) University of Nairobi, 1995.</li> <li>❖ Post-Graduate Diploma in Law, Kenya School of Law 1996.</li> <li>❖ Master of Laws (LL.M.), University of Cambridge UK, 1998</li> <li>❖ Doctor of Philosophy (PhD) in Law, University of Leicester, UK, 2010.</li> </ul>

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**



Mrs. Emily Chweya  
Member  
Representing Office of the Attorney General and  
Department of Justice

- ❖ DOB: 30<sup>th</sup> November, 1965
- ❖ Chief State Counsel, OAG & DOJ
- ❖ Bachelor of Laws (LLB) (University of Nairobi)
- ❖ Post graduate Diploma in Law, Kenya School of Law.



CPA Arthur Nduati  
Member  
Representing the National Treasury

- ❖ DOB: 12<sup>th</sup> May, 1976
- ❖ Deputy Director of Budget - The National Treasury
- ❖ Bachelor of Education (Arts)
- ❖ Master of Business Administration (MBA),
- ❖ CPA(K), ICPAK Member





CS. Jacqueline A.O. Manani,  
Member  
Representing the Law Society of Kenya

- ❖ DOB: 27<sup>th</sup> December 1976
- ❖ Director, Legal Services, Public Service Commission (PSC)
- ❖ Bachelor of Laws (LL. B) (Moi),
- ❖ Post Graduate Dip. In Law,
- ❖ Master of Laws (LL.M) (University of London),
- ❖ ICPSK Member



- ❖ D.O.B 25<sup>th</sup> October, 1977
- ❖ Deputy Chief State Parliamentary Counsel at the Office of the Attorney General Bachelor of Laws (LLB)
- ❖ Post Graduate Diploma in Law Kenya School of Law (2001-2002)
- ❖ Master of Laws (LLM) in Advance Legislative Studies at the Institute of Advanced Legal Studies, University of London (2012-2013)

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

<p style="text-align: center;">Ms. Catherine Ochanda Member Representing Office of the Attorney General and Department of Justice</p>	
<div style="text-align: center;">  <p>Prof. PLO Lumumba, CPS(K), LLD, MKIM Director/Chief Executive Officer &amp; Secretary Kenya School of Law Board</p> </div>	<ul style="list-style-type: none"> <li>❖ DOB: 17<sup>th</sup> July, 1962</li> <li>❖ Director and Chief Executive Officer of the Kenya School of Law</li> <li>❖ PHD – Public Law</li> <li>❖ Advocate, High Courts of Kenya and Tanzania</li> <li>❖ Founding Dean, Kabarak University School of Law</li> <li>❖ CPS (K) and member of Kenya Institute of Management</li> </ul>
<div style="text-align: center;">  <p>Dr. Henry Kibet Mutai, Director/Chief Executive Officer &amp; Secretary Kenya School of Law Board</p> </div>	<ul style="list-style-type: none"> <li>❖ DOB: 17th November, 1971</li> <li>❖ Director and Chief Executive Officer of the Kenya School of Law</li> <li>❖ Bachelor of Laws (LLB)</li> <li>❖ Doctor of Philosophy (PhD)</li> <li>❖ LLM (Temple University US), LLM (University of Melbourne, Australia)</li> <li>❖ Advocate, High Court of Kenya</li> </ul>





**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**Board Committees**





Name of Committee	Members and their roles										
Finance and General Purpose Committee	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1. Prof. Michael Nyongesa Wabwile</td> <td style="width: 20%;">Chairperson</td> </tr> <tr> <td>2. CPA Arthur C. Nduati</td> <td>Member</td> </tr> <tr> <td>3. Mrs. Emily Chweya</td> <td>Member</td> </tr> <tr> <td>4. Ms. Catherine Ochanda</td> <td>Member</td> </tr> </table>	1. Prof. Michael Nyongesa Wabwile	Chairperson	2. CPA Arthur C. Nduati	Member	3. Mrs. Emily Chweya	Member	4. Ms. Catherine Ochanda	Member		
1. Prof. Michael Nyongesa Wabwile	Chairperson										
2. CPA Arthur C. Nduati	Member										
3. Mrs. Emily Chweya	Member										
4. Ms. Catherine Ochanda	Member										
Academic Affairs Committee	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1. Mrs. Emily Chweya</td> <td style="width: 20%;">Chairperson</td> </tr> <tr> <td>2. Hon. Lady Justice Pauline Nyamweya</td> <td>Member</td> </tr> <tr> <td>3. CS. Jacqueline A.O. Manani</td> <td>Member</td> </tr> <tr> <td>4. Prof. Fatuma N. Chege</td> <td>Member</td> </tr> <tr> <td>5. Prof. Michael Nyongesa Wabwile</td> <td>Member</td> </tr> </table>	1. Mrs. Emily Chweya	Chairperson	2. Hon. Lady Justice Pauline Nyamweya	Member	3. CS. Jacqueline A.O. Manani	Member	4. Prof. Fatuma N. Chege	Member	5. Prof. Michael Nyongesa Wabwile	Member
1. Mrs. Emily Chweya	Chairperson										
2. Hon. Lady Justice Pauline Nyamweya	Member										
3. CS. Jacqueline A.O. Manani	Member										
4. Prof. Fatuma N. Chege	Member										
5. Prof. Michael Nyongesa Wabwile	Member										
Audit and Risk Management Committee	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1. Prof. Fatuma N. Chege</td> <td style="width: 20%;">Chairperson</td> </tr> <tr> <td>2. Hon. Lady Justice Pauline Nyamweya</td> <td>Member</td> </tr> <tr> <td>3. CPA Arthur C. Nduati</td> <td>Member</td> </tr> <tr> <td>4. CS. Jacqueline A.O. Manani</td> <td>Member</td> </tr> <tr> <td>5. Ms. Catherine Ochanda</td> <td>Member</td> </tr> </table>	1. Prof. Fatuma N. Chege	Chairperson	2. Hon. Lady Justice Pauline Nyamweya	Member	3. CPA Arthur C. Nduati	Member	4. CS. Jacqueline A.O. Manani	Member	5. Ms. Catherine Ochanda	Member
1. Prof. Fatuma N. Chege	Chairperson										
2. Hon. Lady Justice Pauline Nyamweya	Member										
3. CPA Arthur C. Nduati	Member										
4. CS. Jacqueline A.O. Manani	Member										
5. Ms. Catherine Ochanda	Member										

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**






**III. MANAGEMENT TEAM**

<b>Key manager's photograph, name and key professional/academic qualifications</b>	<b>Responsibility</b>
<p>1. Prof. PLO Lumumba, CPS(K), LLD, MKIM</p>  <p>Doctor of Law LL. D, Master of Laws, Postgraduate Diploma in Law, Bachelor of Laws, CPSK</p>	<p>Director/Chief Executive Officer &amp; Secretary, Kenya School of Law Board</p>
<p>2. Prof. Morris Kiwinda Mbondenyei</p>  <p>Doctor of Laws LL. D, Master of Laws, Postgraduate Diploma in Law, Bachelor of Laws</p>	<p>Deputy Director</p>
<p>3. Mr. Amos Kabue Mwangi</p>  <p>MBA Strategic Management, B.Com Accounting Option, CPA-K, CPS</p>	<p>Ass. Director, Finance and Administration</p>
<p>4. Hon. (rtd) Justice Richard Kuloba</p>  <p>Masters of Law, Postgraduate Diploma in Law Bachelor of Law</p>	<p>Ag. Ass. Director, Advocate Training Programme/Paralegal Studies</p>

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

<p>5. Mr. Isaac Simiyu Kuloba</p>  <p>Master of Laws (LLM), LLB (Hons) (NBI), PGD (Law) KSL, ADRg.</p>	<p>Ass. Director, Continuing Professional Development /Projects &amp; Research</p>
<p>6. Ms. Anna Konuche</p>  <p>Masters of Law, Postgraduate Diploma in Law Bachelor of Laws</p>	<p>Assistant Director, Advocate Training Programme/Paralegal Studies</p>
<p>7. Ms Joyce Maingi</p>  <p>MSc (HRM), BCom HRM &amp; Full Member IHRM</p>	<p>Human Resource &amp; Administration Manager</p>
<p>8. CPA Anaclet B. Okumu</p>  <p>MBA (Finance), BSc (Business Admin), ICPAK Member No. 4857</p>	<p>Finance Manager</p>

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

<p>9. CPA Patrick Maina Gachuhi</p>  <p>MSC (Finance), BSc (Business Admin), Member ICPAK</p>	<p>Finance Manager</p>
<p>10. Mrs. Maria Aridi</p>  <p>MBA (Finance), Bsc. Member of IIA (Kenya).</p>	<p>Internal Audit Manager</p>
<p>11. Ms. Mariam A. Mahmud</p>  <p>Msc in Procurement and Logistic, B. Com Member of Chartered IPS -(UK) and (KISM)</p>	<p>Procurement Manager</p>
<p>12. Mr. Fredrick Muhia</p>  <p>MBA, Bachelors of Business Administration, Diploma in Technical Education, Diploma in Personnel Mgt &amp; Industrial Relations</p>	<p>Academic Services Manager</p>
<p>13. Mr. Albert Simiyu</p>  <p>Masters of Law, Postgraduate Diploma in Law, Bachelor of Laws</p>	<p>Legal Clinics Manager</p>

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

<p>14. Ms Anastasia Otieno</p>  <p>Master of Laws (LLM) in Women Law, Postgraduate Diploma in Law, Bachelor of Laws,</p>	<p>Paralegal Studies Programme Coordinator</p>
<p>15. Ms Agnes Mwai</p>  <p>Masters in Library &amp; Information Science, Bachelor of Education (Art)</p>	<p>Librarian</p>
<p>16. Ms Brenda Kiberenge</p>  <p>LLM (Human Rights), Post Graduate Diploma in Law, Bachelor of Laws &amp; Certified Secretary</p>	<p>Personal Assistant to the CEO/ Senior Legal Officer</p>

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**IV. CHAIRMAN'S STATEMENT**

I am delighted to present the Fourteenth Annual Report and Accounts of the Kenya School of Law (herein after referred to as the "School") for the period ending 30<sup>th</sup> June, 2018.

**KEY ACHIEVEMENTS**

During the year under review the School continued to discharge her mandate of provision of quality and practical training in law and other related disciplines for the professional development of lawyers and other actors in legal sector. The following were key activities during the year:

- i) The student numbers remained stable at slightly above 2000 for both Advocates Training Programme and Diploma in Law (Paralegal studies) being a total of 2031 and 157 students respectively.
- ii) An Information Booklet on Pre-Bar Examinations was developed and a number of Universities were sensitized.
- iii) Four international moot court competitions were undertaken.
- iv) CPD courses attracted more participants. During the year, 9 short courses were offered and 11 legal audit consultancies were conducted. In addition, 10 other consultancies were undertaken by CPD.
- v) During the year, the policies below were developed and approved by the board for implementation.
  - a) Corporate communication policy
  - b) Corporate Social responsibility policy
  - c) Business continuity plan
  - d) Procurement manual
- vi) The School commenced transition from ISO 9001-2008 to ISO 9001-2015.
- vii) The School developed its Strategic Plan for the period 2018/2022.

