

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Paper Laid on
the Table of
the House on
Thursday, by the
Speaker of the
House of Representatives
(Afternoon)

REPORT

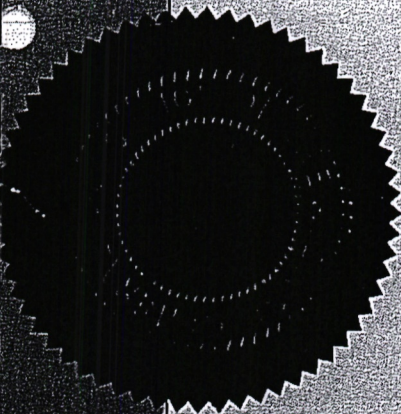
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA LAW REFORM COMMISSION

FOR THE YEAR ENDED
30 JUNE 2016

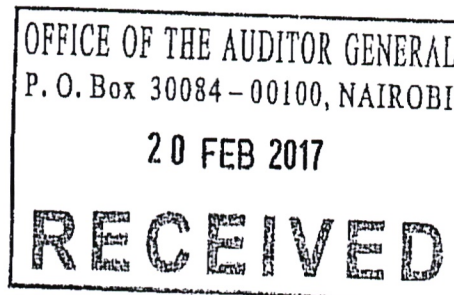


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KENYA LAW REFORM COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016



KENYA LAW REFORM COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2016

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

KENYA LAW REFORM COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

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KENYA LAW REFORM COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

**ANNUAL REPORT & FINANCIAL STATEMENT FOR THE YEAR ENDED
JUNE 30TH 2016**

**1. KEY KENYA LAW REFORM COMMISSION INFORMATION AND
MANAGEMENT**

(a) Background information

The Kenya Law Reform Commission (KLRC) is established by the Kenya Law Reform Commission Act, 2013 (No. 19 of 2013) as a successor to the Law Reform Commission, previously established under the repealed Law Reform Commission Act, Cap. 3. The Commission is a body corporate with perpetual succession, which serves both National and County governments in matters of law reform.

Mandate:

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

- a. Keep under review all the law and recommend its reform to ensure:
 - i. That the law conforms to the letter and spirit of the Constitution;
 - ii. That the law is, among others, consistent, harmonized, just, simple, accessible, modern and cost-effective in application; and
 - iii. The respect for and observance of treaty obligations in relation to international instruments that constitute part of the law of Kenya by virtue of Article 2 (5) and (6) of the Constitution;
- b. Work with the Attorney-General and the former Commission for the Implementation of the Constitution (CIC) in preparing for tabling, in Parliament, the legislation and administrative procedures required to implement the Constitution;
- c. Provide advice, technical assistance and information to the National and County governments with regard to the reform or amendment of a branch of the law;
- d. Formulate, by means of draft Bills or otherwise, any proposals for reform of National or County government legislation; and
- e. Advise the National and County governments on the review and reform of their legislation.

The Sixth Schedule to the Constitution require the former CIC to coordinate with KLRC and the Attorney-General to prepare for tabling in Parliament legislation required to implement the Constitution. The implication here is that, other than its statutory and ongoing role of keeping under review all the law of Kenya, KLRC also has an

KENYA LAW REFORM COMMISSION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

enormous constitutional mandate of not only preparing the new legislation required to give effect to the Constitution within specified timelines, but also to undertake a detailed audit and review of all the existing over 800 pieces of national and county legislation policies and administrative procedures and harmonize them with the Constitution. Other standing responsibilities of KLRC include:

- a. Draw the attention of the respective Ministry, Department or Agency (MDA) to any proposal for reform if, in the opinion of the KLRC, such proposal has or is likely to have an adverse effect on the country as a whole or on any community or section of the country in particular;
- b. Provide advice and information to national and county governments ministries, departments and agencies or any other person or authority with regard to the reform or amendment of a branch of the law appropriate to the ministry, department and agency or person or authority;
- c. Solicit for funds for participation by the public in the performance of the functions of the KLRC;
- d. Encourage international co-operation in the performance of its functions;
- e. Encourage and promote public participation in the process of law-making and educate and sensitize the public on the content of the law through seminars, workshops, conferences and other public meetings; and

Commissioners:

KLRC consists of a Chairperson and Six Commissioners. This is the policy organ of the Commission. The KLRC Act, 2013 provides that at its first meeting, Commissioners are required to elect a Vice-Chairperson from amongst themselves and further, that the Vice-Chairperson must be of opposite gender to the Chairperson. The Commissioners meet at least once a month to review projects and programmes of KLRC. When there is need, Commissioners may meet more frequently. The Chairperson, the Vice-Chairperson and the Commissioners provide policy guidance and general oversight on the operations of the KLRC.

Secretariat:

The secretariat team is headed by the Secretary/Chief Executive Officer. The Secretary is the Accounting Officer, responsible for the day to day administration and management of the KLRC. Law reform, legal and policy research, review of legislation and legislative drafting work at KLRC is carried out by the Legal Officers. KLRC has other supporting cadres including Administrators, Librarians, Human Resource Officers, Accountants, Finance Officers, Planning Officers, Procurement Officers, Secretarial and Clerical staff.

KENYA LAW REFORM COMMISSION

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Vision:

"A vibrant agency for responsive law reform"

Mission

"To facilitate law reform conducive to social, economic and political development"

Core Values:

In carrying out its mandate, KLRC upholds the following core values: Professionalism, Integrity, Innovation, Networking, Accountability, Result Oriented, Equality, Rule of Law and Human Rights.

Value Proposition:

"KLRC firmly believes that a performance culture which sets standards for excellence and which constantly seeks to improve the way things are done should apply to all activities undertaken in pursuance of its mandate"

Philosophy:

"Responsive law reform"

Key Strategic Objectives:

Strategic Objective 1: To facilitate quality development and preparation of legislation required to implement the Constitution.

Strategic Objective 2: To facilitate the review of all laws required for the successful implementation of the Medium Term Plan.

Strategic Objective 3: To facilitate the increase of law reform activities required for conformity to Constitution and the Medium Term Plan.

Strategic Objective 4: To contribute to the legislative and law reform knowledge in Kenya.

Strategic Objective 5: To increase the accessibility of legislative and law reform services to Kenyans.

KENYA LAW REFORM COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

Strategic Objective 6: To enhance the requisite institutional capacities for legislation and law reform over the Medium Term Plan.

Strategic Objective 7: To improve the mainstreaming of cross-cutting issues into the legislation and law reform in Kenya.

(b) Principal Activities

The principal activity of KLRC is to keep under review all the law of Kenya to ensure its systematic development and reform, including in particular the integration, unification and codification of the law, the elimination of anomalies, the repeal of obsolete and unnecessary enactments and generally its simplification and modernization. The strategic thrust for KLRC is organized into six high level thematic areas namely: Legislation; Law Reform; Knowledge Management; Services (Technical and Advisory); Institutional Capacity and Cross cutting issues.

