

From Regulation to Practice: How Kenya's Advocates (Accounts) Rules Shape Client Trust Accounting — And Why Your Software Should Too

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The Advocates (Accounts) Rules are clear. Keeping up with them using Excel is not. Here's what the law demands, where most firms fall short, and how to build compliance into your systems instead of bolting it on after the fact.

Every advocate in Kenya who holds or receives client money is bound by a set of rules that are deceptively simple on paper but deeply consequential in practice. The Advocates (Accounts) Rules, Legal Notice 137 of 1966, lay down the fundamental obligations: keep client money separate, account for every shilling, and never touch what is not yours.

Yet over six decades after these Rules were gazetted, compliance failures remain one of the most common grounds for disciplinary action against advocates. Dishonoured cheques drawn on client accounts, co-mingling of funds, failure to maintain proper books, and outright misappropriation continue to feature in complaints before the

Advocates Complaints Commission and the Disciplinary Tribunal.

The problem is not that the Rules are unclear. The problem is that most law firms still rely on manual ledgers, spreadsheets, or generic accounting software that was never designed for the unique structure of legal trust accounting. The result is a gap between what the law requires and what firms can practically deliver on a daily basis.

This article walks through the key provisions of the Advocates (Accounts) Rules, explains their practical implications, and makes the case that purpose-built practice management software — not spreadsheets, not generic tools — is the only reliable way to close the compliance gap. **Sisu by Lenhac** is our answer to that challenge.

1. The Regulatory Framework: What the Rules Require

The Advocates (Accounts) Rules were made under the Advocates Act (Cap. 16) and have been in force since 10 May 1966, with a single amendment in 1977. They are supplemented by the Advocates (Deposit Interest) Rules of 1967, the LSK Standards of Professional Practice and Ethical Conduct (SOPPEC), and the Accountant's Certificate Rules. Together, these instruments create a comprehensive regime for handling client funds.

Core Definitions (Rule 2)

The Rules define several key terms that every advocate must understand precisely:

Client's money — Money held or received by an advocate on account of a client, including deposits against fees and money held as trustee — but excluding money the advocate is personally entitled to or agreed fees already paid.

Client account — A current or deposit account at a bank or financial institution in the advocate's name, with the word "client" or "trust" in its title.

Money — Broadly defined to include banknotes, currency notes, bank drafts, cheques, and any other negotiable instruments.

Trustee — Includes executor, administrator, receiver, liquidator, and trustee in bankruptcy.

The Segregation Principle (Rules 3–7)

The foundational rule is simple: client money must never be mixed with the firm's own money. Rule 4 requires that an advocate shall "without delay" pay all client money into a client account. Rule 7 prohibits any money other than what the Rules specifically allow from entering that account.

This is not merely a best practice — it is a strict legal obligation. Failure to maintain a separate client account, or evidence of co-mingling funds, constitutes professional misconduct and can result in suspension or being struck off the Roll.

Rule 5 sets out the limited categories of money that may be paid into a client account: trust money, money necessary to maintain the account, money replacing sums drawn in contravention of the Rules, and unsplit cheques that include both client and non-client portions. Anything else is prohibited.

Exceptions to Immediate Deposit (Rule 8)

Rule 8 provides narrow exceptions where client money need not pass through a client account. These cover situations where cash is immediately paid over to the client or a third party, where funds are paid directly into a separate account in the client's name, or where a cheque is endorsed over and delivered without being cashed by the advocate. These exceptions are deliberately narrow — the default is always deposit into the client account.

Withdrawals: The Authorised Purposes (Rules 9–12)

Rule 9 sets out an exhaustive list of the only purposes for which money may be withdrawn from a client account:

- Payments to or on behalf of the client, within the advocate's mandate
- Transfers to a separate account in the client's name
- Reimbursement of money properly expended by the advocate for the client
- Payment of the advocate's costs — but only where a bill of costs or written intimation of the amount has been delivered to the client
- Removal of money paid into the account in error or under Rules 5(b) and 6(1)(b)

Rule 10 adds a hard constraint: an advocate may never withdraw more than the amount held for that specific client. There is no concept of borrowing from one client's balance to fund another's disbursement.

Rule 11 requires that withdrawals for the advocate's own benefit — costs, reimbursements, corrections — must be made by cheque drawn in the advocate's favour. Rule 12 provides that no withdrawal is permitted except as authorised by Rule 9 or specifically approved in writing by the LSK Council.

Every cheque drawn on a client account must bear the words "client account" or "trust account" on its face.

Record-Keeping (Rules 13–15)

Rule 13 mandates that every advocate maintain books of account showing, for each separate client:

- Every receipt of client's money
- Every payment or application of client's money
- The amount held at any time for each client
- Moneys expended and costs charged to each client

These books must include cash books and ledgers — either as separate volumes or as dual-column records — and a record of all bills of costs delivered, distinguishing between profit costs and disbursements.

Rule 14 requires these records to be preserved for at least six years from the date of the last entry. Rule 15 requires the advocate to take reasonable precautions for their safety and to immediately notify the LSK Council if any records are lost, destroyed, or materially damaged.