**CHALLENGES**

Three challenges faced by the School were: reduction of exchequer funding especially development funds. During the year under review, the School was not allocated any development funds by the Government. Secondly, financial sustainability caused by over reliance on ATP programme, which accounts for over 60% of internally generated funds. Thirdly, increased number of indigent students that face financial constraints in raising fees.

**THE WAY FORWARD**

Due to the increased number of needy students the School has embarked on strengthening the Endowment Foundation which has benefited 39 students during the year. The School intends to recruit Communications and Marketing Manager to increase its visibility. The School's future outlook looks bright and the Schools Students have confidence in the programmes being offered.

Prof. Fatuma N. Chege

**Chairperson**

**KENYA SCHOOL OF LAW BOARD**

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**V. REPORT OF THE CHIEF EXECUTIVE OFFICER**

It is my pleasure to present the Annual Report and Financial Statements of the Kenya School of Law (hereafter referred to as the "School") for the financial year ended 30<sup>th</sup> June, 2018. This is the Fourteenth Annual Report and Accounts since its re-establishment as a Semi-Autonomous Government Agency (SAGA) in 2001. During the year, the School acting within its mandate, successfully executed its planned programmes, projects and new initiatives with a view of delivering quality legal services to its clients.

**KEY ACTIVITIES**

The key activities of the School during the year involved academic services entailing the Advocates Training Programme, Diploma in Law (Paralegal Studies) and Continuous Professional Development, Hospitality services and Finance, Human Resources and Administration activities.

**a) Academic Services**

During the Financial Year 2017/2018 ATP, the academic program admitted 2031 students compared to 2135 students admitted in the Financial Year 2016/2017. This indicates a 5% decline in the number of students who enrolled for the ATP programme in the two successive years. The decline in enrolment is attributable to the low numbers of students completing the Bachelor of Laws (LLB) programme from local Universities.



*New students in the Advocates Training Program following proceedings during the ATP 2018 Student orientation  
2nd February, 2018 in Mutula Hall*

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

With the School moving to implement the admission criteria under the Second Schedule of the Kenya School of Law Act, 2012, which requires all applicants with foreign qualifications to sit and pass Pre-Bar examinations, a Pre-Bar information booklet was developed. The School carried out a sensitization exercise at Strathmore, Jomo Kenyatta University of Agriculture and Technology, Kisii, and Riara Universities.

The School continued to offer legal aid to inmates at various prisons around the country. The following legal aid prison visits were undertaken: Busia Prison, Kajiado Prison, Kericho Prison, Kakamega Prison, Mwingi Prison, Bungoma Prison, and Nanyuki Prison.



*A student speaking to remandees at Kiambu Prison, Kiambu County. The Legal Aid Clinic offers students the opportunity to develop client care and interview skills in live-client settings.*

Students participated in four international moot court competitions over the course of the year. These were: Washington DC, Geneva, Switzerland and Hague, Netherlands. Our students performed well and won awards.

**b) Continuous Professional Development**

Continuous Professional Development courses conducted during the year included: Legal Audit & Compliance for Public Institutions, Legislative Drafting, Fundamentals of Public Prosecutions, Public Private Partnership Policy, Law and Implementation, Procurement Law, Practice & Policies, Trial Advocacy for NEMA, Legal Audit & Compliance for Public Institutions, Prosecution Skills Course for KEBS, Corporate Governance for Corporation Secretaries.

[...] Kenyatta National Hospital (KNH), National Industrial Training Authority (NITA), Retirement Benefits Authority (RBA), Kenya Deposit Insurance Corporation (KDIC), Kenya Bureau of Standards

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

(KEBS), Industrial and Commercial Development Corporation (ICDC), The Kenya Ports Authority (KPA), Kenya National Bureau of Statistics (KNBS), Geothermal Development Co. Ltd (GDC), Privatization Commission (PC) and Commodities Fund.

**c) Hospitality and Conferencing Activities**

The School offers conferencing facilities, including accommodation, for guests. Institutions that held workshops in the School included; Kenya Revenue Authority, Office of Director of Public Prosecution, Office of the Attorney General, African Regional Org for Standardization, African Wildlife Foundation, Nairobi City Water & Sewerage Co. Ltd, Kenya Police, Kenya Bureau of Standards, MMC Africa Law, CEMASTEVA, Kaimosi Friends University College, Egerton University, Commission for University Education, African Youth Forum Conference, National Environment Management Authority (NEMA), Mediation Training Institute, Co-operative University among others

**d) Finance, Human Resources and Administration**

Career progression plan was developed and was approved by the board. New personnel were hired including the estate officer and finance manager. In an effort to ensure reliable, secure, economical and safe drinking water, the School drilled a second borehole during the year and which was equipped and operationalized. However the water yield from the new borehole did not meet the expected threshold and the School will continue buying water to meet the water deficit.

During the year ended 30<sup>th</sup> June 2018, the School had engaged a total of 22 interns. The School 2018-2022 Strategic Plan was finalised and was approved by the School Board for implementation. The following the Kenya Revenue Authority Audit that was conducted for the School for the period July 2012 to December 2016, a waiver of penalties for Kshs 21,914,766 is yet to be granted. However, we are optimistic that the School will get a favourable outcome on the waiver application.

**FINANCIAL PERFORMANCE**

**a) Revenue**

During the year the School received **Kshs 290.7 Million** as Government recurrent subvention against **Kshs 290 Million received** in the 2016/2017 financial year. This amount was in line with approved budget allocation. The School managed to raise **Kshs 332.1 Million** from its internal operations against **Kshs 377.3 Million** in 2016/2017 financial year. This represented a decrease of 12% and resulted mainly from reduced number of students admitted during the period. Student's fees income of **Kshs 281 Million** contributed the highest portion of this internally generated revenue representing 84%. Combined Hospitality and CPD activities generated **Kshs 43.4 Million** – 13% of total against **Kshs 67 Million** in 2016/2017 financial year representing a decrease of 35%.

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**b) Expenditure**

The School expended **Kshs 544 Million** in recurrent expenses against budget of **Kshs 543 Million**. An amount of **Kshs 32 Million** was spent on items of a capital nature against a budget of **Kshs 124 Million**. The variance resulting from budgeted amounts for the construction of the Ultra-modern library which were not realized from the Government.

**c) Results**

The School's net assets grew from **Kshs 2.226 billion** in the 2016/2017 financial year to **Kshs 2.256 billion** in 2017/2018 financial year. During the year the School realised a deficit of **Kshs 33 Million**.

**CHALLENGES**

The School faced a number of challenges during the year under review. These included: Firstly, a reduction in exchequer funding especially with regard to the development grant as there was no disbursement during the year. This slowed the pace of implementation of development projects especially completion of Ultra-Modern Library. Secondly, operationally the School currently has a monopoly in offering the Advocates Training Program which is the main source of revenue contributing 80% of total internally generated income. This might not be sustained in the foreseeable future if other institutions of higher learning are accredited to offer this programme. To mitigate this risk, the School is in the process of developing a Capital Development Plan so as to diversify the revenue base and hence stabilise the finance base. Thirdly, despite a steady enrolment of students, quite a number are financially challenged which poses a challenge to the School in terms of collection of the fees.

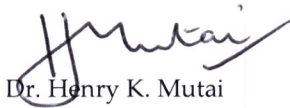
**WAY FORWARD**

The School looks forward to continued execution of its mandate with a view to delivering quality legal training services to its customers, stakeholders and the public. Both Management and Board will continue to diversify sources of revenue with a view to achieving financial self- sustainability. The School will also continue to adhere to laid down policies and procedures in management of its affairs and particularly ensure prudent use of allocated resources. Implementation of austerity measures and compliance with Government circulars will result to continual funding from the Government. To assist needy students, the School will take deliberate actions to enhance the Endowment Foundation kitty. With the clear strategic objectives and initiatives being undertaken, the future of the School looks bright.

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**VOTE OF THANKS**

In conclusion, I wish to sincerely thank the Board of Directors of the School for their unwavering support and commitment in oversight, policy formulation and strategic guidance. Secondly, I thank the Government of Kenya for timely release of recurrent subvention during the year and continual guidance through well thought out circulars and various engagements. Thirdly, the success of this School owes much to the Kenyan public who pay taxes to enable the Government run its activities. These very Kenyans have trusted the quality of training offered by the School; it is this trust that has made them to bring their children to us. Fourth, I appreciate Government agencies who have always chosen to enrol their staff for our courses. This also includes all other clients that have chosen our facilities. Lastly, I thank the entire Kenya School of Law staff for their dedication and professionalism in upholding the School's values



Dr. Henry K. Mutai  
Director/Chief Executive Officer & Secretary  
**KENYA SCHOOL OF LAW BOARD**

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**VI. CORPORATE GOVERNANCE STATEMENT**

The Board is responsible for appropriate strategic advice and direction to the School and accountable to the Government, Stakeholders and the Kenyan Public at large through the Office of the Attorney-General. The legal education laws, policies and strategies in place aim at achieving the goals of the School as stated in the Vision and Mission statements. In addition, the School is committed to comply with the law and demonstrate high standards of best practice in corporate governance and ethics.

**Members of the Board**

The Members of the Board comprise of appointees of the Principal Secretary of the Ministry for the time being responsible for legal education; the Principal Secretary of the Ministry for the time being responsible for National Treasury; the Attorney-General; the Chief Justice; a representative of the Law Society of Kenya nominated by its Council; two others persons appointed by the Cabinet Secretary of whom—(i) one shall be a person who teaches law in Kenya, nominated by the Universities; and (ii) one shall be a curriculum expert who teaches education in a University in Kenya; and the Director.

The School Board as guided by the State Corporations Act and The KSL Act meets at least four times a year with special meetings held on a need basis. The Chief Executive Officer and Secretary of the KSL Board and management are delegated by the Board to run the day to day affairs of the School.

The School Board operates three (3) standing committees to which it has delegated various responsibilities. Each Committee meets as need be under the terms of reference set by the Board Charter.

