



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

**REPORT**

*Paper laid on  
the Table of  
the House by  
the Leader of the  
Majority Party on  
Wednesday*

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

*15<sup>th</sup> August 2018*

**ON**

*(Afternoon)  
[Signature]*

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

**FOR THE YEAR ENDED  
30 JUNE 2017**





kenya national  
library service

**AUDITED  
ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR  
ENDED  
JUNE 30, 2017**



*Prepared in accordance with the Accrual Basis  
Sector Accour.*

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## I. WHO ARE WE?

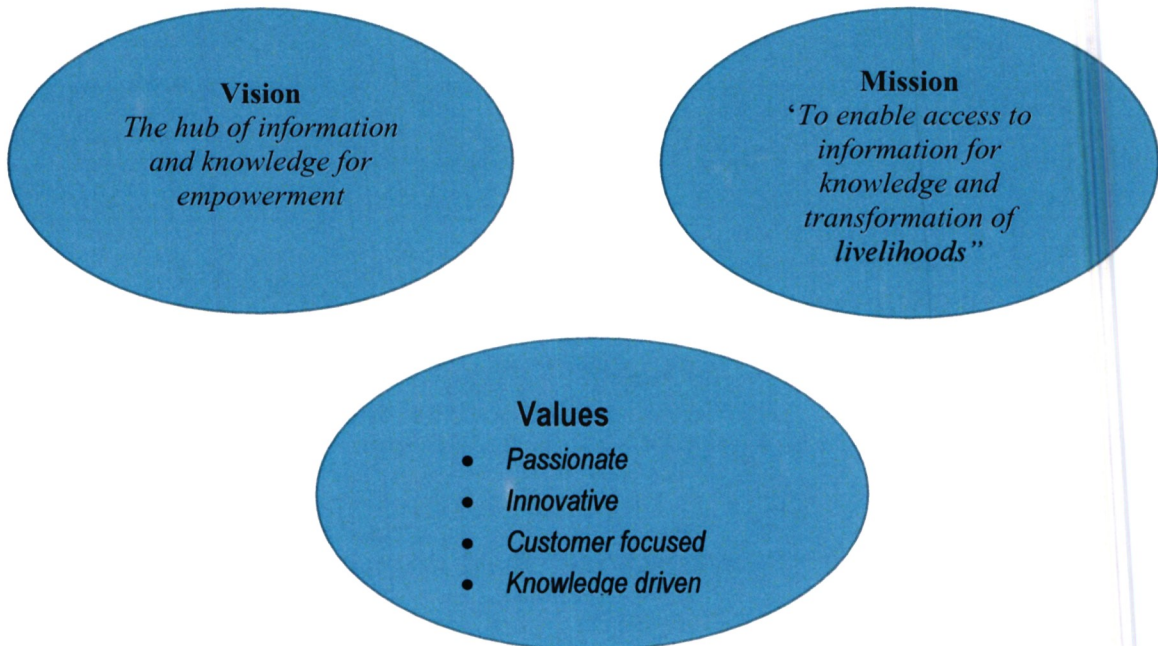
### (a) Background information

Kenya National Library Service (knls) Board is a state corporation under the Ministry of Sports, Culture and The Arts, which is for the time being responsible for the corporation. The Board was established by an Act of Parliament Cap 225 of the Laws of Kenya in April 1965. The entity is domiciled in Kenya and has 62 branches spread in 34 counties countrywide.

The Act gives the Board responsibility to manage both the National Library of Kenya and the Public Library System. Under the National Library of Kenya, the Board's key function is to preserve the national documentary heritage and to produce the Kenya national bibliography. Under the Public Library System, the principal objective of the Board is to provide library and information services to the Kenyan publics with a view to promoting a positive and sustained reading culture. The Board recognizes that information is a basic commodity in everyone's life, as it directly responds to their needs, through individual and community empowerment.