(c) Key Management

The KLRC's day-to-day management is under the following persons:

S/NO.	NAME	DESIGNATION
1.	Mr. Joash Dache, MBS	Secretary/ CEO
2.	Mrs. Josephine Sinyo	Director Legal Services
3.	Mr. Peter Musyimi	Principal Legal Officer
4.	Ms. Susan Kuria	Senior Administration Officer
5.	Ms. Felistus Kabiru	Senior Human Resource Management Officer
6.	Mr. Moses Oyolla	Senior Records Management Officer
7.	Ms. Winnie Mutiso	Senior Telephone Operator
8.	Mr. John Kariuki	Accountant I
9.	Mr. James Ruteere	ICT Officer II
10.	Mrs. Alice Githuka	Executive Administrative Secretary

The Secretary/CEO is managing KLRC operations assisted by various committees with specific terms and reference in carrying out their activities and include the following:

1. Human Resource Management Advisory Committee

This committee advises the Secretary/CEO on Human Resource issues including: investigation and making recommendations on staff disciplinary matters; making recommendations on existing Human Resource regulations and policies; and making recommendations on general staff welfare and motivation issues. During the financial year ended 30th June, 2016 the following were members of this committee:

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S/NO.	NAME	ROLE
1.	Mrs. Josephine Sinyo	Chairperson
2.	Mr. Matthew Kimanzi	Alternate Chairperson
3.	Ms. Susan Kuria	Member
4.	Mrs. Julita Onyango	Member
5.	Mr. Moses Oyolla	Member
6.	Mr. Abel Ndege	Member
7.	Mr. James Ruteere	Member
8.	Mr. Nelson Chirchir	Secretary
9.	Mr. Leonard Mutie	Alternate Secretary

2. Training and Development Committee

This committee advises the Secretary/CEO on staff training and development issues including: considering officers training requests and recommending those to be trained for the approved training programmes. During the financial year ended 30th June, 2016 the following were members of this committee:

S/NO.	NAME	ROLE
1.	Ms. Catherine Munyao	Chairperson
2.	Mr. Matthew Kimanzi	Alternate Chairperson
3.	Mr. John Kariuki	Member
4.	Mrs. Virginia Arina	Member
5.	Ms. Susan Kuria	Member
6.	Mrs. Julita Onyango	Member
7.	Mr. James Ruteere	Member
8.	Mr. Nelson Chirchir	Secretary
9.	Mr. Leonard Mutie	Alternate Secretary

3. Tender Committee

This committee is constituted in accordance with the Public Procurement and Disposal Act, 2005, the Public Procurement and Disposal Regulations, 2006 and Public Procurement & Asset Disposal Act 2015 . The main function is to adjudicate on tender transactions to facilitate the Commission and advise the Secretary/CEO on tender related issues. During the financial year ended 30th June, 2016 the following were members of this committee:

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S/NO.	NAME	ROLE
1.	Mr. Peter Musyimi	Chairperson
2.	Mrs. Catherine Munyao	Alternate Chairperson
3.	Mrs. Felistus Kabiru	Member
4.	Ms. Susan Kuria	Member
5.	Mr. James Ruteere	Member
6.	Ms. Winfred Shireku	Member
7.	Mr. Moses Oyolla	Member
8.	Mrs. Julita Onyango	Secretary

4. Procurement Committee

This committee is constituted in accordance with the Public Procurement and Disposal Act, 2005, the Public Procurement and Disposal Regulations, 2006 and Public Procurement & Disposal Act 2015. The main function is to adjudicate on procurement transactions to facilitate the Commission and advise the Secretary/CEO on procurement related issues. During the financial year ended 30th June, 2016 the following were members of this committee:

S/NO.	NAME	ROLE
1.	Ms. Annette Bosibori	Chairperson
2.	Mr. Leonard Mutie	Alternate Chairperson
3.	Mr. Francisco Mbuvi	Member
4.	Mrs. Alice Githuka	Member
5.	Mrs. Florence Simiyu	Member
6.	Mrs. Josephine Mwangeli	Member
7.	Ms. Lucy Mutua	Secretary

5. Inspection and Acceptance Committee

This committee is constituted in accordance with the Public Procurement and Disposal Act, 2005, the Public Procurement and Disposal Regulations, 2006 and Public Procurement & Asset Disposal Act 2015. The main function is to facilitate the Commission by ensuring goods and services supplied are as per specifications and there is value for money. During the financial year ended 30th June, 2016 the following were members of this committee:

KENYA LAW REFORM COMMISSION

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S/NO.	NAME	ROLE
1.	Ms. Mercy Muthuuri	Chairperson
2.	Mr. Luke Mikedon	Alternate Chairperson
3.	Mr. David Munene	Member
4.	Mrs. Leila Kulah	Member
5.	Mr. Abel Ndege	Member
6.	Ms. Lucy Mutua	Secretary

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

S/NO.	NAME	DESIGNATION
1.	Mr. Joash Dache, MBS	Secretary/ CEO
2.	Mr. Peter Musyimi	Principal Legal Officer
3.	Ms. Susan Kuria	Senior Administration Officer
4.	Mr. John Kariuki	Accountant I

e) Fiduciary Oversight Arrangements

In discharging its duty, the Commission establishes such Commission committees as are necessary for the performance of its duties.

1. Finance and Administrative Services Committee

This Committee is mandated to champion the Commission's participation in the development of policies with regard to public financial management. Of critical importance is the oversight role of ensuring prudent use of finances and reporting on the performance of the Commission. It is also mandated to provide best practice in the development, implementation and subsequent monitoring of Human Resource Management function of the Commission. During the financial year ended 30th June, 2016 the Committee was headed by Commissioner Njoki Kahiga.

2. Law Reform Policy Formulation and Legislative Services Committee

This Committee oversees the review and reform of the law. It is also responsible for the provision of technical and advisory services to both levels of government. During the financial year ended 30th June, 2016 the Committee was headed by the Vice Chairperson, Commissioner Doreen Muthaura.

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3. Audit Compliance and Risk Management Committee

This Committee is responsible for monitoring the internal control and risk management systems of the Commission. The mandate includes providing oversight on auditing and financial reporting processes. During the financial year ended 30th June, 2016 the Committee was headed by Commissioner Apollo Mboya.

4. Research, Development and Regulatory Impact Assessment Committee

This Committee oversees the development and implementation of strategies and policies to guide the operations and functioning of law reform. During the financial year ended 30th June, 2016 the Committee was headed by Commissioner Mary Wairagu.

f) Entity Headquarters

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

g) Entity Contacts

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

h) Entity Bankers

Co-operative Bank of Kenya
Aga Khan Walk Branch
P.O. Box 34999-00100
Nairobi, KENYA

i) Independent Auditors

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



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j) Principal Legal Adviser




The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112

11. KENYA LAW REFORM COMMISSION COMMISSIONERS

 <p>Mr. Mbage N. g'ang'a Chairman, KLRC</p>	<p>Mr. Mbage N. Ng'ang'a is the Chairman, Kenya Law Reform Commission. He is an Advocate of the High Court of Kenya and a CPS (K). He is a former Chairman of the Energy Tribunal, Kenya. He holds a Master of Law degree in International Business Law from the University of London. He also has Masters of Science in Agricultural Development from the same University. Mr. Mbage Ng'ang'a holds a Bachelor of Laws from the University of Nairobi. He was until his appointment to the Commission a Senior Partner, Waruhiu and K'owade and Ng'ang'a Advocates, Nairobi in Kenya. Being a member of Law society of Kenya, he has served in various Committees of the Law Society of Kenya including being a Convener of the Property Law, Conveyance and Land Reform Committee.</p>
 <p>Ms. Doreen Muthaura Vice-Chairperson, KLRC</p>	<p>Ms. Doreen Muthaura is the Vice-Chairperson, Kenya Law Reform Commission. She holds a Master of Laws (LL.M) in Advanced Legislative Studies, Bachelors of Laws (LLB), a Postgraduate Diploma in Legal Studies, a Certificate in Legislative Drafting from RIPA International-London, Certificate in Evidence Based Policy Making, Certificate in Policy Formulation and Implementation. She worked as a Principal Program Officer – Legislative Drafting, a Senior Program Officer and a Researcher at the Commission for the Implementation of the Constitution and as a Parliamentary Counsel in Legislative Drafting Department- Office of the Attorney-General (State Law Office). She has trained legal officers, County Officials amongst others on Legislative Drafting, policy formulation and Law Reform at the Kenya School of Law. She drafted, in collaboration with others, the first ever Guide to the Legislative Process in Kenya (Published). She has drafted several policies, Regulations, Rules and other legal and administrative instruments. She has drafted and reviewed various Bills (now Acts of Parliament) to implement the Constitution of Kenya. She has participated in training of County Attorneys and other legal officers at County level. She has drafted several County Governments Bills. She has contributed heavily in legal drafting, law reform and Constitution implementation. Ms. Doreen Muthaura is a member of the Commonwealth Association of Legislative Counsel (CALC); member of the Law Society of Kenya, member of the Federation International De Abogadas (FIDA- Kenya) and a Chevening Scholar Alumni. She has participated in several task teams and Committees on Law Reform matters.</p>




