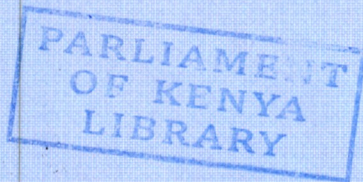


REPUBLIC OF KENYA



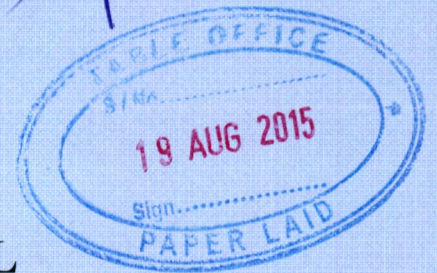
**KENYA NATIONAL AUDIT OFFICE**



*Paper Laid*  
*By Hon. A. Sushe (Hon)*  
*On Wed. 19.08.2015.*  
*(pm) Mmm*

**REPORT**

**OF**



**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KENYA NATIONAL LIBRARY SERVICES**

**FOR THE YEAR ENDED  
30 JUNE 2014**





Read. Know. Empower

kenya national  
library service

---

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2014**

---

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

## TABLE OF CONTENT

## PAGE

I. KEY KENYA NATIONAL LIBRARY SERVICE BOARD INFORMATION AND MANAGEMENT .....	3
II. THE BOARD OF DIRECTORS AS AT 30 <sup>TH</sup> JUNE 2014 .....	5
III. MANAGEMENT TEAM .....	9
IV. CHAIRMAN'S STATEMENT .....	11
V. REPORT OF THE CHIEF EXECUTIVE OFFICER .....	13
VI. CORPORATE GOVERNANCE STATEMENT .....	18
VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT .....	21
VIII. REPORT OF THE DIRECTORS .....	22
IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES .....	23
X. STATEMENT OF FINANCIAL PERFORMANCE .....	25
XI. STATEMENT OF FINANCIAL POSITION .....	26
XII. STATEMENT OF CHANGES IN EQUITY .....	27
XIII. STATEMENT OF CASH FLOWS .....	28
XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS .....	29
XV. NOTES TO THE FINANCIAL STATEMENTS .....	31

## I. KEY KENYA NATIONAL LIBRARY SERVICE BOARD INFORMATION AND MANAGEMENT

### (a) Background information

Kenya National Library Service (knls) Board is a statutory body of the Government of Kenya established by an Act of Parliament, Cap 225 of the Laws of Kenya in April 1965. At Cabinet level, knls is represented by the Cabinet Secretary for Sports, Culture and The Arts; Hon. Dr. Hassan Wario who is responsible for the general policy implementation and strategic direction of knls.

### (b) Principal Activities

The principal activity/mission of the Kenya National Library Service is "To enable access to information for knowledge and transformation of livelihoods."

### (c) Key Management

The Kenya National Library Service day-to-day management is under the following key organs:

- Chief Executive Officer
- Deputy Director (Finance and Administration)
- and Deputy Director (Technical Services)

### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Richard M. Atuti
2.	Deputy Director (F&A)	Jack W. Emusolo
3.	Deputy Director (TS)	David M. Muswii

### (e) Fiduciary Oversight Arrangements

The Board has a functional organisational structure that has been responsible for the dynamic growth witnessed in the period under review. In discharging its duty, the Board delegates' decision making process to Committees which are then deliberated and resolutions made for implementation by Management. The Committees of the Board have clear TORs as outlined below:

#### a) AUDIT COMMITTEE

- i. Assisting the Director /Chief Executive Officer in enhancing internal controls in order to improve efficiency, transparency and accountability.
- ii. Reviewing audit issues raised by both internal and external auditors.
- iii. Resolving unsettled and unimplemented Public Accounts and Public Investments Committees' (PAC/PIC) recommendations.
- iv. Enhancing communication between management, internal and external audit and fostering an effective internal audit function.
- v. Reviewing and approving the audit charter where applicable and the internal audit annual work plans.
- vi. Reviewing the internal and external audit findings and recommendations and proposing corrective and preventive action where necessary.
- vii. Reviewing the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics.
- viii. Initiating special audit/investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Director/Chief Executive Officer

- ix. Conduct Risk Based Audits (RBA) to provide reasonable assurance that risks management processes and structures put in place by management are functioning effectively and recommending appropriate risk mitigation measures where necessary.
- x. Review and evaluate Annual Appropriation Accounts and Statements of assets & Liabilities before they are submitted to Controller and Auditor General by finance department.

**b) FINANCE & PROJECT COMMITTEE**

- i. Assist the full board in overseeing formulation, review and implementation of financial policies and procedures.
- ii. Receive and review budgets from management, and recommend to the full board for approval.
- iii. Review and recommend proposed projects and work plans to the full board for approval.
- iv. review and recommend quarterly and annual financial reports prepared by the management to the full board for approval
- v. Receive and review capital assets disposal inventory and recommend to the full board for approval and disposal.

**(e) Kenya National Library Service Headquarters**

P.O. Box 30573-00100  
Kenya National Library Service Complex  
Mumias Road/OI Donyo Sabuk Road Junction, Buruburu  
**Nairobi, KENYA**

**(f) Kenya National Library Service Contacts**

Tel. 020-2158352, 7786710 Fax: 2721749  
**Email: [knls@knls.ac.ke](mailto:knls@knls.ac.ke)**  
**[www.knls.ac.ke](http://www.knls.ac.ke)**

**(g) Kenya National Library Service Bankers**

Kenya Commercial Bank  
Milimani Branch  
NSSF Building  
P.O. Box 69695  
Nairobi, Kenya






**(h) Independent Auditors**







Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya








**(i) Principal Legal Adviser**


The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

## II. THE BOARD OF DIRECTORS AS AT 30<sup>TH</sup> JUNE 2014








S.No	Director Passport photo & Name	Date of Birth, Key Professional/academic Qualifications, Work Experience
1.	<p>Samwel Nyangeso</p> 	<p><b>Chairman – with effect from January 2014</b></p> <p>DOB: 1963</p> <p><b>Qualifications:</b> 'O' Level</p> <p><b>Experience:</b> 10yrs Mayor of Kisii Town; 7yrs Board Director Kisii Level 5 Hospital; 5yrs Board Director Gusii Water Company; 6yrs National Chairman- Association of Local Government Employers; 10yrs Chairman- Kenya Football Federation Nyanza South; PR Officer Athletic Kenya-Kisii County since 2013.</p>
2.	<p>Silas Kobia</p> 	<p><b>Chairman – January 2010 - January 2014</b></p> <p>DOB: 1948</p> <p><b>Qualifications:</b> MBA</p> <p><b>Experience:</b> 7 years in Civil Service, 31 years in Corporate World, Served as CEO at CIC, Board Member SCAC, NHIF &amp; knls</p>
3.	<p>Richard M. Atuti</p> 	<p><b>Chief Executive Officer – Secretary to the Board</b></p> <p>DOB: 1962</p> <p><b>Qualifications:</b> MA, B.A, &amp; Post Graduate Diploma-Library &amp; Information Science – Makerere University.</p> <p><b>Experience:</b> 22 years in Public Services 15 of which in Senior Management level in the knls Board.</p>
4.	<p>Prof. Henry Mwanzi</p> 	<p><b>Member – Finance and Projects Committee</b></p> <p>DOB: 1946</p> <p><b>Qualifications:</b> PhD History, B.A.</p> <p><b>Experience:</b> 39 years as a University Lecturer &amp; Government Advisor.</p>
5.	<p>Jumaa Mwasaria Makopa</p> 	<p><b>Member – Finance and Projects Committee</b></p> <p>DOB: 1957</p> <p><b>Qualifications:</b> PhD Chemistry, MSc, BSc.</p> <p><b>Experience:</b> 25 years as University Lecturer, 8 years in Civil Service.</p>








6.	<p>Ibrahim Abdi Ali</p> 	<p><b>Member – Human Resource and Service Delivery Committee</b></p> <p>DOB: 1950</p> <p><b>Qualifications:</b> DIP/Certificate in Animal Health</p> <p><b>Experience:</b> 36 years in Animal Health management.</p>
7.	<p>Lucy W. Muhinga</p> 	<p><b>Chairperson – Audit Committee</b></p> <p>DOB:</p> <p><b>Qualifications:</b> B Com, CPA (K)</p> <p><b>Experience:</b> 14 years in Corporate/International Financial Management.</p>
8.	<p>Beatrice Nancy Awuor Buyu</p> 	<p><b>Member - Marketing and Resource Mobilization Committee</b></p> <p>DOB: 1953</p> <p><b>Qualifications:</b> BSc. Biochemistry &amp; Zoology</p> <p><b>Experience:</b> 38 years in Corporate Management.</p>
9.	<p>Christine Masiyo Lemein</p> 	<p><b>Member – Human Resource and Service Delivery Committee</b></p> <p>DOB: 1961</p> <p><b>Qualifications:</b> B.Community Development, Dip in Social Work, Cert. in Education (Trained Teacher).</p> <p><b>Experience:</b>6 years as a teacher, 5 years Corporate Management, 9 years in CDF</p>
10.	<p>Nelly Mwanzia</p> 	<p><b>Member – Audit Committee</b></p> <p>DOB:</p> <p><b>Qualifications:</b> MBA., BA., DIP.Comm. Education</p> <p><b>Experience:</b> 36 years in Corporate/Business Management &amp; Consultancy, Community &amp; Social Development.</p>
11.	<p>Eunice Kigen</p> 	<p><b>Member – Finance and Projects Committee</b></p> <p>DOB: 1973</p> <p><b>Qualifications:</b> Executive Masters in BA, BCOM, CPA (K)</p> <p><b>Experience:</b> 13 years in Civil Service management, 2 years in Corporate management.</p>

