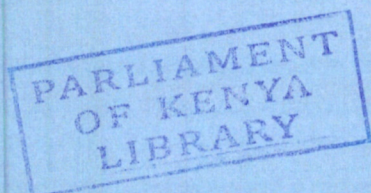


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



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WASHIALI ON  
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REPORT

OF



THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
KENYA NATIONAL LIBRARY SERVICE

FOR THE YEAR ENDED  
30 JUNE 2016





kenya national  
library service

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**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2016**

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

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## I. KEY 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."

#### knls vision

The hub of information and knowledge for empowerment.

#### Values

- Passionate
- Innovative
- Customer focused
- Knowledge driven

### (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 2016 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) Corporate Information

**a. Kenya National Library Service Headquarters**

P.O. Box 30573-00100

Kenya National Library Service Complex

Mumias Road/OIDonyo Sabuk Road Junction, Buruburu

**Nairobi, KENYA**

**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)

**b. Kenya National Library Service Bankers**

Kenya Commercial Bank

Milimani Branch

NSSF Building

P.O. Box 69695

Nairobi, Kenya

**c. Independent Auditors**

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**d. Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue





P.O. Box 40112

City Square 00200

Nairobi, Kenya





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### II. THE BOARD OF DIRECTORS AS AT 30<sup>TH</sup> JUNE 2016


S.No	Director Passport photo & Name	Date of Birth, Key Professional/academic Qualifications, Work Experience
1	<p>Hon. Noah Katana Ngala</p> 	<p><b>Chairman – with effect from 24<sup>th</sup> June 2016</b></p> <p><b>DOB: 1948</b></p> <p><b>Qualifications:</b></p> <p><b>Experience:</b> Served in various Ministries as an Assistant Minister and Minister between 1979 and 2002. These included Local Government and Urban Development, Office of the President, Co-operative Development, Tourism &amp; Wildlife, Lands and Settlement Ministry of Home Affairs, Heritage and Sports. He has also served in various political parties.</p>
2	<p>Wenslas Ambundo Ong'ayo</p> 	<p><b>Board Member – with effect from 13<sup>th</sup> November 2014</b></p> <p><b>DOB: 1958</b></p> <p><b>Qualifications:</b></p> <p><b>Experience:</b> Director Administration – Ministry Of Sports Culture And The Arts (MOSCA)</p>
3	<p>Samwel Nyangeso</p> 	<p><b>Chairman – with effect from 10<sup>th</sup> January 2014 (outgoing chairman his term ended on 7<sup>th</sup> February 2016)</b></p> <p><b>DOB: 1963</b></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>
4	<p>Richard M. Atuti, OGW</p> 	<p><b>Chief Executive Officer – Secretary to the Board</b></p> <p><b>DOB: 1962</b></p> <p><b>Qualifications:</b> MA, B.A, &amp; Post Graduate Diploma-Library &amp; Information Science – Makerere University.</p> <p><b>Experience:</b> 25 years in Public Services 15 of which in Senior Management level in the knls Board.</p>

## Kenya National Library Service






### III. MANAGEMENT TEAM AS AT 30<sup>TH</sup> JUNE 2016


S/No	Passport size photo & Name	Key Professional/academic Qualifications, Main area of Responsibility
1.	<p>Richard M. Atuti, OGW</p> 	<p><b>Qualifications:</b> MA, B.A, &amp; Post Graduate Diploma-Library &amp; Information Science – Makerere University.</p> <p><b>Designation:</b> Chief Executive Officer</p> <p><b>Responsibility:</b> Responsible to the Board for development, organization, management and administration of the National and public library services, implementation of the Board's policies and decisions; manage the Board's financial affairs and maintain an efficient and effective liaison with all Government Departments and other National and International Agencies Board's secretary and advisor to the Board on all Administrative and Professional matters.</p> <p><b>Experience:</b> 25 years in Public Services 18 of which in Senior Management level in the knls Board.</p>
2.	<p>CPA Jack Wafula Emusolo</p> 	<p><b>Qualifications:</b> Executive MBA, BBA (Finance Option), CPA (K)</p> <p><b>Designation:</b> Deputy Director (Finance &amp; Administration)</p> <p><b>Responsibility:</b> Head of finance and administration in knls and is responsible to the Director for controlling, coordinating, organizing management and administration of all funds and assets of the knls. Supervises head of departments in Human Resource and Finance department having experience of 17 years in Finance, Accounting &amp; Administration and 9 years in Managerial Position</p>
3.	<p>David Muswii</p> 	<p><b>Qualifications:</b> PGD in Library &amp; Info. Studies, BSC (Chemistry)</p> <p><b>Designation:</b> Deputy Director ( Technical Services)</p> <p><b>Responsibility:</b> In charge of administrative and professional library technical services, planning and coordination of operations, research and performance activities of the National and Public Library Services, providing leadership in the implementation, stocking and equipping of newly established libraries and evaluation of services.</p>
4.	<p>Monicah Wangari Ngovi</p> 	<p><b>Qualifications:</b> : Masters in Education: Library Studies</p> <p><b>Designation:</b> Deputy Director (Technical Services)</p> <p><b>Responsibility:</b> Plans and manages operations in technical services, Develops polices to govern library operations, Coordinates research and performance activities of the National, public libraries having experience of 24 years in Library and Information Services</p>

## Kenya National Library Service

<p>5.</p>	<p>Anne Magamboh</p> 	<p><b>Qualifications:</b> MA HRM (UK), BBA (Marketing Option), IHRM, CIPD (UK)</p> <p><b>Designation:</b> Chief Human Resource Officer</p> <p><b>Responsibility:</b> In charge of Human Resource Department responsible of developing budgets for the division, preparation of personnel emoluments, development and training of staff, placement, deployment and transfer of staff, discipline and promotion of staff having experience of 8 years in the field.</p>
<p>6.</p>	<p>Nancy Ngugi</p> 	<p><b>Qualifications:</b> Master of Arts in Communication, BA Economics and Philosophy</p> <p><b>Designation:</b> Principal Public Relations Officer</p> <p><b>Responsibility:</b> In Charge of Corporate Communications Department – advises knls on appropriate corporate communications policies and strategies; providing interface between knls and other stakeholders, maintaining positive corporate image having 17 years of work experience.</p>
<p>7.</p>	<p>CPA Julie Musandu</p> 	<p><b>Qualifications:</b> MBA – Strategic Management, B.Com (Accounting Option), CPA(K)</p> <p><b>Designation:</b> Principal Accountant</p> <p><b>Responsibility:</b> In charge of the Finance Department, responsible for coordination of the accounting services, interpretation and implementation of financial policies, budget controls, management and financial accounting having experience of over 20 years in the accounting field.</p>
<p>8.</p>	<p>Cyrus Ndogo</p> 	<p><b>Qualifications:</b> MA(Project Planning and Management), MBA-HRM, B.Com Admin.</p> <p><b>Designation:</b> Principal Planning Officer</p> <p><b>Responsibility:</b> Coordination of planning activities of the organization including but not limited to performance contracting. Monitoring organization performance and initiating intervention strategies/programs where need be having experience of 11 years in library information services and 9 years as planning officer.</p>
<p>9.</p>	<p>Carolyne Kayoro</p> 	<p><b>Qualifications:</b> Master of Philosophy in Information Science, Library and Information studies</p> <p><b>Designation:</b> Principal Librarian - Projects Coordination</p> <p><b>Responsibility:</b> Projects Coordination - To oversee and perform donor liaison roles for all donor funded programmes and projects in knls having experience of 23 years.</p>

## Kenya National Library Service

10.	Philomena Mwirigi 	<p><b>Qualifications:</b> MA (Information and Library Management), Bachelor of Library Studies (BLS)</p> <p><b>Designation:</b> Principal Librarian – National Library Division</p> <p><b>Responsibility:</b> Oversees the preservation of the national heritage, bibliographic information reference and referral service.</p>
11.	Alex Nyaribo Ombongi 	<p><b>Qualifications:</b> Master of Science in Computing, Postgraduate Diploma in Computing, Bsc in Information Technology</p> <p><b>Designation:</b> Principal ICT Officer</p> <p><b>Responsibility:</b> In charge of the overall ICT administration Department and knls network having experience of 10 years in ICT</p>
12.	Geoffrey Ruto 	<p><b>Qualifications:</b> Masters in Commerce, B.Com(Banking Option)</p> <p><b>Designation:</b> Senior Administrative Officer</p> <p><b>Responsibility:</b> In charge of knls administrative services which includes but not limited to vehicle management, supervision of drivers and subordinate staffs.</p>
13.	Margaret Wanjiku Mwangi 	<p><b>Qualifications:</b> B. Com(Hons), Accounting Option CPA(K), ICM Diploma ( Risk Management)</p> <p><b>Designation:</b> <b>Principal Internal Auditor</b></p> <p><b>Responsibility:</b> In charge of the overall operations and programmes of the Internal Audit Unit in knls, duties include ensuring compliance with existing regulations, standards, legislations, instructions, procedures , Government circulars and pronouncements having 11 years in Finance and Audit field.</p>
14.	Janet Chepkemoi 	<p><b>Qualifications:</b> MBA (Strategic Management) B.Com (Procurement &amp; Business Logistics) KISM, CIPS, NPLA</p> <p><b>Designation:</b> Principal Supply Chain Officer</p> <p><b>Responsibility:</b> In charge of Supply Chain department, responsibilities include reviewing, up-dating interpretation and implementation of existing supplies regulations, procedures and systems, supplies management instructions having 12 Years of experience in purchasing and business logistics.</p>

15.	Betty Kalugho 	<p><b>Qualifications:</b> Msc. Library &amp; Information Studies, Bachelor of Science (Information Science)</p> <p><b>Designation :</b> Principal Librarian – Collection Distribution Books Department</p> <p><b>Responsibility:</b> To oversee the selection, acquisition, processing and distribution of information resources to all knls network countrywide having 23 years of experience.</p>
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## IV. CHAIRMAN'S STATEMENT

I have great pleasure to present the Un-audited Annual Report and Financial Statements of the Kenya National Library Service (knls) Board for the financial year 2015/2016.

The year under review registered significant results in the implementation of the Board's mandate through various projects, programmes and activities. The government continued to support the Board with necessary resources to meet its obligations. However, some programmes lagged behind due to delay of grant transfers as projected. By the close of the year the grants were fully transferred with reduction of budget for education and library supplies and development. These grants although received late, will be fully utilized for the approved projects and activities in the first half of the new financial year. Similarly, we acknowledge support of development partners to specific programmes that were jointly conceptualized to improve reading and service delivery to the public.

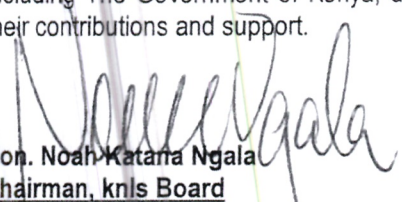
The Board successfully negotiated performance targets with the government for the year which were implemented and self-evaluation conducted in readiness for the final external evaluation and rating. Overall, the Board's programmes and targets were geared towards community empowerment through access to information, promotion of social cohesion and participation in nation building. This was in line with the Board's mission of enabling access to information for knowledge and transformation of livelihoods.

Further, the Board prioritized implementation of broad government policies on good governance so as to impact on overall productivity of the organization. Key among the policies that were implemented included participation in the training of Mwongozo – Code of Governance for State Corporations by SCAC and on the Board's Charter as tools for effective governance practices. In addition, the Board together with the parent ministry reviewed the knls Draft Bill 2014 and submitted the same to the office of the Attorney General for advice and subsequent discussion by Cabinet and possible enactment of new legislation by Parliament.

Upon enactment of the new legislation, the Board has identified services and prepared a comprehensive inventory of assets per county that will be considered for transfer to the County Governments so as to comply with the constitution. In the interim period, the Board remains focussed in upgrading all its services and ensure a smooth transition of functions of the National Library of Kenya that will be retained under the National Government and those of Public Libraries which may be transferred to the County Governments. To this end, the Board has made major progress in the ongoing construction of the National Library of Kenya /Headquarters flagship project at Community in Nairobi. The project is wholly funded by GoK. The Board acknowledges the support of Government towards this project as well as all other programmes that were implemented in the year under review. The Board also takes this opportunity to thank Management as well as all staff for their hard work and dedication to achieve many milestones in the provision of library and information services to the public.

In the coming years, the Board hopes to double its efforts through government and donor support in equipping libraries with digital content to enhance literacy development among our communities. We want to align ourselves strategically so as to appropriately respond to the all-time emerging technological opportunities and changes. 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 trend.

On behalf of the knls Board I wish to express my sincere gratitude and appreciation to our stakeholders including The Government of Kenya, donors, partners, library clients and knls Management and Staff for their contributions and support.

  
Hon. Noah Katana Ngala  
Chairman, knls Board

## V. REPORT OF THE CHIEF EXECUTIVE OFFICER

### 1.0 PREAMBLE

Our efforts in the financial year 2015/16 were focused on implementing performance contract targets for the period and engaging development partners to support the organization's programmes beyond the government budgetary levels for improved service delivery. Over and above the regular library services, introduction of appropriate ICTs programmes in the storage of content, dissemination and retrieval took centre stage to ensure that libraries of the future will remain relevant, innovative and strategic amid the ever changing information-seeking behaviour of library clients.

The Board's programmes and expenditure priorities focussed on value-addition of library products and services. This was realized through development of adequate new library infrastructure, upgrading of existing services, job enrichment and skills enhancement programmes of staff and training of library clients. These programmes capacity build both library clients and staff to maximally exploit the available information resources and for promotion of literacy development and sustainable reading culture.