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 <p>Ms. Njoki Kahiga, HSC, OGW Commissioner, KLRC</p>	<p>Ms. Njoki Kahiga is a Commissioner at the Kenya Law Reform Commission. She holds a Master of Science in Human Resource Management degree from Salford University, UK. She also has a Bachelor of Education (B.ed) degree from the University of Nairobi. She has been trained on: Advanced Management Programme – IESE Business School, University of Navara, Corporate Governance Course – Institute of Corporate Governance, Advanced Training of Trainers - USAID and Strategic Negotiations in the Public Sector – Jamaica. Ms. Njoki Kahiga has worked as an Ag. Permanent Secretary – Ministry of State for Public Service and Secretary Human Resource Development. She was also a Director, Human Resource Development, a Deputy Director Human Resource Development and a Senior Assistant Director Human Resource. She is a member of Kenya Institute of Management, Treasurer of Kenya Association of Public Administration and Management (KAPAM) and Member of African Association of Public Administration Management (AAPAM).</p>
 <p>Ms. Ruth Kirwa Commissioner, KLRC</p>	<p>Commissioner Ruth Kirwa is an Advocate of the High Court and Commissioner for Oaths and also serves as the University Secretary at the Technical University of Kenya. She draws a vast wealth of experience having previously consulted with: the Africa Nazarene University, Kenya, Messrs. Kalya & Co Advocates, Eldoret. She was a Research Fellow at the Moi University, Kenya- School of Environmental Studies and taught at the University of Nairobi, Kenya- Faculty of Law as well as tutoring at the Kenya School of Law. Other roles that she performs include but not limited to being; a Lead Expert with the National Environmental Management Authority (NEMA) in conducting Environmental Impact Assessments (EIAs); an Auditor and Implementer of the International Standardization 9001:2008 (ISO). She holds a: Masters in Law (LLM) (Corporate Law and Finance); Bachelor of Law (LLB) (Upper Second Class) and a Diploma in Law from the Kenya School of Law. She is also trained in Legislative Drafting from the Kenya School of Law and Intellectual Property Rights: Patent Drafting from the Kenya Industrial Property Institute (KIPI), Kenya. Other professional affiliations include: Federation of Kenyan Employers (FKE), The Institute of Certified Public Secretaries and the Chartered Institute of Arbitrators. She additionally was assisting as a volunteer lawyer for the <i>Kituo cha Sheria</i> and lately has provided <i>pro bono</i> services to the Child Welfare of Kenya.</p>
 <p>Mr. Apollo Mboya, HSC Commissioner, KLRC</p>	<p>Mr. Apollo Mboya, HSC, is a Commissioner of the Kenya Law Reform Commission. He holds a Bachelor of Arts (Political Science & History), LL.B and Masters of Arts degrees in International Studies (Diplomacy & International Relations). He is a holder of a Diploma in Law from Kenya School of Law, Post Graduate Diploma in Human Rights from the Institute of Social Studies (The Hague); Security Studies from the National Defence College, Nairobi. He worked as a specialist with the United Nations Development Programme He also worked as a State Counsel in the Department of Treaties and Agreements, Office of the Attorney-General. He previously served as Secretary/CEO, Law Society of Kenya. He is a member of the Institute of Certified Public Secretaries of Kenya, International Commission of Jurists, East African Law Society, Commonwealth Lawyers Association and Outreach Official of the International Bar Association (Africa Region) and a Certified Professional Mediator, Mediation Training Institute.</p>

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 <p>Mary M. Wairagu Commissioner, KLRC</p>	<p>Mrs. Mary Wairagu is an Advocate of the High Court of Kenya and a Commissioner for Oaths and a Notary Public having been admitted to the Bar on 19th December 1991. She has an LLB degree Second Class Honours Upper Division from the University of Nairobi (1990), and also a Post graduate Diploma in Law, Kenya School of Law, (1991). Mary Wairagu has Post graduate Diplomas in Gender and Human Rights, Legislative Drafting (Parliament of India, 2012) and Strategic Leadership Development Programme, (SLDP), Kenya School of Government, (2011), Governance, Ethics and Anticorruption Reforms, ESAMI, (2009) Corporate Governance and Ethics Strategies (Commonwealth Training) (2009) Uppsala University, Sweden, (2008).</p>
 <p>Ms. Linda Murila Commissioner (Ex-officio)</p>	<p>Ms. Linda Musilivi Murila is a Commissioner (Ex-Officio) of the Kenya Law Reform Commission. She holds an LL. B (Hons) degree from the University of Nairobi, Faculty of Law. She has a Diploma (Law) from the Kenya School of Law, Advanced Diploma in Legislative Drafting from the University of West Indies, Barbados. She was a member of the drafting team, Proposed Constitution of Kenya, Multi Sectoral Constitutional Review Committee, Member of the Technical Team to Review laws relating to elections, member of the Task Force on the review of Health and Health Related Acts, drafts person to the Inter-parties Parliamentary Group on Constitutional Reforms, member of various taskforces including taskforces to review laws relating to labour, health, landlords and tenants, companies, partnerships, insolvency and investment, housing and the built environment and a member of the drafting team of various East African Community legal instruments.</p>
 <p>Mr. Joash Dache, MBS Secretary/CEO, KLRC</p>	<p>Mr. Joash Dache is the Secretary/Chief Executive Officer of the Kenya Law Reform Commission. He is a holder of LL.M. degree; (Monash University, Australia), has a Certificate in Legislative Drafting (University of London), a Diploma in Law (Kenya School of Law) and LL.B. degree (University of Nairobi). He is a Certified Public Secretary CPS (K), an Advocate of the High Court of Kenya. Mr. Dache has undergone the Strategic Leadership and Development Programme (SLDP), Kenya School of Government and various other professional courses both locally and abroad. He specializes in International and Comparative Law and has studied International Criminal Justice; International Aspects of Foreign Investment; World Trade Organization [WTO] Law and Policy; European Union [EU] Law and Policy; Overview of Intellectual Property; Regulatory Fundamentals; Privatization Law and Policy; Law of the Internet; and Legislative Drafting at post-graduate level. His core Expertise includes, Constitutional Development and Law Reform, Legislative Drafting, Legal and Policy Research; and Programme Coordination. He is a member of the Law Society of Kenya, Commonwealth Association of Legislative Counsel (CALC), Commonwealth Association of Law Reform Agencies (CALRAs) and the Association of Law Reform Agencies in Eastern and Southern Africa (ALRAESA).</p>

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CHAIRMAN'S STATEMENT



Chairman: Mr. Mbage N. Ng'ang'a

The Kenya Law Reform Commission (KLRC) is honored to publish the 2015/2016 Annual Report on its performance and financial statements. This is in line with Section 32 of the Kenya Law Reform Commission Act, 2013 and the standard practice observed by KLRC. The Commission is a statutory body that draws its mandate and functions from the Constitution of Kenya 2010, Section 6 of the KLRC Act of 2013, and the County Governments Act, 2012 which broadly require KLRC to review all the law of Kenya and also give technical support to both National and County Governments in matters relating to law reform.

This 2015/2016 Annual Report and Financial Statements document the initiatives and statistical information towards the attainment of our mission to facilitate law reform conducive to social, economic and political development. This has been largely done through: legal research, drafting of bills, public education; stakeholder engagements; technical support to national and county governments and provision of information and advice to the public. We have also worked with both State and no-State actors in keeping all law (County and National) under review, ensuring their systematic development and reform in conformity with the Constitution of Kenya 2010. Due diligence has also been exercised in the reporting period towards the attainment of our strategic goals as contained in the 2013-2017 Strategic Plan.