12.	<p>Daniel Ole Mayiani</p> 	<p><b>Member – Human Resource and Service Delivery Committee</b></p> <p>DOB: 1953</p> <p><b>Qualifications:</b> Trained Teacher, National D.E.L.T.A training</p> <p><b>Experience:</b> 4 years as a teacher, 14 years as a Social Worker, 10 years Community development</p>
13.	<p>H. Misigo Amatsimbi (Dr)</p> 	<p><b>Member – Human Resource and Service Delivery Committee</b></p> <p>DOB: 1967</p> <p><b>Qualifications:</b> PhD History, MA., BA.,</p> <p><b>Experience:</b> 19 years as a University Lecturer.</p>
14.	<p>Muthoga Ngera</p> 	<p><b>Chairman – Human Resource and Service Delivery Committee</b></p> <p>DOB: 1958</p> <p><b>Qualifications:</b> MBA., BA Chartered Marketing – Chartered Marketer &amp; Fellow of Chartered Institute of Marketing UK.</p> <p><b>Experience:</b> Over 25 years in Corporate world as a Director.</p>
15.	<p>David Cheruiyot</p> 	<p><b>Member – Finance and Projects Committee</b></p> <p>DOB: 1955</p> <p><b>Qualifications:</b> B.Phil., MA., BA.</p> <p><b>Experience:</b> 23 years in Civil Service.</p>
16.	<p>Patrick Njagi</p> 	<p><b>Chairman – Finance and Projects Committee</b></p> <p>DOB: 1954</p> <p><b>Qualifications:</b> BA., PGD in Financial Management</p> <p><b>Experience:</b> 29 years in Civil Service.</p>
17.	<p>Noor Aden</p> 	<p><b>Member - Marketing and Resource Mobilization Committee</b></p> <p>DOB: 1954</p> <p><b>Qualifications:</b> MA., BA.</p> <p><b>Experience:</b> 36 years in Civil Service.</p>
18.	<p>Amb. Ann Nyikuli</p> 	<p><b>Member - Marketing and Resource Mobilization Committee</b></p> <p>DOB:</p> <p><b>Qualifications:</b> BA., Dips.</p> <p><b>Experience:</b> Over 25 years in local and International Public Service in Key Leadership positions in a multi-disciplinary field.</p>

19.	Pauline W. Kamau 	<b>Chairperson - Marketing and Resource Mobilization Committee</b>  <b>DOB:</b>  <b>Qualifications:</b> PhD Humanities & Social Science; MA; BEd; Dip.  <b>Experience:</b> 22 years in NGO Management.
20	Johnson Karuki	<b>Retired December 2013</b>
21	Salome Munavu	<b>Retired October 2013</b>

### III. MANAGEMENT TEAM

S/No	Passport size photo & Name	Key Professional/academic Qualifications, Main area of Responsibility
1.	 Richard M. Atuti	<b>Qualifications:</b> MA, B.A, & Post Graduate Diploma-Library & Information Science – Makerere University.  <b>Responsibility:</b> Chief Executive Officer
2.	 Jack Wafula Emusolo	<b>Qualifications:</b> Executive MBA, BBA (Finance Option), CPA (K)  <b>Responsibility:</b> Deputy Director (Finance & Administration)
3.	 David Muswii	<b>Qualifications:</b> PGD in Library & Info. Studies, BSC (Chemistry)  <b>Responsibility:</b> Deputy Director ( Technical Services)
4.	 Nancy Ngugi	<b>Qualifications:</b> MA in Communications, BA Economics and Philosophy  <b>Responsibility:</b> Principal Public Relations Officer
5.	 Miriam King'ori	<b>Qualifications:</b> MBA (HR), BSC. Admin., CPS (K)  <b>Responsibility:</b> Principal Human Resource Officer
6.	 CPA Julie Musandu	<b>Qualifications:</b> B.Com (Accounting Option, CPA(K)  <b>Responsibility:</b> Principal Accountant
7.	 Cyrus Ndogo	<b>Qualifications:</b> MA in Project Planning & Management, MBA-HRM, B.Com Admin.  <b>Responsibility:</b> Principal Planning Officer

8.	<p>Carolyne Kayoro</p> 	<p><b>Qualifications:</b> MA in Library and Information, BSC in Information Science</p> <p><b>Responsibility:</b> Principal Librarian</p>
9.	<p>Philomena Mwirigi</p> 	<p><b>Qualifications:</b> MA in Information and Library Management, BA in Information and Library Management</p> <p><b>Responsibility:</b> Principal Librarian</p>
10.	<p>Alex Ombongi</p> 	<p><b>Qualifications:</b></p> <ul style="list-style-type: none"> <li>• Postgraduate Diploma in Computing</li> <li>• Bachelor of Science in ICT</li> <li>• MA in Information Technology</li> </ul> <p><b>Responsibility:</b> Principal ICT Officer</p>
11.	<p>Geoffrey Ruto</p> 	<p><b>Qualifications:</b> Masters in Commerce, B.Com(Banking Option)</p> <p><b>Responsibility:</b> Senior Administrative Officer</p>
12.	<p>Margaret Mwangi</p> 	<p><b>Qualifications:</b> B.Com Accounts, CPA(K), Dip. Risk Management</p> <p><b>Responsibility:</b> Principal Internal Auditor</p>
13.	<p>Fredrick Muindi</p> 	<p><b>Qualifications:</b> Bachelor of Business Commerce</p> <p><b>Responsibility:</b> Ag. Principal Supply Chain Officer</p>
14	<p>Betty Kalugho</p> 	<p><b>Qualifications:</b> Bachelor of Science (Information Science)</p> <p><b>Responsibility:</b> Principal Librarian</p>

#### IV. CHAIRMAN'S STATEMENT

I have great pleasure in presenting my first Annual Report and Audit Accounts as the Chairman of the Kenya National Library Service (knls) Board for the financial year 2013/2014. The term of office of the previous knls Board Chairman, Mr. Silas Kobia ended on January 14, 2014 when I took over from him following my appointment by His Excellency the President. Nonetheless, the year under review registered notable results in the face of challenging economic conditions, albeit improving through various resource mobilization initiatives employed by the Board.

knls' main focus is to provide library and information services geared towards transforming livelihoods of our communities throughout the country. We all know that information permits individuals to increase the usefulness of their decisions, and to improve the use of other resources and increase effectiveness and productivity. In the achievement of its mandate, the Board had by the end of financial year 2013/2014 been able to establish a 60-branch network distributed in 33 counties. Three of the libraries were officially opened by Hon. Dr. Hassan Wario, Cabinet Secretary – Ministry of Sports, Culture and The Arts during the year under review as follows: i) Narok Library in September 2013; ii) Nakuru library (new building – 14<sup>th</sup> May 2014); and iii) Dr. Robert Ouko Memorial Library – knls Koru. (8<sup>th</sup> May 2014)

During the same period, the knls Board performed well in its efforts to ensure continual improvement in all its operations. This was evidenced by performance contracting evaluation undertaken in the month of August, 2013 rated knls as Very Good with a score of 2.8035.

The accomplishments of the financial year 2013/2014 are chiefly attributed to the support received by the knls Board from the Government of Kenya (GoK) and all our stakeholders. The GoK grants enhanced the sustainability and certainty of the implementation of Board's mandate. The support received from both the local and foreign donors also improved the Board's efficiency and effectiveness in its service delivery to the public.

One of the Board's most important initiatives in 2013/14 was the development of knls Transformation Strategy (TS) that the Board approved in February 2014. The TS is anchored on four pillars namely: **Library Service; Research, Consultancy & Training; ICT; and Property Investments**. It provides a new focus for re-engineering and transformation knls from a state of dependency to independency in line with the Government's thoughts to have all its agencies sustain themselves.

Another milestone that the Board achieved in the year under review was to conduct the first ever knls Board self-evaluation on 29<sup>th</sup> November 2013. The exercise was coordinated by an official from the State Corporations Advisory Committee. The performance and rating was measured on a scale of 1- 5 depicting very poor – very good respectively. The evaluation results were given as follows: i) Knls Board's rated at **4.2 "Good"** ii) Director/CEO, Richard Atuti rated at **4.3 "Good"** and iii) Board Chairman, Silas Kobia rated at **4.6 "Very Good."** Individual Board members were also given their scores. This exercise was important to the Board in its promotion of good corporate governance in the running of the organization.

In compliance with the Constitution of Kenya 2010, the Board also carried on with the development of knls Bill 2014 in conjunction with the relevant stakeholders. Major grounds were covered in this regard, and due process is being followed to ensure the Bill goes to Parliament for enactment into Law.

The Board continued to attract support from different categories of partners interested in funding specific library projects. Some of the areas that donors focused on included: the establishment of the American Corner at Nakuru Library by the US Embassy Nairobi; the Embassy also funded the enhancement of the bandwidth in Kisumu and Nakuru Libraries to increase the speed of online communication; access to digital educational materials including curriculum content, timed exams, games, puzzles and stories by Book Aid International (BAI) and World Reader; creating exciting spaces for children within the libraries and training of Children Librarians by BAI. We also had a number of CDF Committees supporting the library development through the respective Members of Parliament. Some universities and other institutions also supported various reading campaigns at our branch libraries.

As we begin a new financial year, we remain positive that the service delivery confidence that we have gained within the information industry will keep on an upward path and that implementation of the knls Transformation Strategy would spur the desired growth and change.