The Rules explicitly contemplate modern methods: Rule 13(4) states that "cash book" and "ledger" include cards or other permanent records necessary for the operation of a mechanical system of book-keeping. In 2026, that means software.

2. The Compliance Challenge in Practice

The Rules are clear. The challenge is living with them every day. Consider the practical demands on a firm handling conveyancing, debt recovery, litigation, and general advisory work simultaneously:

- Every receipt and every payment must be recorded per client, in real time, with running balances that can be produced on demand.
- The firm must be able to prove, at any moment, that the total trust bank balance equals the sum of all individual client ledger balances.
- Fees may only be taken from trust after a formal bill of costs has been delivered to the client — not before, not informally, and not as a "disbursement."
- No client's balance may ever go negative. Each client's sub-ledger is a hard constraint, not a guideline.
- Records must be preserved for six years and be recoverable if disaster strikes.
- The Accountant's Certificate required for practising certificate renewal demands clean, reconcilable books.

For a solo practitioner handling a dozen active matters, this is manageable with discipline. For a mid-size firm processing millions of shillings in conveyancing and debt recovery transactions monthly, it is an operational risk without the right systems.

Common Compliance Failures

The Advocates Complaints Commission and the Disciplinary Tribunal continue to see the same patterns:

- **Dishonoured cheques** drawn on the client account due to poor balance tracking across multiple clients sharing a single pooled bank account.
- **Co-mingling of funds** — often not through malice, but through poor systems that make segregation difficult.
- **Missing per-client ledgers**, making it impossible to demonstrate what is held for whom.
- **Taking fees without a bill of costs**, in violation of Rule 9(f).
- **Failed Accountant's Certificates** because the underlying records do not reconcile.

Sanctions range from fines of up to KES 1,000,000, compensation orders of up to KES 5,000,000, suspension from practice, and in the most serious cases, being struck off the Roll. The reputational damage alone can be career-ending.

Why Spreadsheets and Generic Software Fail

Many firms attempt to manage trust accounting in Excel or in general-purpose accounting software like QuickBooks.

These tools were not designed for the unique constraints of legal trust accounting:

- They do not enforce per-client balance floors. A spreadsheet will happily show a negative balance; it will not prevent you from issuing the payment that creates it.
- They do not distinguish between disbursements to third parties and fee withdrawals. The Rule 9(f) requirement that costs be billed before they are taken has no mechanical enforcement.
- They do not link payments to specific matters or maintain the dual-ledger structure the Rules require.
- They offer no audit trail for reversals — a deleted row in Excel is gone, violating the implicit requirement that the books reflect reality.
- They do not generate the per-client statements, acknowledgment records, and cost summaries that support an Accountant's Certificate.

The result is that compliance depends entirely on the discipline and accounting knowledge of whoever is maintaining the books — a fragile dependency for an obligation that carries professional and personal consequences.

3. Building Compliance Into the System

This is the problem **Sisu by Lenhac** was designed to solve. Rather than expecting advocates to manually enforce each rule, Sisu embeds the Rules directly into its accounting architecture so that compliance is a byproduct of using the system, not an additional burden layered on top of it.

Segregation by Design

Sisu treats all client money as a trust liability from the moment it is received. The system maintains a clear boundary between trust funds and the firm's operating funds at the ledger level. There is no mechanism to accidentally or intentionally route client money through the firm's operating accounts. The segregation principle from Rules 3–7 is structural, not procedural.

Per-Client Ledgers with Hard Balance Constraints

Every client matter carries its own ledger within the trust account. Deposits credit that ledger; disbursements debit it. The system enforces Rule 10 as a hard constraint: no transaction that would take a client's individual balance below zero can be processed. This eliminates the most common trust account violation — overdrawing one client's balance to fund another's needs.

Invoice-Before-Fees

Sisu draws a strict line between disbursements to third parties and the firm's own fee recovery. Firm fees cannot be withdrawn from the trust as a disbursement. Instead, the firm must raise a formal invoice, which serves as the "bill of costs or written intimation" required by Rule 9(f). Only then can the client's trust balance be applied against that invoice. This is not a policy that staff are asked to follow — it is a system constraint that cannot be bypassed.

Confirmation and Approval Gates

No deposit credits a client's ledger until it has been confirmed against actual bank records. No disbursement debits

a client's ledger until it has been approved through a defined workflow. These gates ensure that the books reflect real, verified transactions — not intentions or estimates.

Immutable Audit Trail

When a payment or disbursement needs to be reversed, Sisu creates an equal-and-opposite entry. The original transaction is never deleted or modified. This preserves the complete history that Rule 13 requires and ensures that the books can be audited at any point without gaps or unexplained adjustments.

Automated Record Retention

All transaction records, client ledgers, invoices, acknowledgment documents, and supporting files are stored with automated retention policies that meet the six-year preservation requirement of Rule 14. Encrypted backups and disaster recovery safeguards address the Rule 15 obligation to protect records from loss or damage.