### (b) Principal Activities

The principal activity of the Kenya National Library Service is to promote, establish, equip, manage, maintain and develop libraries in Kenya as a National Library Service;



### (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 2017 and who had direct fiduciary responsibility were:

No. Designation	Name
1. Chief Executive Officer	Mr. Richard M. Atuti, OGW
2. Deputy Director (Finance & Administration)	CPA, Jack W. Emusolo
3. Deputy Director (Technical Service)	Mr. David M. Muswii
4. Deputy Director (Technical Service)	Mrs. Monicah Wangari Ngovi
5. Chief Human Resource Officer	Ms. Anne Magamboh
6. Principal Accountant (Head of Finance)	CPA, Julie Musandu
7. Principal Planning Officer	Mr. Cyrus Ndogo
8. Principal Procurement Officer	Ms. Janet Rotich
9. Principal Librarian (Projects Coordination)	Ms. Carolyne Kayoro
10. Principal Librarian (National Library Division)	Ms. Philomena Mwirigi
11. Principal ICT Officer	Mr. Alex Ombongi
12. Principal Public Relations Officer	Mrs. Nancy Ngugi
13. Senior Administrative Officer	Mr. Geoffrey Ruto
14. Principal Internal Auditor	Ms. Margaret Mwangi
15. Principal Librarian (CDBD)	Ms. Betty Kalugho
16. Principal Research & Development Officer	Dr. Charles Nzivo

### (e) Fiduciary Oversight Arrangement

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 of the corporation, goals and objectives as well as evaluating management's performance in pursuing and achieving those goals. The following are the Board Committees;

Name of the Committee	Members
Audit Committee	1. Mohamed Sheikh Aden - Chairman 2. David Lochuch Imana <sup>1</sup> - Member 3. Abshiro Halake - Member
Finance & Projects Development Committee	1. Symon Yatich Namba - Chairman 2. Wenslas Ong'ayo - Member 3. Dr. Zeddy Rop - Member
Human Resource & Service Delivery Committee	1. Patrisha M. Nekayia - Chairperson 2. Nancy Wairimu Ngumba <sup>2</sup> - Member 3. Alternate Rep. The National Treasury - Member
Marketing, Research & Resource Mobilization Committee	1. Sam Madoka - Chairman 2. Loise Kathambi Kaburu - Member 3. Kipkorir Keter - Member

<sup>1</sup> David Lochuch Imana resigned on 8<sup>th</sup> May 2017

<sup>2</sup> Nancy Wairimu Ngumba never reported to knls as a board member

**(f) Kenya National Library Service**

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

Contacts

Tel. 020-2158352, 7786710 Fax: 2721749

Email: [knls@knls.ac.ke](mailto:knls@knls.ac.ke)

[www.knls.ac.ke](http://www.knls.ac.ke)

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

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

**(h) Independent Auditors**

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

**(i) Principal Legal Adviser**

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

## II. BOARD OF DIRECTORS

The Board consisted of 12 members, including a non-executive Chairman and the Chief Executive Officer.

**Hon. Noah Katana Ngala, EGH**



**Born in 1948**, Hon, Katana Ngala is the Chairman of Kenya National Library Service with effect from 24<sup>th</sup> June 2016.

He 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 & Wildlife, Lands and Settlement Ministry of Home Affairs, Heritage and Sports. He has also served in various political parties.

**Dr. Zeddy Chepkorir Rop**



**Born in 1968**, Dr. Zeddy is the vice Chairperson of the Board since 21<sup>st</sup> October, 2016. She holds PhD (Art Education), PGDE in Education, M.A (Fine Arts), B.A (Fine Arts), Diploma (Textile Designing)

**Experience:** She has over 18 years as Lecturer in the department of Fine Arts and Design at Kenyatta University.

**Symon Yatich Kimengich Arap Namba**



**Born in 1962**, Mr. Yatich who became a board member from 21<sup>st</sup> October, 2016 is the Chairperson of Finance & Projects Development Committee. He holds B.A (Hons) - Economics, Geography and Political Science

**Experience:** He has vast experience in the public sector, having worked in different organizations including National Cereal and Production Board, various public schools, NHIF and also private institutions. He is also the Director of One Touch Marketing Ltd.

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**Hon. Mohamed Sheikh Aden**



**Born in 1944**, Hon. Mohamed is the Chairperson of Audit Committee. Since 21<sup>st</sup> October, 2016. He holds a Diploma in Journalism and has many years of experience.