On behalf of the knls Board I wish to express my sincere gratitude and appreciation to our stakeholders including Government of Kenya, donors, partners and library clients for their contributions and support. I also wish to deeply recognize the commitment and the hard work displayed by the knls CEO, Management and Staff throughout the year under review. I have no doubt that together we will make knls ***"The hub of Information and knowledge for empowerment."***

Thank you.



**Samwel Nyangeso**  
**Chairman, knls Board**

## V. REPORT OF THE CHIEF EXECUTIVE OFFICER

During the year under review, knls showed tremendous achievements in terms of providing library resources. In coping up to the fast-paced technologies emerging in the world today, knls concentrated in upgrading and improving its facilities to render more timely and relevant services to the public. We maintained our deliberate efforts aimed at achieving our mission **“to enable access to information for knowledge and transformation of livelihoods.”** This was in response to the continued growing demand for the Board’s services that resulted to enhanced usage of our library resources. knls prudently utilized the GoK grants and donor funds given by various partners to implement specific projects.

Some of the key achievements realized during the year under review included:

### 1. Infrastructural Development

#### a) Implementation of the National Library of Kenya & Headquarters Project

During the year under review, construction of the ongoing Ksh.2.05 Billion National Library of Kenya & Headquarters Vision 2030 flagship project progressed well through utilization of the allocated budget by GoK. By the end of the financial year 2013/2014 the project, which started in the 2012/13 financial year was at 26% level of completion. The proposed National Library of Kenya is expected to address the needs and requirements of the current and future generations in terms of ICT, social integration as well as unlimited access to information. This facility will go a long way in nurturing innovation and creativity especially among the youth who form majority of the Kenyan population.

#### b) Opening of New Libraries

Establishment of libraries has enabled knls to take library services closer to the citizens. During the year under review, three libraries were officially launched by the Cabinet Secretary, Ministry of Sports, Culture and the Arts Dr. Hassan Wario Arero, Ph.D. as follows:

**Nakuru:** The new Nakuru library building was officially opened on 14<sup>th</sup> May 2014. The building was constructed through GoK support and was completed in 2012 when its doors were opened to the public awaiting its official opening. The official launch in the year under review was meant to raise the profile of the library and encourage the Nakuru County residents to maximize its utilization. The old library building where the library services had been offered since 1976 belonged to the then Nakuru Municipality and the limited reading space had become a challenge over the years.

**Narok:** The knls Narok library branch was officially launched on 11<sup>th</sup> September 2013. The establishment of the library which was termed by residents as the first public library in the Maasai region was funded by GoK. It is hoped that the library will contribute to the improvement of the education standards in the area and also empower the communities through information access.

**Koru:** Dr. Robert Ouko Memorial library – knls Koru branch was officially opened on 8<sup>th</sup> May, 2014. The library was established in honour and memory of the late Dr. Robert John Ouko who had a passion for reading and championed values like excellence, self-determination and service to community. The project was a collaborative effort between the knls Board and Dr. Robert Ouko family and friends. Mrs. Christabel Ouko, wife of the Late Dr. Robert Ouko, and her family were very instrumental in the realization of this dream and they donated the 2-acre plot where the library stands.

## **2. Reading Promotion Campaigns**

knls participated in various reading campaigns sponsored by the Board and other stakeholders in order to promote a positive reading culture among Kenyans. Some of the activities included:

### **2.1 Exhibitions and Trade Fairs**

In the year under review, we participated in a number of exhibitions and trade fairs with a view to raising the profile of knls and enhancing our awareness creation. We also utilized these platforms to enlighten the public on the existing services and opportunities available at the knls libraries countrywide. Some of the events that knls joined in included:

**a) National Copyright Awareness Day** held on 1<sup>st</sup> November 2013 at Kenyatta International Convention Centre (KICC) where knls had cordial interactions with authors and publishers.

#### **b) Youth Access to Government Procurement Exhibition**

knls participated in the two-day exhibition which took place on 16<sup>th</sup> – 17<sup>th</sup> October 2013 at KICC grounds. The exhibition was on creating awareness about existing procurement opportunities available for the youth, women and people with disabilities. knls utilized the opportunity to inform the public about knls.

#### **c) Nairobi International Trade Fair**

We participated in the Nairobi International Trade Fair which took place from 30<sup>th</sup> September to 6<sup>th</sup> October 2013 at the Jamhuri Park show grounds. This was yet another opportunity to show case Board's services including information that is available in the libraries for use by Kenyans from all walks of lives.

#### **d) Nairobi International Book Fair (NIBF)**

knls participated in the book fair at Sarit Centre, which was organized by the Kenyan publishers Association from 25<sup>th</sup> to 29<sup>th</sup> September 2013. The fair was well attended irrespective of the tense situation after the Westgate terrorist attack. The fair attracted both local and international visitors.

#### **e) Kenyatta University's Fifth Disability Day**

knls Nairobi Area Braille section participated at the Kenyatta University's fifth disability day which took place on Friday April 21<sup>st</sup> 2014. The commemoration of the day was to provide an opportunity to raise awareness of disability and accessibility and to realize the full and equal participation of students with disabilities in all activities. Knls took the opportunity to showcase Braille material and equipment used by the visually impaired persons at the Nairobi Area Library.

### **2.2 Community Reading Campaigns**

knls branches partnered with various stakeholders in organizing various reading promotion campaigns. For example through the American Corner activities sponsored by the American Embassy, knls Kisumu organized several events including medical camp, youth and children book club competitions, cultural events, debates and introducing ICTs to children in some rural schools. Other libraries including Kibera and

Meru also gained support of the universities, medical experts and other volunteers to address topical issues affecting the communities served by the library.

### **3. Online Access and Presence**

In appreciation of the need for relevance and timeliness in library and information service delivery, knls added wifi connection in 15 branches during the year under review. This is meant to facilitate the library users to access internet and online resources within the libraries. Library clients can also use their own PCs without having to rely on the few available in the library.

knls online presence has continued to grow through our website and face book. To further increase knls visibility, there has been continuous update of the website to ensure it remains relevant, attractive and interactive. In addition, knls has also actively engaged visitors to the social media sites for information, comments and feedback. In this regard, knls created a page on Wikipedia ([http://en.wikipedia.org/wiki/National\\_Library\\_Service\\_of\\_Kenya](http://en.wikipedia.org/wiki/National_Library_Service_of_Kenya)) in which the profile of knls has been uploaded. Other online services where knls has maintained its presence include: facebook, twitter, blog, LinkedIn, YouTube and Skype. These platforms have increased information sharing with the public and also enhanced decision making relating to provision of services to our customers.

### **4. Partnerships**

knls has been working with both local and overseas partners on a number of programs to bridge the gap in the funding of library programs. During the year under review, we received support from local donors including County Governments and CDF Committees in establishment of libraries in their respective areas. Other donors included overseas institutions such as Book Aid International (BAI); and Electronic Information for Libraries (eifl); and Worldreader. They provided support in form of books, ICTs development, capacity building and improvement of library facilities. Some of the innovative projects supported by donors included use of tablets by children in Meru; use of e-Readers in Kakamega, Kisumu and Nyalima; and establishment of exciting children spaces in various libraries. American Embassy in Nairobi also funded the extension of the children's library in Kisumu through the American Corner programme; established the second knls American Corner in Nakuru library. The Embassy also donated funds to increase internet speeds in Kisumu and Nakuru libraries.

The Berkley Family in UK who had in 2012 sponsored the establishment of Kibera Community Library, added additional funds to complete the library. Completion works for the second phase started in November 2013. The family established the library in honour of their late son Alistair David Berkley who was killed in a Pan Am Flight 103 crash that was involved in the 21<sup>st</sup> December 1988 terrorist Lockerbie bombing.

Finlays Horticultural Fairtrade Association through their investment programme transformed the Naivasha Library ICT section by donating 13 new desktop computers with UPS backups, laptop, D-Link Connection Switch, furniture with a sitting capacity of 14 people and a multipurpose printer. Workers from the Finlays flower farms in Naivasha have been using the library together with their children to access information materials. The refurbished section was officially launched on 11<sup>th</sup> June 2014, by the Company Human Resource Manager Mr. Vaslas Odhiambo.

## 5. Basic ICT Skills to the Public

knls has been using its e-resource centres at the branches to provide free basic ICT training to the community. During the year under review, Murang'a library staff conducted two-month basic ICT training to 166 members of the community covering the topics: Introduction to computers; Ms Windows; Ms Word; Ms Excel; Keyboarding; PowerPoint; Publisher; and Networking/internet/ Email. At the end of the course the candidates are awarded certificates of participation. The beneficiaries ranged from senior citizens who want to equip themselves with digital skills and persons who want gain the basic ICT skills before they join computer colleges for advanced training. The demand for this service is on the increase.

## 6. Participation in the knls participated in this year's Library of the year awards (LOYA)

The annual LOYA took place on 26<sup>th</sup> September 2013 at the Nairobi National Museum and was presided over by the then Director General of Vision 2030, Mugo Kibati. He emphasized the need for librarians to be innovative and make the library a place where everyone yearns to be, in order to build their knowledge, which he acknowledged is an important ingredient towards the achievement of vision 2030. During the awards, Buruburu library emerged the winner in the public library category with Nairobi Area library as the 1<sup>st</sup> runner-up in that category and Kakamega library as the 2<sup>nd</sup> runner-up. The event is usually coordinated by Goethe Institut, Nairobi.