**Finance and General Purposes Committee**

This committee is charged with the responsibilities of budgetary planning, budget approval and procurement plans. It also provides policy guidance on implementation of Finance, Human Resources and Information strategies. The committee is composed of:

- |                                   |             |
|-----------------------------------|-------------|
| 1. Prof. Michael Nyongesa Wabwile | Chairperson |
| 2. CPA Arthur C. Nduati           | Member      |
| 3. Mrs. Emily Chweya              | Member      |
| 4. Ms. Catherine Ochanda          | Member      |

**Academic Affairs Committee**

The committee's responsibilities are to develop legal training policies and programmes to meet domestic market requirements and also to comply with international best practices, develop policies and strategies for managing Kenya School of Law examinations, provide guidelines and advise the government on matters pertaining to legal training. The Academic Affairs Committee comprises of:

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

1. Mrs. Emily Chweya	Chairperson
2. Hon. Lady Justice Pauline Nyamweya	Member
3. CS. Jacqueline A.O. Manani	Member
4. Prof. Fatuma N. Chege	Member
5. Prof. Michael Nyongesa Wabwile	Member

**Audit and Risk Management Committee**

The Audit, Governance and Risk Management Committee is a statutory committee under the Act. The committee comprises of:

1. Prof. Fatuma N. Chege	Chairperson
2. Hon. Lady Justice Pauline Nyamweya	Member
3. CPA Arthur C. Nduati	Member
4. CS. Jacqueline A.O. Manani	Member
5. Ms. Catherine Ochanda	Member

The committee's responsibilities include evaluating the adequacy of the existing Governance and Risk management systems, management procedures and processes with regard to Governance and Risk management to ensure sound financial procedures and accountability.

**OTHER STATUTORY COMMITTEES**

**Corruption Prevention Committee**

The Committee's responsibility is to effectively address corruption related issues in the institution and to provide oversight function. The Kenya School of Law Anti-Corruption Policy provides the guiding framework for prevention, detection, investigation and reporting of corruption to the Kenya School of Law.

The Committee implements its mandate and operations guided by legal instruments and statutory policies such as:

- i) The Anti-Corruption and Economic Crimes Act, 2003
- ii) The Kenya School of Law Act 27 of 2012
- iii) The Public Officers Ethics Act, 2003
- iv) The State Corporations Act, Cap 446 and the Regulations
- v) The Public Procurement and Disposal Act, 2015 and Regulations 2016
- vi) The Public Financial Management Act, 2012

The composition of the committee is as follows:

- i) The Director/C.E.O – Chairman
- ii) Deputy Director
- iii) Assistant Director, ATP/PS

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

- iv) Assistant Director, Finance & Administration – Secretary
- v) Assistant Director, CPD Projects and Research
- vi) Finance Manager
- vii) Procurement Manager
- viii) Librarian
- ix) ICT Manager
- x) Human Resources Manager
- xi) Internal Auditor

In compliance with the requirements of the Public Procurement and Disposals Act 2015, the School appoints ad hoc evaluation committees for independent tender evaluations.

**Board Expenses**

The remuneration and expenses of the Chairperson and Members of the Board are guided by the State Corporations Act, Cap. 446 and the provisions of the Kenya School of Law Act, 2012 of the Laws of Kenya.

**Board Meetings**

During the year there were six board meetings, two of which were special board meetings. The Board Committee meetings were as follows:

Name of Committee	Members	Number of meetings held										
Finance and General Purpose Committee	<table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">1. Prof. Michael Nyongesa Wabwile</td> <td style="width: 40%;">Chairperson</td> </tr> <tr> <td>2. CPA Arthur C. Nduati</td> <td>Member</td> </tr> <tr> <td>3. Mrs. Emily Chweya</td> <td>Member</td> </tr> <tr> <td>4. Ms. Catherine Ochanda</td> <td>Member</td> </tr> </table>	1. Prof. Michael Nyongesa Wabwile	Chairperson	2. CPA Arthur C. Nduati	Member	3. Mrs. Emily Chweya	Member	4. Ms. Catherine Ochanda	Member	6		
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2. CPA Arthur C. Nduati	Member											
3. Mrs. Emily Chweya	Member											
4. Ms. Catherine Ochanda	Member											
Academic Affairs Committee	<table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">1. Mrs. Emily Chweya</td> <td style="width: 40%;">Chairperson</td> </tr> <tr> <td>2. Hon. Lady Justice Pauline Nyamweya</td> <td>Member</td> </tr> <tr> <td>3. CS. Jacqueline A.O. Manani</td> <td>Member</td> </tr> <tr> <td>4. Prof. Fatuma N. Chege</td> <td>Member</td> </tr> <tr> <td>5. Prof. Michael Nyongesa Wabwile</td> <td>Member</td> </tr> </table>	1. Mrs. Emily Chweya	Chairperson	2. Hon. Lady Justice Pauline Nyamweya	Member	3. CS. Jacqueline A.O. Manani	Member	4. Prof. Fatuma N. Chege	Member	5. Prof. Michael Nyongesa Wabwile	Member	3
1. Mrs. Emily Chweya	Chairperson											
2. Hon. Lady Justice Pauline Nyamweya	Member											
3. CS. Jacqueline A.O. Manani	Member											
4. Prof. Fatuma N. Chege	Member											
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Audit and Risk Management Committee	<table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">1. Prof. Fatuma N. Chege</td> <td style="width: 40%;">Chairperson</td> </tr> <tr> <td>2. Hon. Lady Justice Pauline Nyamweya</td> <td>Member</td> </tr> <tr> <td>3. CPA. Arthur C. Nduati</td> <td>Member</td> </tr> <tr> <td>4. CS. Jacqueline A.O. Manani</td> <td>Member</td> </tr> <tr> <td>5. Ms. Catherine Ochanda</td> <td>Member</td> </tr> </table>	1. Prof. Fatuma N. Chege	Chairperson	2. Hon. Lady Justice Pauline Nyamweya	Member	3. CPA. Arthur C. Nduati	Member	4. CS. Jacqueline A.O. Manani	Member	5. Ms. Catherine Ochanda	Member	3
1. Prof. Fatuma N. Chege	Chairperson											
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3. CPA. Arthur C. Nduati	Member											
4. CS. Jacqueline A.O. Manani	Member											
5. Ms. Catherine Ochanda	Member											

**VII. MANAGEMENT DISCUSSION AND ANALYSIS**

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**a) The School's operational and financial performance:**

The operational and financial performance of the School is set out on page 34 to page 37.

**b) School's compliance with statutory requirements:**

During the 2017/18 financial year, the School met all its statutory obligations (PAYE, NSSF, NHIF, VAT).

**c) Key projects and investment decisions the School is planning/implementing**

The School is currently undertaking construction of an Ultra-Modern Library which is about 25% complete and is financed through grants from the Government. The construction of the Library was severely affected by the budget cuts from Government, and in the 2017/18 budget the Government did not allocate any funds for the same. In addition, the School is exploring revenue generating activities to supplement the reducing Government Support.

**d) Major risks facing the entity:**

**i) Competition**

Operationally, the School has monopoly of offering the Advocates Training Program and this is the main source of revenue. This might not be sustained in the foreseeable future. To mitigate this risk, the School is in the process of developing a Strategic Plan so as to diversify the revenue base. The School is currently experiencing competition in both Continuing Professional Development courses and Paralegal Studies programme. To mitigate this, the School has planned to market its facilities and legal trainings offered so as to sensitize the public and other stakeholders.

**ii) Reputation**

The School recorded a below 50% pass rate in the bar exam for the last three years under ATP programme. The pass rate in the ATP programme is likely to dis-advantage the School in the event of competition. To mitigate this risk, the School is making effort to improve performance and hence maintain a good reputation.

**iii) Financial Risk**

Continual reduction and occasional delay in submission of Government subvention especially for development projects poses a liquidity risk to the School. This risk is being mitigated by preparing adequate operations and projects justifications.

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

A number of students being enrolled have difficulty in raising full fees for their entire duration of study programme. This poses a risk of failure to collect fees income. The School intends to enhance the Endowment Foundation kitty as a way of mitigating this risk.

**iv) Lack of integrity by employees**

Unfaithful employees pose a major risk for the School. Lack of integrity among staff can lead to massive losses for the School. To mitigate the risk the School will endeavor to periodically vet all employees.

**v) Risk of Interest and fines from stalled projects**

The school is currently undertaking construction of the Ultra-Modern Library. The project has taken long to be completed. The school risk to incur fines and penalties as a result of delayed payments to the contractor.

**e) Material arrears in statutory/financial obligations:**

The School is up to date with remittance of current year's statutory obligations. However when Kenya Revenue Authority carried out an audit of the School's financials records from July 2012 to December 2016 it arrived at an assessment of Kshs 41,760,603. This constituted of principal and penalties of Ksh 21,914,766 and Ksh 19,845,837 respectively. During the year the principal amount was fully settled and a waiver application for the penalties and interest was made. The waiver application was not granted as at 30<sup>th</sup> June 2018. However, the School is optimistic for a favourable outcome.

**f) The School's financial probity and serious governance issues**

During the 2017/2018 financial year the School experienced issues relating to fraud where the School lost an estimated Ksh 112 Million. The fraud involved fraudulent payments made to businesses owned by the School officials, relatives and acquaintances. The fraud was reported to the Ethics and Anti-Corruption Commission (EACC), the Directorate of Criminal Investigations (DCI) and the Office of the Auditor General, and the matter is under investigation.

**VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

The School recognises its obligations to act responsibly, ethically and with integrity in its interactions with all stakeholders be they, staff, and customers, suppliers, Government and public as a whole. To this end:

During the year, the School set aside sufficient funds for students' welfare whereby they were engaged in various sporting activities and competitions. Notably, the Students were sponsored to participate in sports activities in Kampala Uganda with Law Development Centre.

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

The School is committed to providing a safe, fair and stimulating work environment that empowers employees to make a meaningful contribution to the organisation's performance development, and offers challenging and rewarding opportunities for personal and professional growth. The School recognises the importance of attracting and retaining the best staff. To achieve this, the School trained a number of staff and sponsored others for long term developmental training programmes. A number of employees were sponsored to attend workshops and conferences so as to earn their CPD points/ hours. Professional membership subscriptions were also paid by the School.

To ensure that youth, women and people with disability benefit from Access to Government Procurement Opportunities, the School carried out sensitization sessions with these groups of potential suppliers. They were enlightened on how to take advantage of this provision in law and benefit from Government procurement.

**IX. REPORT OF THE BOARD OF DIRECTORS**

The Board submits this report together with the financial statements for the year ended June 30, 2018 which show the state of the School's affairs.

**Principal activities of the School**

The School is mandated to carry out the following training functions:

- (i) Training of advocates for entry into the legal profession,
- (ii) Continuing professional legal development,
- (iii) Provision of Para-legal training,
- (iv) Provision of specialized and customized legal training in the public service, and
- (v) Offering consultancy and research services

**Results**

The results of the School for the year ended June 30, 2018 are set out on page 31 to page 37.

**Directors**

The Members of the Board of Directors who served during the year are shown on page 7 to page 10 in accordance with Section 6(2) of the Kenya School of Law Act, No. 26 of 2012. During the year, The Chief Executive Officer contract ended in March 2018 and was replaced by the current Chief Executive Officer.

**Auditors**

The Auditor-General is responsible for the statutory audit of the School in accordance with the Public Audit Act 2015, which empowers the Auditor-General to audit Kenya School of Law Financial Statements.

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

By Order of the Board.

Dr. Henry K. Mutai  
Director/Chief Executive Officer & Secretary  
**KENYA SCHOOL OF LAW BOARD**

Date.....