**Experience:** Starting his career over 40 years ago in the public service, Mohamed has worked under the provincial administration, served as a Member of Parliament and in political party leadership and as an Assistant Minister. He has served as a leader in various capacities and worked in unifying leaders from the North Eastern part of the Country. He always strives to put the interests of the people at the fore-front in order to ensure they access the best services from the government.

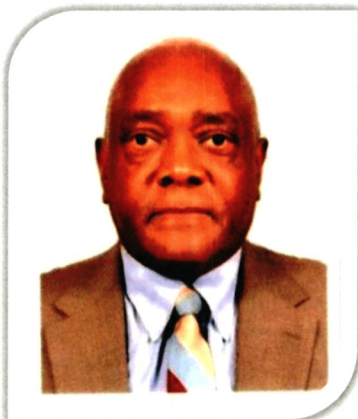
**Patrisha Nekayia Mbaria**



**Born, in 1977**, Patrisha is the Chairperson of Human Resource & Service Delivery Committee. She became a board member with effect from 21<sup>st</sup> October, 2016. She holds a Certificate in Business Management, Cert in Theological Education by Extension, Cert of specialized leadership/pastoral

**Experience:** She has served as a Pastor for many years with passion due to her great interest in matters of Christian religion.

**Sam Mshimba Madoka**



**Born in 1952**, Mr. Madoka is the Chairperson of Marketing, Research & Resource Mobilization Committee with effect from 21<sup>st</sup> October, 2016. He holds Business Diploma, Marketing Diploma, Film Production Diploma.

**Experience:** Sam begun his career over 45 years ago where he worked with Ogilvy & Mather E.A Ltd which was and Still is a prominent company in the creative and advertising sector. Later he became a Senior Account Director and TV Producer. He has served for over 25 years in top management leadership and as a consultant under different capacities. Through his employment, he worked on the development of commercials and advertisements for Barclays, Coca Cola Kenya, Beechams Kenya, Johnson & Johnson, BAT, Barclays, Beta Healthcare, Standard Chartered, East African Breweries, Population Service International and Kenya Airways among others. He is currently a Creative Communications Consultant at Down to Earth Communications Ltd.

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**Loise Kathambi Kaburu**



**Born in 1978**, Madam Kaburu, became a board member with effect from 21<sup>st</sup> October, 2016. She holds MBA (Strategic Management), Dip in Information Technology(imis), Bachelor of Education (Science)

**Experience:** Loise draws her experience widely from the education Sector. She started her career as a teacher and rose to be an administrator, revenue manager and a director of administration at Fineken Holdings Limited. Currently, she is an Executive Director (Administration) at Zetech University.

**Abshiro Soka Halake**



**Born in 1971**, Madam, Abshiro, became a board member effective 21<sup>st</sup> October, 2016. She holds MBA –Energy and Sustainability (ongoing), Master of Science in Management and Organizational Development Strategic Management Major, Bachelor of Education, French and Business Studies

International Business Development, Trade Police Analysis and Marketing, Strategy and balanced scorecard certified professional Leadership development programme in Corporate Governance, Executive Coaching Certification.

**Experience:** She has certification in Executive Coaching and is also a Strategy and balanced scorecard certified professional. She has over 17 years of experience having served at the Canadian High Commission for nine years, Kenya Wildlife Service and Kenya Red Cross Society. Currently, she is the Deputy Secretary General (DSG) Programs, Special Programs & Disaster Operations – The Kenya Red Cross Society (KRCS).

**David Lochuch Imana**



**Born in 1975**, Mr. David became a board member effective 21<sup>st</sup> October 2016 and resigned on 8<sup>th</sup> May 2017. He holds Masters in Executive Global Management (Ongoing at USIU), BA International Relations

**Experience:** David is the current Director Chamber of Commerce – Cross Border Trade and Tourism at Turkana County branch. He has served in the public service and also under the United Nation Mission in Liberia.

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**Kipkorir Keter**



**Born in 1976**, Mr Kipkorir holds a Bachelor of Business Management (Finance Option), CPA Sec. 1-5. He became a board member with effect from 21<sup>st</sup> October, 2016.

