



REPUBLIC OF KENYA



COUNCIL OF LEGAL EDUCATION

INVESTMENT POLICY

2024

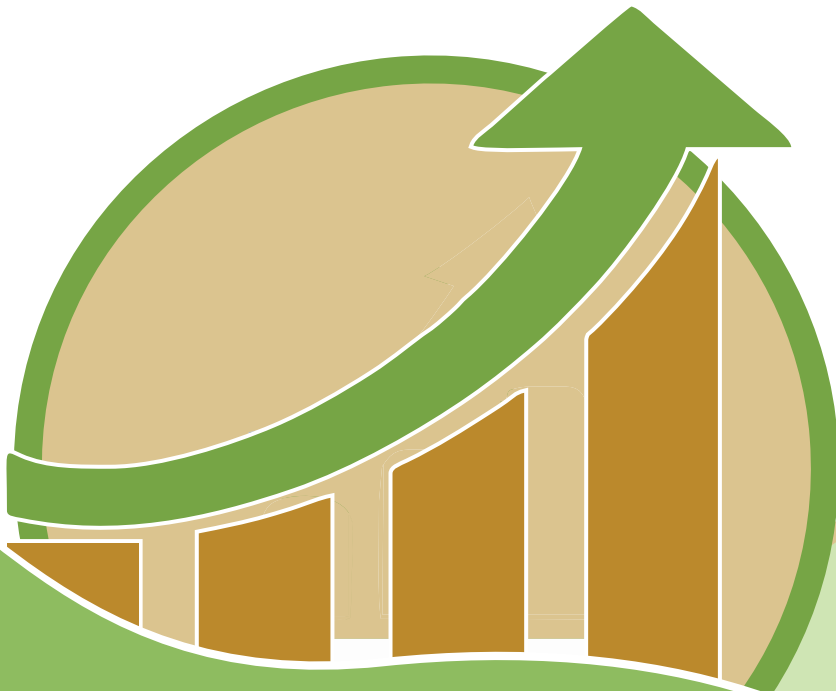




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FOREWORD



The Council of Legal Education is a body corporate established under the Legal Education Act Cap. 16B Laws of Kenya. The Council is entrusted with the mandate of regulating, supervising, and licensing legal education programs and providers in Kenya, setting standards for curriculum and modular instruction, monitoring and evaluating legal education providers and programs, and advising the Government on matters relating to legal education. The Council also administers the Advocates

Training Program examination for purposes of admission to the Roll of Advocates in Kenya.

Recently, CLE has been advised by the National Treasury on where to invest its excess cash held in the bank accounts. Though the Council has largely been investing in the Risk-Free rate of return Treasury Bills of which records of the investment have to be kept properly. A register of the investment will be kept and this Policy will enhance the entire process of investing.

This necessitates the development and implementation of an Investment Policy to guide the management of investments, targeting mainly the Risk-Free rate of return investments to track the Council's investment and returns. The Policy will ensure that the CLE investments are accounted for, and controlled under the Laws of Kenya, International Financial Standards, and Generally Accepted Accounting Principles. Additionally, the Policy will bring uniformity in understanding of investments by the CLE for high expected returns.

Finally, I take this opportunity to appreciate all the stakeholders who participated in the process of developing this Policy and call upon them to support the implementation to ensure we reap the intended benefits.

Prof. Collins Odote Oloo
CHAIRPERSON
COUNCIL OF LEGAL EDUCATION

ACKNOWLEDGMENT



The development of this Investment Policy reflects CLE's efforts and dedication to ensure effective management of financial resources. This policy will serve as a vital guide in directing our investment strategies, ensuring that we are aligned with our objectives while maintaining fiscal responsibility and transparency.

I would like to express our sincere gratitude to the Council for their leadership in this important initiative and for their continued commitment to CLE's financial stewardship. I also extend thanks to the Management team for their invaluable input and to the Finance and Accounts Division for their diligent work in developing this comprehensive framework.

Additionally, I appreciate the contributions of all stakeholders who have provided valuable insights throughout the policy development process which was instrumental in shaping this policy.