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**X. STATEMENT OF BOARD'S RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and Section 23 of the Kenya School of Law Act No. 26 of 2012, require the Board to prepare financial statements in respect of Kenya School of Law, which give a true and fair view of the state of affairs of the School at the end of the financial year and the operating results of the School for that year. The Board is also required to ensure that the Kenya School of Law keeps proper accounting records which disclose with reasonable accuracy the financial position of the School. The Members are also responsible for safeguarding the assets of the School.

The Board is responsible for the preparation and presentation of the School's financial statements, which give a true and fair view of the state of affairs of the School for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes:

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

The Board accepts responsibility for the School's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) and in the manner required by the PFM Act 2012 and the State Corporations Act Cap 446. The Board is of the opinion that the Kenya School of Law's financial statements give a true and fair view of the state of School's transactions during the financial year ended June 30, 2018, and of the Kenya School of Law's financial position as at that date. The Board Members further confirm the completeness of the accounting records maintained for the School, which have been relied upon in the preparation of the Kenya School of Law's financial statements as well as the adequacy of the systems of internal financial control.

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

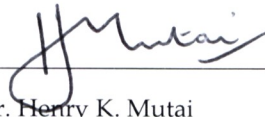
Nothing has come to the attention of the Board to indicate that the School will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Kenya School of Law's financial statements were approved by the Board on \_\_\_\_\_ 2018 and signed on its behalf by:



\_\_\_\_\_  
Prof. Fatuma N. Chege  
**Chairperson**  
**KENYA SCHOOL OF LAW BOARD**



\_\_\_\_\_  
Dr. Henry K. Mutai  
**Director/Chief Executive Officer & Secretary**  
**KENYA SCHOOL OF LAW BOARD**

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON THE KENYA SCHOOL OF LAW FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Disclaimer of Opinion

I have audited the accompanying financial statements of the Kenya School of Law set out on pages 31 to 57 which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows, 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for Disclaimer of Opinion

##### 1. Going Concern

During the year under review, the Kenya School of Law reported a deficit of Kshs.33,105,866 (2016/17-Surplus Kshs.86,741,677). Further, the statement of financial position reflects current liabilities balance of Kshs.242,459,146 as at 30 June 2018 (2016/2017-Kshs.203,412,742) which exceed the current assets balance of Kshs.221,643,986 (2016/2017-Kshs.250,883,553) by Kshs.20,815,160. Consequently, the School is technically insolvent and the financial statements have been prepared on a going concern basis on the assumption of continued support from government and creditors.

##### 2. Inaccuracies in the Financial Statements

###### 2.1 Discrepancies between Balances in the Financial Statements and Balances in the Ledger

The following discrepancies were noted between balances in the financial statements and balances in the ledger/ supporting schedules:

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*Report of the Auditor-General on the Financial Statements of Kenya School of Law for the year ended 30 June 2018*

Item Description	Financial Statement Balance (Kshs)	Ledger Balance/ Supporting Schedules (Kshs)	Variance (Kshs)
<b>Administrative Costs</b>			
Travel accommodation expenses	7,848,179	7,826,429	21,750
Building repairs and maintenance	5,496,365	5,098,595	397,770
Naming/ signage buildings	0	397,770	(397,770)
Staff welfare 1	3,824,662	3,811,162	13,500
<b>Accounts Receivables and Prepayments</b>			
School fees receivable	24,344,130	24,143,420	200,710
Staff receivables	1,909,184	2,179,596	(270,412)
Non-school fees receivable - other	58,393,741	89,125,322	(30,731,581)
<b>Employee Costs</b>			
Gratuity contribution	3,068,167	3,831,044	(762,877)
Consumable Stocks	5,310,595	11,697,718	(6,387,123)
<b>Total</b>	<b>110,195,023</b>	<b>148,111,056</b>	<b>(37,916,033)</b>

No explanation was provided for the differences between the two sets of records.

## 2.2 Variances between Year 2017/2018 Comparative Figures and the 2016/2017 Audited Financial Statements

The financial statements availed for audit review contained comparative figures which were at variance with the previous year's audited financial statements as summarized below:

Item Description	2017/2018 Comparative Balance (Kshs)	2016/2017 Audited Balance (Kshs)	Difference (Kshs)
School fees income	300,317,189	300,233,189	84,000
Employees costs	221,099,390	227,847,103	(6,747,713)
Administrative costs	213,562,207	241,560,793	(27,998,586)
Operational costs	60,012,678	61,519,785	(1,507,107)
Continuing legal education expenses	12,805,919	13,105,819	(299,900)

<b>Item Description</b>	<b>2017/2018 Comparative Balance (Kshs)</b>	<b>2016/2017 Audited Balance (Kshs)</b>	<b>Difference (Kshs)</b>
Hospitality costs	28,619,362	28,457,642	161,720
Accounts receivables and prepayments	98,829,695	95,775,615	3,054,080
Cash and bank balances	147,816,492	147,814,192	2,300
Property, plant and equipment	2,038,937,605	2,221,092,781	(182,155,176)
Payables and accruals	21,914,194	28,661,907	(6,747,713)
Other current liabilities	175,524,829	174,750,836	773,993
Surplus for the period	123,217,263	86,741,677	36,475,586
<b>Total</b>	<b>3,442,656,823</b>	<b>3,627,561,339</b>	<b>(184,904,516)</b>

The variances totalling to Kshs.184,904,516 have not been explained or reconciled and therefore the accuracy of these financial statements could not be confirmed as at 30 June 2018.

### **2.3 Statement of Cash Flows**

The statement of cash flows reflects cash and cash equivalents balance as at 30 June 2018 of Kshs.103,853,377. However, the movement in the statement of cash flows reflects cash and cash equivalents balance of Kshs.111,879,092 resulting in unexplained variance of Kshs.8,025,715.

Consequently, the accuracy of the statement of cash flows could not be confirmed for the year ended 30 June 2018.

### **3. Irregular Payments**

The statement of financial performance reflects irregular payments of Kshs.111,549,528 which as disclosed under note 27 to the financial statements relates to fraudulent payments. Payment vouchers and other relevant documents in support of the expenditure were not availed for audit review. Further, the reporting template prescribed by the Public Sector Accounting Standard Board and the School's chart of accounts do not provide for such a component in the statement of financial performance. No explanation was provided on why the expenditure was not charged to the specific items it related to as prescribed in the reporting template.

Consequently, the validity of the irregular payments expenditure of Kshs.111,549,528 could not be confirmed.

### **4. Administrative Costs**

The statement of financial performance reflects administrative costs of Kshs.224,842,822 which include an amount of Kshs.18,922,268 relating to other taxes,

levies and penalties. Included in the later balance is Kshs.18,827,217 tax arrears and penalties paid during the year. Information available indicate that Kenya Revenue Authority conducted a tax audit for the period July 2012 to December 2016 and concluded that the Institution had a tax liability of Kshs.52,150,275. During the year under review, Kshs.18,827,217 was paid as tax arrears and penalties. No explanation was provided for failure to remit statutory deductions in time thus avoiding unnecessary fines and penalties. Further, no provision was made for the unpaid tax arrears.

Under the circumstances, the propriety of the tax arrears and penalties totalling to Kshs.18,827,217 could not be confirmed for the year ended 30 June 2018.

## **5. Employee Costs**

The statement of financial performance reflects employee costs of Kshs.228,874,879. However, a payment of Kshs.5,775,593 effected vide general journal No. 20313 was not supported and overstates employee costs by the same amount. The following anomalies were also noted:

- i) Payments totalling Kshs.513,021 in respect of gratuity contributions were not supported.
- ii) Pension employer contribution of Kshs.1,810,292 for the month of June 2018 was omitted from the financial statements.
- iii) Employee contribution of Kshs.978,600 was posted to pension employer contribution instead of employee contribution.
- iv) NSSF Employer contribution of Kshs.29,200 for the month of June 2018 was omitted from the financial statements.
- v) Overtime allowances amounting to Kshs.3,440,880 paid outside payroll vide petty cash vouchers were not supported. In addition, a payment of Kshs.182,700 to a supplier was wrongly posted under overtime allowances.
- vi) Casual wages amounting to Kshs.1,005,643 paid outside payroll vide petty cash vouchers were not supported.
- vii) Basic salaries, commuter allowance, house allowance and leave allowances of Kshs.701,405, Kshs.27,976, Kshs.142,596 and Kshs.167,067 respectively were not supported.
- viii) Expenditure amounting to Kshs.1,541,060 relating to staff was paid from the board expenditure allocation without approval of the board.

In the circumstances, the accuracy, completeness and validity of employee costs of Kshs.228,874,879 for the year ended 30 June 2018 could not be confirmed.

## 6. Cash and Bank Balances

The statement of financial position reflects cash and bank balance of Kshs.103,853,377 which as disclosed under note 18 to the financial statements is made up of bank balances in some five (5 ) bank accounts. However, the following differences were noted between figures in the financial statements and those in the cashbooks;

<b>Account No.</b>	<b>Financial Statements Balance Kshs.</b>	<b>Cashbook Balance Kshs.</b>	<b>Difference Kshs.</b>
2022099224 - Barclays Bank of Kenya	4,095,730	3,785,386	310,344
2022029110 - Barclays Bank of Kenya	7,872,892	9,167,568	(1,294,676)
2022099240 - Barclays Bank of Kenya	2,361,198	3,122,953	(761,755)
1630263144477 - Equity Bank	3,220,963	1,257,985	1,962,978
01129706350500- Cooperative Bank of Kenya	86,302,593	86,101,196	201,397
<b>Total</b>	<b>103,853,376</b>	<b>103,435,088</b>	<b>418,288</b>

Further, the bank reconciliation statements for the five (5) bank accounts were not availed for audit review.

In the circumstances, the validity, accuracy and completeness of the bank balance of Kshs.103,853,377 as at 30 June 2018 could not be confirmed.

## 7. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.2,256,272,884 as at 30 June 2018. The audit revealed the following unsatisfactory issues;

- i) The leasehold land within which the institution is located valued at Kshs.710,000,000 is registered under the Agricultural Finance Corporation (AFC) and not the Kenya School of Law. Consequently, the ownership status of this land could not be confirmed.
- ii) Included in the property, plant and equipment schedule at note 19 to the financial statements are the following unsupported balances;

<b>Item Description</b>	<b>Amount (Kshs)</b>
Transfer from work in progress	443,066,702
Addition to office equipment	1,629,495
Disposal of motor vehicles	1,995,000
Disposal of furniture	817,088
<b>Total</b>	<b>447,508,285</b>

In the circumstances, the validity, accuracy and completeness of the property, plant and equipment balance of Kshs.2,256,272,884 as at 30 June 2018 could not be confirmed.

## 8. Other Current Assets

Included in other current assets balance of Kshs.1,050,459 is an amount of Kshs.585,459 described as unreconciled receipts which was not supported or explained.

In the circumstances, the accuracy of other current assets balance of Kshs.1,050,459 as at 30 June 2018 could not be confirmed.