**Experience:** He is an experienced accountant and currently serves at Bomet County Government.

**Wenslas Ambundo Ong'ayo**



**Born in 1958**, Mr. Wenslas became a board member with effect from 13<sup>th</sup> November 2014.

**Experience:** He has served in the public service for over thirty-four years, having served as a District Officer and as the Deputy Secretary, Ministry of Lands and Housing. He also served in several Task Forces and Committees and is currently on an advisory Task Force on recovery of illegal/irregularly allocated public land. Currently, he is serving as the Director of Administration at the Ministry of Sports, Culture and the Arts.





**Richard Masaranga Atuti, OGW**



**Born in 1962**, Mr. Richard is the Chief Executive Officer of Kenya National Library Service and Secretary to the board. He holds MA, B.A, & Post Graduate Diploma-Library & Information Science – Makerere University.

**Experience:** He has a great wealth of experience with over 25 years in Public Services 17 of which in Senior Management level in the knls Board.






### III. MANAGEMENT TEAM

No	Passport size photo & Name	Area of Responsibility	Key Professional/academic Qualifications,
1.	Richard Masaranga Atuti, OGW 	Chief Executive Officer	<ul style="list-style-type: none"> <li>• MA, BA,</li> <li>• Post Graduate Diploma-Library &amp; Information Science – Makerere University.</li> </ul>
2.	CPA Jack Wafula Emusolo 	Deputy Director (Finance & Administration)	<ul style="list-style-type: none"> <li>• Executive MBA,</li> <li>• BBA (Finance Option),</li> <li>• CPA (K)</li> </ul>
3.	David Muswii 	Deputy Director (Technical Services)	<ul style="list-style-type: none"> <li>• Post Graduate Diploma in Library &amp; Information Studies,</li> <li>• BSC (Chemistry)</li> </ul>
4.	Monicah Wangari Ngovi 	Deputy Director (Technical Services)	<b>Master in Education: Library Studies</b>

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5.	<p>Anne Magamboh</p> 	<p>Chief Human Resource Officer</p>	<p><b>MA HRM (UK), BBA (Marketing Option), IHRM, CIPD (UK)</b></p>
6.	<p>Nancy Ngugi</p> 	<p>Principal Public Relations Officer</p>	<ul style="list-style-type: none"> <li>• <b>Master of Arts in Communication,</b></li> <li>• <b>Bachelor of Arts Economics and Philosophy</b></li> </ul>
7.	<p>CPA Julie Musandu</p> 	<p>Principal Accountant</p>	<ul style="list-style-type: none"> <li>• <b>MBA – Strategic Management,</b></li> <li>• <b>B.Com (Accounting Option),</b></li> <li>• <b>CPA(K)</b></li> </ul>
8.	<p>Cyrus Ndogo</p> 	<p>Principal Planning Officer</p>	<ul style="list-style-type: none"> <li>• <b>MA (Project Planning and Management),</b></li> <li>• <b>MBA-HRM,</b></li> <li>• <b>B.Com Admin.</b></li> </ul>

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9.	<p>Carolyn Kayoro</p> 	<p>Principal Librarian Projects Coordination</p>	<ul style="list-style-type: none"> <li>• Master of Philosophy in Information Science,</li> <li>• Library and Information studies</li> </ul>
10.	<p>Philomena Mwirigi</p> 	<p>Principal Librarian – National Library Division</p>	<ul style="list-style-type: none"> <li>• MA (Information and Library Management),</li> <li>• Bachelor of Library Studies (BLS)</li> </ul>
11.	<p>Alex Nyaribo Ombongi</p> 	<p>Principal ICT Officer</p>	<ul style="list-style-type: none"> <li>• Master of Science in Computing,</li> <li>• Postgraduate Diploma in Computing,</li> <li>• Bsc in Information Technology</li> </ul>
12.	<p>Geoffrey Ruto</p> 	<p>Senior Administrative Officer</p>	<ul style="list-style-type: none"> <li>• Masters in Commerce,</li> <li>• B.Com(Banking Option)</li> </ul>
13.	<p>Margaret Wanjiku Mwangi</p> 	<p>Principal Internal Auditor</p>	<ul style="list-style-type: none"> <li>• B.Com(Hons), Accounting Option</li> <li>• CPA(K),</li> <li>• ICM Diploma ( Risk Management)</li> </ul>