We are pleased to report that the financial year 2015/2016 was a period KLRC witnessed strategic milestones. In particular, the Commission monitored and closely worked with Parliament and other institutions to facilitate the enactment of the 12

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pieces of legislation that were required to implement the Constitution which were outstanding as at 27th August 2015. This was occasioned by the resolution of Parliament to extend their enactment for a period of one year after the transition period lapsed and a new date of 27th of August, 2016 set. Further, we have strengthened collaboration frameworks with the Executive and Legislative authorities at each level of government towards a fully participatory and consultative process in policy formulation, legislative development and reform of the law.

To effectively deliver on its constitutional and statutory mandate, the Commission equally undertook deliberate efforts to strengthen internal capacity and governance processes. For the first time, all Commission's internal policies were operationalized and each department substantively filled with competent heads of departments. During the period under review, the Commission conducted a departmental performance contracting exercise, comprehensive staff training needs analysis and subsequent retraining and capacity building. The Commissioners too benefited from the Mwongozo Induction that has leveraged the Commission with the relevant skills for optimum performance, policy formulation and execution of the Commission's mandate.

Indeed, the achievements outlined above would not have been possible without the innovation, resourcefulness, commitment and hard work of the Commissioners and staff. In this regard, the Commission expresses gratitude to the KLRC Secretary/CEO, Mr. Joash Dache, MBS and the entire staff for work well done. The Commission also acknowledges the relentless efforts of the Vice-Chairperson, Ms. Doreen Muthaura, all Commissioners and indeed our partners and stakeholders for their support in the 2015/2016 financial year.

In conclusion, we express our gratitude for the honour granted to us in service to the people of the great Nation of Kenya in various capacities at Kenya Law Reform Commission (KLRC). We are confident that the Commission, its partners and the

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people of Kenya will continue working closely in all areas in strengthening issue based, citizen centered, accountable and result-oriented law reform towards realizing the Constitutional aspirations and Kenya Vision 2030`s Social, Economic and Political development goals.



Mr. Mbage Ng'anga
Chairman

KENYA LAW REFORM COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

PREFACE BY THE SECRETARY/CHIEF EXECUTIVE OFFICER



Secretary/ CEO: Mr. Joash Dache, MBS

I am delighted at the publication of the Commission's Annual Report and Financial Statements for the financial year 2015/2016.

The Commission draws its mandate and functions from the Constitution of Kenya 2010; the Kenya Law Reform Commission Act 2013; the State Corporations Act (Cap 446) and the County Government's Act, 2012 among other instruments. These instruments of governance also inform its establishment, structure and operations. The Report details the activities of the Commission during the year under review, achievements, challenges and the options of addressing them. Further, the Report documents the progress made in law reform in Kenya generally.

In undertaking its mandate, KLRC has navigated a transition between two distinct regimes. The first regime relates to where KLRC existed under the former constitutional dispensation during which the system of governance was centralized. The second regime is the one in which KLRC has constitutional responsibilities defined by the Constitution and clear statutory role spelt out in the KLRC Act, 2013. Within the devolved system of government, the Commission is therefore the primary Law Reform agency in Kenya and part of its mandate is to offer technical assistance, advice and information to Ministries, Departments and Agencies (MDAs) at both levels of government on review of laws in respect of which they superintend.

While the year 2015/2016 was not without its challenges, the management team of Kenya Law Reform Commission (KLRC) continued to successfully implement its mandate and to advance its goals and objectives set in the Strategic Plan and approved by the Commissioners. The Commissioners indeed provided strategic direction, leadership and oversight to the Secretariat

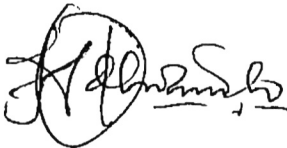
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in the execution of the programmes and activities. To meet this enormous task, the Commission received grants from Government totaling 250 Million during the period under review.

In the coming year, KLRC will focus primarily on implementing the key areas of focus as identified in the Strategic Plan, Work Plans and the Performance Contracts (PCs).

The Secretariat will continue to ensure the effective implementation of the programmes of the Commission including supporting the work of the Commissioners and the various Commission Committees. We will remain dedicated and committed to achieving our vision "*of being a vibrant agency for responsive law reform*" and our mission "*of facilitating law reform conducive to social, economic and political development*".

The KLRC Management Team is grateful for the continued support of the Chairperson, the Vice Chairperson, the Commissioners, staff and all those who supported us in one way or another towards the accomplishment of our goals this year.



Mr. Joash Dache, MBS.

Secretary/ Chief Executive Officer

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

I. CORPORATE GOVERNANCE STATEMENT

Sound corporate governance is critical to achievement of our mandate and ensuring prudent use of public resources entrusted to the Commission. Responsibility for good governance lies with the Commissioners. Governance, the manner in which power is exercised in the management and control of organizations has assumed critical importance in these days of political pluralism. Kenya Law Reform Commission (KLRC) recognizes that governance is a vital ingredient in the maintenance of a dynamic balance between the need for order and equality in society, protection of public interest, efficiency in service delivery to the public and maintenance of organized corporate framework within which each citizen can contribute fully towards finding innovative solutions to common problems.

Good Corporate Governance seeks to promote:

- An efficient, effective and sustainable Commission that contributes to the welfare of society by creating wealth, employment and solutions to emerging challenges;
- A responsive and accountable Commission;
- A legitimate Commission that is managed with integrity, probity and transparency;
- Recognition and protection of stakeholder rights; and
- An inclusive approach based on democratic ideals, legitimate representation and participation.

KLRC is committed to the highest standards of integrity, behavior and ethics in dealing with all its stakeholders. The Commissioners adheres to the code of corporate governance (Mwongozo Code of Conduct) as well as its own stringent standards of governance and control. A formal Code of Ethics is available and is fully implemented to guide Commissioners, Management, Employees and Stakeholders on acceptable behavior in conducting our operations. These include among others: requirement to act honestly, in good faith and in the best interest of the Commission; exercise duty of care and diligence; avoidance and disclosure of conflict of interest and maintenance of confidentiality of information about the Commission.

The Commissioners have a collective responsibility for establishing and management of appropriate systems on internal control and for reviewing their effectiveness. KLRC has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information and safeguarding public resources. Internal control and risk management systems are designed to mitigate rather than eliminate the risks identified in the financial reporting process. The Management is responsible for ensuring that the internal control activities are performed and documented, and is required to report to the Audit Committee on compliance on quarterly basis.

KENYA LAW REFORM COMMISSION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

II. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Kenya Law Reform Commission (KLRC) recognizes its obligations to act responsibly, ethically and with integrity in its interactions with all stakeholders be they employees, customers, suppliers, neighbours and the environment as a whole.

To this end:

1. The Commission has in place policies that clarify its commitment to negating its impact on the environment;
2. The Commission carries out regular risk assessments to guarantee the wellbeing of employees and visitors, in accordance with Occupational Health and Safety regulations;
3. The Commission actively manages its reputation, and drives best practice, through the application of prudent public procurement practices as outlined in the Public Procurement and Disposal Act;
4. The Commission is an Equal Opportunities Employer which promotes diversity and does not differentiate on grounds of gender, ethnicity, religion, race, or physical ability;
5. The Commission actively contributes to social and environmental initiatives in the republic through donation of time and funds; and
6. The Commission commits to being open and transparent in the interests of promoting best practice.

It is important to our employees to work for a socially responsible organization and our approach therefore reflects our people. We recognize that our activities as a Commission have an impact on our communities and the general public. We are committed to not only managing that impact but also using the public resources we have been entrusted with in making a real and sustainable difference.

To this end:

1. The Commission is actively involved in supporting and developing the local community to make a lasting positive impact;
2. The Commission works hard to ensure that the negative impact our work has on the environment is minimized; and
3. The Commission provides the tools to enable employee growth and fulfillment for individuals and for the organization to work together to make a difference as a team.