## 9. Accounts Receivables and Prepayments

### 9.1 Understatement of Debtors

The statement of financial position reflects accounts receivables and prepayments balance of Kshs.111,429,925 as at 30 June 2018. However, the debtors ageing analysis availed for audit review revealed that the accounts receivables and prepayments balance of Kshs.111,429,925 was reduced by negative balances totalling Kshs.21,805,043 as shown below:

	<b>Item Description</b>	<b>Amount Kshs.</b>
5010003	School Fees Receivable	(4,272,401)
5010008	CPD Receivable	(7,175,326)
5010009	Hospitality Receivable	(3,694,749)
5010004	Non-School Fees Receivable- Other	(6,440,979)
5010006	Staff Receivables	(221,588)
	<b>Total</b>	<b>(21,805,043)</b>

This treatment is contrary to Paragraph 48 of International Public Sector Accounting Standard (IPSAS) No. 1 which prohibits offsetting of assets and liabilities and revenues and expenses unless permitted by an IPSAS. No explanation was provided for this non-compliance.

### 9.2 Non-School Fees Receivables-Other

Included in the accounts receivables and prepayments balance of Kshs.111,429,925 is a figure of Kshs.58,393,741 relating to non-school fees receivables-other, which has been outstanding for long. Management has not provided evidence of action being taken towards recovery of the long outstanding debt.

### 9.3 School Fees Receivable

Included in the accounts receivables and prepayments balance of Kshs.111,429,925 is an amount of Kshs.23,989,630 relating to school fees receivable which include Kshs.11,397,429 due from students whose registration numbers dates back to between 2007 to 2015. Managements has not disclosed action taken to recover this debt.

### 9.4 Staff Receivables

Included in the accounts receivables and prepayments balance of Kshs.111,429,925 is an amount of Kshs.1,909,184 relating to staff receivable which include an amount of Kshs.1,052,728 due from employees who left the Institution. It is not clear why the management did not recover the outstanding imprest advanced to the employees before their clearance from the Institution. This is contrary to Section 93 (5) of the Public Finance Management Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station. Section 93 (6) further provides that in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate.

In the circumstance, the School is in breach of the law and full recoverability of staff receivables balance of Kshs.1,909,184 as at 30 June 2018 could not be confirmed.

### 9.5 Provision for Doubtful Debts

Note 16 to the financial statements reflects a provision for doubtful debts of Kshs.3,958,711 made during the year under review. However, the provision for doubtful debts of Kshs.3,958,711 was not supported nor the basis for calculation disclosed.

Under the circumstances, it has not been possible to confirm the, validity, accuracy and completeness of accounts receivables and prepayments balance of Kshs.111,429,925 as at 30 June 2018 and that the balance is fairly stated as at 30 June 2018.

## 10. Current Liabilities

The statement of financial position reflects current liabilities balance of Kshs.242,459,146 as at 30 June 2018. However, the ageing analysis provided for audit review revealed that the balance of Kshs.242,459,146 was reduced by negative balances totalling to Kshs.4,080,519 as shown below:

Details	Amount Kshs.
Across Tropics Agencies	(1,256,800)
Align Architects	(496,803)
Amc International	(91,211)

<b>Details</b>	<b>Amount Kshs.</b>
Brulto Trading Ltd	(69,580)
E&A Industries Ltd	(34,070)
Hydro-Water Well Ltd	(79,296)
Neatcare Cleaning Service	(104,041)
Toyota E.A Ltd	(45,801)
Niceland Stationery	(289,261)
Stepse Investment	(676,743)
Other current liabilities	(936,913)
<b>Total</b>	<b>(4,080,519)</b>

This treatment is contrary to Paragraph 48 of International Public Sector Accounting Standard (IPSAS) No. 1 which prohibits offsetting of assets and liabilities and revenues and expenses unless permitted by an IPSAS. No explanation was provided for this non-compliance.

Under the circumstances, it has not been possible to confirm the accuracy and completeness of current liabilities balance of Kshs.242,459,146 as at 30 June 2018.

## **11. Budgetary Performance**

During the year under review, the School's actual receipts amounted to Kshs.622,836,131 against budgeted receipts of Kshs.608,040,312 resulting in a revenue surplus of Kshs.14,795,819. Further, actual expenditure for the year amounted to Kshs.576,564,059 against budgeted expenditure of Kshs.668,040,312 resulting in an overall under absorption of Kshs.91,476,253. It is therefore clear that the School did not fully achieve its budget objectives which adversely affected delivery of the intended services to the public. Therefore, there is need for the School to review its budget making process with a view to coming up with a vibrant budget implementation follow up mechanism and feedback process with a view to ensuring that all projects and activities are implemented as planned for the School to meet its mission and objectives for the benefits of the Citizens of Kenya.

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

### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Disclaimer of Opinion sections of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

## **Basis for Conclusion**

### **1. Stalled Construction Project of an Ultra-modern Library and Moot Courts**

As previously reported, a contract for construction of an ultra-modern library and moot courts was awarded to a Contractor at a cost of Kshs.488,704,449 and commenced on 24 June 2013. The construction period was three years and was expected to be completed by September 2016. As at 30 June 2018, Kshs.141,252,215 had been paid to the contractor. However, although construction was still on going as at the time of the audit in March 2019, management did not avail a report on the progress made towards completion of the project.

Consequently, it has not been possible to confirm that the School has obtained value for money from the expenditure of Kshs.141,252,215 incurred on the project as at 30 June 2018.

### **2. Loss of Kenya School of Law Property on Plot no. LR 2009/6238-HG613**

As previously reported, evidence available indicates that Plot No. LR 209/6238 measuring 0.3890 hectares along Bishops Road-Kilimani area has an institutional house (No.HG/613) which was reserved by the Government as the official residence of the School Principal. However, on 3 November 1997, a grant of lease was purportedly issued to a firm, whose directors include a former Principal of the School, by the Commissioner of Lands, vide allotment Ref. No. 34250. Thereafter, a title deed was issued and registered as Grant No. LR.74856. The property was later sold to another firm on 12 June 2002 at a consideration of Kshs.50,000,000 who then charged it to a bank.

The matter was reported to the then Kenya Anti-Corruption Commission who on 26 January 2007 made an application to the High Court Order 56 of the Anti-Corruption and Economic Crimes, 2003. The Court ordered the preservation of the property and restrained the respondents from selling, disposing off, wasting or in any other way dealing with the property for six months. This matter has been pending before High Court in Nairobi under Miscellaneous Application No.42 of 2007 awaiting determination. No effort appears to have been made by the School to have the case expeditiously dispensed with and the property reverted to the School.

In view of the foregoing, the School risks losing the property to third parties.

### **3. Plot in Embakasi Area**

As previously reported, the statement of financial position reflects non-current assets of Kshs.2,256,272,884 as at 30 June 2018. However, in a letter dated 9 April 1991, the Commissioner of Lands forwarded an approved plan No. 268 for a plot in Embakasi near the School of Aviation measuring 6.18 hectares under departmental reference No. 42/14/90/1 of 3 January 1990 which was reserved for future development of the Kenya School of Law. Although all the fees and charges amounting to Kshs.6,122 were paid vide cheque No. 019198 dated 8 September 1999, no title deed was issued despite numerous reminders which were not responded to.

In a turn of events, there was communication between the Director/Chief Executive and Secretary, Council for Legal Education and the former Permanent Secretary Ministry of Lands, that the Council for Legal Education had resolved to relinquish its interest in the property and the plot should revert to the Commissioner of Lands for reallocation. The Council further sought a refund of fees and charges paid in the process of acquiring the title to the property.

An audit inspection carried out on 12 April 2002 revealed that a small portion of the plot had been alienated and fenced off by third parties. Despite informing the Commissioner of Lands that the plot was in the process of being grabbed through Management Letter Ref. CLE/201/1999/2000 (5) dated 12 April 2002, no action was taken. The School is said to have been subsequently allocated another plot in Karen where it now sits.

Despite the resolution to relinquish its interest on the property which is referred to as LR.No.29/5651 in the correspondences, the School again changed the decision to relinquish interest and wrote to the National Land Commission requesting a review of the matter. In a letter referenced KSL/PR/CONF/IC/VOI.III (257), the School requested the National Land Commission to cancel the title deeds of plot No. LR.209/5659-Embakasi. There is no evidence of any action that has been taken by the National Land Commission on the School's request.

It is not clear why the Council for Legal Education resolved to relinquish its rights to the plot instead of pursuing and safeguarding public property.

Further, the identity of the third parties now occupying the land measuring 6.18 hectares has not been disclosed nor has the School disclosed the size and value of the land in its books of accounts.

In consequence, no progress had been made and the School risks losing the property.

## REPORT ON EFFECIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT SYSTEMS AND GOVERNANCE

### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7 (1) (a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

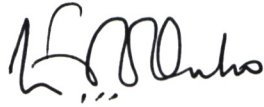
Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities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

### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion and Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of Kenya School of Law 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.



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

**Nairobi**

**14 May 2019**

KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018

**KENYA SCHOOL OF LAW  
ANNUAL REPORT & FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

STATEMENT OF FINANCIAL PERFORMANCE

	Note	2018	2017
Revenue from non-exchange transactions		Kshs	Kshs
National Treasury	3	290,700,000	290,000,000
		<u>290,700,000</u>	<u>290,000,000</u>
<b>Revenue from exchange transactions</b>			
School Fees Income	4	281,101,887	300,317,189
Hospitality income	5	25,687,506	44,262,923
Finance Income	6	2,422,312	4,251,130
Continuous Professional Development Income	7	17,768,107	23,856,093.07
Other income	8	5,156,319	4,649,232
		<u>332,136,132</u>	<u>377,336,566</u>
<b>Total revenue</b>		<u>622,836,132</u>	<u>667,336,566</u>
<b>Expenses</b>			
Employee costs	9	228,874,879	221,099,390
Board of Directors expenses	10	4,990,163	8,019,747
Administrative Costs	11	224,842,822	213,562,207
Operational costs	12	50,616,428	60,012,678
Continuing Legal Edu Expenses	13	7,080,801	12,805,919.00
Hospitality Costs	14	27,987,377	28,619,362
<b>Total expenses</b>		<u>544,392,470</u>	<u>544,119,303</u>
<b>Irregular Payments</b>	27	111,549,528	
		<u>(33,105,866)</u>	<u>123,217,263</u>
<b>Surplus/ (Deficit) for the period</b>		<u>(33,105,866)</u>	<u>123,217,263</u>

The notes set out on pages 39 to 57 form an integral part of these Financial Statements.