### 2.0 READING PROMOTION/COMMUNITY OUTREACH PROGRAMMES

During the period knls identified clear community outreach programmes to be implemented through the knls branch network countrywide. The programmes created high level of awareness of the need for reading and stimulated interest in books and reading culture for enjoyment as a source of recreation. Some of these programmes included:

#### a) Kids Extravaganza at Buruburu Library

knls Buruburu library played host to a Kids' Extravaganza on 23<sup>rd</sup> April 2016. The event was focused on exposing the children to different environments and new ideas, giving them an opportunity to interact, share experiences and have fun. The program also helps to enhance children's public speaking skills and boost their confidence while interacting with enormous collection of information resources at the library. Participants included children book club patrons drawn from Kibera Branch, Nairobi Area Branch and Buruburu Branch. Also in attendance, were junior library readers from Buruburu branch, Teachers and librarians from different branches. The event provided a forum for kids to actively participate and show their talents.

#### b) A children's story-telling Extravaganza at Nakuru Library

knls Nakuru Branch in partnership with Upgrade Poetry and Nakuru playwrights organized a children's event dubbed "story by the fireside." The over 150 children of different classes varying from nursery to class 8, gathered at the library to listen to well narrated stories under the theme "Responsibility." The event was also graced by Mathieu Renanol of the French Embassy who donated some books for the library's Kids section. Activities included music, poetry, storytelling and drama.

#### c) Launch of family Book clubs

In order to ensure systematic and organized reading promotion in schools, Meru Library launched the family book club on 5<sup>th</sup> November 2015 at Victor's academy Meru. The event was graced by counsellors, Pastors, parents and Meru library staff. Parents were urged to support their children with reading materials by registering them as members of the library to access information materials. In the year under review, this programme was implemented in five schools.

### **d) Scouting and Reading Camp: Can we read in the camp?**

knls Kisumu branch, Kenya Scouts Association in conjunction with the Story Makers society held a three day camp at Malava boys' high school from 26<sup>th</sup> to 28<sup>th</sup> May 2016. A total of 109 schools both primary and secondary level attended the camp. The event was graced by among others the chief commissioner of scouts Hon. Francis Ole Kaparo, County commissioners, Directors of Education, teachers and students. During the camp, knls undertook the following tasks;

- Promotion of camp reading
- Strengthen camping libraries
- Providing books, tablets, e-books
- Storytelling nights, training of teacher librarians
- Providing advisory on management of information resources within schools

Teachers were also taught on the components of e-learning. The camp also provided knls with an opportunity for advocacy and publicity of library services.

### **e) Promoting and Fostering Learning in a Friendly Environment Campaign**

The above reading promotion campaign sponsored by the department of Education, Mombasa County and Aga Khan Academy was held on 14<sup>th</sup> May, 2016 at St. Mary's Primary School Bangladesh Changamwe Sub-County. knls Mombasa participated and provided books for the occasion through the mobile library. Four primary schools participated each with 50 pupils from ECD Level to class 6. The main activities for the day were storytelling, quizzes, Art and Craft/Painting, Poems/mashairi, dance and drama.

### **f) TulindeTusome Reading Promotion Campaigns Project in Ganze, Kilifi**

knls Kilifi branch in conjunction with Plan International Kilifi and other stakeholders organized a reading promotion event in Ganze on 29<sup>th</sup> and 30<sup>th</sup> October 2015. This was part of the Literacy Month celebrations by Plan International "through their TulindeTusome project." The reading promotion campaign is meant to inculcate a reading culture in school children and enhance learning skills, create awareness on the importance of books as powerful information tools to relevant stakeholders for support, encourage schools/peer interactions through competitions and to sensitize teachers on how to organize their information materials and establish their own school libraries. The event was attended by pupils ranging from ECD to class 8. Adults and continuing education learners also participated in the event to show solidarity with the pupils and to encourage them on the importance of developing the reading culture. A total of 540 pupils (270 boys and 270 girls) drawn from 10 primary schools in Ganze together with their head teachers actively participated in the event on each day; thereby bringing the total number to 1080 for the two day event.

### **g) TamashayaMwaka**

knls Buruburu branch hosted the 'TamashayaMwaka' event on 30<sup>th</sup> January 2016. The main agenda for the event was to promote Kiswahili language in Kenya especially among the youth. 'TamashayaMwaka' program is aimed at promoting Kiswahili as a National Language and also build confidence of Kenyans in speaking it. The program also seeks to harness the talents among children and youth, boost their confidence, creativity and also to give them a chance to learn from expert Authors, Artists and Journalists. In attendance were students from various schools such as St. Marys School, Strathmore School, St. Hannah's School among others. Other attendees included individual teachers and students from nearby schools. The event was graced by one of the Kiswahili gurus Pro. Ken Walibora.

### **h) Books on Wheels**

knls Nyeri branch in collaboration with Azali Kenya and the Children and Youth Empowerment Center (CYEC), Thunguma organized a reading promotion event dubbed "books on wheels" on 22<sup>nd</sup> August 2015. The event brought together members of the community on a fun bicycle riding expedition, to read and enjoy the wonders of books with children. There were about fifteen riders who rode for about 20 kilometres from the library to the final destination at Ngaini off Nyeri Karatina road. The first session at Nyeri knls library started at 10:00 am after which the caravan proceeded to Ngaini where a community reading tent had been organized.

### **i) Participation in the Nairobi International Book Fair**

To enhance marketing and publicity of its services, knls participated in the Nairobi International Book Fair at Sarit Centre in September 2015. The forum which is organized by the Kenya Publishers Association, gave knls an opportunity to interact with authors and publishers and clarify to them issues on ISBN especially online application and also importance of legal deposits.

## **3.0 RESEARCH AND INNOVATION**

During the period knls collected data from various sources to assist in publication of organizational biography covering five decades that knls has been in existence. Once published, the biography will herald evolvement of services, infrastructural growth, technology and corporate governance leading to a total transformation of the organization. It will also serve as institutional memory to support future in-depth research in management of library services. Production of this publication will also coincide with the much anticipated golden jubilee celebrations to mark knls Fifth Anniverssary.

In order to diversify, reward and encourage innovation, the Board developed an innovation policy to guide and manage innovation related initiatives in the organization. Successful innovation during the period included: creation of a portal on the website for library clients to send queries on library services; utilized google enterprise survey tool for research and monitoring and evaluation on provision of library services; among others.

## **4.0 ENTERPRISE RESOURCE PLANNING (ERP)**

knls has fully integrated an ERP system:

- Navision in the management of procurement and finance services. In the year under review the Board upgraded the system from Navision 2009 to Navision 2015 for effective service delivery.
- Widened scope for Amlib library system usage to cover one additional library center namely Narok branch library for enhanced maintenance of library records, users' database, access to online public access catalogue and effective service delivery.
- Commissioned the online issuance of International Standard Book Number (ISBN) system for easy access to the mandatory International Standard Book Numbers (ISBN) by authors and publishers' works.

### **5.0 CAPACITY BUILDING PROGRAMMES**

To ensure quality and customer-oriented service delivery to the public, the Board facilitated various programmes in conjunction with other stakeholders to enhance staffs' skills development. Some of the key achievements realized from the implementation of capacity building programmes include:

- i. Improved librarians' capacity on how to work with library customers at all levels;
- ii. Improved customer service;
- iii. Improved uptake of ICTs by children through the use of digital devices in the libraries;
- iv. Increased library usage;
- v. Improved confidence and performance among children – introduction of exciting activities has promoted love for reading among the children and also confidence in public speaking.

Some of the programmes implemented during the year under review included:

#### **a) Training Librarians on Managing and Facilitating Access to E-Resources**

Knls in partnership with Electronic Information For Libraries – Public Library Innovation Programme (EIFL-PLIP) and Kenya Libraries Information Services Consortium (KLISC) organized a training programme for Librarians, to build their capacity to manage and facilitate access to E-resources. The training was aimed at enhancing the ability of public librarians to support their communities in identifying and using relevant on-line resources. The need for this training emerged as a follow-up to the training for librarians on public librarians' ICT competencies and skills that support ICT adoption and creation of new ICT-based services in the Libraries that was held earlier in 2014/2015. 60 Librarians from 30 libraries were trained at the University of Nairobi from 17<sup>th</sup> to 20<sup>th</sup> May 2016.

#### **b) EIFL Sponsors knls Librarians for Two-Day Public Libraries Summit in Swaziland**

Four knls librarians (from Nairobi Area, Meru, Nakuru and Lusumu) attended the 2<sup>nd</sup> African public summit in Swaziland on 30<sup>th</sup> April-1<sup>st</sup> may 2016 courtesy of eifl. The summit, which is a post- conference event of the SCECSAL Conference, was organized by the African Library and Information Association and Institutions (AfLIA); and co-sponsored by the Global Libraries Program of the Bill & Melinda Gates Foundation. Sponsorship for the four knls librarians followed the short listing of their proposals which they had submitted to eifl. The theme of the summit was "21<sup>st</sup> century public libraries-innovation develops communities." The forum provided an opportunity for library leaders and representatives of library authority, educators and other stakeholders to discuss current trends in public library service innovation and the future direction of libraries in Africa.

#### **c) Training of Librarians on Good Practices in Working with Children in Libraries**

knls and Book Aid International (BAI) are implementing the "Open doors Children and Teen's Corners" project aimed at establishing Children and Teen's corners in five knls libraries. To ensure its successful implementation, librarians were sponsored for three levels of training between 16<sup>th</sup> February to 3<sup>rd</sup> March 2016, to enable them gain skills in: good practices in working with children and teenagers in libraries; deepen their understanding of offering children library services and reading promotion activities; and digital training – to give the librarians skills in handling digital devices and using them with children. They were also trained on how to handle children with special needs.

### **d) Awareness Creation on knls Citizen Service Delivery Charter and Complaints Handling Infrastructure**

During the year under review, three workshops on complaints handling were organized for Chinga, Kangema and Naivasha branch libraries on 30<sup>th</sup> November 2015, 2<sup>nd</sup> December 2016 and 31<sup>st</sup> March 2016 respectively. The training was designed to enable the library staff enhance their customer complaints handling mechanism within their branches. All staff in the three branched participated in the workshop. This training was based on the 5<sup>th</sup> edition guidelines by CAJ, the knls approved implementation plan on complaints handling and management infrastructure and knls PC (2015/16 FY).

### **e) Capacity Building Workshop for Complaints Handling Officers**

This training was designed to equip Heads of Branches (HOBs), as the key complaints handling officers, with skills to enable them carry out the related tasks effectively and efficiently. A total of 10 officers from 10 libraries were trained at the Nyeri Library Hall on 2<sup>nd</sup> June 2016. The training was facilitated by two knls staff who had previously been trained by the office of the Ombudsman.

### **f) e-reader Training**

A workshop on capacity building for 34 librarians from 17 branches was conducted on 23<sup>rd</sup> June 2016 in Nairobi. The training was planned to build capacity of librarians to enable them integrate technology into their Libraries. The training focused on digital reading program management, e-reader integration, conducting outreach and e-reader-based activities. The training programme will continue to roll out to all the other remaining branches in next financial year 2016/17.

### **g) Inspiring Readers: Training of Trainers for Librarians**

Ten librarians from Nyeri, Kisii, Lagam, Kabarnet and Rumuruti, were taken through a three-day training of trainers workshop, where they discussed experiences and ideas around reading promotion and basic library management. The three days workshop that took place from 14<sup>th</sup> to 16<sup>th</sup> June 2016 was designed to enable the librarians to:

- i. Develop Librarians' skills in supporting teachers' management of school libraries and their professional development in promoting reading and learning and assisting public libraries to develop their outreach programme capacity.
- ii. Increase children's interaction with new reading material in both local languages and English.
- iii. Develop the confidence and skills of pupils through the use of reading materials and the development of a reading habit

## Kenya National Library Service

- iv. Equip teachers with enhanced skills and knowledge to increase their confidence to support children in reading and learning.
- v. Encourage head-teachers to increase opportunities for teachers and pupils to make the most of their Book Box Libraries.

Here is a summary of some of the capacity building programmes undertaken during the period (as outlined above):

	<b>Training Offered</b>	<b>Sponsor</b>	<b>No. of People Trained</b>	<b>Cost of the Training Ksh)</b>
1.	Librarians Trained on Managing and Facilitating Access to E-Resources	EIFL - PLIP	60	2.5 Million
2.	Librarians sponsored for Two-Day Public Libraries Summit in Swaziland	EIFL	4	Paid up by the sponsor
3.	Training of Librarians on Good Practices in Working with Children in Libraries	BAI	25	578,318
4.	Awareness Creation on knls Citizen Service Delivery Charter and Complaints Handling Infrastructure	knls Board	17	72,300
5.	Workshop on Effective Public Complaints Management for Complaints Handling Officers Organized	Commission On Administrative Justice (CAJ)	2	Paid up by the sponsor
6.	Capacity Building Workshop for Complaints Handling Officers	knls Board	10	103,450
7.	e-reader Training	knls Board	34	536,000
8.	Inspiring Readers: Training of Trainers for Librarians	BAI	10	387,350
9.	Diploma in Library Studies	knls Board	11	131,000
10.	Sign language	knls Board	7	209,100
<b>Total</b>			<b>180</b>	<b>4,517,518</b>

### 6.0 DONOR FUNDED LIBRARY PROGRAMMES

During the year under review, knls continued to enjoy some of her longtime partners who gladly sponsored various library programmes that they awarded to knls through a rigorous proposal application exercise. Some of the programmes included:

#### a) Libraries, e-Reading, Activities, and Partnership (LEAP) 2.0

This project is sponsored by the World Reader and it covers 58 of the 61 knls libraries countrywide. The two-year project is structured in four phases with phase one covering 18 libraries in 10 Counties namely Nairobi, Meru, Murang'a, Nyeri, Kiambu, Embu, Nyandarua, Nanyuki, Laikipia and Isiolo where knls has a presence; phase two will cover 19 libraries located in 15 Counties namely Kericho, ElgeyoMarkwet, Kakamega, Uasin Gishu, Siaya, Nakuru, Kisii, Bomet, Narok, Baringo, Kabarnet, Nandi, Bungoma, Migori and Kisumu; phase three will cover 10 located in 6 Counties namely Kilifi, Mombasa, Kwale, Taita Taveta, Malindi and Makeni; and phase four will cover 11 libraries in 4 Counties namely Garissa, Wajir, Mandera, Marsabit and Kitui. Overall the number of e-readers received by each library centre will vary between 35 and 100 based on the target population.