## 7. knls Bill 2014

knls has been working on the National Library draft Bill in order to align the library services and operations to the Constitution. The process has been characterized with a lot of consultations between knls and the relevant stakeholders. During the year under review, knls had several sessions with the CIC, Kenya Law Reform Commission (KLRC), Transition Authority, Commission for the Implementation of the Constitution (CIC), and the Council of Governors. The draft Bill is still undergoing the mandatory process before it is enacted into Law.

## 8. Future developments

During the year under review, knls developed a Transformation Strategy aimed at converting knls from a state of '**Dependence to Independence**'. The Strategy is anchored on four pillars namely: **Library Service; Research, Consultancy & Training; ICT; and Property Investments**. These will be realized through various Special Purpose Vehicles (SPVs) such as Library Service, Research & Consultancy, ISBN Registration, Digitization, Property Rental, Training and ICT. The Strategy is intended to guide knls in re-engineering and re-positioning itself and generate diversified streams of revenue to ensure growth and sustainability. This is in line with the knls Strategic Plan 2012-2017 – strategic objective no. 5 "**To strengthen institutional capacity by upholding responsible corporate governance, resource mobilization and human capital development.**"

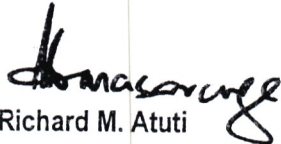
In the next financial year, the Board and Management will focus on the implementation of the strategy. Some of the challenging programmes that knls will undertake in the next financial year include:

- i. Investing in digital and digitization services in order to enhance preservation and access to information materials, documents and records. Digitization will also be used as an income generation stream.
- ii. Up scaling the issuance of the International Standard Book Number (ISBN) to publishers.

- iii. Training and Development
- iv. Development and usage of ICT relevant products

Implementation of the proposed strategy presents a wide platform for innovation and creativity in the delivery of our services to the public. This will therefore require considerable organizational change and adjustments; improving internal processes to maximize efficiency, continued commitment to collaborating with other partners in various fields.

Finally, I convey my appreciation for all the stakeholders that have enabled us make these great steps during the year under review. My thanks go to the knls Board for the support and guidance in the implementation of various library programmes, the Management and Staff of knls, and last but not least to all our customers/patrons, development partners and communities who have believed in us and walked with us through the financial year 2013/2014.



Richard M. Atuti  
Chief Executive Officer, knls

## VI. CORPORATE GOVERNANCE STATEMENT

Kenya National Library Service Board embraces the principles of good governance that is engraved in the culture of integrity, accountability and transparency. The Library is managed under the direction of the Board of Directors whose responsibility is to supervise the operations of management and ensure that the interest of the organization and all its stakeholders are promoted and protected. The Board which is guided by the knls Board Charter through its Committees oversee the corporate governance, advises management in developing financial plans, determines the strategic direction the corporation, goals and objectives as well as evaluating management's performance in pursuing and achieving those goals.

### Board of Management

Kenya National Library Service Board has adopted high standards of service delivery and applies strict rules of conduct, based on best practices. As part of this commitment the Board has adhered to the Guidelines on Corporate Governance. The Board consisted of 20 members, including a non-executive Chairman and the Chief Executive Officer in the year ended 30<sup>th</sup> June 2014. The Board held 3 regular Full Board Meetings, 9 Special Board Meetings and one Extra Ordinary Board Meeting. The Board comprises of 4 committees whose members and mandate are stated below. The committees reinforce the Board's independence and legitimacy in areas where there is potential for conflict of interest.

#### a) AUDIT COMMITTEE

##### Members

1. Lucy W. Muhinga – Chairperson
2. Nelly Mwanzia - Member
3. Johnson Kariuki - Member
4. Salome Munavu – Member

The Audit Committee of the Board held 2 regular meetings. The Committee have clear TORs as outlined below:

- i. Assisting the Director /Chief Executive Officer in enhancing internal controls in order to Improve efficiency, transparency and accountability.
- ii. Reviewing audit issues raised by both internal and external auditors.
- iii. Resolving unsettled and unimplemented Public Accounts and Public Investments Committees' (PAC/PIC) recommendations.
- iv. Enhancing communication between management, internal and external audit and fostering an effective internal audit function.
- v. Reviewing and approving the audit charter where applicable and the internal audit annual work plans.
- vi. Reviewing the internal and external audit findings and recommendations and proposing corrective and preventive action where necessary

- vii. Reviewing the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics.
- viii. Initiating special audit/investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Director/Chief Executive Officer.
- ix. Conduct Risk Based Audits (RBA) to provide reasonable assurance that risks management processes and structures put in place by management are functioning effectively and recommending appropriate risk mitigation measures where necessary.
- x. Review and evaluate Annual Appropriation Accounts and Statements of assets & Liabilities before they are submitted to Controller and Auditor General by finance department.

**b) FINANCE & PROJECT COMMITTEE**

**Members**

- 1. Patrick Njagi – Chairperson
- 2. Prof. Henry Mwanzi – Member
- 3. Jumaa Makopa – Member
- 4. Eunic Kigen – Member
- 5. David Cheruiyot – Member

Finance & Projects Committee of the Board held 4 Regular Meetings and 2 Special Meetings. The committee have clear TORs as outlined below:

- i. Assist the full board in overseeing formulation, review and implementation of financial policies and procedures.
- ii. Receive and review budgets from management, and recommend to the full board for approval.
- iii. Review and recommend proposed projects and work plans to the full board for approval.
- iv. review and recommend quarterly and annual financial reports prepared by the management to the full board for approval
- v. Receive and review capital assets disposal inventory and recommend to the full board for approval and disposal

**c) HUMAN RESOURCE & SERVICE DELIVERY COMMITTEE**

**Members**

- 1. Muthoga Ngera – Chairperson
- 2. Ibrahim Abdi Ali – Member
- 3. Christine Masiyio Lemein – Member
- 4. Daniel Ole Mayiani – Member
- 5. H. Misigo Amatsimbi (Dr) – Member

Human Resource & Service Delivery Committee of the Board held 5 Regular Meetings and they have clear TORs as outlined below:

- i. Review, consider and recommend to the Board for approval all the Human Resource policies relating to terms and conditions of service for employees.

- ii. Oversee, monitor and evaluate implementation of all the approved human resource policies by the management.
- iii. Review and recommend Human Resource Management Committees' reports on discipline, training and any other human resource report for Board's approval.
- iv. Receive and review changes proposed by management on the organization structure, performance management system, compensation guidelines and recommend to the Board for approval
- v. Review management's proposals for appointment of union-employees and recommend for approval by the Board.
- vi. Advise the Board on the criteria for identifying, recruiting and appointment of managerial staff and recommend candidates to the full board for approval
- vii. Ensure in consultation with the Board and the CEO that succession plans are in place at all levels and review such plans regularly.
- viii. Review recommendations regarding any other issues related to Human Resource Management.

d) **MARKETING AND RESOURCE MOBILIZATION COMMITTEE**

**Members**

- 1. Pauline Kamau - Chairperson
- 2. Beatrice Buyu - Member
- 3. Noor Aden - Member
- 4. Amb. Ann Nyikuli - Member

The main focus of the committee is to raise knls' relevance and visibility to appropriate standards through implementation of marketing and resource mobilization strategies. During the year under review they held 2 Regular Meetings. Terms of Reference for the Committee include:

- i. Advise on formulation, implementation and review of communication, marketing, resource and resource mobilization policies, strategies and plans.
- ii. Provide guidance on the application of customer-focused marketing strategies that will achieve increased readership levels.
- iii. Offer expertise on formulation, strengthening and sustenance of partnerships with stakeholders to enhance the quality of library and information service delivery to the public.
- iv. Advise on development and implementation of Corporate Identity Manual to realize consistent reinforcement of knls brand.

## **VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

Kenya National Library Service appreciates its obligations to act responsibly, ethically and with integrity in its interactions with all stakeholders: patrons, customers, staff development partners and the Government as a whole.

In line with the Board's mandate, knls donates 40% of all books and information materials received from overseas development partners to support needy institutions, community centres to enhance collections of respective libraries resource centres and other related community empowerment centres.

Additionally, the Board participated in selected national cultural promotional activities e.g Smithsonian Festival held in the United States in the month of June 2014, participated in Women Golf Tournaments in support of establishment of community libraries.

## VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements which show the Kenya National Library Services' state of affairs for the year ended June 30, 2014.

### 1. Principal activities

During the period, the Board operated under the knls Act 225 with the following broad functions:-

- Acquire books and information sources produced in and outside Kenya and such other materials for a comprehensive National Library
- Preserve and conserve the national imprint for reference and research and maintain the National Bibliographic Control through issuance of the ISBN, publication of the Kenya National Bibliography and Kenya Periodicals Directory.
- Promote, establish, equip, manage and maintain Libraries in Kenya as a National Library Service;
- Plan and Coordinate library, documentation and related services in Kenya
- Advise the National and County Governments, and other public bodies on all matters relating to library, documentation and related services.
- Provide facilities for the study of, and for training in the principles, procedures, and techniques of librarianship and such other related subjects as the Board may determine
- Sponsor, arrange or provide facilities for conferences and seminars for discussion on matters in connection with library and related services
- Carry out and encourage research in the development of library and related services
- Stimulate Public interest in books and promote information literacy for knowledge, information and leisure;

### Results

The results of the Kenya National Library Service for the year ended June 30, 2014 are set out on page 25-47.

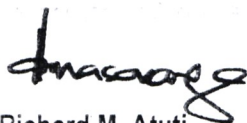
### Directors

The members of the Board of Directors who served during the year are shown on page 5-8.