The Management is committed to maintaining clear communication with stakeholders regarding the policy, including a framework for managing CLE's investments, ensuring accountability, transparency, and alignment with the Council's long-term goals.

A handwritten signature in blue ink, appearing to read 'Jennifer Gitiri'. The signature is fluid and cursive, written over a white background.

Ms. Jennifer Gitiri, HSC
Ag. SECRETARY/CEO
COUNCIL OF LEGAL EDUCATION

POLICY APPROVAL

This Investment Policy was duly adopted and approved by the Council in its meeting

held on the^{10th}..... day of*January*..... 2025.

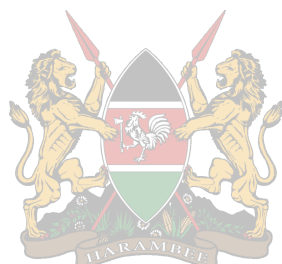
This Policy shall be reviewed as and when necessary. All amendments will be communicated in writing using the amendment sheet below. This will ensure that the Investment Policy remain consistent with the CLE's mandate and strategic direction.



Chairperson
COUNCIL OF LEGAL EDUCATION



Ag. Secretary/Chief Executive Officer
COUNCIL OF LEGAL EDUCATION



REPUBLIC OF KENYA



POLICY AMENDMENT SHEET

Issue/Revision No	Subject of Amendments	Reviewed By (Signature)	Review Authorised By (Signature)	Date



REPUBLIC OF KENYA



ABBREVIATIONS AND ACRONYMS

CLE	Council of Legal Education
CEO	Chief Executive Officer
HoFA	Head of Finance & Accounts
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards



DEFINITION OF TERMS

Risk free rate of return - the theoretical rate of return that an investor would expect on an investment with zero risk.



INTRODUCTION

1.1 BACKGROUND

Investment is the act of allocating resources, usually money, with the expectation of generating an income or profit. It is a crucial aspect of personal finance, business, and the economy as a whole. As a Government owned entity, the Council is expected to invest any idle funds in risk-free ventures to earn a return.

1.2 Vision Mission and Core Values

Vision

Innovative legal professionals transforming society.

Mission

To ensure quality legal education through responsive regulation and administration of Bar examination.

Core values

- i. Accountability
- ii. Excellence
- iii. Integrity
- iv. Inclusiveness
- v. Innovation

1.3 CLE Mandate

The mandate of CLE is outlined in the Legal Education Act CAP 16B as follows: -

- i. regulate legal education and training in Kenya offered by legal education providers;
- ii. license legal education providers;
- iii. supervise legal education providers;
- iv. advise the Government on matters relating to legal education and training;
- v. recognise and approve qualifications obtained outside Kenya for purposes of admission to the Roll; and
- vi. administer Advocates Training Programme examination.

INTRODUCTION

1.4 National values and principles of governance

CLE shall be bound by the National Values and Principles of Governance stipulated in Article 10 and Article 232 of the Constitution of Kenya, 2010. These include:

- i. Human dignity, equity, social justice, inclusiveness, equality, human rights, non-discrimination, and protection of the marginalized.
- ii. Good governance, integrity, transparency, and accountability; and
- iii. Sustainable development.

1.5 Governance Status

Council of Legal Education is a state corporation created under the State Corporation Act Cap 446. Council of Legal Education was operationalized as an autonomous entity following the enactment of the Legal Education Act, CAP 16B Laws of Kenya. The current organizational structure of the Council can be broadly categorized into two tiers which comprises of Council and the Management. The Council is headed by a chairperson appointed by the President.

Management of CLE is headed by the Chief Executive Officer who is also Secretary to the Council. The management of CLE is structured from the office of CEO to the various, Directorates, Departments, Divisions, Sections, and Units. The CEO is responsible for the day-to-day operations of the Council.

1.6 Rationale of The Policy

- a. To comply with the Constitution
- b. To comply with the State Corporation Act CAP 446
- c. To comply with PFMA, 2012 and Regulations 2015.
- d. To comply with guidelines on Asset Management in the Public Sector, 2020 by the National Treasury.