In total knls will receive a total of 3,000 e-readers each preloaded with 200 books (i.e. 100 African titles and 100 titles from outside Africa). For children, the titles primarily include storybooks and school curriculum books, and for adults, pleasure reading and informational books. The LEAP 2.0 initiative is supported by grants totalling \$3.5 million received by knls in form of equipment (e-readers) and digital books and training facilitation. This Worldreader's LEAP 2.0 was backed by Stavros Niarchos and the Bill & Melinda Gates Foundations. The Government through knls Board has committed a matching fund of Kshs.7.2 Million (\$ 72,292) to cover costs for training librarians, customs clearance charges for the e-readers, charging and storage system and monitoring. During the year under review, 970 e-readers were received and distributed in 18 knls branches. The remaining will be will be received and distributed in the respective libraries during the financial year 2016/17.

The Launching of the World Reader's LEAP 2.0 Project was presided over by Dr. Hassan Wario, Cabinet Secretary (CS) in the Ministry of Sports, Culture and The Arts (MOSCA) on 26<sup>th</sup> July 2016 at knls Buruburu branch. The Principal Secretary at MOSCA Mr. Joe Okudo, Knls Board Chairman Hon. Noah Katana Ngala, knls CEO Richard Atuti, and Muthoni Muhunyo who represented the Director of World Reader East Africa also graced the occasion. Among those who attended the event included pupils and teachers from selected schools.

### **b) Children's books and e-learning project**

Book Aid International (UK) implemented an e-learning project in 12 kns libraries. This followed the successful implementation of the similar project in five libraries i.e Meru, Wajir, Kisumu, Isiolo and Thika libraries. Meru, Kisumu and Isiolo libraries received 30 Tablets. Wajir and Thika libraries received 40 Tablets each on pilot basis. The Tablets are preloaded with educational software covering the current curriculum and other relevant resources. In addition to the Tablets, Isiolo received 15 e-readers while Meru received 10 e-readers preloaded with over 100 local books. There has been notable increase in library attendance and membership in these libraries. The project, which was sponsored by BAI through funds donated by Stavros Niarchos Foundation, has realized the setting up of new children's corners in 10 branches; and stocking of 12 existing children's corners with books and other information resources. The primary objective of the two-year project was to improve children's access to high-quality reading and learning support materials.

### **c) Open Doors**

In the year under review, knls and Book Aid International (BAI) partnered to implement the "Open doors Children and Teen's Corners" project which aimed at establishing Children and Teen's corners in five knls libraries. The libraries include Thika, Lagam, Kithasyu, Narok and Kabarnet. The project runs from November 2015 to December 2016. Through the project new books will be provided from the UK and additional books will be purchased locally. The children areas in the five libraries will be refurbished and

three training sessions on children library services will be conducted for the library staff. The key objective is to develop skills of librarians to enable them establish better library services for children and to provide print and digital resources.

### d) The #GetCertified Campaign to Train and Certify Teachers

The #GetCertified campaign was launched on 20<sup>th</sup> May 2016 at Buruburu Library. The programme that is spearheaded by Tabarin Consulting seeks to provide both the training and certification solutions that help students achieve their college and career goals. #Microsoft Imagine Academy training helps to bridge this skills gap by helping schools achieve their goals of prepared students through curriculum and certification, utilizing educator professional development benefits to build successful schools and providing college and career ready graduates that help strengthened communities. The #GetCertified campaign runs from February to September 2016. The campaign with knls will focus on providing training and certification solutions to both students and teachers.

### e) Innovative public library services

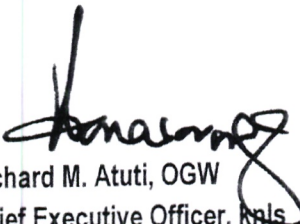
In April 2016, 3 knls libraries received matching grants to support development of new innovative public library services that use ICT to meet community needs. This was after they successfully submitted their proposals to EIFL. These were Nairobi Area Library (USD 4700) to use Assistive Technologies in Information Dissemination to Visually Impaired Persons (VIPs); Nakuru library (USD 4520) to provide access to digital learning opportunities for primary school children; and Meru Library (USD 2000) to provide access to learning and reading materials for children with special needs. The projects will run from April 2016 to February 2017.

## 7.0 FINANCIAL STEWARDSHIP

knls heavily relies on funding from the exchequer to support its programmes. The funds were duly released to the organization albeit late thus slowing down the implementation of the set targets. The Board remains committed to continue with the implementation of the same as approved earlier. Additional resources totalling to Ksh.58 Million were received from GOK under Supplementary I for Personnel Emoluments and for other operational items which were fully implemented.

During the same period, the organization suffered reduction of budget for education and government supplies amounting to Ksh.10 Million; and Ksh.15,678,571 for development totalling to Ksh.25.6 Million. This impacted negatively on the implementation level of the activities.

Overall, the funds were utilized as programmed and approved by the Board.

  
Richard M. Atuti, OGW  
Chief Executive Officer, knls

## **VI. MANAGEMENT DISCUSSIONS AND ANALYSIS**

### **Economic Outlook**

The organization implemented transformational programmes that are relevant for the future of both national and public libraries, as centres of learning, innovation, creativity for citizens and community engagement. Libraries are increasingly becoming stronger assets to citizens, communities and the local society. This is evidenced by 24 million users who visited our library centres during the period. Further the library injected 72,443 new books valued at Ksh.46,714,102 to the library network.

In addition, under the school outreach programme, a total of 200,000 books were distributed to 200 schools in 15 counties through partnership between knls and Book Aid International (UK).

Based on the above, knls will continue to remain a going concern into the future as it engages many more development partners and implement new income streams to raise additional resources to fund its programmes.

### **Financial Results and Review of Performance**

Utilization of funds from GoK at the close of financial year stood at 97%. Donor-funds were released at different stages in the Second and Fourth Quarters for specific projects when due and rolled over to 2016/17. Overall the Board received value for its money directed to priority programmes for the period under review. However, performance was somewhat slowed down in some areas due to delay/lack of grant transfers to the organization by the exchequer.

### **Challenges**

- i. Lack of exchequer to settle CBA arrears for unionizable employees amounting Kshs 66 Million.
- ii. Reduction of Education and Supplies (Books) budget by 50% i.e. Kshs.10 million and Kshs.15 million for development budget during supplementary I.

### **Outlook For FY 2016/2017**

The outlook for FY 2016/2017 prioritizes key programs and projects to be accomplished during the period. These are:

- i. Education and Supplies (books) – purchase, process and distribute approximately over 75,000 books to all libraries using GOK donor grants.
- ii. Upgrading of Digital/ e-learning programme through acquisition, installation and commissioning of e-reader and e-learning centres within knls network.
- iii. Construction of the ongoing National library of Kenya/KNLS Headquarters project which is a Vision 2030 flagship project. It's to accomplish 75% rate of completion.  
Re-location of services from the old Central/headquarters library to the new wing of the new building in Nairobi.
- iv. Upgrade ablution blocks in two branch libraries in Kapsabet and Kifili.
- v. Equip, open and launch Gatimbi community library in Meru County.
- vi. Maintain and disseminate quality service delivery in the existing library centres.
- vii. Finalize the knls Draft Bill 2014 and ensure smooth transition of services to be retained at the National government and or transferred too county governments.

## **VII. CORPORATE GOVERNANCE STATEMENT**

Kenya National Library Service Board operates under Cap 225 Laws of Kenya and 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 Composition**

The composition of the Board is guided by Kenya National Library Service Board Act Cap 225 of the Laws of Kenya. The Act has been reviewed to comply with CoK 2010 and Mwongozo guidelines. The draft Bill was submitted to the Office of the Attorney General for expert opinion and possible approval by Cabinet, and subsequent legislation by Parliament.

During the period the Board was partially constituted with the Board Chairman and two other Directors of the Board.

### **Statement of Policy on Corporate Governance**

knls has adopted high standards and applies strict rules of conduct, based on the best corporate practices. As part of this commitment, the knls Board adheres to good corporate governance by embracing the following principles:

- i. To observe high standards of ethical and moral behavior;
- ii. To act in the best interests of the organization;
- iii. To remunerate and promote fairly and responsibly;
- iv. To recognize legitimate interests of all stakeholders; and
- v. To ensure that knls acts as a good corporate citizen.

### **Role and Functions of the Board**

The Board:

- i. Determines the organization's mission, vision, purpose and core values
- ii. Sets and oversee the overall strategy and approve significant policies of the organization
- iii. Ensures that the strategy is aligned with the purpose of the organization and the legitimate interests and expectation of its shareholders
- iv. Ensures that the strategy of the organization is aligned to the long term goals of the organization on sustainability so as not to compromise the ability of future generations to meet their own needs
- v. Approves the organizational structure
- vi. Approves the annual budget of the organization
- vii. Monitors the organization's performance and ensure sustainability
- viii. Enhances the corporate image of the organization
- ix. Ensures availability of adequate resources for the achievement of the organization's objectives
- x. Hires the CEO on such terms and conditions of service as may be approved by relevant government organ(s) and approve the appointment of senior management staff
- xi. Ensures effective communication with stakeholders.

### **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. During the period the Board was not fully constituted and responsibility for oversight roles was done through consultations between management, chairman, serving Board members and Parent Ministry.

However, when the committees are fully functional they 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.

### **c) Human Resource & Service Delivery Committee**

- 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, Research & Resource Mobilization Committee**

- 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.

### **Board Committee Meetings Held In the Year**

knls does not have a fully constituted Board. The chairman of the Board held consultative meetings with management on six occasions during the year under review.

### **End of Term**

The Chairman of the Board Mr. Samwel Nyangeso who had a two year term in office w.e.f 10<sup>th</sup> January 2014 left the office on 7<sup>th</sup> February 2016 after his term ended.

### **Summary of Board Evaluation Results**

knls did not have a fully constituted Board in the year ending 30<sup>th</sup> June 2016. No Board evaluation was undertaken during the said period.

### **Conflict of Interest**

knls has fully adopted the Code of Ethics that is enshrined in the Mwongozo which is the Code of Governance for State Corporations. The code of ethics entails among other things Conflict of Interest which must be embraced and both the Board and the employees of the organisation. Board members are required to avoid conflict of interest and deal at arms - length in any matter that relates to knls. A Board member who identifies an area of conflict of interest shall be required to disclose any actual or potential conflict of interest to the Board.

### **Induction and Training**

State Corporations Advisory Committee (SCAC) held induction training on Mwongozo, The Code of Governance for State Corporations for the Chairman of the Board and the CEO between 29<sup>th</sup> and 31<sup>st</sup> October 2015.

The same training for the Board representative, National Treasury and The Ministry of Sports, Culture and the Arts was held between 1<sup>st</sup> - 3<sup>rd</sup> February 2016. These induction training opportunities have been availed to equip the teams with the necessary skills to perform their duties more effectively and judiciously.

### **Whistle Blowing Policy**

knls has a whistle blowing policy embedded in the anti-corruption policy which has a clause stating that the Board shall ensure that person(s) making any corruption disclosures shall be protected against any reprisals or harmful action as a result of such disclosures. Therefore, all the information received by the Board and sources of such information shall be treated as highly confidential. If such information disclosing or hinting to such sources must be disclosed, it shall be with the consent of the person(s) who disclosed the information

### **Performance Appraisal of the Board**

knls did not have a fully constituted Board in the year under review. It was therefore not possible to have an appraisal of the Board's performance as outlined in the Mwongozo under the oversight of SCAC.

**VIII. ENVIRONMENTAL & SOCIAL RESPONSIBILITY REPORTING**

**Corporate Citizenship**

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.

**Medical camp at Kisumu Library**

knls Kisumu, Sisters with a mission group and a number of health sector stakeholders held a medical camp at the Library grounds on 29<sup>th</sup> May 2016 from 8.30 a.m. to 5.00 p.m. The camp received a variety of medicines and equipment from Mater, Aghakhan and Nairobi hospitals. The District hospital and a number of private chemists within Kisumu and outside also participated. Victoria Bakeries donated 280 loaves of bread and 5crates of sodas for volunteers and the needy to be fed during the camp. A total of 15 Doctors volunteered their services at the camp. knls Kisumu branch took the opportunity to introduce the participants to the different services offered by the library especially the e-health hub that contains a wide range of health information sources and resources. The doctors, nurses and the wider public were urged to explore this information. A total of three hundred patients with different ailments were treated at the medical camp.

**Inspiring Readers**

Book Aid International is working in partnership with the knls to implement the Inspiring Readers programme across five communities in Kenya. Five of knls' libraries, namely Nyeri, Kisii, Lagam, Kabarnet and Rumuruti, will act as community hubs that serve five local primary schools in their area with outreach services. The project focuses on:

- Improving literacy skills
- Boosting learning outcomes for pupils
- Teaching basic library management to teachers

## RISK MANAGEMENT STRATEGIES

### Policy of the organization on risk management

knls has an established risk management process to identify the principal risks that we face as an organisation. knls is committed to risk management as an integral part of its corporate governance and operations, developing strategies and systems to minimize risks. The organisation is committed to:

- a) Developing a 'risk aware' culture in which people are encouraged to identify risks and respond to them quickly and effectively
- b) Ensuring our key stakeholders recognize that we manage risks responsibly
- c) Developing consistent risk management practices
- d) Organizational growth and cognizant of the inherent risks associated with strategy execution.