KENYA LAW REFORM COMMISSION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

III. STATEMENT OF COMMISSIONERS RESPONSIBILITIES

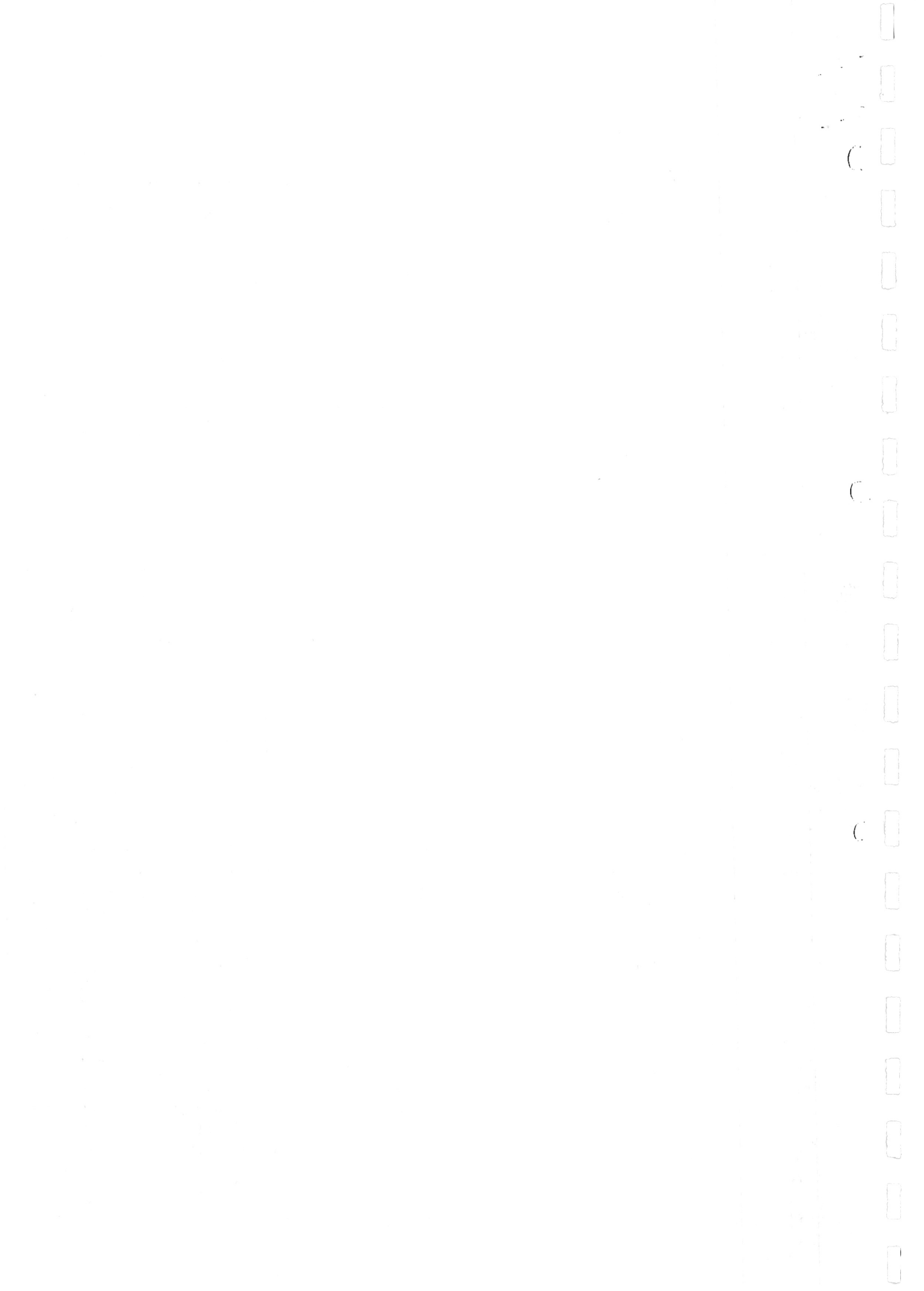
Section 81 (1) of the Public Finance Management Act, 2012 and section 31 (2) of the Kenya Law Reform Commission Act, 2012, require the Commission to prepare financial statements in respect of the KLRC, which give a true and fair view of the state of affairs of the Commission at the end of the financial year and the operating results of the Commission for that year. The Commissioners are also required to ensure that the Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Commission. The Commissioners are also responsible for safeguarding the assets of the Commission. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

The Commissioners are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2015. This responsibility includes:

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

The Commissioners accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the KLRC Act. The Commissioners are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2016, and of the Commission's financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

The Commissioners confirm that the Commission has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the Commission's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Nothing has come to the attention of the Commissioners to indicate that the Commission will not remain a going concern for at least the next twelve months from the date of this statement.



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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA LAW REFORM COMMISSION FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Law Reform Commission set out on pages 22 to 45, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

Report of the Auditor-General on Financial Statements of Kenya Law Reform Commission for the year ended 30 June 2016

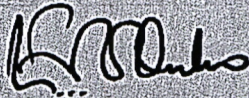
auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Law Reform Commission as at 30 June 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and the Kenya Law Reform Commission Act, 2013.



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

Nairobi

09 February 2017

KENYA LAW REFORM COMMISSION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

I. STATEMENT OF FINANCIAL PERFORMANCE
For the Year Ended 30th June 2016

	Note	2015-2016	2014-2015
Government Grants –	3	249,025,000	208,000,000
Revenue from Exchange Transactions			
Other Income	4	42,000	1,329,172
Total Revenue		<u>249,067,000</u>	<u>209,329,172</u>
Expenses			
Employee Costs (secretariat)	5	72,331,299	28,395,642
Commissioners Salaries	6	28,798,470	21,575,804
Contractual Employees	7	3,010,044	3,071,849
General Expenses	8	122,996,538	115,134,811
Repair and Maintenance	9	4,555,585	12,838,064
ICT related cost	10	3,290,140	2,955,948
Commissioners Allowances	11	1,260,000	4,969,535
Depreciation Expenses	12	5,247,143	3,951,481
Total Expenditure		241,489,219	192,893,134
Surplus		<u>7,577,781</u>	<u>16,436,037</u>

KENYA LAW REFORM COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016


II. STATEMENT OF FINANCIAL POSITION

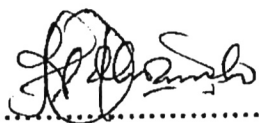
For the Year Ended 30 June 2016

	Note	2015-2016	2014-2015
ASSETS		Kshs.	Kshs.
Non-Current Assets			
Property, Plant & Equipment	12	17,245,733	13,327,622
Inventory	16	1,053,121	3,052,345
Sub-total		18,298,854	16,379,967
Current Assets			
Cash and Cash Equivalents	13	765,272	4,272
Receivables from Non-Exchange	14	6,812,136	3,734,037
Sub-total		7,577,408	3,738,309
Grand-total		<u>25,876,262</u>	20,118,276
LIABILITIES			
Current Liabilities			
Trade & Other Payables from Exchange Transactions	15	1,862,444	3,682,239
Surplus (Opening)		16,436,037	
Surplus for the year		7,577,781	16,436,037
Total Liabilities		<u>25,876,262</u>	<u>20,118,276</u>

Approval of the Financial Statements

The Kenya Law Reform Commission's Financial Statements were approved by the Commission on 10/01/2017 and signed on its behalf by:

.....

Mbage Njuguna Ng'anga
CHAIRMAN,
KENYA LAW REFORM COMMISSION

.....