### Auditors

The Auditor General is responsible for the statutory audit of the Kenya National Library Service Board in accordance with the Public Finance Management (PFM) Act, 2012 which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board



Richard M. Atuti  
Chief Executive Officer  
knls

Date: 28.09.14

## IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 section 82 requires the Directors to prepare financial statements in respect of Kenya National Library Service, which give a true and fair view of the state of affairs of the Board at the end of the financial year and the operating results for that year. The Directors are also required to ensure that the Kenya National Library Service Board maintain proper accounting records which disclose with reasonable accuracy the financial position.

They are also responsible for the preparation and presentation of financial statements, which give a true and fair view of the state of affairs of the Board as at the end of the financial year ended on June 30, 2014. 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 Kenya National Library Service Board.
- (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 Kenya National Library Service Board.
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) and in the manner required by the PFM Act 2012 and the State Corporations Act.

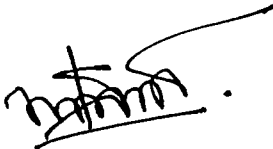
The Directors are of the opinion that financial statements give a true and fair view of the state of the Board's transactions during the financial year ended June 30, 2014, and financial position as at that date.

The Directors further confirm the completeness of the accounting records maintained, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Kenya National Library Service Board will not remain a going concern for at least the next twelve months from the date of this statement

**Approval of the financial statements**

At the time of preparing and submitting this report, the knls Board was not fully constituted. Only the Board Chairman and the Chief Executive Officer were in office. The previous Board's tenure ended in 4<sup>th</sup> March 2014 and the incoming Chairman was appointed with effect from 4<sup>th</sup> January 2014, therefore the Kenya National Library Service Board's financial statements were signed on behalf of the Board by:



**Mr. Samwel Nyangeso**  
Chairman knls Board



**Mr. Richard M. Atuti**  
Chief Executive Officer, knls

Date 28.09.14

Date 28.09.14

# REPUBLIC OF KENYA

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

P.O. Box 30084-00100  
NAIROBI



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL LIBRARY SERVICE FOR THE YEAR ENDED 30 JUNE 2014

---

#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Kenya National Library Service set out on pages 25 to 31, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in equity and statement of cash flows 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 14 of the Public Audit Act, 2003. 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 13 of the Public Audit Act, 2003.

#### **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 15 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Auditing. 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 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 Service'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 qualified audit opinion.

### **Basis for Qualified Opinion**

#### **1. Property, Plant and Equipment**

(a) As reported in 2012/2013, the property, plant and equipment balance of Kshs.1,207,514,766.00 reflected in the financial statements as at 30 June 2014 exclude ten (10) parcels of land valued at Kshs.7,540,000.00 and three (3) other parcels of land whose value is undetermined and without title deeds donated to the Service by local communities for construction of libraries.

In the circumstances, it has not been possible to confirm whether the carrying value stated in the financial statements reflect the fair values of the properties as at 30 June 2014.

(b) Further, the property, plant and equipment balance net book value disclosed under fixed assets movement schedule Note 21, moved from Kshs.438,885,000.00 in 2012/2013 to Kshs.430,250,000.00 in the year under this audit review, resulting into a difference of Kshs.8,635,000.00. The downward movement of the net book value of land was attributed to two (2) parcels of land i.e. Kisii Municipality/Block 2/231 and Wundanyi LR No. 28243 disclosed in the books included Kshs.10,215,000.00 in respect of the value of building and one (1) parcel of land in Mombasa Island No. 209 and 210 was undervalued then by Kshs.1,580,000.00.

However, from the records provided we were unable to confirm and verify how the adjustments were done in the books without raising a journal voucher to correct the errors. In addition, it was not satisfactorily why the error took eight (8) years since the time of valuation in 2007 to be corrected and why the figures were netted off from the books without disclosing a revaluation gain or loss in the financial statement.

In the circumstances, the accuracy and ownership of the plant property and equipment of Kshs.1,207,514,766 could not be confirmed.

#### **2. Construction of the National Library and Kenya National Library Service Headquarters**

On 2 March 2012 the Kenya National Library Service Board entered into a contract with a local construction company to construct the National Library and Headquarters at a sum of Kshs.2,055,200,200.00. The work was to take 208 weeks or 48 months commencing on 10 April 2012 with expected completion date on 19 January 2016. As at 15 December 2014 the amount of work certified was only Kshs.750,884,096.33

or 37% while 148 weeks or 72% of the period had lapsed by 20 January 2015 with only 53% of work done. There is a likelihood of the contract not being completed on the scheduled date due to delays in the anticipated funding from the Government through the Ministry of Sports Culture and the Arts. The delayed funding had resulted to claims for interest on delayed payments amounting to Kshs.11,925,099.81 as at 16 September 2014. Management of the Entity has not given the measures put in place to ensure that there are no further claims of interest due to delayed funding.

As a result, the project may cost more than planned and delay in completion.

### **3. Receivables from Exchange Transactions**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.9,979,913.00 as at 30 June 2014. The receivables balance includes an amount brought forward from the previous year of Kshs.42,873.20 owed by a bank and uncollected rental income of Kshs.347,400.00 for over thirty six (36) months.

No provision in relation to these uncertainties was made in the financial statements as at 30 June 2014.

### **4. Receivables from Non-Exchange Transactions**

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.5,923,668.00 as at 30 June 2014. However, these receivables are ex-staff debtors balances of Kshs.2,655,706.90 owed by two (2) former employees. However, one of the ex-employees has since died and the other one cannot be traced.

No provision in relation to these uncertainties was made in the financial statements as at 30 June 2014.

### **5. Trade Payables from Exchange Transactions**

The statement of financial position also reflects trade payables from exchange transactions balance of Kshs.126,897,616.00 as at 30 June 2014. The payables include an amount of Kshs.462,583.50 from four (4) companies that has remained constant since 2012/2013 financial year. No satisfactory explanation has been provided as to why the balances have remained constant for more than twenty four (24) months.

### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the National Library Service as at 30 June 2014, and of its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards and comply with the Kenya National Library Service Act, Cap. 225 of the Laws of Kenya.

## **Other Matters**

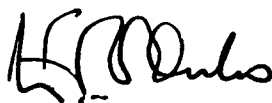
### **Industrial Court Cases**

The Board had the following legal cases with two (2) former employees:

- a) **The first case** – Industrial Court No. 258 of 2011 was against Ms. Beatrice N. Ayoti who was accused for loss of store items valued at Kshs.464,374.00. Records available indicate that the accused was surcharged by the Management of the Entity an amount of Kshs.10,000.00 per month which was to be recovered from her salary with effect from 01 May 2007. However, the accused resigned in January 2008 after only Kshs.90,000.00 had been recovered leaving a balance of Kshs.374,374.00 which the Management of the Entity engaged its lawyers to pursue. The case is still ongoing.
- b) **The second case** - Industrial Court No. 512 of 2011 was against Dr. Philemon Chebon who was accused of failure to honor a bond of Kshs.800,000.00. Information available indicate that the accused had signed a bonding fee with the Management of the Entity on 11 June 2002 when awarded a scholarship for further education in South Africa. However, the accused resigned on 02 April 2007. The case was concluded on 25 November 2014 and the court awarded the bond amount of Kshs.800,000.00 together with 5% interest from 01 April 2007 until the amount is paid in full and Kshs.500,000.00 damages for breach of contract and cost of the suit. The amount is yet to be recovered.

No disclosure was made in the Notes to the Accounts in respect of these legal contingent liabilities.

My opinion is not qualified in respect of these matters.



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

**Nairobi**

**21 May 2015**

## X. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2014

		2013/2014 KSHS.	2012/2013 KSHS.
<b>Revenue from non-exchange transactions</b>			
Transfers from government	3	588,400,000	445,200,000
Public contributions and donations	4	15,627,865	60,541,523
		<b>604,027,865</b>	<b>505,741,523</b>
<b>Revenue from exchange transactions</b>			
Interest Income	5	8,926	8,648
Rental income from facilities	6	20,641,286	22,948,291
Rendering of Services	7	3,476,258	1,489,070
Annual membership & Entrance Fees	8	12,317,655	13,291,078
Other Income	9	4,722,507	5,518,282
		<b>41,166,632</b>	<b>43,255,369</b>
		<b>645,194,497</b>	<b>548,996,892</b>
<b>Expenditure</b>			
Employee costs	10	442,952,817	437,036,669
Travel Costs	11	13,636,850	10,434,653
General Expenses	12	87,153,469	73,204,873
Utilities	13	12,703,264	11,738,809
Repairs and Maintenance Cost	14	16,615,211	12,276,243
Depreciation	21	40,451,092	42,286,009
Boards Expenses	15	14,952,755	12,640,971
		<b>628,465,458</b>	<b>599,618,227</b>
<b>TOTAL EXPENDITURE</b>		<b>628,465,458</b>	<b>599,618,227</b>
<b>SURPLUS/(DEFICIT)</b>		<b>16,729,039</b>	<b>(50,621,335)</b>