### Key risks the organization is exposed to;

#### a) Financial risks

- Heavy reliance on government funding
- Some knls assets are in the name of other entities (Lack of ownership documents for some assets)

#### b) Political risks

- Political unrest could lead to destruction of property and harm to the users and employees
- Each new government comes into office with its own manifesto and knls is expected to adjust its programs and projects so as to implement the agenda of the government of the day.
- Terrorism: this scares people from attending the library due to fear of attack

#### c) Strategic risks

Demand for library services have been growing over the years. There are large crowds wishing to access library services especially during the holiday season.

#### d) Compliance risks

Currently the knls Act, Cap 225 has not been aligned to the Constitution of Kenya 2010. However, knls has initiated the process of repealing Cap 225 in line with the COK 2010.

#### e) Technological risks

Rapid change in technology- people moving away from physical to digital books

### Compliance with Laws and Regulations and Standards

knls Board undertook a legal audit in June 2013 to determine whether the corporation adhered to the legal and regulatory requirements and the various Acts it operates under.

In conclusion, the legal auditors were of the opinion that the Board complied in all material respect with the requirements of the constitution of Kenya 2010, the various applicable Acts, regulations, and guidelines under which it operates.

## SUSTAINABILITY REPORTING

The triple Bottom Line concepts analyses the sustainability of an organization based on three concepts: Profits, people (social) and Planet (environment).

- a) **Profit:** knls has adopted a transformation strategy aimed at ensuring that she remains financially sound in the face of dwindling funding from the central government
- b) **Social:** knls has developed a succession management policy to address the welfare of employees in the future and ensure that the organization is sustainable in the future
- c) **Environment:** knls has undertaken an environmental sustainability audit and developed an environmental policy to address the issues of environmental sustainability identified during the audit.

## Sources of Revenue and Items of Expenditure

The main sources of revenue are the Exchequer from Government, Appropriation in Aid and Donor funding. These are expended through payment of Salaries and Wages, Operational expense including utilities and donor programmes as the grants are conditional.

## EMPLOYEE WELFARE PROGRAMS

knls Board has put in place a number of interventions to ensure the welfare of its employees is not only protected but that they are guaranteed as well. The Board has established a staff retirement scheme which is non-discriminatory for all staff that is on permanent terms of employment. The Board has continued to make timely payments to the scheme in order to protect the welfare of its staff in retirement. The Pension Scheme has grown from Kshs.400M in 2006 to Kshs.1.1 Billion in 2015.

**IX. REPORT OF THE DIRECTORS**

The Directors have the pleasure to submit this report together with the Un-audited Annual Financial Statements which shows the Kenya National Library Services' state of affairs for the year ended June 30, 2016.

**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
- Advice 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;

**Financial Performance**

The performance in the period ended 30<sup>th</sup> June 2016 is set out on pages 28 – 34 in the subsequent pages of this document. knls recorded a Deficit of **kshs.28,567,310** during the 2015/2016 Financial Year.

**Directors**

During the period the Board was partially constituted with the Board Chairman and two other Directors of the Board. The members of the Board of Directors who served during the year are shown on page 3.

**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, OGW  
Chief Executive Officer, knls

Date: 3.2.17.....

**X. 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, 2016. 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) accrual basis and in the manner required by the PFM Act 2012 and the State Corporations Act.

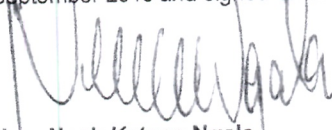
The Directors are of the opinion that financial statements give a true and fair view of the state of the Board's transactions during the financial year ended June 30, 2016, and financial position as at that date.

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.

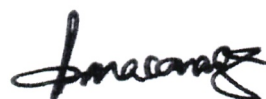
Nothing has come to the attention of the Directors to indicate that the Kenya National Library Service Board will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

During the period the Board was partially constituted with the Board Chairman and two other Directors of the Board. The knls Un-Audited Annual Report and Financial Statements were approved by the Board on 22<sup>nd</sup> September 2016 and signed on its behalf by:

  
Hon. Noah Katana Ngala  
Chairman knls Board

Date... 3.2.17 .....

  
Richard M. Atuti, OGW  
Chief Executive Officer, knls

Date... 3.2.17 .....



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL LIBRARY SERVICE FOR THE YEAR ENDED 30 JUNE 2016

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya National Library Service (KNLS) set out on pages 28 to 65, which comprise the statement of financial position as at 30 June 2016, 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 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

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

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

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 controls 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 entity's internal control system. 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) The property, plant and equipment balance of Kshs.1,174,539,934 reflected in the financial statements as at 30 June 2016, as similarly reported in 2014/2015 excludes thirty five (35) parcels of land with an estimated valued of Kshs.12,500,000, which have partial or no ownership documents. According to the Board most of these parcels were donated to KNLS by local communities for construction of libraries but processing of ownership documents and valuation had not been completed as at 30 June 2016.

In the circumstance, it has not been possible to confirm whether the carrying value stated in the financial statements reflects the fair values of the properties as at 30 June 2016.

(b) Further, the property, plant and equipment balance net book value disclosed under the fixed assets movement schedule - Note 22 to the financial statements, excludes the values of fully depreciated assets of Kshs.81,669,406. According to records provided for audit review, these assets are still in use, though reflected at nil value in the assets register. The assets are yet to be revalued.

Consequently, the accuracy and valuation of the property, plant and equipment balance of Kshs.1,174,539,934 could not be confirmed.

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

As reported in 2014/2015, Kenya National Library Service entered into a contract for construction of library headquarters (Vision 2030 Flagship Project) at a contract sum of Kshs.2,055,200,200. The works were to take 208 weeks (48 months) commencing on 10 April 2012 and ending on 19 January 2017. Information available indicates that the percentage of work certified as at 30 June 2016 was only 53% which should have been a higher given the duration the contract has

taken. The slow completion rate was attributed to non-release of projected exchequer issues. Further, according to Note 26 to the financial statements, the work in progress as at 30 June 2016 was Kshs.1,389,492,367(68%) leaving Kshs.665,707,833 of the contract sum.

In addition, since works on the commercial wing tower have not commenced, the balance of the contract sum may not be sufficient to complete the project.

As a result, the KNLS risks an increase in the costs of construction and delay in reaping the benefits of its investment in the project.

### **3. Recognised Income**

The statement of financial performance for the year ended 30 June 2016 reflects a balance of Kshs.3,728,473 as recognised income. However, examination of records revealed that 59,236 copies of books valued at Kshs.44,519,168 donated to Kenya National Library Services during the year under review were not depreciated in line with International Public Sector Accounting Standards No. 17. Although management explained that a committee has been formed to review the depreciation policy of Book-Stock, no documentary evidence was available for audit review.

In view of the foregoing, the accuracy of the recognized income balance of Kshs.3,728,473 reflected in the statement of financial performance for the year under review cannot be authenticated.

### **4. Employee Costs**

As reported in 2014/2015, Kenya National Library employees are eligible for retirement benefits where the employer contributes 20% and employee 10% of monthly basic salary towards an employee Retirement Benefits Scheme (RBS). Review of RBS records revealed that thirteen (13) retired scheme members were overpaid by Kshs.4,291,802.18 but only Kshs.482,064.80 was recovered leaving an outstanding balance of Kshs.3,809,736.50 as at 30 June 2016.

In addition and as previously reported, the RBS financial statements for the year ended 31 December 2015 indicated Kshs.3,866,384 as the overpayment while the Kenya National Library Services Retirement Benefits Scheme records reflected a figure of Kshs.3,809,736.50 resulting in an unexplained difference of Kshs.56,647.50 between two sets of records. No efforts appear to have been taken by the Board of Trustees to recover the amounts overpaid or reconcile the records.

In the circumstances, the accuracy of employees costs of Kshs.506,730,005 for the year ended 30 June 2016 cannot be confirmed.

## 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 Kenya National Library Service as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya National Library Service Act, Cap. 225 of the Laws of Kenya.

## Other Matter

### 1. Budget Control and performance

#### 1.1 Revenue

Kenya National Library Service (KNLS) had budgeted to collect revenue of Kshs.680, 960,599 from the following sources:

Revenue head	Budget Kshs.	Actual Kshs.	Excess/ (shortfall) Kshs.	Excess/ (shortfall) %
Government grants, Supplementary budget (FY 2015/16)	545,000,000	545,000,000		
<b>Sub Total</b>	<u>58,000,000</u> 603,000,000	<u>58,000,000</u> 603,000,000	-	0%
Public contributions and donations	28,097,419	15,697,449	(12,399,970)	(44%)
Appropriation in Aid	49,863,180	46,441,186	(3,421,994)	(7%)
<b>TOTAL</b>	<b>680,960,599</b>	<b>665,138,635</b>	<b>(15,821,963)</b>	<b>(2%)</b>

However, the actual receipts amounted to Kshs.665,138,635 representing a shortfall of Kshs.15,821,963 or 2%. The shortfall mainly occurred in public contributions and donations where the KNLS had budgeted to receive Kshs.28,097,419 but received Kshs.15,697,449 or 44% only.

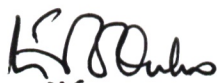
#### 1.2 Expenditure

Comparison between the approved budget and the actual expenditure reflected in the statement of financial performance revealed that KNLS spent in excess of the voted provisions on various expenditure heads as follows:

<b>Expenditure head</b>	<b>Budget Kshs.</b>	<b>Actual Kshs.</b>	<b>Over /(under) Kshs.</b>	<b>Over/(under) %</b>
Compensation of employees	515,820,913	506,730,005	(9,090,908)	(2)
Travel costs	9,500,000	9,548,615	48,615	1
General expenses	121,109,411	97,033,579	(24,075,832)	(20)
Utilities	13,450,000	13,835,087	(385,087)	(3)
Repairs and maintenance cost	15,980,275	16,481,809	501,534	3
Board expenses	5,100,000	4,809,827	(290,173)	(6)
<b>Total</b>	<b>680,960,599</b>	<b>648,438,922</b>	<b>(32,521,677)</b>	<b>(5)</b>

The over expenditures mainly occurred under repairs and maintenance where KNLS had budgeted to spend Kshs.15,980,275 but spent Kshs.16,481,809 representing an increase of Kshs.501,534 or 3%. The over expenditure of 3% was also attributed to unbudgeted security programme entered between KNLS and Communication Authority of Kenya requiring enhancement of security within their branches following donation of computers by the Authority. KNLS also budgeted for Kshs.13,450,000 on utilities costs but spent Kshs.13,835,087 resulting in over expenditure of Kshs.385,087 or 3% of the budget.

In consequence, KNLS did not operate within its budget largely due to shortfall in resources required for service delivery



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

**Nairobi**

**08 June 2017**

## Kenya National Library Service

### XI. STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016

		2015/2016 KSHS.	2014/2015 KSHS.
<b>Revenue from non-exchange transactions</b>	<b>NOTE</b>		
Transfers from government	3	603,000,000	558,170,528
Recognized income	4(i)	3,728,473	1,053,288
Other Grants	4(ii)	6,167,564	14,846,523
		<b>612,896,038</b>	<b>574,070,339</b>
<b>Revenue from exchange transactions</b>			
Interest Income	5	23,332	8,714
Rental income from facilities	6	24,733,931	28,787,079
Rendering of Services	7	1,164,158	3,747,385
Annual membership & Entrance Fees	8	16,108,894	13,280,724
Other Income	9	4,455,518	6,192,505
		<b>46,485,833</b>	<b>52,016,407</b>
		<b>659,381,871</b>	<b>626,086,746</b>
<b>Expenditure</b>			
Employee costs	10	506,730,005	513,703,472
Travel Costs	11	9,548,615	12,164,963
General Expenses	12	97,033,579	102,645,912
Utilities	13	13,835,087	13,544,568
Repairs and Maintenance Cost	14	16,481,809	22,874,862
Boards Expenses	15	4,809,827	5,146,469
Bad debt	16	-	374,375
Depreciation	22	38,379,766	38,509,410
Amortisation of software	25	1,160,494	366,666
<b>TOTAL EXPENDITURE</b>		<b>687,979,181</b>	<b>709,330,698</b>
<b>DEFICIT</b>		<b>(28,597,310)</b>	<b>(83,243,952)</b>

# Kenya National Library Service

## XII. STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2016

		2015/2016 KSHS	2014/2015 KSHS
	NOTES		
<b>CURRENT ASSETS</b>			
Inventory	18	4,343,918	6,650,014
Receivables from exchange transactions	19	1,904,626	13,255,950
Receivables from non-exchange transactions	20	3,084,136	5,720,783
Provision for doubtful debts	21	5,058,557	
Cash & Bank balances	23	399,226,240	25,890,984
<b>SUB -TOTAL</b>		<b>413,617,477</b>	<b>51,517,731</b>
<b>NON CURRENT ASSETS</b>			
Property, Plant & Equipment	22	1,174,539,934	1,200,283,655
Stock - Books	24	786,011,055	741,848,014
Intangible Asset	25	3,354,319	733,333
Work in Progress	26	1,444,909,133	1,243,829,197
<b>SUB-TOTAL</b>		<b>3,408,814,441</b>	<b>3,186,694,200</b>
<b>TOTAL ASSETS</b>		<b>3,822,431,918</b>	<b>3,238,211,931</b>
<b>CURRENT LIABILITIES</b>			
Trade payables from non-exchange transactions	27	1,980,000	1,280,000
Trade payables from exchange transactions	28	124,089,290	128,146,703
Deferred income	29	176,750,978	122,516,898
<b>Non-current liabilities</b>			
Employee benefit obligation	27	992,000	3,372,800
<b>Total Liabilities</b>		<b>303,812,268</b>	<b>255,316,403</b>
<b>Net Assets</b>			
Accumulated Fund		1,557,311,179	1,581,938,884
Revaluation Reserve		313,694,455	313,694,455
Capital Reserve		1,647,614,016	1,087,262,189
<b>Total Equity</b>		<b>3,518,619,650</b>	<b>2,982,895,528</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>3,822,431,918</b>	<b>3,238,211,931</b>