Joash Odhiambo Dache, MBS
SECRETARY/CEO,
KENYA LAW REFORM COMMISSION

KENYA LAW REFORM COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

III. STATEMENT OF CASHFLOWS

For the Year Ended 30 June 2016

	Note	2015-2016	2014-2015
		Kshs.	Kshs.
Cash flow From Operating Surplus for the year before tax		7,577,781	16,436,037
Adjusted for: Depreciation	12	5,247,143	3,951,481
Contributed assets		0	0
Working capital adjustments			
Decrease in inventory	16	1,999,224	(3,052,345)
Increase in receivable	14	(3,078,099)	(3,734,037)
Decrease in Payables	15	(1,819,795)	3,682,239
Net cash flows from operating actives		2,348,473	847,337
Cash flow from investment activities			
Purchase of property, plant and equipment	12	(9,165,254)	-17,279,102)
Net cash flow from investment activities		(9,165,254)	-17,279,102)
Cash flow from financing activities		0	0
Cash and cash equivalent as at 1 st July 2015		4,272	0
Cash and cash equivalent as at 1 st July 2016	13	765,272	4,272

KENYA LAW REFORM COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

IV. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30th June 2016

	Capital reserve Kshs.	Accumulated Surplus Kshs.	Total Kshs.
Balances as at 1 st July 2013	-	-	-
Surplus/(deficit) for the period	-	-	-
Transfers to/from accumulated surplus	-	-	-
Balance as at 30 th June, 2014	-	-	-
Changes in Equity for the year 2014/15			
Balance as at 1 st July 2015		-	-
Surplus for the year	-	16,436,037	16,436,037
Transfers to/from accumulated surplus	-	16,436,037	16,436,037
Changes in Equity for the year 2015/16			
Balance as at 1 st July 2016		16,436,037	16,436,037
Surplus for the year	-	7,577,781	7,577,781
Transfers to/from accumulated surplus		24,013,818	24,013,818

KENYA LAW REFORM COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

TRIAL BALANCE

As at 30th June 2016

Account	Debit 'Kshs'	Credit 'Kshs'
Cash and Cash Equivalents	765,272	
Salary Advance	1,014,300	
Prepayment Insurance	5,797,836	
Inventory or Stock	1,053,121	
Property, Plant and Equipment - Additions	9,165,254	
Property, Plant and Equipment (Prior years)	17,279,102	
Accounts Payable		1,862,444
Government Grant		249,025,000
Sale of tenders		42,000
Total Provision for accumulated Depreciation		9,198,623
Opening Surplus		16,436,037
Depreciation Expenses	5,247,143	
Employees cost	72,331,299	
Salaries to Commissioners	28,798,470	
Staff Pension	2,435,817	
Contractual employees	3,010,044	
Repair and maintenance	4,555,585	
Commissioners Allowances	1,260,000	
ICT related costs	3,290,140	
Advertising and publicity	2,240,602	
Office Rent	26,265,816	
Newspapers and journals	653,158	
Printing and stationery	4,210,719	
Cleaning services	2,079,828	
Remunerations to instructors	690,155	
Travel and accommodation	42,079,396	
Fuel	1,821,820	
Insurance expenses	4,927,136	
postage and delivery	175,320	

KENYA LAW REFORM COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

Telephone and faxes	2,892,180	
Education & Library	1,257,400	
Training and Development	9,136,544	
Conferences and workshops	16,337,339	
Professional Services, Fees & Subscriptions to Professional bodies	3,050,920	
Trade shows and exhibitions	1,023,900	
Ex - Gratia (Medical)	450,000	
Technical Services	1,268,488	
Total	276,564,104	276,564,104

KENYA LAW REFORM COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

VI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT

Income	Original budget	Adjustments	Final	Actual on comparable basis	Performance difference	Var %
			Budget			
	2015-2016	2015-2016	2015-2016	2015-2016	2015-2016	
	Kshs	Kshs	Kshs	Kshs	Kshs	
GOK Grants – Recurrent	250,000,000	-	250,000,000	249,025,000	-	0%
Appropriation In Aid	50,000	-	50,000	42,000	8,000	16%
Total Income	250,050,000	-	250,050,000	249,067,000	8,000	0%
RECURRENT EXPENDITURE						
STAFF COSTS						
Basic Salaries	38,650,440	(4,000,000)	34,650,440	34,467,823	182,617	1%
House Allowance	14,422,400	-	14,422,400	12,716,392	1,706,008	12%
Responsibility Allowance	742,400	-	742,400	515,519	226,881	31%
Entertainment Allowance	2,080,800	-	2,080,800	1,075,800	1,005,000	48%
Commuter Allowance	5,495,200	-	5,495,200	4,219,804	1,275,396	23%
Extraneous Allowance	9,400,000	-	9,400,000	9,782,993	(382,993)	-4%
Non Practicing Allowance	3,342,000	-	3,342,000	3,489,355	(147,355)	-4%
Leave Allowance	887,000	-	887,000	1,486,413	(599,413)	-68%
Domestic Servant Allowance	561,600	-	561,600	187,200	374,400	67%
Prosecutorial Allowance	4,320,000	-	4,320,000	4,390,000	(70,000)	-2%
Sub-Total	79,901,840.00	-4,000,000	75,901,840	72,331,299	3,570,541	5%
Contractual employees						
Gross Salary	-	-	-	2,787,062	(2,787,062)	-
Service Gratuity	-	-	-	222,982	(222,982)	-
Sub-Total	-	-	-	3,010,044	(3,010,044)	-
Commissioners Salary & Allowances						
Basic salary	16,060,560	-	16,060,560	15,747,500	313,060	2%
Allowances commissioners	12,177,600	-	12,177,600	13,050,970	(873,370)	-7%
Sub-Total	28,238,160	-	28,238,160	28,798,470	(560,310)	-2%
Repair and Maintenance						
Building Repair & Maintenance	1,000,000	1,000,000	2,000,000	1,967,590	32,410	2%
Plant & Equipment Maintenance	600,000	-	600,000	508,125	91,875	15%
Motor Vehicle Repair and maintenance	3,000,000	(920,130)	2,079,870	2,079,870	0	-2%
Sub-Total	4,600,000	79,870	4,679,870	4,555,585	124,285	3%
General Expenses						
Advertising and Publicity	3,300,000	(1,059,398)	2,240,602	2,240,602	0	0%

KENYA LAW REFORM COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT 2015/2016 - CONTINUATION

Office Rent	24,000,000	2,265,816	26,265,816	26,265,816	(1)	0%
Newspapers and Journal	800,000	0	800,000	653,158	146,842	18%
Printing and Stationery	4,700,000	(489,281)	4,210,719	4,210,719	0	0%
Cleaning Services	1,900,000	179,828	2,079,828	2,079,828	0	0%
Remuneration to Instructors	776,100	0	776,100	690,155	85,946	11%
Travel and Accommodation	36,900,000	5,179,396	42,079,396	42,079,396	0	0%
Fuel	2,500,000	(678,180)	1,821,820	1,821,820	0	0%
Insurance Expenses	10,000,000	(5,072,864)	4,927,136	4,927,136	1	0%
Medical Ex-gratia	0	450,000	450,000	450,000	0	0%
Postage and Delivery	600,000	(393,040)	206,960	175,320	31,640	15%
Telephone and Faxes	2,500,000	393,040	2,893,040	2,892,180	860	0%
Education and Library	1,400,000	0	1,400,000	1,257,400	142,600	10%
Training and Development	8,931,000	205,544	9,136,544	9,136,544	-1	0%
Conference and Workshops	8,600,000	7,737,340	16,337,340	16,337,339	1	0%
Pension	11,200,000	(8,764,183)	2,435,817	2,435,817	0	0%
Trade Show & Exhibitions	1,023,900	0	1,023,900	1,023,900	0	0%
Technical Services	1,569,000	0	1,569,000	1,268,488	300,512	19%
Sub-Total	120,700,000	(45,982)	120,654,018	119,945,618	711,401	
Professional Services, Fees & Subscription to Professional Bodies.						
Fees to International Organizations	500,000	700,000	1,200,000	1,193,770	500,000	42%
Contracted Professional Services	1,500,000	0	1,500,000	1,499,500	500	0%
Membership Fees to professional bodies	500,000	0	500,000	357,650	142,350	28%
Sub-Total	2,500,000	700,000	3,200,000	3,050,920	642,850	
Purchase of Furniture	1,000,000	-	1,000,000			
Purchase of Motor Vehicles	7,000,000		7,000,000			
Purchase of Uniforms and clothing	500,000	-	500,000	0	500,000	100%
Sub-Total	8,500,000	(0)	8,500,000	0		
Commissioners Allowances						
Commissioners Allowance (Part-time)	1,260,000	-	1,260,000	1,260,000	0	0%
Sub-Total	1,260,000	-	1,260,000	1,260,000	0	0%
ICT related Costs						
Internet and E-Mail	1,200,000	0	1,200,000	1,199,740	260	0%