1.7 Objectives and Purpose of This Policy

The objective of this Statement of Investment policy is to establish a framework for the management of investment within CLE and, among other things, to:

- 1.7.1 Establish for all involved parties a clear understanding of the investment goals and objectives of the assets under management.
- 1.7.2 Offer guidance and limitations to all Investment Managers regarding the investment of the assets.

INTRODUCTION

- 1.7.3 Establish a basis for evaluating investment results
- 1.7.4 Establish a relevant investment time horizon for which the assets will be managed.
- 1.7.5 Meet the fiduciary obligations of the Council as delegated to the Finance, Human Resource & Administration Committee), with respect to the management and investment of the Assets, consistent with applicable state law.

1.8 Scope

This investment policy describes the parameters for investing government funds and identifies the investment objectives, preferences or tolerance for risk, constraints on the investment portfolio, and how the investment program will be managed and monitored.

1.9 Interpretation and Enforcement

The policy was prepared in consideration of the following key legislations, standards, and regulations.

- a. The Constitution of Kenya, 2010;
- b. Legal Notice No. 147 of 2015;
- c. The Land Act, 2021;
- d. Public Finance Management Act, 2012;
- e. Public Audit Act, 2015;
- f. Public Procurement and Asset Disposal Act, 2015;
- g. Public Officer Ethics Act 2003;
- h. Council of Legal Education CLE, Internal Control Systems;
- i. CLE Operations Manuals;
- j. CLE notices, circulars, and instructions currently in operation;
- k. International Public Sector Accounting Standards (IPSAS);
- l. Legal Education Act, CAP 16B Laws of Kenya
- m. General Guidelines on Asset and Liability Management in the Publish Sector, 2020 by the National Treasury

2.INVESTMENT POLICY AND PROVISIONS

2.1 General Investment Principles

Management of the Investments will follow the general guidelines set forth below:

- 2.1.1 Investments shall be made solely in the interests of the Council, consistent with the duty of loyalty required by law.
- 2.1.2 The Assets shall be invested with the due care an ordinarily prudent person in a like position would exercise under similar circumstances.
- 2.1.3 In managing and investing the Assets, the following factors, if relevant, must be considered: general economic conditions; the possible effect of inflation or deflation; the expected tax consequences; the expected total return from investment and their appreciation; other resources of CLE; the needs of CLE and the Assets to make distributions and to preserve capital; and an asset's special relationship or special value, if any, to the purposes of the Assets.
- 2.1.4 Investment of the Assets shall be so diversified as to minimize the risk of large losses, unless the Council prudently determines that, because of special circumstances, the purposes of the Assets are to be better served without diversification.
- 2.1.5 The Council shall review a decision not to diversify as frequently as circumstances require, but at least annually.
- 2.1.6 CLE may, with Council's approval employ one or more investment managers of varying styles and philosophies to attain the Assets' objectives. Any person that has special skills or expertise, or is selected in reliance upon the person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing the Assets.

2.2 CLE Responsibilities on Investments

The responsibilities include the following:

- i. Management over Portfolio of investments, with necessary approval of the Council including investment manager selection, portfolio balancing, manager retention, and replacement
- ii. Reporting on changes to asset allocation targets to the Council

2.INVESTMENT POLICY AND PROVISIONS

- iii. Monitoring performance against agreed-upon appropriate measurement standards
- iv. Evaluating investment performance against pre-determined objectives
- v. Keeping up to date with material changes in the investment portfolio
- vi. Taking corrective action on the selected investments as deemed prudent and appropriate
- vii. Periodic reporting to the Council
- viii. CLE shall, upon the approval by the Council, make all decisions regarding the choice of investment, manager retention, selection, rebalancing, and replacement of investment managers, funds, or investment strategies.
- ix. CLE shall seek to balance the organization's long & short-term investment goals within the overall risk tolerance approved when managing the Portfolio
- x. The CEO shall inform Council of any material changes to the asset allocation within a reasonable period but not later than the next formal Council meeting.
- xi. Based on reports issued on investment performance, Council shall evaluate the investment's performance and effectiveness and recommend appropriate action.