Hon. Noah Katana Ngala  
Chairman - knls Board

Mr. Richard M. Atuti, OGW  
Chief Executive Officer - knls

3<sup>rd</sup> February 2017

3<sup>rd</sup> February 2017

**XIII. STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016

	Accumulated Fund	Revaluation/ Additions	Capital Reserves	Total
Balance as at 30th June 2014	1,659,982,443	313,694,455	592,000,000	2,565,676,898
<b>Adjusted for:</b>				-
Prior Year adjustment	462,584	-	-	462,584
Capital reserve Capitalization/Expense	4,737,811		500,000,000 (4,737,811)	500,000,000 -
Deficit for the year	(83,243,952)			(83,243,952)
Balance as at 30th June 2015	<b>1,581,938,886</b>	<b>313,694,455</b>	<b>1,087,262,189</b>	<b>2,982,895,530</b>
Balance as at 30th June 2015	1,581,938,886	313,694,455	1,087,262,189	2,982,895,530
<b>Adjusted for:</b>				-
Prior year adjustment	-	-		-
Capital reserve Capitalization/Expense	3,969,603		564,321,429 (3,969,603)	564,321,429 -
Deficit	(28,597,310)			(28,597,310)
Balance as at 30th June 2016	<b>1,557,311,179</b>	<b>313,694,455</b>	<b>1,647,614,016</b>	<b>3,518,619,649</b>

## Kenya National Library Service

### XIV. STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016

	Note	2015/2016 (KSHS)	2014/2015 (KSHS)
Net Surplus/(Deficit) For The Year		<b>(28,597,310)</b>	<b>(83,243,952)</b>
<b>Adjusted For: -</b>			
Depreciation	22	38,379,766	38,509,410
Amortisation of software	25	1,160,494	366,667
Resurfaced books	24	(44,646)	(1,327,064)
Donations (FA)	4(i)	(3,728,473)	(1,053,288)
Withdrawn books	24	2,595,707	5,165,829
Deferred income (Cash)		6,055,077	2,421,264
Prior year adjustment		0	462,584
Contribution to impairment		(1,538,497)	-
<b>Operating Deficit Before Working Capital Changes</b>		<b>14,282,117</b>	<b>(38,698,550)</b>
(Increase) / Decrease In inventory	18	2,306,096	(379,289)
(Increase) /Decrease in provisions for doubtful debts	21	(5,058,557)	
Increase / (Decrease) in payments received in advance	28	20,900	(57,736)
(Increase) / Decrease In receivables	19,20	13,987,971	(3,073,151)
Increase / (Decrease) In payables	28	(4,078,314)	1,306,823
(Decrease)/Increase in Provisions	26	(1,680,800)	1,534,800
<b>Net Cash Outflow From Operating Activities</b>		<b>19,779,413</b>	<b>(39,367,100)</b>
<b>Cash Flows From Investing Activities</b>			
Purchase Of Fixed Assets	22	(2,030,522)	(11,425,161)
Additions in Work In Progress	26	(202,758,354)	(429,505,823)
Purchase of Books	24	(2,195,232)	(6,232,269)
Purchase of Software	25	(3,781,480)	-
<b>Net Cash Outflows From Investing Activities</b>		<b>(210,765,588)</b>	<b>(447,163,254)</b>
<b>Cash Flows From Financing Activities</b>			
GOK Grants		564,321,429	500,000,000
<b>Net Cash Inflows From Financing Activities</b>		<b>564,321,429</b>	<b>500,000,000</b>
<b>(Decrease)/Increase In Cash and Cash Equivalents</b>		<b>373,335,255</b>	<b>13,469,638</b>
<b>Cash and Cash Equivalents Beginning</b>		<b>25,890,985</b>	<b>12,421,347</b>
<b>Cash and Cash Equivalents Ending</b>		<b>399,226,240</b>	<b>25,890,985</b>

## Kenya National Library Service

### XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (FOR THE FY 2015/2016)

#### A. RECURRENT EXPENDITURE

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance diff
	2015/2016	2015/2016	2015/2016	2015/2016	2015/2016
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>Revenue</b>					
Government grants - Recurrent	545,000,000.00		545,000,000.00	603,000,000.00	58,000,000.00
Education & Book Supplies	22,400,000.00	(10,000,000.00)	12,400,000.00	-	(12,400,000.00)
Supplementary budget	-	58,000,000.00	58,000,000.00	-	(58,000,000.00)
Public contributions and donations	16,400,000.00	(6,598,652.00)	9,801,348.00	9,801,378.00	30.00
Roll over Donations	5,896,071.00		5,896,071.00	5,896,071.00	
Appropriation in Aid	93,047,000.00	(43,183,820.00)	49,863,180.00	46,441,186.94	(3,421,993.06)
Transfer from Development		-	-		
<b>Total Revenue</b>	<b>682,743,071.00</b>	<b>(1,782,472.00)</b>	<b>680,960,599.00</b>	<b>665,138,635.94</b>	<b>(15,821,963.06)</b>
<b>Expenses</b>					
Compensation of employees	512,868,790.00	2,952,123.00	515,820,913.00	506,730,004.75	9,090,908.25
Travel Costs	8,000,000.00	1,500,000.00	9,500,000.00	9,548,614.70	(48,614.70)
General Expenses	118,643,323.00	2,466,088.00	121,109,411.00	97,033,579.20	24,075,831.80
Utilities	12,500,000.00	950,000.00	13,450,000.00	13,835,086.62	(385,086.62)
Repairs and Maintenance Cost	15,730,958.00	249,317.00	15,980,275.00	16,481,808.62	(501,533.62)
Board expenses	15,000,000.00	(9,900,000.00)	5,100,000.00	4,809,827.00	290,173.00
Depreciation & Amortisation				39,540,259.67	
<b>Total expenditure</b>	<b>682,743,071.00</b>	<b>(1,782,472.00)</b>	<b>680,960,599.00</b>	<b>687,979,180.56</b>	<b>32,521,678.11</b>
<b>Deficit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(22,840,544.62)</b>	

### Changes from original budget and final budget

- The Education and Supplies grant (Book Grant) was reduced by Kshs. 10,000,000 with the balance not received as at the end of the FY Kshs. 12,400,000
- knls received Supplementary Budget of Kshs.58,000,000 during the last quarter of the year to cater for the implementation of the SRC salary reviews
- There was a review downwards on the donor funding of Kshs.6,598,652 as the anticipated proposal did not ,materialize during the year.
- The budgeted AIA amount was reviewed downwards by Kshs.43,183,820 as the proposed collections from the entry fee was affected by low turnout of patrons.

### Variances

- The expense on the travel cost went up as the Board had to compensate staff who had been redeployed to various stations to enhance on capacity.
- The expenditure on the Repairs and Maintenance excludes the amount paid for the licenses for the operating systems and the expense paid for the Microsoft imaging Academy. This was paid from the development grants as part of the automation vote item.
- The expenditure on Repair and Maintenance costs has a variance of 3.14% over which is within the allowable threshold. This can be attributed to the fact that we had to replace the cyber roam UTM CR100ING equipment at the Nairobi Area Library costing Kshs.479,347.

## Kenya National Library Service

### B. DEVELOPMENT EXPENDITURE

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance diff
	2015/2016	2015/2016	2015/2016	2015/2016	2015/2016
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>Revenue</b>					
Roll over funds	20,530,041.00	-	20,530,041.00	20,530,041.00	-
Government grants	580,000,000.00	(15,678,571.00)	564,321,429.00	564,321,429.00	-
Public contributions and donations	-	-	-	-	-
<b>Total Income</b>	<b>600,530,041.00</b>	<b>(15,678,571.00)</b>	<b>584,851,470.00</b>	<b>584,851,470.00</b>	<b>-</b>
<b>Expenses</b>					
National Library of Kenya	516,000,000.00	-	516,000,000.00	196,489,798.33	319,510,201.67
Refurbishment of Libraries	21,140,728.00	-	21,140,728.00	1,678,418.00	19,462,310.00
Support to Community Based Libraries	5,000,000.00	-	5,000,000.00	-	5,000,000.00
Other development expenditure	57,850,000.00	(15,678,571.00)	42,171,429.00	2,631,000.00	39,540,429.00
Retention monies	539,313.00	-	539,313.00	-	539,313.00
<b>Total expenditure</b>	<b>600,530,041.00</b>	<b>(15,678,571.00)</b>	<b>584,851,470.00</b>	<b>200,799,216.33</b>	<b>384,052,253.67</b>

Balance for the period	-	-	384,052,253.67
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- knls suffered a reduction of Kshs.15,678,571 during the Supplementary II budget
- A total amount of Kshs.399,294,618.85 was received in knls on the 22nd and 23rd of June 2016 making full utilization a challenge. The funds have been rolled over to the next Financial Year

## XVI. 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) accrual basis. 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

# Kenya National Library Service

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

## Kenya National Library Service

is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Depreciation is calculated on a straight line basis at the following rates:

Description	Annual Rate
- 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 asset 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.

Intangible assets shall be amortised over their useful life on a straight line basis. Subsequent expenditures on intangible assets shall be recognized as an expense for the period that it is incurred.

### f) Research and Development Costs

All research costs are expensed as incurred.

Development costs are capitalised only after technical and commercial feasibility of the resulting product or service have been established.

### g) 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

## **Kenya National Library Service**

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 correlate with defaults)

### **h) 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.

#### **i) 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.

#### **j) 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.

#### **k) 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.

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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.

## **l) 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 development grants transfers
- ii) Revaluation Reserve – this is used to indicate the re-valued amounts on the plant property and equipment, and any other adjustments on the same.

## **m) 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.

## **n) 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.

## **o) 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.

## **p) Comparative Figures**

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

## **q) 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.

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

## **Kenya National Library Service**

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**

## ***Kenya National Library Service***

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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.

### **s) Taxation**

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

### **t) 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, 2015.

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3	REVENUE FROM NON EXCHANGE TRANSACTIONS	2015/2016	2014/2015
	PARTICULARS	KES	KES
	<b>Unconditional Grants</b>		
	Govt Grants- Recurrent Acc	603,000,000	558,170,528
	<b>Total</b>	<b>603,000,000</b>	<b>558,170,528</b>
<b>4</b>	<b>Other Grants</b>		
	Cash Donations - BAI	148,409	1,811,906
	- US Embassy	-	-
	- Others	9,652,969	15,455,881
	<b>9,801,378</b>	<b>17,267,787</b>	
<b>4(i)</b>	<b>Asset &amp; Book Donations</b>		
	Earned income	3,728,473	1,053,288
	Fixed Asset Donation - Computers	6,776,770	2,689,800
	Fixed Asset Donation - Furniture & Fittings	2,538,100	
	Fixed Asset Donation - Equipment	495,000	
	Book Donations	44,518,870	57,474,215
	<b>TOTAL</b>	<b>58,057,213</b>	<b>61,217,303</b>
<b>4(ii)</b>	<b>Reconciliation of public contributions and donations</b>		
	<b>Balance unspent at the beginning of year</b>	120,880,385	60,984,906
	Current year receipts	54,320,248	74,742,002
	Conditions met - transferred to revenue	(6,167,564)	(14,846,523)
	<b>Conditions to be met - remain liabilities</b>	<b>169,033,069</b>	<b>120,880,385</b>
	<b>REVENUE FROM EXCHANGE TRANSACTION</b>		
<b>5</b>	<b>Interest Received</b>	23,332	8,714
<b>6</b>	<b>Rental income from facilities</b>		
	Hire Of Halls	1,549,421	3,605,297
	Bill Boards	-	-
	Parking Charges	18,900	523,800
	Rent	20,858,742	22,868,129
	Service charge from rentals	2,306,868	1,789,853
	<b>TOTAL</b>	<b>24,733,931</b>	<b>28,787,079</b>
<b>7</b>	<b>Rendering of Services</b>		
	Photocopies	36,290	94,177
	KNB & KPD Sales	3,600	450
	Internet And E-Mail	128,948	290,598
	Consultancy Services	995,320	3,362,160
	<b>TOTAL</b>	<b>1,164,158</b>	<b>3,747,385</b>
<b>8</b>	<b>Library Fees</b>		
	Membership Fees- Institution	901,935	661,735
	Membership Fees- Adult	-	2,677,785

## Kenya National Library Service

Membership Fees - Junior	-	424,820
Membership Fees - Communities/Religious	3,000	
Entrance Fees - Foreigners	-	22,220
Entrance Fees - Non Members	13,077,690	8,945,430
Daily access - Executive	348,190	58,920
Book loan fees - Adult	1,324,053	361,958
Book loan fees - Junior	454,026	127,856
<b>TOTAL</b>	<b>16,108,894</b>	<b>13,280,724</b>