## XI. STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		2013/2014 KSHS	2012/2013 KSHS
	NOTES		
<b>CURRENT ASSETS</b>			
Inventory	16	6,270,725	3,084,606
Receivables from exchange transactions	17	9,979,913	4,680,384
Receivables from non-exchange transaction	18	5,923,668	6,080,959
Cash & Bank balances	19	12,421,346	8,711,384
		<b>34,595,652</b>	<b>22,557,423</b>
<b>NON CURRENT ASSETS</b>			
Property, Plant & Equipment	21	1,207,514,766	1,202,323,658
Stock – Books	20	681,980,295	614,752,820
Intangible Asset	22	1,100,000	
Work in Progress	23	831,486,710	666,237,660
		<b>2,722,081,771</b>	<b>2,483,314,138</b>
<b>TOTAL ASSETS</b>		<b>2,756,677,423</b>	<b>2,505,871,561</b>
<b>CURRENT LIABILITIES</b>			
Trade payables from non-exchange trans	24	638,000	650,000
Trade payables from exchange transactions	25	126,897,616	308,497,900
Deferred income	26	60,984,907	-
<b>Non-current liabilities</b>			
Employee benefit obligation	24	2,480,000	1,140,800
<b>Total liabilities</b>		<b>191,000,525</b>	<b>310,288,700</b>
<b>Net assets</b>			
Accumulated Fund		1,659,982,443	1,643,253,406
Revaluation Reserve		313,694,455	322,329,455
Capital Reserve		592,000,000	230,000,000
<b>Total Equity</b>		<b>2,565,676,898</b>	<b>2,195,582,861</b>
<b>TOTAL NET ASSETS &amp; LIABILITIES</b>		<b>2,756,677,423</b>	<b>2,505,871,561</b>

Financial Statements set out on pages 25 to 47 were signed on behalf of the Board of Directors by:



Mr. Samwel Nyangeso  
Chairman

28th September 2014



Mr. Richard Atuti  
Chief Executive Officer

28th September 2014

**XII. STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30<sup>th</sup> June 2014**

	Accumulated Fund	Revaluation/ Additions	Capital Reserves	Total
Balance as at 30th June 2012	1,693,872,782	322,329,455	-	2,016,202,237
<b>Adjusted for:</b>				-
Increase in acc. Dep. on Buildings	5,841	-	-	5,841
Decrease in acc. Dep. on computers	(4,730)	-	-	(4,730)
Increase in acc. Dep. on F&F	846	-	-	846
Capital grants received	-	-	230,000,000	230,000,000
Deficit for the year	(50,621,335)	-	-	(50,621,335)
Balance as at 30th June 2013	<b>1,643,253,404</b>	<b>322,329,455</b>	<b>230,000,000</b>	<b>2,195,582,859</b>
Balance as at 30th June 2013	1,643,253,404	322,329,455	230,000,000	2,195,582,859
Land adjustment	-	(8,635,000.00)	-	(8,635,000)
Capital grants received	-	-	362,000,000	362,000,000
Surplus for the year	16,729,039	-	-	16,729,039
Balance as at 30th June 2014	<b>1,659,982,443</b>	<b>313,694,455</b>	<b>592,000,000</b>	<b>2,565,676,898</b>

### XIII. STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE 2014

		2013/2014 (KSHS)	2012/2013 (KSHS)
Surplus For The Year	Note	16,729,039	(50,621,335)
<b>Adjusted For: -</b>			
Depreciation	21	40,451,092	42,286,009
Resurfaced books	20	(74,747)	(319,969)
Donations (Books & Cash)		-	(44,815,678)
Donations (FA)		(156,688)	(660,280)
Withdrawn books	20	4,191,047	1,697,132
<b>Operating Deficit Before Working Capital Changes</b>		<b>61,139,743</b>	<b>(54,566,121)</b>
(Increase) / Decrease In Inventory		(3,186,029)	(91,283)
Increase / (Decrease) in payments received in advance		104,991	28,257
(Increase) / Decrease In receivables		(5,142,238)	(1,440,405)
Increase / (Decrease) In payables		(181,705,275)	282,599,809
(Decrease)/Increase in Provisions		1,327,200	(2,132,000)
<b>Net Cash Outflow From Operating Activities</b>		<b>(127,461,606)</b>	<b>226,530,257</b>
<b>Cash Flows From Investing Activities</b>			
Purchase Of Fixed Assets	21	(15,382,021)	(300,029,682)
Additions in Work In Progress	23	(203,349,728)	(290,736,343)
Purchase of Books	20	(10,996,681)	(6,081,489)
Purchase of software	22	(1,100,000)	-
<b>Net Cash Outflows From Investing Activities</b>		<b>(230,828,430)</b>	<b>(596,847,514)</b>
<b>Cash Flows From Financing Activities</b>			
GOK capital grants		362,000,000	230,000,000
<b>Net Cash Inflows From Financing Activities</b>		<b>362,000,000</b>	<b>230,000,000</b>
<b>(Decrease)/Increase In Cash and Cash Equivalents</b>		<b>3,709,963</b>	<b>(140,317,257)</b>
<b>Cash and Cash Equivalents Beginning</b>		<b>8,711,383</b>	<b>149,028,640</b>
<b>Cash and Cash Equivalents Ending</b>		<b>12,421,346</b>	<b>8,711,383</b>

## XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### A) RECURRENT BUDGET AND EXPENDITURE

	Original Budget 2013/2014 Kshs.	Adjustments 2013/2014 Kshs.	Final Budget 2013/2014 Kshs.	Actual on comparable basis 2013/2014 Kshs.	Performance diff 2013/2014 Kshs.
<b>Revenue</b>					
Government grants	564,400,000.00	-	564,400,000.00	588,400,000.00	24,000,000.00
Public contributions and donations	4,258,634.00	4,767,079.00	9,025,713.00	15,471,177.00	6,445,464.00
Appropriation in Aid	39,200,000.00	-	39,200,000.00	40,682,959.00	1,482,959.00
Transfer from Development	8,000,000.00	8,000,000.00	8,000,000.00	644,554,136.00	23,928,423.00
<b>Total Revenue</b>	<b>607,858,634.00</b>	<b>12,767,079.00</b>	<b>620,625,713.00</b>		
<b>Expenses</b>					
Compensation of employees	456,963,638.00	(11,441,267.00)	445,522,371.00	442,952,816.85	2,569,554.15
Travel Costs	7,900,000.00	(350,000.00)	7,550,000.00	13,636,850.00	(6,086,850.00)
General Expenses	105,376,483.00	22,898,346.00	128,274,829.00	87,153,469.40	41,121,359.60
Utilities	10,540,000.00	2,180,000.00	12,720,000.00	12,703,264.00	16,736.00
Repairs and Maintenance Cost	12,078,513.00	(820,000.00)	11,258,513.00	16,615,211.00	(5,356,698.00)
Board expenses	15,000,000.00	300,000.00	15,300,000.00	14,952,755.00	347,245.00
Depreciation				40,451,092.00	
<b>Total expenditure</b>	<b>607,858,634.00</b>	<b>12,767,079.00</b>	<b>620,625,713.00</b>	<b>628,465,458.25</b>	<b>(7,839,745.25)</b>
<b>Surplus for the period</b>	-	-	-	<b>16,088,677.75</b>	

The general expenses went up by 32% against the budgeted amount due to expenses related to:

- **Internet connectivity** - having received donor funding to expand the band with and internet speed for Kisumu and Nakuru
- **Advertising and Publicity** - donor funding for the children and teenage programmes
- **Supplies and Accessories for computers** - in order to meet the demand for the services
- **Purchase of furniture, computers** - implementation of the survey report from our customers necessitated intervention measures

## B. DEVELOPMENT BUDGET AND EXPENDITURE

	Original Budget 2013/2014 Kshs.	Adjustments 2013/2014 Kshs.	Final Budget 2013/2014 Kshs.	Actual on comparable basis 2013/2014 Kshs.	Performance diff 2013/2014 Kshs.
<b>Revenue</b>					
Roll over funds	16,702,586.00	-	16,702,586.00	16,702,586.00	-
Government grants	342,000,000.00	20,000,000.00	362,000,000.00	362,000,000.00	-
Public contributions and donations	5,881,455.00	2,884,750.00	8,766,205.00	8,766,205.00	-
<b>Total Income</b>	<b>364,584,041.00</b>	<b>22,884,750.00</b>	<b>387,468,791.00</b>	<b>387,468,791.00</b>	<b>-</b>
<b>Expenses</b>					
Transfer to Recurrent a/c		8,000,000.00	-	8,000,000.00	(8,000,000.00)
Narok Community Library	3,428,943.00	-	3,428,943.00	3,241,904.00	187,039.00
National Library of Kenya	333,448,230.00	17,520,000.00	350,968,230.00	346,021,462.00	4,946,768.00
Refurbishment of Libraries	23,060,000.00	4,384,750.00	27,444,750.00	12,116,587.00	15,328,163.00
Support to Community Based Libraries	4,166,868.00	900,000.00	5,066,868.00	2,708,204.00	2,358,664.00
Retention monies	480,000.00	80,000.00	560,000.00	438,426.00	121,574.00
<b>Total expenditure</b>	<b>364,584,041.00</b>	<b>30,884,750.00</b>	<b>387,468,791.00</b>	<b>372,526,583.00</b>	<b>14,942,208.00</b>
<b>Surplus for the period</b>				<b>14,942,208.00</b>	

## **XV. NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of compliance and basis of preparation**

Kenya National Library Service financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of knls. The accounting policies have been applied as per IPSAS in the year under review.

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

### **2. Summary of significant accounting policies**

#### **a) Revenue recognition**

##### **i) Revenue from non-exchange transactions**

###### **Fees, taxes and fines**

Kenya National Library Service recognizes revenues from fees, taxes and fines when the event occurs 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 knls 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 knls and can be measured reliably.

##### **ii) Revenue from exchange transactions**

###### **Rendering of services**

Kenya National Library Service recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

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

###### **Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to knls.

### **Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue

### **b) Budget information**

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 knls. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or organisation's differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

### **c) Taxes**

#### **Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the knls operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### **Value Added Tax**

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

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

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

### **d) Property, plant and equipment**

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, knls 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. The rates of depreciation are as follows:

- Freehold land Nil
- Buildings 2%
- Motor vehicles 25%
- Fixtures, furniture & fittings 12.5%
- Equipments 20%
- Computers 33%
- Capital work in progress is not depreciated until such a time as the assets is brought into use.