KENYA LAW REFORM COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT 2015/2016 - CONTINUATION

Software and Hardware	1,000,000	0	1,000,000	0	0	0%
Software and Hardware	1,000,000	0	1,000,000	0	0	0%
Supplies of accessories for Computer	1,000,000	0	1,000,000	994,000	6,000	1%
Computer Repairs and Maintenance	1,100,000	0	1,100,000	1,096,400	3,600	0%
Sub-Total	4,300,000	0	4,300,000	3,290,140	1,009,860	
Depreciation Expenses	0	0	0	5,247,143	(5,247,143)	-
Sub-Total	0	0	0	5,247,143	(5,247,143)	-
GRAND-TOTAL	250,000,000	(3,266,112)	246,733,888	241,489,219	5,247,669	2%

KENYA LAW REFORM COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

Notes to the Financial Statements for the Year - Ended 30th June, 2016

1. Statement of Compliance and Basis of Preparation – IPSAS I

a) Statement of Compliance

The Kenya Law Reform Commission's Financial Statements have been prepared in accordance with and complied with International Public Sector Accounting Standards (IPSAS). The Financial Statements are presented in Kenya Shillings, which is functional and reporting currency of the Commission. The Accounting Policies have been consistently applied to the Year Presented.

b) Basis of Preparation

The Financial Statements have been prepared on the basis of historical costs, unless stated otherwise. The cash flow statements is prepared using the in-direct method. The financial Statements are prepared on accrual basis.

c) Revenue Recognition

Revenue from non-exchange transactions – (IPSAS 23) is recognized in the period in which it accrues. A Government grant is recognized when it is received.

d) Accounts Payables

Payables are stated at nominal value, less amounts not expected to be payable.

e) Reporting Currency

These financial statements are presented in Kenya Shillings (Ksh.) as the reporting currency.

f) Income Tax

The Commission being a non-trading entity is not subject to taxation

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

KENYA LAW REFORM COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

**Notes to the Financial Statements for the Year - Ended 30th June, 2016 -
Continuation**

a. Revenue Recognition

i. Revenue from Non-Exchange Transactions

Government Grants

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

Transfers from other government entities

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

ii. Revenue from Non-Exchange Transactions

Rendering of services – IPSAS 9

The Commission carries out Technical Assistance in reviewing, development & preparation of Draft Policies, Bills and Regulations for Ministries, Departments, Agencies and County Government. The Commission also carries out Capacity Building and sharing of information on matters relating to law reform.

In a number of these cases, County Governments may facilitate individual officers by way of compensation of allowances using the establishment GOK rates.

b. Budget Information – IPSAS 24

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 entity. As a result of the adoption of the accrual basis for budgeting purposes, there are

KENYA LAW REFORM COMMISSION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

Notes to the Financial Statements for the Year Ended 30th June, 2016 - Continuation

no basis, 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. 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 Commission recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Depreciation is calculated on a reducing balance basis over the useful life of the asset. Depreciation is charged at rates calculating the cost or valuation of the asset less any estimated residual value over its remaining useful life. Kenya Law Reform Commission has adopted a reducing balancing method of depreciation on applicable rates on the Assets in question. The Organisation apportions depreciation charge on pro-rata basis to the nearest whole month.

- Computers and IT Equipment 30.0%
- Office Equipment 20.0%
- Motor Vehicles 20.0%
- Furniture and Fittings 12.5%

KENYA LAW REFORM COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

**Notes to the Financial Statements for the Year - Ended 30th June, 2016 -
Continuation**

d. Intangible Assets – IPSAS 31

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

e. Provisions IPSAS 19

Provisions are recognized when the Commission has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Commission expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

The Commission does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Commission in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the

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financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

f. Nature and Purpose of Reserves

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

g. Changes in Accounting Policies and Estimates IPSAS 3

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

h. Employee Benefits IPSAS 25

Retirement Benefit Plans

The Commission contributes to a statutory defined contribution pension scheme. During the year 2015/16, the Commission identified a pension scheme offered by Liberty Pension Scheme which covers all the staff in the organisation.

i. Related Parties – IPSAS 20

The Commission regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Commission, or vice versa. Members of key management are regarded as related parties and comprise the Secretary/CEO, Heads of Departments, Heads of Units and senior officers.

j. Service Concession Arrangements – IPSAS 32

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

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**Notes to the Financial Statements for the Year - Ended 30th June, 2016 -
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asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset. at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Commission also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to six (6) authorized public officers and/or Institutions which were not surrendered or accounted for at the end of the financial year.

1 Comparative Figures

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

This being the second year of operations, the Commission has indicated comparative figures for the Year 2014/2015 Financial Year.

2 Significant Judgments and Sources of Estimation Uncertainty – IPSAS I

The preparation of the Commission'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.

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Continuation**

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, 2016.

3. Government Grants

GOK Recurrent grant was operational grant from the Government through the Office of the Attorney General and Department of Justice disbursed as follows;

1 st Quarter	58,250,000
2 nd Quarter	80,250,000
3 rd Quarter	53,250,000
4 th Quarter	<u>57,275,000</u>
Total	<u>249,025,000</u>

4. Other Income:

	2015/2016	2014/2015
	Ksh.	Ksh.
Sale of Tender Documents	42,000	47,000
Receipts from Disposal	-	2,000
Receipts from Consultancy	-	1,280,172
Total	42,000.00	1,329,172

5. Salaries paid to Commission's Staff (Secretariat)

	2015/2016	2014/2015
	Ksh.	Ksh.
Basic Salaries	34,467,823	14,595,091
House Allowance	12,716,392	4,509,232
Responsibility Allowance	515,519	172,000
Entertainment Allowance	1,075,800	470,400
Commuter Allowances	4,219,804	1,902,320
Extraneous Allowance	9,782,993	3,552,500
Non-Practicing Allowance	3,489,355	1,293,500
Domestic Servant Allowance	187,200	93,600
Special Legal Allowance	4,390,000	1,807,000
Leave Commutation	1,486,413	-
Total	72,331,299	28,395,643

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**Notes to the Financial Statements for the Year - Ended 30th June, 2016-
Continuation**

6. Commissioners Salaries

	2015/2016	2014/2015
	Ksh.	Ksh.
Basic Salary	17,077,580	11,153,204
House Allowance	3,480,000	2,880,000
Entertainment Allowance	3,240,000	2,745,000
Commuter Allowance	192,000	576,000
Extraneous Duty Allowance	3,000,000	2,700,000
Domestic Servant Allowance	561,600	561,600
Non-Practicing Allowance	521,290	960,000
Transport Allowance	576,000	-
Leave Travel Allowance	150,000	-
Total	28,798,470	21,575,804

7. Contractual Employees:

	2015/2016	2014/2015
	Ksh.	Ksh.
Gross Salary	2,787,062	2,813,000
Service Gratuity	222,982	258,845
Total	3,010,044	3,071,845

8. General Expenses

	2015/2016 Kshs	2014/2015 Kshs
Advertising and publicity	2,240,602	3,576,431
Office Rent	26,265,816	26,596,855
Newspapers and journals	653,158	499,180
Printing and stationery	4,210,719	2,636,000
Cleaning services and materials	2,079,828	1,171,162
Remuneration to Instructors	690,155	499,961
Travel and Accommodation	42,079,396	33,975,256
Fuel	1,821,820	1,502,040
Insurance expenses	4,927,136	4,530,117
Medical Ex Gratia	450,000	-
Postage and delivery	175,320	518,220
Telephone and Faxes	2,892,180	3,436,996