14. Janet Chepkemoi		Principal Supply Chain Officer	<ul style="list-style-type: none"><li>• MBA (Strategic Management)</li><li>• B.Com (Procurement &amp; Business Logistics)</li><li>• KISM, CIPS, NPLA</li></ul>
15. Betty Kalugho		Principal Librarian – Collection Distribution Books Department	<ul style="list-style-type: none"><li>• Msc. Library &amp; Information Studies,</li><li>• Bachelor of Science (Information Science)</li></ul>
16. Dr. Charles Nzivo		Principal Research & Development Officer	<ul style="list-style-type: none"><li>• PhD Library Science</li><li>• Msc. Information Science</li><li>• BA (Anthropology)</li></ul>

#### IV. CHAIRMAN'S STATEMENT



It gives me great pleasure to present the Kenya National Library Service (knls) Un-audited Annual Report and Financial Statements on behalf of the

Board for the Financial Year ended 30<sup>th</sup> June 2017. During the year under review, knls maintained the performance momentum of the previous year amid essential setbacks and uncertainties occasioned by a number of security concerns especially in the North Eastern region. Among the highlights of the said period are:

##### **Board Composition**

It is exactly one year since my appointment as the knls Board Chairman, and I can acknowledge that, I have become well versed with the mandate and operations of the Board. It was also during the year under review that knls managed to get a fully constituted Board with its members having been appointed on 21<sup>st</sup> October 2016. The Board comprises 12 members drawn from the public, private and NGO sectors. The appointment of Board members helped to re-affirm Board's support and commitment to driving consistent top and bottom line growth for knls, despite the challenging environment.

##### **Achievements**

The Board successfully negotiated performance contract targets for the year under review with the relevant government authorities. These were implemented as per the outlined timelines and a self-evaluation of the organization's performance conducted in readiness for the final external evaluation and rating. Overall, the Board registered

significant results in the implementation of its mandate through various projects, programmes and activities. These were majorly geared towards community empowerment and in line with the Board's mission of enabling access to information for knowledge and transformation of livelihoods.

##### **Financial Position**

During the year under review, the government continued to support the Board with necessary resources to meet its obligations. By the close of the financial year, the grants had been received and fully utilized for the approved projects and activities, but with a reduction in the development budget. In addition, we received remarkable support from development partners in the implementation of specific library programmes aimed at ensuring quality service delivery to the public.

knls collected Kshs.59,033,931 Appropriation in Aid as compared to Kshs.46,485,833 in the previous financial year depicting 17% growth. The expenditure on employee and operational costs was Kshs.819,461,763 as compared to Kshs.687,979,181 in 2015/2016 FY.

##### **Governance**

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 Board members' participation in the induction training in Mwingozo – Code of Governance for State Corporations by SCAC and the Board Charter as tools for effective governance practices.

The annual formal Board evaluation process was scheduled to be conducted at the beginning of the next financial year 2017/2018 in the month of July. The Directors are aware of the importance of this self-evaluation exercise that helps to continually

monitor and improve performance. The process will cover self-evaluation of the Board as a whole, Individual Directors and the Chief Executive Officer.

In order to keep track of the set performance targets and also ensure accountability, the Board continued to monitor the implementation of its five-year Strategic Plan 2012-2017 which ended in June 2017 with an overall 90% achievement.

#### **Knls Draft Bill 2014**

During the fourth quarter of the year under review the National Library of Kenya (NLK) Draft Bill 2014 was approved by the Attorney General's Office and a Memoranda sent to the CS, Parent Ministry for presentation to the Cabinet. The process of developing the NLK Bill began in 2012 in response to the devolution of library services as stated in the Constitution of Kenya 2010. It is expected that in the coming financial year, the NLK Bill will be enacted into Law. The Board had already identified services, and prepared a comprehensive inventory of assets per county that would be considered for transfer to the County Governments upon enactment of the new legislation.