KENYA SCHOOL OF LAW  
 REPORTS AND FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2018

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2018


KENYA SCHOOL OF LAW  
 ANNUAL REPORT & FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2018

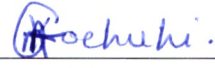
STATEMENT OF FINANCIAL POSITION


Assets	Note	2018 Kshs	2017 Kshs
<b>Current assets</b>			
Consumable stocks	15	5,310,595	7,053,746
Accounts Receivables and Prepayments	16	111,429,925	98,829,695
Other Current Assets	17	1,050,089	240,000
Cash and Bank Balances	18	<u>103,853,377</u>	<u>147,816,492</u>
<b>Total Current Assets</b>		<b><u>221,643,986</u></b>	<b><u>253,939,933</u></b>
<b>Non-current assets</b>			
Property ,plant and equipment	19	<u>2,256,272,884</u>	<u>2,038,937,605</u>
<b>Total no - current assets</b>		<b><u>2,256,272,884</u></b>	<b><u>2,038,937,605</u></b>
<b>Total assets</b>		<b><u><u>2,477,916,870</u></u></b>	<b><u><u>2,292,877,538</u></u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables & Accruals	20	95,488,324	21,914,194
Other Current Liabilities	21	<u>146,970,822</u>	<u>175,524,829</u>
<b>Total current liabilities</b>		<b><u>242,459,146</u></b>	<b><u>197,439,022</u></b>
<b>Total liabilities</b>		<b><u><u>242,459,146</u></u></b>	<b><u><u>197,439,022</u></u></b>
<b>Capital Fund</b>	-	<u>2,235,457,725</u>	<u>2,095,438,516</u>
<b>Total net assets and liabilities</b>		<b><u><u>2,477,916,870</u></u></b>	<b><u><u>2,292,877,538</u></u></b>

KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

The financial statements set out on pages 33 to 38 were signed on behalf of Kenya School of Law by:

  
\_\_\_\_\_  
Director/ CEO & Secretary  
Dr. Henry Mutai

  
\_\_\_\_\_  
Finance Manager  
Mr. Patrick Maina

  
\_\_\_\_\_  
Chairperson of the Board  
Prof. Fatuma Chege

Date 26/9/2018

Date 26/9/2018

Date \_\_\_\_\_

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**XIV. STATEMENT OF CHANGES IN NET ASSETS**

**KENYA SCHOOL OF LAW  
ANNUAL REPORT & FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018  
STATEMENT OF CHANGES IN NET ASSETS**

	Note	Accumulated Deficit Kshs	Revaluation Reserve Kshs	Capital Fund Kshs	Total Kshs
At 1st July 2016		(162,387,833)	843,278,175	1,210,749,655	1,891,639,997
Prior year adjustment				(75,296,468)	(75,296,468)
Revaluation of Assets			155,877,724	-	155,877,724
Eliminated Depreciation of Revaluation			209,600,661		209,600,661
Surplus / (Deficit) for the year		86,741,677			86,741,677
<b>As at 30<sup>th</sup> June 2017</b>		<b>(75,646,156)</b>	<b>1,208,756,560</b>	<b>1,135,453,187</b>	<b>2,268,563,591</b>
At 1st July 2017		(75,646,156)	1,208,756,560	1,135,453,187	2,268,563,591
Surplus / (Deficit) for the year		(33,105,866)	-		(33,105,866)
<b>As at 30<sup>th</sup> June 2018</b>		<b>(108,752,022)</b>	<b>1,208,756,560</b>	<b>1,135,453,187</b>	<b>2,235,457,725</b>

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**XV. STATEMENT OF CASH FLOWS AS AT 30<sup>TH</sup> JUNE 2018**

	Notes	2018 Kshs	2017 Kshs
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>			
Net Surplus/ (Deficit) for the year		(33,105,866)	86,741,677
<b>Adjustments for:-</b>			
Depreciation	19	87,104,780	69,322,697
		-	0
<b>Surplus / (Deficit ) before working capital changes</b>		<b>53,998,914</b>	<b>156,064,374</b>
(Increase)/ Decrease in Receivables		(13,410,319)	18,919,461
(Increase)/ Decrease in Consumable Stocks		1,743,151	361,167
Increase/(Decrease) in Payables		45,020,123	46,024,704
<b>Net cash flows from operating activities</b>		<b>87,351,869</b>	<b>221,369,706</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	19	(123,286,968)	(33,942,086)
<b>Net cash flows from investing activities</b>		<b>(123,286,968)</b>	<b>(33,942,086)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Prior year adjustment on Retained Earnings			(75,296,468)
<b>Net Cash flow from Financing Activities</b>		<b>0</b>	<b>(75,296,468)</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>(35,935,099)</b>	<b>112,131,152</b>
<b>Cash and Cash Equivalents as at 1<sup>st</sup> July 2016</b>		<b>147,814,191</b>	<b>35,683,040</b>
<b>Cash and Cash Equivalents as at 30<sup>th</sup> June 2018</b>	18	<b>103,853,377</b>	<b>147,814,191</b>

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR  
THE PERIOD ENDED 30<sup>TH</sup> JUNE 2018**

**KENYA SCHOOL OF LAW  
ANNUAL REPORT & FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**STATEMENT OF BUDGET AND ACTUAL COMPARISON**

**a) Recurrent budget**

	Budget 2017/2018	Actual on comparable basis 2017/2018	Performance Difference	Percentage Change	Notes for variances above 10%
	Kshs	Kshs	Kshs	%	
<b>Revenue</b>					
GoK Grants - Recurrent	290,700,000	290,700,000	0	0%	
School Fees Income	264,200,000	281,101,887	-16,901,887	6%	
Hospitality Income	29,340,000	25,687,506	3,652,494	-12%	[a]
Finance Income	2,422,312	2,422,312	0	0%	
Continuous Professional Development	15,440,000	17,768,107	-2,328,107	15%	[b]
Other Incomes	5,938,000	5,156,319	781,681	-13%	[c]
<b>Total Income</b>	<b>608,040,312</b>	<b>622,836,131</b>	<b>-14,795,819</b>		
<b>Expense</b>					
Administrative Costs	204,058,084	224,661,993	20,603,909	10%	[d]
Employee Costs	242,417,228	228,874,879	-13,542,349	(-6%)	
Hospitality	26,600,000	27,987,377	1,387,377	5%	
Operational Cost	65,500,000	57,732,479	-7,767,521	(-12%)	[e]
Board of Directors expenses	5,000,000	4,990,163	9,837	(-)	
<b>Total Expense</b>	<b>543,575,312</b>	<b>544,246,890</b>	<b>1,138,422</b>		

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**b) Capital/ Development budget**

Asset Class	Budget 2017/2018	Actual on comparable basis 2017/2018	Performance Difference	Percentage Change	Notes for variances above 10%
	Kshs	Kshs	Kshs	%	
Ultra -Modern Library	77,765,000	0	(77,765,000)	(-100%)	[f]
Computer/Office Equipment & Software, CCTV, Server, Library System	17,400,000	12,189,048	(5,210,952)	(30%)	[g]
Motor vehicle	8,600,000	8,399,500	(200,500)	(2%)	
Borehole	7,700,000	7,033,111	(666,889)	(9%)	
Library books	7,500,000	1,112,733	(6,387,267)	(85%)	[h]
Furniture and fittings	5,500,000	5,577,737	77,737	1%	
ERP System	15,000,000	4,499,553	(10,500,447)	(70%)	[i]
<b>Total</b>	<b>124,465,000</b>	<b>32,317,169</b>	<b>92,147,911</b>		

- [a] Hospitality department was not able to meet the revenue target since there were adversely affected by the extended election period
- [b] The Continuous Professional Development exceeded the revenue target after the budget rationalization
- [c] The target for other incomes was not met. The deficit is attributable to challenges of the extended election period
- [d] Depreciation for the period increased with 55 M. This was after the valuation of assets  
The variance resulted from
- [e] increased efficiency and cost cutting measures
- [f] The School did not receive Development funds from the Government during the year
- [g] CCTV System was not procured during the financial year. The procurement of the same was moved to 2018/2018
- [h] There was a delay in procuring the Library books since most of them were being sourced from outside Kenya.
- [i] ERP system is being procured in instalments. As at the close of the FY a total of Ksh 4,499,553 had been spent

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**XVII. NOTES TO THE FINANCIAL STATEMENTS**

**1. General Information**

The Kenya School of Law was established by and derives its authority and accountability from Kenya School of Law Act No. 26 of 2012. The School is wholly owned by the Government of Kenya and is domiciled in Kenya. The School responsible for legal training at all levels, including Advocates and Para-legal training and Continuing Professional Development service delivery in the areas of training and continuing legal education.

**2. Statement of compliance and basis of preparation – IPSAS 1**

The school's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the School. The accounting policies have been consistently applied to all the years presented except when reporting Continuing Professional Development income and expenses where the School has adopted to report them separately from other incomes and operational expenses respectively. This is contrary to the previous years. This approach enables the School to clearly evaluate the performance of this department.

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. Summary of significant accounting policies**

**a) Revenue recognition**

i) Revenue from exchange transactions – IPSAS 9

The School recognizes revenue from School fees, hospitality activities, short term investments, Continuous Professional Development and other revenue from various services including rental income, photocopying, hire of grounds, laundry and parking. These are recognized when the service has been rendered – when earned. For School fees income, this is recognized and apportioned to the year that it relates since most of the fees is paid in January for the entire academic year and pupillage of the Advocates Training Programme.

ii) Revenue from non-exchange transactions – IPSAS 23

Non exchange transactions revenue is mainly from Government grants which are split into recurrent and development. They are recognized on receipt. In cases where the receipt is after year end, the School still recognizes the revenue to the year it applies to and records the same as income receivable.

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**b) Budget information – IPSAS 24**

The original budget for the financial year 2017/2018 was approved by Board of the Directors on 22<sup>nd</sup> January 2016. This was later reviewed and the School received actual allocation from the Government in May 2016 through printed estimates. This actual allocation is what the School implemented during the financial year 2016/2017 with no budget revisions. The School did not receive any supplementary estimates during the year. 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 School. As a result of the adoption of the accrual basis for budgeting purposes, there are no timing or entity 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 – IAS 12**

The School is exempted from Taxation under First Schedule to the income Tax Act (CAP470). However it charges VAT on both Continuous Professional Development courses and Hospitality activities.

**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 School 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 of the year of acquisition.

The depreciation applied on straight line are as follows:

The annual depreciation rates in use are:

Computer Equipment and Software	33.3%
Office Equipment	30.0%
Motor Vehicles	25.0%
Library books	20.0%

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

Furniture and Fittings	12.5%
Buildings	2.5%

During the year the movable assets were revalued.

**e) Inventories – IPSAS 12**

Inventories are stated at the lower of cost and Net Realisable Value. 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 purchased by the School are expensed immediately to the various expense classes. At the end of the year, a stock take is carried out to establish the remaining consumable stock.

As at the closure of 2017/2018 financial year the School had consumable stock valued at Kshs 5,310,595.

**f) Provisions – IPSAS 19**

Provisions are recognized when the School 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.

**g) Contingent assets**

As at the time of preparing the 2017/2018 Annual Report and Financial Statements, the status of the Two parcels of land at Embakasi and the plot along the Bishops Road on which the principal house Stands were as follows:

- (i) Embakasi Plot: The matter is at the desk of the Commissioner of Lands.
- (ii) Land on the Bishops' Road: There is "a stay of Execution" in the Court.