### 9 Other Income

Sundry Income	438,820	644,431
Fines and Overdues	939,782	1,186,519
Disposal Income	37,110	139,583
Hire Of Chairs/ Tents	20,545	62,445
Gain on Sale of Fixed Assets	-	25,000
Sale Of Tenders	1,000	206,448
Clearing Fee	446,438	407,185
Commission from payroll deductions	137,650	150,800
Attachment Charges	288,100	157,730
Lost And Paid For Books(100%)	295,847	309,415
Annual Renewal Fee	3,575	277,685
ISBN Fees	1,579,900	1,017,480
Salary On Resignation	83,180	65,290
Lost And Paid For Books (Original)	120,934	134,790
Forex Gain	17,991	80,641
Resurfaced Books	44,646	1,327,064
<b>TOTAL</b>	<b>4,455,518</b>	<b>6,192,506</b>

### 10 Employee Costs

Basic Salary (Permanent Employees)	265,906,510	269,309,227
Casual Labour	5,773,675	4,343,212
House Allowance	113,329,186	119,511,840
Acting Allowances	-	-
Hardship Allowance	8,940,595	9,361,820
Medical Allowance	10,287,082	10,361,113
Special Duty Allowances	391,419	616,679
Other Allowances-Remunerative	2,160,000	1,996,000
Leave Allowance	4,652,000	4,619,500
Refund Of Medical Expenses-Inpatient	47,040	50,052
Personal Assistance Allowance	565,000	-
Other Allowances-Bicycle	84,000	74,800
Commuter Allowance	41,483,538	41,346,037
Employer Contribution To Pension Scheme	53,109,960	52,113,192
<b>TOTAL</b>	<b>506,730,005</b>	<b>513,703,472</b>

## Kenya National Library Service

### 11 Travel Costs

Travel Costs-Domestic	1,062,633	1,168,412
Accommodation-Domestic	1,253,550	2,832,150
Daily Subsistence-Domestic	3,903,032	3,876,687
Sundry Items Domestic	154,321	585,504
Passage And Transfers Expenses	1,130,550	1,575,650
Travel Cost-Foreign	909,166	826,395
Daily Subsistence-Foreign	1,048,090	1,116,508
Sundry Items - Foreign	87,273	183,657

<b>TOTAL</b>	<b>9,548,615</b>	<b>12,164,963</b>
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### 12 General Expenses

Telephone & Mobile Phone Services	3,053,677	2,040,959
Internet Connections	9,213,264	9,411,381
Courier & Postal Services	1,641,576	1,819,062
Printing & Stationery	432,014	-
Publishing & Printing Services	303,772	569,308
Subscription To Newspaper, Mag	3,288,675	3,505,009
Advertising, Awareness & Public	5,036,750	9,483,425
Trade Shows & Other Exhibition	202,075	368,990
Publicity Materials	-	430,244
Rent & Rates-Non-Residential	600,000	600,000
Catering Expenses	2,474,471	1,870,704
Insurance General	12,285,634	13,563,240
Veterinarian Supplies	34,500	30,236
Purchase Of Uniform & Clothing	453,724	705,334
Library Processing Tools, Magnetic strips	4,883,317	294,217
General Office Supplies	1,000,111	4,064,049
Supplies & Accessories For Com	1,208,679	3,203,605
Sanitary & Cleaning Materials	738,132	699,435
Contracted Guards & Cleaning	22,414,774	21,266,533
Transport Costs & Charges For	2,808,532	2,887,066
Legal Dues, Arbitration & Comp	826,306	972,145
Contracted Professional Services	2,694,830	2,254,268
Withdrawn Books	2,595,707	5,165,829
Travel, Accommodation, Tuition Fees	11,553,958	9,764,268
Bank & Mpesa Charges/Commission	641,074	578,666
Management Fee-Audit Fee	700,000	700,000
Purchase Of Coffins & Other Miscellaneous exps	608,356	268,925
Membership Fees, Dues & Subscription	643,119	580,703
Research & Development	228,900	765,600
Monitoring & Evaluation	539,800	585,200

## Kenya National Library Service

	Medal & Awards	156,308	131,513
	Refined Fuels & Lubricants For	3,771,544	4,065,999
	<b>TOTAL</b>	<b>97,033,579</b>	<b>102,645,913</b>
<b>13</b>	<b>Utilities</b>		
	Electricity	10,243,083	10,552,005
	Water And Sewerage Charges	3,592,003	2,992,563
	<b>TOTAL</b>	<b>13,835,087</b>	<b>13,544,568</b>
<b>14</b>	<b>Repairs and Maintenance Cost</b>		
	Repair, Maintenance: Buildings	2,704,786	4,171,448
	Repair, Maintenance: Furniture	296,346	295,797
	Repair, Maintenance: Equip	2,524,898	2,752,058
	Repair, Maintenance: Motor vehicle	2,345,613	2,642,629
	Repair, Maintenance: Computer	8,610,165	13,012,930
	<b>TOTAL</b>	<b>16,481,809</b>	<b>22,874,862</b>
<b>15</b>	<b>Board Expenses</b>		
	Board Meetings Expenses	4,809,827	5,146,469
<b>16</b>	<b>Bad debts</b>	-	374,375

### 17 Contingent Legal Liability.

In the year 2002 the Board sponsored one staff for a two year scholarship in South Africa after which he was bonded as per the knls Human Resource Training Policy. The officer resigned in April 2007 having failed to honour the bond of Kshs.800,000 or serve for the two years upon return. The Board took the officer to court and in November 2014, the court awarded payment of the bond amount of Kshs.800,000 together with interest of 5% from 1st April 2007 until the amount is paid in full, damages of Kshs.500,000 for breach of contract and cost of the suit. The amount of Kshs.500,000 has been included in the ex-staff debtors amount as the Board pursues filing of the interest due and cost of the suit for assessment and determination by the court.

Jimai Electrical Services was contracted to develop Gatimbi Library Project which was conceived by Meru Community in 2012. The Community requested knls Board to partner with them in the implementation of the project. Knls Board committed to support the project to the tune of Kshs.3 Million and the Community undertook to mobilize extra resources to the tune of Kshs.50 Million to implement the project.

In 2012 Jimai Electrical Services (contractor) was awarded the project at a contract sum of Kshs.14,689,587. on 25th January 2013, knls committed to fund the project to the tune of Kshs.3,000,000 and Meru Central District the balance of Kshs.11,689,587.

## Kenya National Library Service

The project commenced on 8<sup>th</sup> February 2013 under the supervision of the County Works Office, Meru County. knls Board honoured its part and settled Ksh.3,000,000 as per the agreement. The Community on the other hand did not honor its commitment. The Contractor proceeded to demand that knls settles the full amount citing that the 'Community' was a non-existent legal entity and hence not party to the aforementioned agreement. Knls settled Ksh.10,520,628.30 in addition to Ksh.3,000,000 paid earlier. The Contractor has since gone to court seeking damages for delay in payment of the outstanding balance and has placed a demand of Kshs.7,688,636.90 as settlement.

### 18 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.

	2015/2016 (Kshs)	2014/2015 (Kshs)
General office	2,295,309	564,035
Uniform & Clothing	8,978	8,978
Library Processing Tools	157,544	3,859,453
Computer Accessories	1,882,088	2,217,548
Sanitary & Cleaning	-	-
<b>TOTAL</b>	<b>4,343,918</b>	<b>6,650,014</b>

### 19 Trade Receivables Exchange Transactions

**Item Description**

Trade Debtors : Rental space	595,042	8,195,899
: Direct consignment (Books)	1,309,584	5,060,051
<b>TOTAL</b>	<b>1,904,626</b>	<b>13,255,950</b>

### 20 Trade Receivables non exchange transactions

Staff Debtors	2,173,291	4,812,438
Refundable Deposit	910,845	908,345
<b>TOTAL</b>	<b>3,084,136</b>	<b>5,720,783</b>

### 21 Provision for Doubtful Debt

The provision on doubtful debt has been made based on the recommendations of the Audit report. knls has not adopted a tailor made policy on this but has made presumptions as provided for in IPSAS 17.

2015/2016

## **Kenya National Library Service**

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Revenue from Exchange Transactions	2,402,850
Revenue from Non-Exchange Transactions	<u>2,655,707</u>
<b>TOTAL</b>	<b><u>5,058,557</u></b>

## Kenya National Library Service

### 22 PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION COST	LAND (KSH)	BUILDING (KSH)	EQUIPMENT (KSH)	MOTOR VEHICLES (KSH)	FURNITURE, FITTINGS (KSH)	COMPUTERS (KSHS)	GRAND TOTAL (KSH)
<b>As at 1st July 2014</b>	430,250,000	791,305,460	35,984,326	30,956,239	73,032,874	39,453,864.00	1,400,982,763
Additions - Purchases	-	-	1,796,230	-	4,732,992	4,895,939.00	11,425,161
Additions - Donations	-	-	-	-	-	2,689,800.00	2,689,800
Disposals	-	-	-	(40,000)	-	-	(40,000)
Works Capitalised	-	17,163,337	-	-	-	-	17,163,337
<b>As at 30th June 2015</b>	<b>430,250,000</b>	<b>808,468,797</b>	<b>37,780,556</b>	<b>30,916,239</b>	<b>77,765,866</b>	<b>47,039,603</b>	<b>1,432,221,061</b>
Additions - Purchases	-	-	10,500	-	863,600	1,156,422.00	2,030,522
Additions - Donations	-	-	495,000.00	-	2,538,100	6,776,770	9,809,870
Works Capitalised	-	795,654	-	-	-	-	795,654
Disposals	-	-	-	-	-	-	-
Revaluations: Old	-	-	-	-	-	-	-
Valuations New	-	-	-	-	-	-	-
<b>TOTAL COST/VALUATION</b>	<b>430,250,000</b>	<b>809,264,451</b>	<b>38,286,056</b>	<b>30,916,239</b>	<b>81,167,566</b>	<b>54,972,795</b>	<b>1,444,857,107</b>
<b>DEPRECIATION</b>							
<b>As at 1st July 2014</b>	-	73,187,875	24,452,135	25,078,497	34,713,189	36,036,301	193,467,997
Acc. Dep. On Disposals	-	-	-	(40,000)	-	-	(40,000)
Depreciation for the year	-	16,169,376	5,922,122	2,861,735	9,089,671	4,466,506.00	38,509,410
<b>As at 30th June 2015</b>	-	<b>89,357,251</b>	<b>30,374,257</b>	<b>27,900,232</b>	<b>43,802,860</b>	<b>40,502,807</b>	<b>231,937,407</b>
Prior Year Adjustments	-	-	-	-	-	-	-
Acc. Dep. On Disposals	-	-	-	-	-	-	-
<b>Depreciation for the year</b>	-	16,185,289	4,724,636	1,508,004.00	9,309,224	6,652,613	38,379,766
<b>TOTAL DEPRECIATION</b>	<b>-</b>	<b>105,542,540</b>	<b>35,098,893</b>	<b>29,408,236</b>	<b>53,112,084</b>	<b>47,155,420</b>	<b>270,317,173</b>
<b>Net Book Value 30/06/15</b>	<b>430,250,000</b>	<b>719,111,546</b>	<b>7,406,299</b>	<b>3,016,007</b>	<b>33,963,006</b>	<b>6,536,796</b>	<b>1,200,283,654</b>
<b>Net Book Value 30/06/16</b>	<b>430,250,000</b>	<b>703,721,911</b>	<b>3,187,163</b>	<b>1,508,003</b>	<b>28,055,482</b>	<b>7,817,375</b>	<b>1,174,539,934</b>

The financial statements omit land and building in respect to community based library projects, which were established by the Board in partnership with the communities and donated to the knls Board. Their value is omitted from the accounts since the Board does not have ownership documents (title deeds). The board is in the process of obtaining ownership documents and valuing them for inclusion in the Boards Assets' Register.

The leasehold land has not been amortised over the lease period as knls will be reviewing its depreciation and amortisation policy to include that of land

## Kenya National Library Service

### 23 Cash and Bank Balance

	2015/2016	2014/2015
Cash in hand	41,868	15,887
Mpesa Account	320,216	58,939
Pesa Pal Account	744,715	11,500
Bank Recurrent account	11,882,083	8,063,516
Bank Development Account	377,094,828	14,840,001
Bank Savings & Reserve A/C	8,395,100	2,177,172
Bank Savings & Reserve -foreign A/C	747,430	723,969
<b>TOTAL</b>	<b>399,226,240</b>	<b>25,890,984</b>

\* The bank accounts are all with Kenya Commercial Bank - Milimani Branch. The M-pesa account is with Saficom while the Pesa pal resides with the service provider for the Visa cards and M-pesa payments.

### 2 Movement of Book

4 Stock	2015/2016	Value	2014/2015	Value
	No. of pieces	Kshs.	No. of pieces	Kshs.
Opening balance	1,482,115	741,848,014	1,388,417	681,980,295
Add: Govt purchases	13,207	475,465	28,052	6,232,269
Donor purchase		1,719,767		-
Donations	59,236	44,518,870	84,142	57,474,215
Resurfaced books	133	44,646	548	1,327,064
Less: Withdrawn books	(7,757)	(2,595,707)	(19,044)	(5,165,829)
<b>TOTAL</b>	<b>1,546,934</b>	<b>786,011,055</b>	<b>1,482,115</b>	<b>741,848,014</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 where as 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.

The Books have not been depreciated as recommended in IPSAS 17. Knls is yet to develop a policy on the same which would give guidelines on the different categories and depreciation rates preferred. However, they have been recognised and valued as stated in paragraph II.