4. Conveyancing and Debt Recovery: Two Sides of the Same Trust

Kenyan law firms typically encounter client trust obligations in two main practice areas, each with a different flow of funds but identical accounting principles.

Escrow in Conveyancing

In a property transaction, the client deposits funds into the trust account to cover the purchase price, stamp duty, land rates, registration fees, valuation costs, legal fees, and a contingency. The firm then disburses those funds to the various recipients — the seller, KRA, the County Government, the Ministry of Lands, valuers — as the transaction progresses.

At each stage, the client's ledger balance decreases. The firm's fees are billed via invoice and paid from the remaining balance with the client's authorisation. Any surplus after completion is returned to the client. When the matter closes, the client's trust balance should be zero.

Every disbursement generates an acknowledgment record signed by the recipient — the seller, KRA, or other payee — creating documentary proof that the funds reached their intended destination.

Collections in Debt Recovery

In debt recovery, the flow is reversed. The debtor or counterparty pays into the trust account what they owe to the firm's client. The firm then disburses those funds to the client, less any court-awarded costs that the firm is entitled to retain.

Here, the acknowledgment record is signed by the client themselves, confirming they received their money. If the court has awarded costs to the firm, those costs are recognised as revenue through a separate process — not taken as a disbursement from the trust.

The Common Thread

Whether money flows in from a buyer or from a debtor, the accounting treatment is the same: client money is always held as a trust liability, disbursed only for authorised purposes, and the firm's fees are always billed separately. The trust account balances to zero when the matter closes. This is what the Advocates (Accounts) Rules demand, and it is what a properly designed system enforces automatically.

5. Rule-by-Rule: How the System Maps to the Law

Rule 4 — Pay all client money into a client account without delay. Deposits are recorded on receipt and confirmed against bank records before crediting the client ledger.

Rule 7 — No unauthorised money enters the client account. Only deposits linked to a client matter can enter the trust ledger.

Rule 9(f) — Costs withdrawn only after a bill of costs is delivered. Fees require a formal invoice; no direct disbursement pathway exists for firm fees.

Rule 10 — Never withdraw more than the client's balance. Hard system constraint prevents any transaction that would create a negative per-client balance.

Rule 12 — No withdrawals except as authorised by Rule 9. Disbursement categories are mapped to Rule 9 purposes; each must be classified before processing.

Rule 13 — Maintain books showing receipts, payments, balances, and costs per client. Automatic per-client ledger with running balances, linked invoices, and cost tracking.

Rule 14 — Preserve books for at least six years. Cloud-based storage with automated retention and backup policies.

Rule 15 — Safeguard records; notify Council if lost. Encrypted storage, disaster recovery, and data integrity monitoring.

6. The Bigger Picture

The LSK Accountant's Certificate

Every advocate must submit an Accountant's Certificate as part of their practising certificate renewal. This certificate confirms that the advocate's books are in order, the client account is properly maintained, and the balances reconcile. Firms that cannot produce clean records face delays and scrutiny. A system that maintains per-client ledgers, enforces balance constraints, and preserves a complete audit trail makes this process straightforward rather than stressful.

Anti-Money Laundering Obligations

Modern trust accounting does not exist in a vacuum. The Proceeds of Crime and Anti-Money Laundering Act requires advocates to conduct due diligence on the source and purpose of client funds. The [2025 POCAMLA amendments](#) significantly expanded these obligations — law firms are now squarely within the reporting regime, with

real consequences for non-compliance. Per-client ledgers with documented disbursement purposes, recipient acknowledgments, and confirmation workflows create a documentary trail that supports AML compliance without additional manual effort.

Client Confidence and Professional Reputation

Beyond compliance, proper trust accounting is the foundation of client trust. When a client can see a clear statement of their funds held in trust, every disbursement made on their behalf, and the invoice that accounts for the firm's fees, they have confidence that their money is being handled with integrity. In a market where trust account scandals regularly make the news, this transparency is a competitive advantage.

Institutional Resilience

A firm's trust accounting system should not depend on the knowledge or discipline of any single person. Partners retire, accountants move on, and staff change roles. When compliance is embedded in the system rather than in someone's head, the firm's integrity survives personnel changes. The six-year record retention requirement of Rule 14 is not just about audits — it is about institutional memory.

Conclusion

The Advocates (Accounts) Rules are not aspirational guidelines — they are binding obligations with real consequences. Yet for most Kenyan law firms, the gap between knowing the rules and consistently applying them comes down to systems and tools.

The Rules were drafted in 1966, but their underlying logic is timeless: protect client money, account for every transaction, and keep your house in order. What has changed is the volume and complexity of transactions that modern firms handle, and the expectations of regulators, auditors, and clients for transparency and accuracy.

Sisu by Lenhac was built for this reality. By embedding the Rules directly into the accounting architecture — through structural segregation, per-client ledger constraints, invoice-before-fees workflows, immutable audit trails, and automated record retention — Sisu turns compliance from a burden into a byproduct of doing business.

The result is a law firm that can face an LSK inspection, an accountant's review, or a client's inquiry with confidence — because the system was built to get it right from the first transaction.

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