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

Notes to the Financial Statements for the Year Ended 30th June, 2016- Continuation

Education and Library	1,257,400	1,100,720
Training and Development	9,136,544	6,035,589
Conferences and Workshops	16,337,339	28,496,284
Professional Services	3,050,920	560,000
Staff Pension	2,435,817	-
Trade Shows and Exhibitions	1,023,900	-
Technical Services	1,268,488	-
Total	122,996,538	115,134,811

9. Repair and Maintenance

	2015/2016	2014/2015
	Ksh.	Ksh.
Building repair & Maintenance	1,967,591	9,654,086
Plant & Equipment maintenance	508,124	1,420,000
Motor Vehicle repair and maintenance	2,079,870	1,763,979
Total	4,555,585	12,838,064

10. ICT Related Costs

	2015/2016	2014/2015
	Kshs.	Ksh.
Internet and Email	1,199,740	1,400,000
Software and Hardware maintenance	-	1,055,948
Computer Repairs and maintenance	2,090,400	500,000
Total	3,290,140	2,955,948

11. Commissioner's Allowances (Part-time)

	2015/2016	2014/2015
	Ksh.	Ksh.
Commissioners Allowances (part time)	1,260,000	4,969,535
Total	1,260,000	4,969,535
		-

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**Notes to the Financial Statements for the Year Ended 30th June, 2016-
Continuation**

12. Property, Plant and Equipment & Depreciation

Details	Furniture, fittings & fixtures	Motor Vehicles	Computer equipment	Total
Depreciation rate	12.50%	25.00%	30.00%	
Details	Kshs	Kshs	Kshs	
As at 1st July 2015	2,976,006	9,555,750	795,867	13,327,623
Additions	957,000	6,693,130	1,515,124	9,165,254
Disposals	0	0	0	0
Transfers/Adjustments	0	0	0	0
Gross Value at 30th June 2016	3,933,006	16,248,880	2,310,991	22,492,877
Gross Book Value as at 1 st July 2015	3,401,150	12,741,000	1,136,952	17,279,102
Additions	957,000	6,693,130	1,515,124	9,165,254
Disposals	0	0	0	0
Transfers/Adjustments	-	-	-	-
Gross Value at 30 th June 2016	4,358,150	19,434,130	2,652,076	26,444,356
Accumulated prior years Depreciation	425,144	3,185,250	341,086	3,951,480
Depreciation for the year(2015-2016 ; Dep rate X Gross Value)	491,626	4,062,220	693,297	5,247,143
Total Accumulated Depreciation	916,770	7,247,470	1,034,383	9,198,623
Impairment	0	0	0	0.00
Disposals	0	0	0	0.00
Transfers/Adjustments	0	0	0	0.00
Sub-total	916,770	7,247,470	1,034,383	9,198,623
Net Book values As at 30th June 2016	3,441,380	12,186,660	1,617,693	17,245,733

KENYA LAW REFORM COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

**Notes to the Financial Statements for the Year Ended 30th June, 2016-
Continuation**

13. Cash and Cash Equivalents:

This represents cash at hand and cash at bank as follows:

	2015/2016	2014/2015
	Ksh.	Ksh.
Cash at Hand	-	-
Cash at Bank (Cooperative Bank Account Number 01141309236200)	765,272	4,272
Total	765,272	4,272

14. Receivable from Exchange Transactions:

Receivable from Exchange Transactions are comprised of:

	2015/2016	2014/2015
	Ksh.	Ksh.
Prepayments & Deposits (Insurance)	5,797,836	3,235,798
Salary Advance	1,014,300	498,240
Total	6,812,136	3,734,038

15. Payable from Non-Exchange Transactions:

Trade and Other Payables from Exchange Transactions are comprised of:

	2015/2016	2014/2015
	Ksh.	Ksh.
Total Trade and Other Payables from Exchange Transactions	<u>1,862,444</u>	<u>3,682,239</u>

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16. Store Inventory

	2015/2016	2014/2015
	Ksh.	Ksh.
Stores Inventory	1,053,121	3,052,345
Total (Kshs.)	1,053,121	3,052,345

17. Financial Risk Management

Exposure to currency, commodity, interest rate, liquidity and credit risk arises in the normal course of the Commission's operations. Measures are taken by the management to ensure prudent financial risk mechanisms are put in place to mitigate against financial loss.

Credit risk

Credit risk is the risk of financial loss to the Commission if customers or counterparties to financial instruments fail to meet their contractual obligations. The Commission's credit risk is primarily attributable to its receivables and cash and cash equivalents. The Commission's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors before extending credit. The carrying amount of financial assets represents the maximum credit exposure. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings.

Credit quality

Credit quality is assessed risk of default attached to counterparties to which the authority extends credit and also those parties with whom the authority invests. As such, the credit quality assessed extends to the customers, donors and banks of the Commission. For financial statement purposes, the investments and balances with banks are limited to the receivable and cash and cash equivalents line items in the statement of financial position. The authority determines credit quality of the banks from past dealings with them and from information readily available from the regulatory authority, the Central Bank of Kenya. The client base of the Commission is diverse and consists mainly of companies and government entities. For the purpose of determining the credit quality of clients, the Commission applies its past experience with them in determining the risk of default they pose.

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Receivables

Receivable amounts are owed by clients and the government of Kenya and are presented net of any impairment losses. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Commission's exposure to credit risk is monitored on an ongoing basis. The Commission's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance.

Cash and cash equivalents

The Commission limits its exposure to credit risk by investing cash and cash equivalents with only reputable financial institutions that have a sound credit rating. Consequently, the Commission does not consider there to be any significant exposure to credit risk.

Liquidity risk

Liquidity risk is the risk of the Commission not being able to meet its obligations as they fall due. The Commission's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Commission's reputation. Prudent liquidity risk management includes maintaining sufficient cash to meet the Commission's obligations.

Market risk

Market risk is the risk of changes in market prices, such as foreign-exchange rates and interest rates, affecting the Commission's income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on the risk.

▪ **Price risk**

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

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**Notes to the Financial Statements for the Year - Ended 30th June, 2016-
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▪ **Interest rate risk**

The Commission does not hold any interest bearing liabilities or assets; hence this risk is not relevant.

▪ **Foreign currency risk**

Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

Capital risk management policies

The primary objective of managing the Commission's capital is to ensure that there is sufficient cash available to support the Commission's funding requirements, including capital expenditure, to ensure that the Commission remains financially sound. The Commission monitors capital using a gearing ratio, which is net debt, divided by total capital, plus net debt. As at the end of the year, the authority had no debt.

18. Taxation

The Commission is exempt from paying income taxes under the provisions of the Income tax Act (2012).

19. Statement of Comparison of budget

a) Changes from original final Budget.

Kenya Law Reform Commission budget changed from the original budget on variation of expenses on various items of expenditure.

b) Appropriation-In-Aid.

Statement of Comparison of budget and actual show 16% variance In Appropriations in Aid. This was raised through sale of tender documents.

c) Staff costs.

Secretariat expenses have a high percentage variance on leave allowance since most of the officers commuted their leave due to exigencies of work in the commission.

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d) General Expenses

The Medical insurance cost commenced in January 2016 for the Commission staff and therefore it has been apportioned on a prorata basis. While on International Organisation, the Commission did not make any fee payment.

e) General Administration Costs.

During the 2015/2016 Financial Year, Budget items under General Administration category have a variance of more than 10%. The budgets affected include Advertising and publicity which was incurred due to advertising and advocacy awareness though out the country.

20. Presentation currency and rounding off

The financial statements has been presented in Kenyan Shillings and rounded to the nearest Kenya Shilling .

21. Events after the reporting period

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