#### **Vision 2030 Flagship Project**

The Board made major progress in the ongoing construction of the National Library of Kenya /Headquarters Government-funded flagship project at Community in Nairobi. The Board acknowledges the remarkable support from Government towards this project as well as all other programmes that were implemented in the year under review.

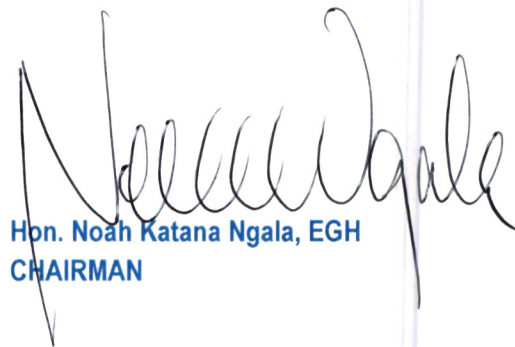
#### **Looking Ahead**

In the coming days, the Board will prioritize finalization of review of the 2012-2017 strategic plan and development of a new strategic plan (2017-2022) to guide the performance management of the Board in the next five years.

#### **Conclusion**

Even though the operating environment is likely to remain tough, I believe the foundations we have laid in ICTs and reading promotions strategies will continue to attract support from both the Government and other stakeholders. This will further enhance the uptake of digital content and improve online information literacy among communities. As we begin a new financial year, we remain positive that the service delivery confidence we have gained within the information industry will keep on an upward trend.

On behalf of the Board, I would like to thank the knls executive leadership, senior management team and all employees across the entire knls network for their efforts, commitment and performance. I also wish to express my sincere gratitude and appreciation to our stakeholders including the Government of Kenya, donors, partners and library clients for the support in the implementation of library programmes and activities.



Hon. Noah Katana Ngala, EGH  
CHAIRMAN

## V. REPORT OF THE CHIEF EXECUTIVE OFFICER



### Overview

Kenya National Library Service has continued to carry out its principal activity of enabling access to information for knowledge and transformation of livelihoods.

During the year under review, 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 have helped to build capacity for both library clients and staff to maximally exploit the available information resources and for promotion of literacy development and sustainable reading culture.

### Financial Stewardship

The main sources of knls Board's revenue for projects and investment decisions are the Government of Kenya through the Exchequer, Appropriation in Aid and Donor funding. However, donor funds are conditional and are strictly pegged to specific projects arrived at through an MOU signed by the donor and knls.

During the financial year 2016/17, kshs. **760,180,000** government grants were transferred to knls in good

time and were fully utilized for the approved projects and activities. Development grant was however reduced from **Kshs.190,000,000** to **Kshs.133,000,000** (30% reduction). knls collected **Kshs.59,030,540** Appropriation in Aid as compared to **Kshs.46,485,833** in the previous financial year depicting 17% growth. This excludes a one receipt of insurance claim **Kshs. 11,576,380** paid to ex-staff beneficiary.

### Partnerships

knls acknowledges the valuable support from development partners for specific programmes that were jointly conceptualized to improve reading and service delivery to the public. knls managed to secure more funding for additional programmes which included: *Inspiring Readers programme and Open doors children and Teens corners project* sponsored by **Book Aid International (BAI)**; *Give a Child in Kenya the Gift of Reading* sponsored by **Electronic Information for Libraries (EIFL)**; *Kiddies Cup* organized in partnership with Publishers of the Kiddies magazine and National Museum of Kenya; *Blended Learning in Libraries* pilot project by **EIFL** and **Peer 2 Peer University (P2PU)**; *American Corner activities* by **US Embassy**; Chinese Corner activities by **China Hanban**; **Good Things Foundation** working to help socially excluded people improve their lives through digital literacy through an online learning platform 'Learn My Way.'