25 Intangible Assets - Software	2015/2016	2014/2015
Cost	Kshs.	Kshs.
As 1 July 2015	733,333	1,100,000
Additions	3,781,480	-
Amortisation	(1,160,494)	(366,667)
<b>As at 30th June 2016</b>	<b>3,354,319</b>	<b>733,333</b>

## Kenya National Library Service

### 26 Movement of Work in Progress

	Opening Balance	Additions	Capitalised	Expensed	Closing Balance
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Gatimbi Community	14,712,190	-	-		14,712,190
Griftu		104,500		104,500	-
Isiolo	-	39,000	39,000		-
Kakamega	1,841,737	2,243,210			4,084,947
Kapsabet		18,000			18,000
Kilifi	-	110,650	110,650		-
Kimilili		118,610		118,610	-
Kinyambu		24,456		24,456	-
Kisii	10,512,909	-			10,512,909
Kisumu	7,988,224	1,970,321			9,958,545
Kithasyu		232,698		232,698	-
Kwale		35,000		35,000	-
Lagam	3,803,007	121,920			3,924,927
Lusumu	5,806,596	236,688			6,043,284
Meru		184,800	184,800		-
Mikumbune		98,000	-	98,000	-
Munyu		170,000	-	170,000	-
NBI- Proposed HQ	1,193,002,569	196,489,798			1,389,492,367
Nyilima	2,810,001	-			2,810,001
Rumuruti	-	392,204.00	392,204		-
Thika		69,000	69,000		-
Wajir		99,500		99,500	-
Wundanyi	3,351,964				3,351,964
<b>Total</b>	<b>1,243,829,197</b>	<b>202,758,354</b>	<b>795,654</b>	<b>882,764</b>	<b>1,444,909,133</b>

The Work in Progress movement schedule relates to the ongoing construction of National Library of Kenya & knls HQs and refurbishment of the existing libraries within the network.

	2015/2016	2014/2015
<b>27 Trade payables from non-exchange transactions</b>		
Provisions -Directors Gratuity	992,000	3,372,800
Provisions - Audit Fees	1,980,000	1,280,000
	<b>2,972,000</b>	<b>4,652,800</b>
<b>28 Trade Payables Exchange transactions</b>		
Trade Creditors	123,911,210	127,989,524
Advance Receipts	178,079	157,179
	<b>124,089,290</b>	<b>128,146,703</b>
<b>29 Deferred income</b>		
Balance b/d	117,821,309	60,347,094
Book Donations	44,518,870	57,474,215
Fixed Asset donations	14,410,799	4,695,589
	<b>176,750,978</b>	<b>122,516,898</b>

# Kenya National Library Service

## 30 Related Party Transactions

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

Directors' emoluments	3,481,685	3,795,049
<b>Key Management compensation</b>		
Senior Management Salary and benefits	35,783,742	32,791,418
	<u>39,265,427</u>	<u>36,586,467</u>

## 31 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 2016</b>		
Receivables from non-exchange transactions	3,084,136	3,084,136
Receivables exchange transactions	1,934,626	1,934,626
Cash and cash equivalents	399,226,240	399,226,240
	<u>404,245,002</u>	<u>404,245,002</u>
<b>Financial Assets</b>		
<b>At 30 June 2015</b>		
Receivables from non-exchange transactions	5,704,569	5,704,569
Receivables exchange transactions	13,255,950	13,255,950
Cash and cash equivalents	25,869,613	25,869,613
	<u>44,830,132</u>	<u>44,830,132</u>
<b>Financial Liabilities</b>		
<b>At 30 June 2016</b>		
Trade & other payables from exchange transactions	124,089,290	
Employee benefits obligation	992,000	
Deferred income	176,750,978	

## **Kenya National Library Service**

301,832,268

### **Financial Liabilities**

#### **At 30 June 2015**

Trade & other payables from exchange transactions	128,146,703
Employee benefits obligation	3,372,800
Deferred income	122,516,898
	<u>254,036,401</u>

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.

### **32 Movement in Capital Reserve - Kshs.3,873,679**

The amount of Kshs.3,837,679 is summarized as:

1. Payment for the Microsoft IT Academy license for the year 2015/2016	2,631,735
2. Depreciation of capitalized building works @ 2% of Kshs.795,654	15,913
3. Depreciation of capitalized building works @ 2% of Kshs.17,163,337 for FY 2014/2015	343,267
4. Expensed works for 2015/2016	882,764
	<hr/>
<b>Total</b>	<b>3,873,679</b>
	<hr/>

## Kenya National Library Service

### XVII. PROGRESS REPORT ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Ref No.	Issue/Observation from Auditor General	Management comment	Focal Point person to resolve issue (Name and Designation)	Status (Resolved/ Not resolved)	Time Frame
<b>1</b>	<b>Budget and Budgetary Control</b>				
	<p><b>Revenue</b> The Kenya National Library Service (knls) had budgeted to collect revenue of <b>Kshs.632,900,000</b>. However, the actual receipts amounted to <b>Kshs.611,127,657.55</b> representing a shortfall of <b>Kshs.21,772,342.46</b> or 3.44%. The shortfall mainly occurred in Government grants where knls had budgeted for <b>Kshs.567,400,000.00</b> but received only <b>Kshs.558,170,528.00</b> which was also a reduction by 5.14% from <b>Kshs.588,400,000.00</b> in 2013/2014. As a result of this knls was unable to effectively implement planned programs and deliver on its mandate.</p>	<p>The actual Recurrent Government grant received to was Kshs. 543,170,528 and not Kshs.547,907,994.20. This is as per the amended financial statements submitted after the Audit and Management Letter</p> <p>Kenya National Library Service was allocated <b>kshs.567,400,000</b> in the printed estimates for FY 2014/2015 as follows:</p> <ul style="list-style-type: none"> <li>• Recurrent Grant – kshs.545,000,000</li> <li>• Specialized Materials &amp; Supply (books) kshs.22,400,000. Totalling to Kshs.567,400,000</li> </ul> <p>As at 30<sup>th</sup> June 2015, knls had since received a total of kshs.543,170,528 representing a shortfall of Kshs.24,229,472</p>	Richard Atuti – CEO	<b>Resolved;</b> Knls received Supplementary Budget of Kshs. 58,000,000 which included Kshs.19,028,486 of the outstanding balance towards the shortfall of Kshs.24,229,472.	
	<p><b>Expenditure</b> A comparison between the approved budget and the actual expenditure reflected in the statement of financial performance revealed that knls spent in excess of the voted provision. The over</p>	<p>The PE variance of Kshs.15,681,143.71 from compensation of employees is due to part implementation of CBA 2010-2012. Kindly note that the 2010-2012 CBA that expired on 30<sup>th</sup> June, 2012 was negotiated and concluded in April, 2013.</p>	Richard Atuti – CEO	Knls Board is seeking to secure the required funds through the MTEF Budgeting process of 2017/18 to	

## Kenya National Library Service

<p>expenditure mainly occurred under compensation of employees where knls had budgeted to spend <b>Kshs.498,022,329.00</b> but spend <b>Kshs.513,703,475.71</b> representing an increase of <b>Kshs.15,681,143.71</b> or 3.15%. the over expenditure of 3.15% was attributed to part implementation of the 2010/2012 Collective Bargaining Agreement (CBA) where new salaries and staff allowances were adjusted upwards. However, the CBA funds though budgeted for were not received from the National Treasury.</p> <p>Knls had also budgeted to spend <b>Kshs.17,265,813.00</b> on repairs and maintenance costs but spend <b>Kshs.22,874,862.00</b> resulting to over expenditure of <b>Kshs.5,609,049.00</b> or by</p>	<p>In September 2013, the Industrial Court made a ruling – Cause No. 752 of 2012 in which knls and the Union, Kenya Union of Commercial &amp; Allied Workers (KUCFAW) were ordered to sign the 2010-2012 CBA and present it to Court for confirmation.</p> <p>Knls put the implementation of the CBA on hold because the Cabinet by then had directed a freeze on pay adjustments through The National Treasury Circular No. 17/2013 Ref: No. ES/1/03 H (12).</p> <p>Despite the financial challenges facing the Board, knls was compelled to implement the said CBA on 1.7.2014, although it did not receive additional funding from the National Treasury.</p> <p>The CBA was implemented as follows;</p> <p>New salary, house allowance and all other allowances were adjusted in July 2014 payroll.</p> <p>Arrears for 2010-2012 on Basic Salary, house allowance, hardship and bicycle allowances were paid totaling to Kshs.15,953,637.60 remaining with a balance of Kshs.66,347,316.</p> <p>The arrears of Kshs.66,347,316 has not been paid due to unavailability of funds.</p>		<p>2019/20 through the parent Ministry.</p> <p style="text-align: center;">Resolved</p>	
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## Kenya National Library Service

	<p>32.49%. the over expenditure was attributed to some items factored under development but later properly charged to recurrent.</p> <p>In view of the foregoing, the management need to strive to execute the revenue and expenditure budget as planned to deliver on the promised programs as per the annual work plan.</p>	<p>The budget allocation for Repairs and Maintenance of computers was <b>Kshs.17,265,813</b>. The actual spent was <b>Kshs.22,874,862</b> giving rise to a variance of <b>Kshs.5,609,049</b>. The over-expenditure includes Kshs.4,394,544 paid to Microsoft as annual license fee for the IT Academy program being run by knls in partnership with Microsoft. The amount was factored under the Development budget and charged under the recurrent budget due to its nature. The true variance under this vote would therefore be <b>Kshs.1,214,505</b> (7.03%) which is within the allowable threshold.</p>			
<p><b>2</b></p>	<p><b>Property, Plant and Equipment</b></p>				
	<p>As reported in 2013/2014, the financial statements as at 30 June 2015 reflect property, plant and equipment balance of <b>Kshs.1,200,283,655.00</b>. However, thirty five (35) parcels of land with an estimated value of <b>Kshs.12,150,000.00</b> had partial or no legal ownership documents at all and were omitted from the financial statements.</p> <p>In the circumstances, it has not been possible to confirm whether the carrying value stated in the financial statements reflects the fair values of the properties as at 30 June 2015.</p>	<p>Knls Board has over the years managed to accumulate a total of seventy four (74) parcels of land in various counties. The registration of ownership documents for these parcels of land is in different stages as summarized below;</p> <p>40 No. – Parcels of land with title deeds/certificates of leases</p> <p>13 No. – Parcels of land with letters of allotment from the defunct local authorities</p> <p>20 No. – Free hold parcels of land owned by communities with operational library buildings</p> <p>1 No. Free hold undeveloped parcel of land in Sabatia (Vihiga County)</p> <p>1 No. Undeveloped parcel of land in Awendo (with library services currently being provided from Sony Sugar Primary School compound)</p>	<p>Richard Atuti – CEO</p>	<p>The Board is still pursuing the matter with a view of reaching a resolution.</p>	

## Kenya National Library Service

		<p>The omission of the ten parcels of land valued at Kshs.7,540,000 was because the Board had not yet obtained the ownership documents for these parcels. Knls Board has continued to consult with the relevant Government agencies, to facilitate processing and registration of ownership documents for parcels above so as to secure them. The last communication requesting for this assistance was done to the Permanent Secretary – Ministry of Lands ref. C/KNL/HQ/AD/109/132 dated 29<sup>th</sup> April 2013 and to the National Land Commission ref. KNL/HQ/AD/14BVol.I/17 dated 19<sup>th</sup> August 2013.</p>			
3	<p>In addition, the property, plant and equipment net book value disclosed under fixed assets movement schedule Note 22, excludes the values of fully depreciated assets of <b>Kshs.66,703,840.45</b> as at 30 June 2015. According to records provided for audit review, these assets are still in use, though reflecting nil values in the assets register</p> <p>Consequently, the accuracy of the property, plant and equipment balance of <b>Kshs.1,200,414,622.00</b> reflected in the statement of financial position as at 30 June 2015 could not be confirmed.</p>	<p>In addition to the letter Ref: C/KNL/HQ/AD/192/VOL.3/7 written to the Chief Valuer – Ministry of Transport and Infrastructure in January 2014, Management further wrote to the Principal Secretary, Ministry of Land, Housing and Urban Development through the Directorate of Housing vide letter Ref: C/KNL/HQ/AD/192/VOL.3/8 dated October 6, 2015 requesting for valuation of the Board's land, buildings and movable assets. The Ministry replied vide their letter Ref: MLHUD/DH/ED/8/16/1Vol.II (136) dated October 15, 2015 informing knls that they were putting together a team to undertake the exercise and a meeting has been scheduled by the team leader on Friday 8<sup>th</sup> January 2016 to start the valuation process and facilitate updating of books of accounts accordingly. Knls awaits further guidance and update on this.</p>	<p>Jack Wafula – Deputy Director (F&amp;A)</p>	<p>Knls awaits further guidance and update on the matter</p>	
<p style="text-align: center;"><b>Construction of the National Library and Kenya National Library Service Headquarters</b></p>					

## Kenya National Library Service

	<p>As reported in 2013/2014, Kenya National Library Service entered into a contract on 08 May 2012 with a local construction company to construct the National Library and Headquarters at a sum of <b>Kshs.2,055,200,200.00</b>. The work was to take 208 weeks commencing on 10 April 2012 with a practical completion date on 19<sup>th</sup> January 2017.</p> <p>Further, the management has indicated that <b>Kshs.580,000,000.00</b> had tentatively been allocated in 2016/2017 through the MTEF budgeting process giving a total cumulative resource allocation of <b>Kshs.2,275,156,702.00</b> against the signed contract sum of <b>Kshs.2,055,200,200.00</b>. The explanation given for the resultant difference of <b>Kshs.219,956,502.00</b> was that the signed contract sum of <b>Kshs.2,055,200,200.00</b> excluded various consultants' fees.</p> <p>It is not clear why consultants fees were excluded from the contract sum and whether the project will be completed within the project contract sums to avoid the provisional and prime cost sums, and contingencies currently stated at <b>Kshs.563,435,000.00</b> and <b>Kshs.85,000,000.00</b> respectively in the contract document final summary.</p>	<p>The project implementation commenced on 10<sup>th</sup> April 2012 with an expected completion date of 19<sup>th</sup> January 2017. The funding to the project to date has been Kshs.1,547,956,702</p> <p>In addition to the above allocations, the funds tentatively allocated to the project for FY'2016/17 through the MTEF budgeting process is Kshs.580,000,000 giving a total cumulative resource allocation of Kshs.2,127,956,702 during the contract period of the project. The builders works contract sum is Kshs.2,055,200,200 exclusive of the consultants fees for Architectural, Quantity Survey, Electrical &amp; Mechanical Engineering and Structural engineering services, approval fee for Geotechnical Survey, NEMA, KURA and County Council of Nairobi. The difference of Kshs.72,756,502 is to cater for those expenses as the project progress based on percentage formulae as derived from the Joint Building Council guidelines and stipulated in the contract thus the variance of projections.</p> <p>As noted above, the funding towards the project from commencement has steadily increased. This shows Government's commitment towards completion of the project. The Board will continue to work with the Government through the parent Ministry in a bid to secure additional funding for the project.</p>	<p>Richard Atuti – CEO</p>	<p>Resolved as per Contract Terms</p>	
4	<b>Receivables from Exchange Transactions</b>				