#### **e) Intangible assets**

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.

#### **f) Financial instruments**

##### ***Financial assets***

##### **Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. knls determines the classification of its financial assets at initial recognition.

##### **Impairment of financial assets**

knls assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or an entity of debtors are experiencing significant financial difficulty
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correiate with defaults)

## **i) Financial liabilities**

### **Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. knls determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

### **g) Inventories**

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

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

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

### **h) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

### **i) Provisions**

Provisions are recognized when knls 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 knls 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**

knls 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.

#### **j) Nature and purpose of reserves**

knls creates and maintains reserves in terms of specific requirements as follows

- i) Capital Reserve – this is used to record contribution made by government in form of grants/transfers
- ii) Revaluation Reserve – this is used to indicate the re-valued amounts on the plant property and equipment.

#### **k) Changes in accounting policies and estimates**

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

#### **i) Related parties**

Kenya National Library Service 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 knls, or vice versa. Members of key management are regarded as related parties and comprise the Board of Directors and top level management.

#### **m) 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 the Kenya Commercial Bank and Mpesa holding account 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 authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

#### **n) Comparative Figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

#### **o) Employee Benefits**

The knls employees are eligible for retirement benefits under a defined contribution scheme. The employer contributes 20% and employee 10% of the monthly basic salary towards an employee's Retirement Benefit Scheme. knls Board's contributions are charged to the income statement in the year to which they relate.

#### **p) Significant judgments and sources of estimation uncertainty**

The preparation of the organisation'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.

### **Critical accounting judgments in applying the organisation's accounting policies**

#### ***Impairment losses on trade and other receivables***

The organisation reviews its trade and other receivables to assess impairment regularly. In determining whether an impairment loss should be recognised through profit or loss, the company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the receivables, before a decrease can be identified. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers or local economic conditions that correlate with defaults on assets in the company. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### ***Estimates and assumptions***

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

#### **i) Key sources of estimation uncertainty**

##### ***Impairment of assets***

At the end of each reporting period, the authority reviews the carrying amount of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment (if any).

##### ***Plant and equipment***

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the authority
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

#### **Fair value estimation – financial instruments**

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. Judgment includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

#### **q) Taxation**

knls is exempted from taxation and therefore no provision for tax liability has been made in financial statements.

#### **r) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

**3 REVENUE FROM NON EXCHANGE TRANSACTIONS**

<b>PARTICULARS</b>	<b>2013/2014 KES</b>	<b>2012/2013 KES</b>
<b>Unconditional Grants</b>		
Govt Grants- Recurrent Acc	588,400,000	445,200,000
<b>Total</b>	<b>588,400,000</b>	<b>445,200,000</b>

**4 Public contributions and donations**

Cash Donations - BAI	2,652,395	6,680,968
- US Embassy	12,153,483	5,781,150
- Others	821,987	2,283,478
Fixed Asset Donation - Furniture & Equipment	-	383,280
- Equipment	-	277,000
Donations	-	44,815,678
Resurfaced books	-	319,969
	<b>15,627,865</b>	<b>60,541,523</b>

**Reconciliation of public contributions and donations**

<b>Balance unspent at the beginning of year</b>	-	
Current year receipts	76,612,771	60,541,523
Conditions met - transferred to revenue	(15,627,865)	(60,541,523)
<b>Conditions to be met - remain liabilities (see note 26)</b>	<b>60,984,906</b>	-

**REVENUE FROM EXCHANGE TRANSACTION**

<b>5 Bank Interest Received</b>	8,926	8,648
<b>6 Rental income from facilities</b>		
Hire Of Halls	932,710	759,855
Bill Boards	-	-
Parking Charges	399,379	334,781
Rent	18,080,197	20,718,517
Service charge from rentals	1,229,000	1135138
	<b>20,641,286</b>	<b>22,948,291</b>
<b>7 Rendering of Services</b>		
Photocopies	100,410	148,139
Knob & Kpd Sales	19,000	24,822
Internet And E-Mail	347,828	428,323
Consultancy Services	3,009,020	887,786
	<b>3,476,258</b>	<b>1,489,070</b>
<b>8 Annual membership &amp; Entrance Fees</b>		
Membership Fees- Institution	580,500	645,020
Membership Fees- Adult	3,996,498	4,081,009
Membership Fees - Junior	559,016	614,736
Entrance Fees - Foreigners	28,080	20,080
Entrance Fees - Non Members	7,153,561	7,930,233
	<b>12,317,655</b>	<b>13,291,078</b>

	2013/14 KES	2012/13 KES
<b>9 Other income</b>		
Sundry Income	165,601	55,505
Fines and Overdues	1,151,958	1,109,728
Disposal Income	36,675	1,260,281
Hire Of Chairs/ Tents	72,634	140,100
Gain on Sale of Fixed Assets	400,000	-
Sale Of Tenders	90,500	774,500
Clearing Fee	125,040	177,580
Commission from payroll deductions	149,521	155,434
Attachment Charges	390,324	303,780
Lost And Paid For Books(100%)	259,840	311,033
Annual Renewal Fee	421,700	435,579
ISBN Fees	973,040	670,690
Salary On Resignation	147,316	-
Lost And Paid For Books (Original)	251,858	111,346
Forex Gain	11,753	12,726
Resurfaced Books	74,747	-
	<b>4,722,507</b>	<b>5,518,282</b>
<b>10 Employee Costs</b>		
<b>PARTICULARS</b>		
Basic Salary (Permanent Employees)	225,361,106	221,247,560
Casual Labour	4,429,541	3,444,316
House Allowance	105,405,465	105,438,075
Acting Allowances	-	30,313
Hardship Allowance	8,454,980	8,301,136
Medical Allowance	9,971,905	9,965,482
Special Duty Allowances	660,346	531,631
Other Allowances-Remunerative	360,000	360,000
Leave Allowance	4,631,690	3,944,489
Employer Contribution To Pension Scheme	45,489,814	45,666,674
Other Allowances-Bicycle	50,400	55,300
Commuter Allowance	38,000,640	37,820,413
Refund Of Medical Expenses-Inpatient	136,930	231,280
	<b>442,952,817</b>	<b>437,036,669</b>
<b>11 Travel costs</b>		
Travel Costs-Domestic	1,321,322	908,724
Accommodation-Domestic	3,047,570	2,154,980
Daily Subsistence-Domestic	3,231,771	2,960,189
Sundry Items Domestic	119,600	81,790
Passage And Transfers Expenses	675,441	529,320
Travel Cost-Foreign	401,155	75,173
Accommodation Foreign	7,500	-
Daily Subsistence-Foreign	1,119,911	266,398
Sundry Items - Foreign	53,329	22,183
Travel,Accommodation, Tuition Fees	3,659,254	3,435,896
<b>TOTAL</b>	<b>13,636,850</b>	<b>10,434,653</b>

	2013/14 KES	2012/13 KES
<b>12 General Expenses</b>		
Telephone & Mobile Phone Services	2,264,889	2,632,784
Internet Connections	6,122,109	3,697,159
Courier & Postal Services	1,676,735	1,536,396
Publishing & Printing Services	1,074,040	- 490,562
Subscription To Newspaper, Mag	4,214,956	3,111,279
Advertising,Awareness & Public	6,983,254	4,472,550
Trade Shows & Other Exhibition	542,030	358,550
Publicity Materials	354,790	1,441,610
Rent & Rates-Non-Residential	624,422	606,000
Catering Expenses	1,311,075	1,252,074
Insurance General	13,003,421	9,913,397
Veterinarian Supplies	37,715	30,350
Purchase Of Uniform & Clothing	568,039	365,445
Library Processing Tools,Magnetic strips	4,949,928	2,814,312
Education and Supplies	-	266,162
General Office Supplies	2,644,499	1,175,980
Supplies & Accessories For Com	1,699,149	1,732,766
Sanitary & Cleaning Materials	1,888,108	1,113,205
Contracted Guards & Cleaning	19,496,086	17,002,845
Transport Costs & Charges For	551,101	1,326,854
Legal Dues, Arbitration & Comp	465,840	3,764,310
Contracted Professional Services	3,878,792	5,392,888
Withdrawn Books	4,191,047	1,697,132
Purchase of Furniture & Fittings	-	101,111
Bank & Mpesa Charges/Commission	688,888	630,342.00
Management Fee-Audit Fee	1,226,000	738,000.00
Purchase Of Coffins & Other Miscellaneous exps	162,650	229,700
Membership Fees,Dues &Subscription	532,037	521,830
Research & Development	920,155	-
Monitoring & Evaluation	508,550	619,240
Medal & Awards	183,500	244,000
Refined Fuels & Lubricants For	4,389,665	3,926,040
	<b>87,153,469</b>	<b>73,204,873</b>
<b>13 Utilities</b>		
Electricity	10,014,263	9,181,525
Water And Sewerage Charges	2,689,001	2,557,284
	<b>12,703,264</b>	<b>11,738,809</b>
<b>14 Repairs and Maintenance Cost</b>		
Repair, Maintenance: Buildings	3,524,771	3,685,276
Repair, Maintenance: Furniture	292,836	351,340
Repair, Maintenance: Equip	2,967,584	1,580,075
Repair, Maintenance: Motorvehicle	2,460,201	2,514,149
Repair, Maintenance: Computer	7,369,819	4,145,403
<b>TOTAL</b>	<b>16,615,211</b>	<b>12,276,243</b>

<b>15 Board Expenses</b>	<b>2013/14</b>	<b>2012/13</b>
	<b>KES</b>	<b>KES</b>
Board Meetings Expenses	14,952,755	12,640,971

**16 Inventory**

The items mainly comprise consumables whose turnover is very high. First in first out valuation method is used and inventories are stated in the financial statements at cost, which is lower than net realized value.