The value of the two has not been included in the financial statements pending final determination.

**h) Changes in accounting policies and estimates – IPSAS 3**

Estimates and Judgements are continually evaluated on the basis of historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances. The School separated income and expenses of Continuous Professional Development courses from other incomes and operational costs respectively. This was to enable the School evaluate the performance of this department.

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**i) Employee benefits – IPSAS 25**

**Retirement benefit plans**

The School operates a defined contribution benefit scheme for all its employees. The scheme is administered by Alexander Forbes Financial Services and operates according to provisions of the Retirement Benefits Act (1997). The assets of the scheme are held in a separate trustee administered fund that is funded by both the School and its Employees.

The School also contributes to a statutory defined contribution scheme, The National Social Security Fund (NSSF). The contributions are determined by the National Social Security Fund Act (CAP258).

The School's contribution to this scheme is charged to the income statement in the year to which they relate.

The School provides gratuity for senior management who are employed on contract. Such staff do not benefit from the Defined Contribution Benefit Scheme.

**j) Related parties – IPSAS 20**

Members of key management are regarded as related parties. Key management of the School have been disclosed on pages 12 to 15 of these financial statements. The School is also related to National Government, Office of the Attorney-General and Board of Directors.

**k) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

**l) Receivables**

Receivables are recognised and carried at original invoice amounts less an allowance for the uncollectable amounts.

**m) Payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid of goods and services received whether or not billed to the school.

**n) Subsequent Events – IPSAS 14**

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, 2018.

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**o) Financial Risk Management Objectives and Policies**

The School's Activities expose it to a variety of financial risks including credit risk and liquidity risk. There exists an audit and risk management committee of the Board charged with overall responsibility of reviewing the risk profile and establishing mitigating measures to manage risks. The School's overall risk management programme focuses on the unpredictability in the markets and seeks to minimize adverse effects on its financial performance.

The School regularly reviews its risk management policies and systems to reflect emerging best practises. Risk management is carried out by the management under the supervision of Board of Directors.

During the year a risk management consultant was engaged whereby staff were sensitized on risk. School wide and departmental risk registers were developed.

**p) Significant judgments and sources of estimation uncertainty – IPSAS 1**

The preparation of the School'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.

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

- (i) The condition of the asset based on the assessment of the School's management.
- (ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- (iii) The nature of the processes in which the asset is deployed
- (iv) Availability of funding to replace the asset
- (v) Changes in the market in relation to the asset

**Credit risk Management**

Credit risk refers to the risk that counter party will default on its contractual obligations resulting in financial loss to the School. Most of the credit facilities offered by the School are in relation to the Continuous Professional Development courses.

Credit risk arises from bank balances, trade receivables and amounts due from related parties. The school's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by Board. The utilisation of credit limits is regularly monitored.

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

Accounts receivable from exchange transactions are as follows:

	As at 30 <sup>th</sup> June 2018	As at 30 <sup>th</sup> June 2017
Accounts Receivables	Kshs 111,429,925	Kshs 98,829,695

**Liquidity Risk Management**

Liquidity risk is the risk that the school will not be able to meet its financial obligations when they fall due. The school'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 un acceptable losses or at the risk of damaging the School's reputation. This is done by phasing the Schools activities in line with the timing of receipt of Government subventions and School fees revenue.

The School ensures that it has sufficient cash on demand to meet expected operational expenses. This is done by ring fencing funds for mandatory expenses including employee emoluments and academic related expenses. All liquidity policies and procedures are subject to review and approval by board of directors. All capital investments are funded by Grants from Government.

Accounts payables from exchange transactions are as follows:

	As at 30 <sup>th</sup> June 2018	As at 30 <sup>th</sup> June 2017
Accounts payables	Kshs. 95,488,324	Kshs. 21,914,194

The increase in the accounts payable is attributable to outstanding certificate for Ultra-Modern Library for 73 Million.

**3 Revenue from non- exchange transactions**

	2018	2017
	Kshs	Kshs
National Treasury	290,700,000	290,000,000
<b>Total</b>	<b>290,700,000</b>	<b>100,825,000</b>

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**4. School fees**

	2018	2017
	Kshs	Kshs
Application/Registration Fee	3,696,000	4,849,000
Examination Fees	12,056,054	10,297,900
Library Fees	8,791,583	10,691,800
Pupilage Supervision	9,186,000	7,737,000
Tuition Fees	247,372,250	266,740,000
<b>Total</b>	<b>281,101,887</b>	<b>300,317,700</b>

**5. Hospitality Income**

	2018	2017
	Kshs	Kshs
Staff Catering	574,920	436,220
Seminars/Conferences/Accomod	15,313,953	33,849,587
Hire of Grounds	1,109,719	917,466
Sports Facilities	1,302,669	1,612,795
Students Cafeteria Income	4,785,570	3,118,160
Laundry Income	55,675	158,695
Hostel Fees - Students	2,545,000	4,170,000
<b>Total</b>	<b>25,687,506</b>	<b>44,262,923</b>

**6. Finance income**

	2018	2017
	Kshs	Kshs
Interest Income	2,422,312	4,251,130
<b>Total</b>	<b>2,422,312</b>	<b>4,251,130</b>

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**7. Continuous Professional Development Income**

	2018	2017
	Kshs	Kshs
CPD Workshops	17,768,107	23,856,093
	<u>17,768,107</u>	<u>23,856,093</u>

**8. Other income**

	2018	2017
	Kshs	Kshs
Rent Income	3,716,065	2,559,032
Miscellaneous Income	769,500	850,056
Photocopy Services	136,313	125,723
Tender Documents	4,000	14,000
Graduation Income	-	973,800
Other Income	530,441	126,621
<b>Total</b>	<u>5,156,319</u>	<u>4,649,232</u>

**9. Employee costs**

	2018	2017
	Kshs	Kshs
Basic Salaries	118,544,121	119,736,317
Casual wages - Other	3,687,376	4,548,412
House Allowance	36,521,340	36,359,931
Leave Allowance	4,046,757	3,308,215
Overtime Allowance	6,608,730	5,199,483
Medical Employer Contributions	20,755,242	10,343,392
NSSF Employer Contributions	323,600	1,468,997
Pension Employer Contributions	22,424,458	23,440,476
Responsibility Allowance	604,374	559,389

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

Special duty	927,209	763,855
Gratuity Contribution	3,068,167	4,689,052
Commuter Allowance	11,363,507	10,681,871
<b>Total</b>	<b>228,874,879</b>	<b>221,099,390</b>

**10. Remuneration of Directors**

	2018	2017
	Kshs	Kshs
Chairman's Honoraria	-	574,286
Directors emoluments	4,990,163	7,445,461
<b>Total director emoluments</b>	<b>4,990,163</b>	<b>8,019,747</b>

**11. Administrative Costs**

	2018	2017
	Kshs	Kshs
Advertising & Publicity	4,402,510	4,505,301
Official Entertainment	926,277	490,170
Newspapers & Journals	1,986,453	2,870,450
Printing & Stationery	5,727,794	16,667,229
Cleaning services & Materials	7,131,264	14,978,140
Security Services	8,293,738	8,589,195
Travel & accommodation Expenses	7,848,179	12,977,368
Fuel	4,120,725	7,486,611
Bank Service Charges	1,170,090	1,202,920
Insurance Expenses	1,487,094	2,950,207
Postage and Delivery	203,243	69,960
9010022 · Telephone & Faxes	2,772,200	4,309,308
9010024 · Electricity	8,035,102	10,269,562

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

9010026 · Water & Sewerage	4,816,795	12,796,675
Other Taxes, Levies & Penalties.	18,922,268	3,266,043
Depreciation expense	87,104,780	41,877,211
Bad Debts	0	0
Internet & E-mail	5,109,515	4,963,322
Web Hosting	34,614	1,045,220
Vehicle Repairs & Maintenance	4,321,287	5,820,266
Building Repairs & Maintenance	5,496,365	19,586,602
Computer Repairs	5,027,193	3,657,453
Equipment Repairs	2,889,171	3,648,869
Audit Fees	580,000	580,000
Professional Fees	5,438,887	3,409,968
Conferences & Workshops	8,326,901	9,542,712
Recruitment Costs	1,425,886	-
Staff Uniforms	1,016,771	1,694,694
Staff Welfare	3,824,662	7,923,700
Training & Development	7,095,944	5,284,800
Subscriptions	1,052,660	1,098,251
Review of Policies	3,224,800	-
ISO transition costs	3,912,974	-
Software Licenses	145,580	
CSR	726,875	
Land rent	244,227	-
<b>Total</b>	<b>224,842,822</b>	<b>213,562,207</b>

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**12. Operational Cost**

	2018	2017
	Kshs	Kshs
Hire of Facilities & Equipment	6,493,501	6,612,015
Examination Expenses	4,104,713	4,587,042
Library Online Subscriptions	2,037,436	2,243,050
Part Time, Guest Lecturers Cost	19,137,188	24,217,480
Pupilage Supervision	3,851,647	3,935,818
Students Welfare	3,497,940	5,864,809
Graduation expense	-	3,653,636
Legal Clinic Visits	4,949,615	5,876,530
Moot Court Competition	6,544,389	3,022,297
<b>Total</b>	<b>50,616,428</b>	<b>60,012,678</b>

**13. Continuing Legal Edu Expenses**

	2018	2017
	Kshs	Kshs
Continuing Legal Edu Expenses	7,080,801	12,805,919
<b>Total</b>	<b>7,080,801</b>	<b>12,805,919</b>

**14. Hospitality Costs**

	2018	2017
	Kshs	Kshs
Gas	910,670	927,230
Foodstuffs & Drinks	18,264,736	19,981,510
Kitchen & Hostel Expenses	5,228,206	4,057,187
Laundry Expenses	336,105	2,850
Swimming Pool/Sports Expenses	2,301,464	2,109,467
Club House Expenses	946,196	1,541,119

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

<b>Total</b>	<b>27,987,377</b>	<b>28,619,362</b>
<b>15. Consumable stocks</b>		
	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Stationery	2,470,056	3,375,604
Cleaning materials	1,163,728	2,084,747
Electrical materials	1,676,812	1,593,395
<b>Total</b>	<b>5,310,595</b>	<b>7,053,746</b>
<b>16. Accounts Receivables &amp; prepayments</b>		
	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
School Fees Receivable	24,344,130	17,876,330
CPD Receivable	13,224,516	3,084,917
Hospitality Receivable	17,517,066	17,665,811
Non-School Fees Receivables - Other	58,393,741	58,933,472
Staff Receivables	1,909,184	5,535,058
Provision for Doubtful Debts	(3,958,711)	(4,265,893)
VAT Control		
<b>Total</b>	<b>111,429,925</b>	<b>98,829,695</b>
<b>17. Other Current Assets</b>		
	<b>2018</b>	<b>2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Staff advances	224,630	0
Deposits	240,000	240,000
Unreconciled receipts	585,459	
<b>Total Other Current Assets</b>	<b>1,050,089</b>	<b>240,000</b>