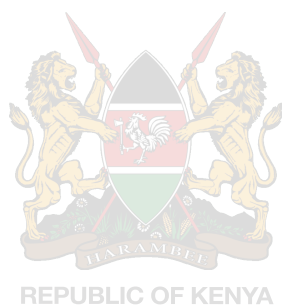
2.3 Controls over Investments

- 2.3.1 CLE shall implement the allocation and reallocation of the investments in accordance with the decisions of the Council and within the guidelines of allocation ranges set forth.
- 2.3.2 The CEO shall periodically issue status reports to the Council.
- 2.3.3 The CEO shall annually report to the Council concerning the use and income of each investment in the portfolio held.
- 2.3.4 The Council shall Receive and review reports from the CEO regarding the status of the Investments
- 2.3.5 The CEO shall ensure that accurate accounts of the investments are kept.

2.INVESTMENT POLICY AND PROVISIONS

2.4 Responsibilities of the CEO

- 2.4.1 Investment discretion, including decisions to buy, sell, or hold individual securities and to alter asset allocation as approved by the Council.
- 2.4.2 Reporting, on a timely basis, quarterly and annual investment performance results.
- 2.4.3 Timely communication of any major changes to the economic outlook, investment strategy, or any other factors affecting the implementation of the investment process or the progress toward meeting performance objectives.
- 2.4.4 Informing the Council of any qualitative changes to the investment. E.g. including changes in portfolio and proposed changes to investment philosophy or investment discipline.



3. INVESTMENT GUIDELINES

2.1 Investment Guidelines

It is anticipated that the CLE will invest in Treasury Bills and any other investments as guided by Government guidelines issued from time to time.

4. RECOGNITION

4.1 Recognition

In accordance with IPSAS 29 and IFRS 9, CLE shall recognize a financial asset in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of a financial instrument.

5. INITIAL MEASUREMENT

5.1 Initial Measurement

At initial recognition, CLE shall measure a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

6. SUBSEQUENT MEASUREMENT

6.1 Subsequent Measurement

After initial recognition, CLE shall measure financial assets at their fair values, without any deduction for transaction costs it may incur on sale or other disposal except held-to-maturity investments, which shall be measured at amortized/adjusted cost using the effective interest method.

7. IMPAIRMENT OF FINANCIAL ASSETS

7.1 Impairment of financial assets

In accordance with IFRS 9 and IPSAS 29, impairment of financial assets is recognized in stages:

- 7.1.1 Stage 1 –For financial assets, interest revenue is calculated on the gross carrying amount (i.e. without deduction for expected credit losses).

- 7.1.2 Stage 2 – if the credit risk increases significantly and is not considered low, full lifetime expected credit losses are recognized in profit or loss. The calculation of interest revenue is the same as for Stage 1.
- 7.1.3 Stage 3 – if the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated based on the amortized cost (i.e. the gross carrying amount less the loss allowance). Financial assets in this stage will generally be assessed individually. Lifetime expected credit losses are recognized on these financial assets.

8. DE-RECOGNITION OF FINANCIAL ASSETS

8.1 De-recognition of financial assets

CLE shall derecognize a financial asset when, and only when:

- 8.1.1 The contractual rights to the cash flows from the financial asset expire or are waived; or
- 8.1.2 It transfers the contractual rights to the financial asset thus transferring substantially all the risks and rewards of ownership of the financial asset.

9. POLICY AMENDMENTS/REVIEW

- 2.4.2 The Policy will be reviewed as the need arises to enhance the efficient delivery of effective outcomes.

Changes to the Policy in the following manner;

- 2.5.2.1 Any member of staff may initiate changes to the Policy by submitting written suggestions to the HoFA.
- 2.5.2.2 All proposed changes must be submitted to the CEO for approval. Any changes made by the CEO to the Policy shall be brought to the attention of the Council for final approval.
- 2.5.2.3 Once amendments are approved, the CEO shall ensure they are implemented by issuing revisions to the Policy and ensuring dissemination of the approved amendments.



REPUBLIC OF KENYA



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