	<b>2013/2014</b>	<b>2012/2013</b>
	<b>(Kshs)</b>	<b>(Kshs)</b>
General office	1,723,935	1,511,659
Uniform & Clothing	49,347	6,734
Library Processing Tools	1,135,226	904,400
Computer Accessories	3,362,217	658,116
Sanitary & Cleaning	-	3,787
	<b>6,270,725</b>	<b>3,084,696</b>

**17 Trade Receivables Exchange Transactions**

**Item Description**

Trade Debtors : Rental space	6,616,841	4,643,639
: Direct consignment (Books)	3,363,072	36,745
	<b>9,979,913</b>	<b>4,680,384</b>

**18 Trade Receivables non exchange transactions**

Staff Debtors	4,471,562	5,323,853
Refundable Deposit	1,452,106	757,106
	<b>5,923,668</b>	<b>6,080,959</b>

**19 CASH AND BANK BALANCES**

Cash in hand	107,333	6,460
Mpesa Account	209,572	193,798
Bank Recurrent account	647,662	3,225,309
Bank Development Account	10,290,643	4,138,514
Bank Savings & Reserve A/C	527,494	526,259
Bank Savings & Reserve -foreign A/C	638,643	621,044
	<b>12,421,346</b>	<b>8,711,384</b>

**20 MOVEMENT OF BOOK STOCK**

	<b>2013/2014</b>	<b>Value</b>	<b>2012/2013</b>	<b>Value</b>
	<b>No. of pieces</b>	<b>Kshs.</b>	<b>No. of pieces</b>	<b>Kshs.</b>
Opening balance	1,314,712	614,752,820	1,249,614	565,232,816
Add: Govt purchases	13,103	9,771,429	18,311	6,081,489
Donor purchase		1,225,252		
Donations	74,484	60,347,094	53,386	44,815,678
Resurfaced books	169	74,747	499	319,969
Less: Withdrawn books	(14,051)	(4,191,047)	(7,098)	(1,697,132)
	<b>1,388,417</b>	<b>681,980,295</b>	<b>1,314,712</b>	<b>614,752,820</b>

The withdrawn books represent the net effect of value of books weeded from the system and lost books (including stolen books). It also includes books donated to needy institutions. knls is an agent of Book Aid International (BAI). The Board receives books on behalf of other institutions and distributes them.

The stock of books consists of reading materials for users of all levels. Books purchased are valued at cost price whereas books donated to knls are valued at cover price. Where no value is indicated, the books are valued at Kshs 800/- per copy for adult books and kshs 500 for children.

21 PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	LAND (KSH)	BUILDING (KSH)	EQUIPMENT (KSH)	MOTOR VEHICLES (KSH)	FURNITURE, FITTINGS (KSH)	COMPUTERS (KSHS)	GRAND TOTAL (KSH)
<b>COST</b>							
As at 1st July 2012	438,885,000	463,355,723	29,627,254	24,924,224	64,218,314	34,053,935.00	1,055,064,450
Additions	-	289,849,058	4,076,719	-	5,389,585	1,374,600.00	300,689,962
As at 30th June 2013	438,885,000	753,204,781	33,703,973	24,924,224	69,607,899	35,428,535	1,355,754,412
Additions - Purchases	-	1,515,353	1,515,353	6,032,015	3,395,474	4,439,179.00	15,382,021
Additions - Donations	-	-	765,000	-	29,500	-	794,500
Works Capitalised	-	38,100,679	-	-	-	-	38,100,679
Disposals	-	-	-	-	-	(413,850.00)	(413,850)
Revaluations: Old	(8,635,000)	-	-	-	-	-	(8,635,000)
<b>TOTAL COST VALUATION</b>	<b>430,250,000</b>	<b>791,305,460</b>	<b>35,984,326</b>	<b>30,956,239</b>	<b>73,032,873</b>	<b>39,453,864</b>	<b>1,400,982,762</b>
<b>DEPRECIATION</b>							
As at 1st July 2012	-	42,291,828	12,816,831	15,371,781	16,883,094	23,779,254	111,142,788
Prior year adjustments	-	5,841	-	-	(4,730)	846	1,958
Depreciation for the year	-	15,064,096	5,820,206	6,017,481	8,705,717	6,678,509.00	42,286,009
As at 30th June 2013	-	57,361,765	18,637,037	21,389,262	25,584,081	30,458,609	153,430,754
Acc. Dep. On Disposals	-	-	-	-	-	(413,850.00)	(413,850)
Depreciation for the year	-	15,826,109	5,815,098	3,689,234.75	9,129,108	5,991,542	40,451,092
<b>TOTAL DEPRECIATION</b>	<b>-</b>	<b>73,187,874</b>	<b>24,452,135</b>	<b>25,078,497</b>	<b>34,713,189</b>	<b>36,036,301</b>	<b>193,467,996</b>
Net Book Value 30/06/13	438,885,000	695,843,016	15,066,936	3,534,962	44,023,818	4,969,926	1,202,323,658
Net Book Value 30/06/14	430,250,000	718,117,580	11,532,191	5,877,742	38,319,684	3,417,563	1,207,514,766

**22 Intangible Assets – Software**

	<b>2013/14</b>
<b>Cost</b>	<b>Kshs.</b>
As 1 July 2013	-
Additions	<u>1,100,000</u>
<b>As at 30th June 2014</b>	<b><u>1,100,000</u></b>

**23 Movement of Work in Progress**

	Opening (Kshs)	Additions(Kshs)	Capitalised (Kshs)	Closing Balance (Kshs)
BuruBuru	-	5,092,806		5,092,806
Embu	-	50,000		50,000
Eldoret	3,199,933	79,587	3,279,519	0
Gatimbi Community	3,000,000			3,000,000
Kabarnet	-	1,415,119		1,415,119
Kakamega	397,537	-		397,537
Kilifi	2,310,400	-		2,310,400
Kisii	0	1,455,580		1,455,580
Kisumu	0	7,988,224		7,988,224
Koru	4,971,721	26,043		4,997,764
Lagam	3,399,535	363,125		3,762,660
Lusumu	5,546,757			5,546,757
Narok	32,821,343	1,653,238	34,474,581	-
NBI- Proposed HQ	606,033,129	182,851,145		788,884,274
Rumuruti		458,482.44		458,482
Rambula	229,879	116,699	346,578	-
Nyilima	975,463	1,799,680		2,775,143
Wundanyi	3,351,964			3,351,964
<b>Total</b>	<b><u>666,237,661</u></b>	<b><u>203,349,728</u></b>	<b><u>38,100,679</u></b>	<b><u>831,486,710</u></b>

**24 Trade Payables from non-exchange transactions****Provisions**

Provisions -Directors Gratuity	2,480,000	1,140,800
Provisions - Audit Fees	638,000	650,000
	<u>3,118,000</u>	<u>1,790,800</u>

**25 Trade Payable from exchange transactions**

Trade Creditors	126,682,701	308,387,976
Advance Receipts	214,915	109,924
	<u>126,897,616</u>	<u>308,497,900</u>

**26 Deferred Income**

Book Donations	60,347,094	-
Fixed Assets Donations	637,813	-
	<u>60,984,907</u>	<u>-</u>

**27. Related party transactions**

The remuneration of key management who received remuneration directly from the authority during the year is as follows:

	2013/2014 Kshs	2012/2013 Kshs
<b>Director's emoluments</b>	10,313,672.30	11,046,763
<b>Key Management compensation</b>		
Senior Management Salary and benefits	26,342,120	25,898,309
	<u>36,655,792</u>	<u>36,945,072</u>

**28. Financial Risk Management**

Exposure to currency, commodity, interest rate, liquidity and credit risk arises in the normal course of knls' operations. This note presents information about knls' exposure to each of the above risks, policies and processes for measuring and managing risk, and knls' management of capital. Further, quantitative disclosures are included throughout these financial statements

## Fair values

Set out below, is a comparison by class of the carrying amount and fair value of knls' financial instruments.

	Carrying amount Kshs.	Fair values Kshs.
<b>Financial Assets</b>		
<b>At 30 June 2014</b>		
Receivables from non-exchange transactions	15,903,581	15,903,581
Receivables exchange transactions	9,979,913	9,979,913
Cash and cash equivalents	12,421,346	12,421,346
	<b>38,304,840</b>	<b>38,304,840</b>
<b>Financial Assets</b>		
<b>At 30 June 2013</b>		
Receivables from non-exchange transactions	10,761,343	10,761,343
Receivables exchange transactions	4,680,384	4,680,384
Cash and cash equivalents	8,711,384	8,711,384
	<b>24,153,111</b>	<b>24,153,111</b>
<b>Financial Liabilities</b>		
<b>At 30 June 2014</b>		
Trade & other payables from exchange transactions	126,897,616	
Employee benefits obligation	2,480,000	
Deferred income	60,984,907	
	<b>190,362,522</b>	
<b>Financial Liabilities</b>		
<b>At 30 June 2013</b>		
Trade & other payables from exchange transactions	308,497,900	
Employee benefits obligation	1,140,800	
Deferred income		
	<b>309,638,700</b>	

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation

Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments

**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 objective, policies and processes for managing and measuring knls' exposure to credit risk is monitored on an ongoing basis.

Knls' maximum exposure to credit is represented by the carrying value of each financial asset in the statement of financial performance.