## Kenya National Library Service

<p>The statement of financial position reflects receivables from exchange transactions balance of <b>Kshs.13,255,950.00</b> as at 30 June 2015. However, included in the balance is an amount of <b>Kshs.8,95,899.00</b> relating to outstanding balances from rented space in various stations out of which rental income debt amounting to <b>Kshs.1,699,989,.99</b> has remained uncleared for a period of forty eight (48) months.</p> <p>In addition, no provision has been made in the financial statements in relation to these uncertainties as at 30 June 2015, although the management has engaged the Credit Reference Bureau and it's lawyers to recover the outstanding debts balance of <b>Kshs.13,255,950.00</b>.</p> <p>Consequently, the accuracy and recoverability of the receivables from exchange transactions balance of <b>Kshs.13,255,950.00</b> could not be ascertained.</p>	<p>The outstanding balance of <b>kshs.1,699,989.99</b> from rental income debt in various stations was as a result of the following:</p> <p><b>Essar Telecom Kenya – Kshs. 355,316.79</b> - Due to the logistics and verifications involved during transfer of business, the process has taken long to conclude leading to delay in settlement of the outstanding balance. Knls will continue to pursue Safaricom Ltd to settle the outstanding balance left behind by Essar Telecom.</p> <p><b>KBC (Garissa) – Kshs. 320,000</b> - Knls entered into a contract with Kenya Broadcasting Corporation in December 2006 for a period of 5 years for use of space for a broadcasting mast in Garissa. The lease period expired in 2011.</p> <p>Efforts are currently being made through the Board's lawyer – H.M Mudeizi&amp; Co. Advocates to recover the amount owing up to November 2011 when the contract expired and renew the lease agreement</p> <p><b>Residential House (Meru) – Kshs. 421,000</b> - The caretaker's house in Meru was let out to one Rev. Alfred Muriithi on a monthly payable rent of Kshs.10,500 upon signing of a contract on the 4<sup>th</sup> of June 2010. The tenant failed to settle his outstanding rent despite his commitment in a letter dated 17<sup>th</sup> April 2012. As a result, the Board instructed its lawyer to evict the tenant and demand outstanding amount owed. The tenant vacated the</p>	<p>Jack Wafula – Deputy Director (F&amp;A)</p>	<p>knls consulted CRB and were referred to Metropol CRB who are regulated by Central Bank of Kenya in providing referencing services and have engaged their services.</p>	
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## Kenya National Library Service

		<p>premises on the 19<sup>th</sup> February 2015 and despite various demand letters from the Board's lawyer, the tenant did not settle the outstanding amount. The lawyer has since instituted legal proceeding to recover the said amounts from the tenant</p> <p><b>M/s KAT Universal Ltd (Meru) – Kshs. 195,000</b> - The tenant failed to settle their outstanding balance and the Board proceeded to lock down the premises. The matter is being pursued by the Board's lawyer, Mwaura &amp; Wachira advocates to recover the outstanding amount.</p> <p><b>M/s Tropical Promoters – 267,400</b> - Knls entered into a contract with Tropical Promoters in December 2008 for a period of 3 years for use of space for advertising on Bill Boards erected at the Nairobi Area Library in Community. The lease period expired in November 2011 and they did not renew the contract having left an outstanding balance of Kshs.532,400. The Board wrote to them vide KNLS/HQ/AD/203/VOL.5/50 dated 8<sup>th</sup>February 2012 and KNL/FN/AD/21 dated 25<sup>th</sup> July 2012. No response was received neither payments made. Knls Board wrote a third demand letter vide KNLS/HQ/AD/21/TP 7 dated 10<sup>th</sup> April 2013 and a copy sent to its legal counsel (Mwaura &amp; Wachira Advocates)</p> <p>knls received part payment of the amount on the 24<sup>th</sup> June 2013 leaving a balance of <b>Kshs.267,400</b>. The lawyer is still</p>			
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## Kenya National Library Service

		<p>pursuing the matter. The Board will also engage the Credit Reference Bureau to recover the outstanding balance.</p> <p><b>M/s First Africa – 42,873.20</b> - knls entered into a contract with First Africa in January 2010 for a period of 1 year for use of parking slots at the Nairobi Area Library in Community. As at the end of December 2010 they had not paid an outstanding amount of Kshs.42,873.20 and relocated from their last known address. knls has made efforts to establish where they relocated to from I&amp;M building with no success. A letter send to their last known address to confirm their outstanding balance as at 30<sup>th</sup> June 2014 was equally returned by the post office. The Board will engage the Credit Reference Bureau to recover the outstanding balance.</p> <p><b>Francis Bichage (Kiosk) – Kisii – Kshs.98,400</b> - The tenant entered into a Memorandum of Understanding with knls on the 2<sup>nd</sup> of December 2009 for the sole purpose of running a kiosk as per the terms of the contract. The tenant defaulted in the payment of the rent due and in April 2013 knls Management wrote to him demanding payment of the same. This he did not honor and as at 30<sup>th</sup> June the outstanding amount was Kshs.98,400. The tenant has since locked his kiosk without clearing outstanding rent leaving his goods behind. The issue has been forwarded to the Board's lawyer to follow up and recover the outstanding amount.</p>			
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## Kenya National Library Service

		<p>The Board will also engage the Credit Reference Bureau to recover the outstanding balance.</p> <p>The Board has communicated with the lawyers to give a status report of knls cases that they are handling. See email correspondence dated January 5<sup>th</sup> 2016.</p>			
<b>5</b>	<b>Receivables from Non-Exchange Transactions</b>				
	<p>The statement of financial position reflects receivables from non-exchange transactions balance of <b>Kshs.5,720,782.00</b> as at 30<sup>th</sup> June 2015. The receivables from non-exchange transactions balance includes <b>Kshs.4,812,438.00</b> in respect of staff debtors as disclosed under Note 20 to the financial statements</p> <p>However, no provision in relation to an amount totalling <b>Kshs.3,955,706.90</b> owed by former employees. Some of whom have since died was made in the financial statements.</p> <p>In the circumstances, the accuracy, completeness and recoverability of the non-exchange receivables balance of <b>Kshs.5,720,752.00</b> could not be confirmed.</p>	<p>The audit observation and recommendation is noted. Management undertakes to seek concurrence from the National Treasury during FY'2015/16 in order to make a provision for the said bad debts in the financial year.</p>	<p>Julie Musandu – Principal Accountant</p>	<p>A provision has been made for doubtful debts of Kshs.2,655,707</p>	
<b>6</b>	<b>Trade Payables from Exchange Transactions</b>				
	<p>The statement of financial position reflects trade payables from exchange transactions balance of <b>Kshs.128,146,703.00</b> as at 30 June 2015. The payables include a figure of <b>Kshs.127,989,524.00</b> disclosed as trade creditors and <b>Kshs.157,179.00</b></p>	<p>The balances confirmed directly to yourselves by M/s Telkom Kenya Ltd and Lavington Security Ltd during circularization of Kshs.507,040.96 and Kshs.2,083,050 respectively vary with the balances contained in knls books of accounts as at 30<sup>th</sup> June 2015 of Kshs.108,925</p>	<p>Julie Musandu – Principal Accountant</p>	<p>The Lavington Security Ltd account has been reconciled.</p>	

## Kenya National Library Service

<p>disclosed as advance receipts (Prepayments). The trade creditors' balance of <b>Kshs.127,989,524.00</b> includes <b>Kshs.98,961,753.00</b> referred to as trade payables. However, it was not possible to confirm the accuracy of the figure of <b>Kshs.98,961,753.00</b> since circularized confirmation letters from two (2) firms indicate debts owed as <b>Kshs.507,040.96</b> and <b>Kshs.2,083,050.00</b> and not <b>Kshs.108,925.00</b> and <b>Kshs.1,155,425.00</b> respectively as indicated in the payables list provided for audit review. The resulting differences of <b>Kshs.398,115.96</b> and <b>Kshs.927,625.00</b> respectively has neither been reconciled nor explained.</p> <p>In view of the foregoing, the accuracy of trade payables from exchange transactions balance of <b>Kshs.128,106,356.00</b> could not be confirmed.</p>	<p>and Kshs.1,155,425 for the two service providers respectively. Management formally wrote to the service providers to avail their statements of account as at 30<sup>th</sup> June 2015 to facilitate determination of the correct figure. As at 3<sup>rd</sup> February 2016, the two service providers had not availed the statements as requested. A reconciliation of the two accounts with the balances. Any variances that may arise from their statements once received will be taken into account in the current financial year</p>			<p>The M/s Telkom Kenya Ltd account difference relates to 6% VAT that was withheld and remitted to KRA</p>
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<b>7</b>	<b>Overpayment of Retirement Benefits</b>			
	<p>The Kenya National Library Employees are eligible for retirement benefits where the employer contributes 20% and employee 10% of the monthly basic salary towards an employee's Retirement Benefit Scheme which are charged to the income statement in the year to which they relate. Examination of the Retirement Benefits Scheme records revealed that thirteen (13) retired scheme members were overpaid by</p>	<p>The knls Staff Retirement Benefits Scheme Trustees reviewed the overall management and administration of the Scheme in line with the provisions of Retirement Benefits Authority Regulations.</p> <p>In reference to the Office of the Auditor General Management letter Ref. No.KNLS/24/2014-2015/8 dated 18<sup>th</sup> September 2015, the Auditor General observed that some thirteen (13) retired Scheme members were overpaid Kshs.3,809,736.50 by the Trustees and Fund Manager; among whom included</p>	<p>Richard Atuti - CEO</p>	<p>The knls Retirement Benefits Scheme's Trustees and the Service providers have put measures in place to recover the amounts.</p>

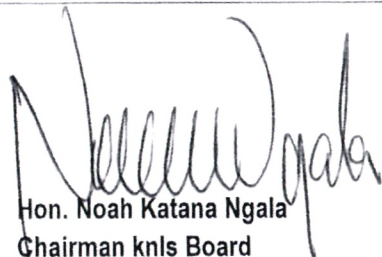
## Kenya National Library Service

<p>Kshs.4,291,802.18 out of which only <b>Kshs.482,064.80</b> had been recovered leaving a balance of <b>Kshs.3,809,736.50</b> outstanding as at 30 June 2015.</p> <p>Further, the Retirement Benefits Scheme financial statements for the year ended 31 December 2014 indicate <b>Kshs.3,866,384.00</b> as the overpayment while the Kenya National Library Services financial statements as at 30 June 2015 reflects <b>Kshs.3,809,736.50</b> on the same.</p> <p>The resultant difference of <b>Kshs.56,647.50</b> between the two (2) sets of records has not been reconciled or explained.</p> <p>There was no evidence of action being taken by management to recover the balance of <b>Kshs.3,809,736.00</b>.</p>	<p>Ms Deborah Nyabundi who is now residing in United States of America (USA) and Ms Mary W. Kambona who has since died.</p> <p>knls Staff Retirement Benefits Scheme Financial Statements for the Year ended 31<sup>st</sup> December, 2014 indicated a figure of Kshs.3,866,384.00 as an overpayment while records reflected a figure of Kshs.3,809,736.50 resulting to unexplained difference of Kshs.56,647.50.</p> <p>The Auditor General's figure of Kshs.3,809,736.50 and that of the Scheme Financial Statements have since been reconciled and we agree that the overpaid figure had been overstated by Kshs.56,647.50. The anomaly will be corrected in 2015 Scheme Funds Financial Statements.</p> <p>Since the overpayment was discovered, the Scheme Trustees have continued to pursue the recovery and from the initial reported overpayment of Kshs.4,926,193.00 and a total of Kshs.482,064.80 has been recovered which together with a cheque of Kshs.566,545.00 in respect of a retired member, Mary Saggia that was returned to the Scheme Administrator for cancellation, leaving the current outstanding balance of Kshs.3,809,736.50.</p>
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# Kenya National Library Service

		<p>Dr.Chebon's instructed the Trustees to recover his overpaid amount of kshs.202,715.88 from his deferred employer's contribution. The recovery was done in the year 2011.</p> <p>The outstanding balance as at December 2015 was Kshs.3,662,298.60</p> <p>The Trustees are implementing other measures for recovery of above balance as follows;</p> <ul style="list-style-type: none"> <li>• Engaged a Lawyer to pursue the recovery of the remaining balances.</li> <li>• Consider on the procedure of writing off the amount owed to Mary Kambona who died after receiving the payment and any other amount that the Trustees may be unable to recover.</li> <li>• Safeguarded the Scheme Fund by renewing the existing indemnity Insurance Cover to cushion the Scheme in future.</li> </ul>			
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 Hon. Noah Katana Ngala  
 Chairman knls Board

Date.....3.2.17.....

  
 Richard M. Atuti, OGW  
 Chief Executive Officer, knls

Date.....3.2.17.....