**KENYA SCHOOL OF LAW  
ANNUAL REPORT & FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE,  
2018

**19. PROPERTY & EQUIPMENT  
SCHEDULE**

	Leasehold Land	Buildings	Capital Work in Progress	Office Equipment	Computer Equipment	Software	Library Books	Motor Vehicles	Furniture & Fittings	Total
Depreciation Rate	0.00% Kshs	2.50% Kshs	0.00% Kshs	30.00% Kshs	33.33% Kshs	0.00%	20.00% Kshs	25.00% Kshs	0 Kshs	Kshs
COST/VALUATION COST/VALUATION										
As at 1st July 2015	84,000,000	413,442,700	596,245,902	20,121,594	21,067,988		11,684,272	15,029,023	43,873,894	1,205,465,373
Additions	-	-	67,271,870	2,526,640	10,555,992		9,544,170	-	5,087,858	94,986,570
Revaluation Adjustment	626,000,000	201,557,300	-				-			827,557,300
As at 30th June 2016	710,000,000	615,000,000	663,517,772	22,648,234	31,623,980	-	21,228,442	15,029,023	48,961,752	2,128,009,243
DEPRECIATION										
As at 1st July 2015	-	111,185,738	-	18,009,584	21,067,988		7,792,844	14,916,092	23,008,135	195,980,381
Charge for the year	-	15,375,000	-	4,638,650	10,541,327		4,245,688	112,931	6,120,219	41,033,815
As at 30th June 2016	-	126,560,738	-	22,648,234	31,609,315		12,038,532	15,029,023	29,128,354	237,014,196
NET BOOK VALUE										
As at 1st July 2015	84,000,000	302,256,962	596,245,902	2,112,010	-		3,891,428	112,931	20,865,759	1,009,484,992
As at 30th June 2016	710,000,000	488,439,262	663,517,772	(0)	14,665		9,189,910	0	19,833,398	1,890,995,007

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**COST/VALUATION**

As at 1st July 2016	710,000,000	615,000,000	663,517,772	22,648,234	31,623,980	21,228,442	15,029,023	48,961,752	2,128,009,203
Additions			11,627,138	2,376,682	2,461,188	4,027,224	9,985,501	3,464,353	33,942,086
Transfers		129,468,958	(129,468,958)						(0)
Revaluation Adjustment		111,185,738		7,156,400	15,205,135		9,580,000	12,750,451	155,877,724
<b>As at 30th June 2017</b>	<b>710,000,000</b>	<b>855,654,696</b>	<b>545,675,952</b>	<b>32,181,316</b>	<b>49,290,303</b>	<b>25,255,666</b>	<b>34,594,524</b>	<b>65,176,556</b>	<b>2,317,829,013</b>

**DEPRECIATION**

As at 1st July 2016	-	126,560,738	-	22,648,234	31,609,315	-	15,029,023	29,128,354	237,014,196
Eliminated Depreciation		(111,185,738)		(22,648,234)	(31,609,315)		(15,029,023)	(29,128,354)	209,600,664
Charge for the year	-	21,391,367	-	9,654,395	16,430,101	-	8,648,631	8,147,069	69,322,697
<b>As at 30th June 2017</b>	<b>-</b>	<b>36,766,367</b>	<b>-</b>	<b>9,654,395</b>	<b>16,430,101</b>	<b>-</b>	<b>8,648,631</b>	<b>8,147,069</b>	<b>96,736,229</b>

**NET BOOK VALUE**

As at 1st July 2016	710,000,000	488,439,262	663,517,772	(0)	14,665	-	9,189,910	19,833,398	1,890,995,007
As at 30th June 2017	710,000,000	818,888,329	545,675,952	22,526,921	32,860,202	-	8,166,001	57,029,486	2,221,092,784

**COST/VALUATION**

As at 1st July 2017	710,000,000	855,654,696	545,675,952	32,181,316	49,290,303	-	34,594,524	65,176,556	2,317,829,013
Additions		7,033,111	73,159,241	1,629,495	10,559,553	14,998,510	8,399,500	6,394,825	123,286,968
Disposals							(1,995,000)	(817,088)	(2,812,088)
Transfers		443,066,702	(443,066,702)						0
Revaluation Adjustment									0

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

As at 30th June 2018	710,000,000	1,305,754,509	175,768,491	33,810,811	59,849,856	14,998,510	26,368,399	40,999,024	70,754,293	2,438,303,893
<b>DEPRECIATION</b>										
As at 1st July 2017	-	36,766,367	-	9,654,395	16,430,101	-	17,089,666	8,648,631	8,147,069	96,736,229
Charge for the year	-	32,643,863	-	10,143,243	19,949,952	-	5,273,680	10,249,756	8,844,287	87,104,780
Accumulated Depreciation on disposed asset	0	0	0	0	0	0	0	(1,810,000)	0	(1,810,000)
As at 30th June 2018	-	69,410,230	-	19,797,638	36,380,053	-	22,363,346	17,088,387	16,991,356	182,031,009
<b>NET BOOK VALUE</b>										
As at 1st July 2017	710,000,000	818,888,329	545,675,952	22,526,921	32,860,202	-	8,166,001	25,945,893	57,029,486	2,221,092,784
As at 30th June 2018	710,000,000	1,236,344,279	175,768,491	14,013,173	23,469,803	14,998,510	4,005,053	23,910,637	53,762,937	2,256,272,884

**KENYA SCHOOL OF LAW  
ANNUAL REPORT & FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**20. Payables and Accruals**

	2018	2017
	Kshs	Kshs
Accounts Payable	85,203,742	21,914,194
<b>Sundry Creditors</b>	<u>10,284,582</u>	<u>                    </u>
	<u>95,488,324</u>	<u>21,914,194</u>

**21. Other Current Liabilities**

	2018	2017
	Kshs	Kshs
Provision for Expenses/Stock	-	4,482,623
HELB Payable	(8,681)	-
Cafeteria Recoveries	10,130	1,390
Insurance Recoveries	11,637	(22,710)
Net Pay Payable	2,146,235	
NHIF Payable	(9,950)	(10,900)
NSSF Payable	(34,200)	(3,600)
PAYE Payable	(85,482)	370,721
Pension Payable	914,956	(34,883)
Saccos Payable	(192,271)	(159,606)
Salaries control	2,580	138
Sheria Sacco Payable	(465)	2,200
Withholding Tax Payable	294,467	131,361
Gratuity Payable	2,397,436	10,881,549
Endowment Fund Payable	(605,864)	325,018
Contract Retentions	15,897,756	28,917,068
VAT Control	2,804,873	1,181,127
Provisions for audit fees	580,000	580,000
Fees Paid in Advance	122,625,000	128,883,333
Staff Benefits -CIC Insurance	100,000	
Bank Loans -Staff	25,050	
Salary Recoveries	<u>97,614</u>	
<b>Total Other Current Liabilities</b>	<u>146,970,822</u>	<u>175,524,829</u>

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**NOTES TO THE FINANCIAL STATEMENT**

**Additional Disclosures**

**22. Related Party Transactions**

The following transactions were carried out with related parties

	2017/18	2016/17
	Kshs	Kshs
Transfers from related parties (Office of Attorney General)	290,700,000	290,000,000
Key management remuneration	6,873,324	7,708,048
Board of Directors expenses	4,990,163	8,019,747

**23. Transfers from Ministries, Departments and Agencies**

Name of Entity sending the grant	Amount recognized to the Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund	Total grant income during the year	2016-2017
	Kshs	Kshs	Kshs	Kshs	Kshs
Office of the Attorney General and Department of Justice	290,700,000	-	-	290,700,000	290,000,000
<b>Total</b>	<b>290,700,000</b>	<b>-</b>	<b>-</b>	<b>290,700,000</b>	<b>290,000,000.00</b>

The School has forwarded a request on 31<sup>st</sup> July 2017 to the Solicitor General to confirm the above amounts whose response has not been received.

**24. Events after the reporting period**

There were no material adjusting and non-adjusting events after the reporting period. However, the School has commissioned a forensic audit for the operations of the financial year 2017/2018. If material omission are identified, the financial report may be amended.

**25. Ultimate and Holding Entity**

The Kenya School of Law is a Semi-Autonomous Government Agency under the Office of the Attorney General- Department of Justice. Its ultimate parent is the Government of Kenya.

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**26. Currency**

The financial statements are presented in Kenya Shillings.

**27. Irregular payments refer to payments made to entities for no genuine supply of goods or services.**

This was a scheme of fraud that was perpetrated by Kenya School of Law officers and who were in positions of trust. The officers managed to make payments to businesses owned by themselves, family members or acquaintances. In addition payments were made to existing suppliers in excess of goods and services provided. This involved internal collusion and the fraudsters managed to override the internal controls. Our initial review reveals that the School has lost an estimated Ksh 112 Million through fraud during 2017/2018 financial year. The matter has been reported to the Ethics and Anti-Corruption Commission (EACC), the Directorate of Criminal Investigations (DCI) and the Office of the Auditor-General for further investigations and necessary action.

**XVIII. PROGRESS ON FOLLOW – UP OF AUDITORS RECOMMENDATIONS**

The following is the summary of outstanding paragraphs raised by the external auditor and their resolution status.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
				(Resolved / Not Resolved)	(Put a date when you expect the issue to be resolved)
Loss of Kenya School of Law Property on plot number LR 2009/6238-HG613 – Official residence of the School Principal in Kilimani Area ( 2014/2015 Financial Year audit)	Loss of property	The matter was filed in court by Ethics and Anti-corruption Commission in January 2007 and is still in pending. Management have escalated the issue to the Attorney General's Office to liaise with the National Lands Commission to get the title that was	D/CEO	Not Resolved	Indeterminate

**KENYA SCHOOL OF LAW  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

		fraudulently allocated to third parties cancelled.			
6.18 Hectares plot in Embakasi Area (2014/2015 Financial Year audit)	Loss of property	The issue was escalated to the National Lands Commission and the Attorney General's Office is representing the School towards recovery, and issuance of the title deed.	D/CEO	Not Resolved	Indeterminate

**XIX. APPENDIX 1: INTER-ENTITY TRANSFERS**

**KENYA SCHOOL OF LAW**

Breakdown of Transfers from the State Department of Office of the Attorney General and Department of Justice

		<b>Bank Statement Date</b>	<b>Amount ( Kshs)</b>	<b>Financial Year</b>
a	Recurrent Grants	22th Aug 2017	72,675,000	2017/2018
		16th Nov 2017	72,675,000	
		15th February 2018	72,675,000	
		26th April 2018	72,675,000	
		<b>Total</b>	<b>290,700,000</b>	<b>290,000,000</b>
b	Development Grants		-	
		<b>Grand Total</b>	<b>290,700,000</b>	<b>290,000,000</b>