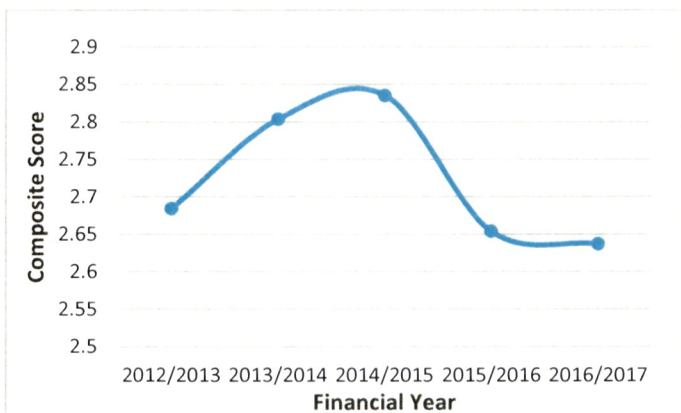
### Performance Contracting

Knls Board signed the performance contract with the Government of Kenya through the Ministry of Sports, Culture and the Arts for the financial year 2016/17. The key performance indicators included: financial & stewardship, service delivery, operational and qualitative indicators derived from Medium Term Expenditure Framework, Vision 2030 and Sector Performance Standards. The targets 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 National integration in nation building. This was in line with the Board's mission of enabling access to information for knowledge and transformation of livelihoods.

The graph below provides a trend in performance contracting results from FY 2012/2013 to FY2016/2017.

Year	Composite score	Ratings
2012/2013	2.6841	Very Good
2013/2014	2.8035	Very Good
2014/2015	2.835	Very Good
2015/2016	2.654	Very Good
2016/2017	2.637	Very Good



### Strategic Plan

knls continued to monitor the implementation of its five-year Strategic Plan 2012-2017 which ended in June 2017. Management developed the year's work plan which facilitated achievement of the set targets derived from the strategic plan.

### The Ongoing Construction of The National Library Of Kenya/ Knls Headquarters

The construction of the government-funded National Library of Kenya/knls Headquarters flagship project at Community area in Nairobi, commenced in 2011/2012 Financial Year. The project is envisaged to contribute immensely to the achievement of the

knowledge based economy under vision 2030 programme. The implementation/construction of this

flagship project was estimated to take 4 years measured yearly based on 100% completion of the targets set each year. In the FY 2016/2017 under Development Expenditure Estimates, knls Board had been allocated a total of **Ksh.190 Million** development grants to implement the National Library of Kenya/Headquarters Vision 2030 flagship project. This was reviewed downwards and the Board received a total of **kshs.133million** as at 30<sup>th</sup> June 2017. During the year under review, the Board utilised a total of **Ksh.309,288,803** towards the project. The Board will continue to monitor the implementation of the remaining works.

### Composition & Induction of knls Board Members

Knls Board was constituted during the second quarter (October to December) of the financial year 2016/17. This was intended to enhance performance and decision making process of knls; and the implementation of Board's mandate as per the knls Board Act Cap 225 of the Laws of Kenya. In addition to the Board Chairman; Representatives of the Parent Ministry and the National Treasury, an additional 10 persons were appointed as members of the knls Board of Directors. The appointment was done Vide Kenya Gazette Notice No. 8753 dated 26<sup>th</sup> October, 2016; for a period of three (3) years, with effect from the 21<sup>st</sup> October, 2016. The new appointments comprised four (4) Female and six (Male).

knls Board members participated in the induction training on Mwongozo, The Code of Governance for State Corporations programme on 6<sup>th</sup> – 8<sup>th</sup> February 2017 in Mombasa. Consequently, they signed the *Mwongozo/Organization's Code of Conduct and Ethics* which forms part of Board, and copies were further submitted to the Executive Office of the President, State Corporations Advisory Committee (SCAC) and the Office of Performance Management and Coordination.

### Capacity Building

At knls we believe that human capital is a key pillar to the successful execution of the Boards Strategic Plan and their input is key element in attainment of

targets set in the Performance Contract. In the year 2016/2017, knls deepened capacity building of its staff in order to equip them with the relevant skills for better performance. Among several training programmes that were conducted during the year under review, the library staff were trained on e-reader integration to enable them integrate technology in their libraries and digital reading program management; Continuous professional Development (CPD) whose objective was to review and customize a template tool for assessing the level of public libraries development and link capacity building areas to continuous professional development of staff based on the organizational needs; Anasoma Project a training for trainers aimed at creating a collaborative framework that would ensure successful implementation of and organization of book clubs; FiRe (Financial Reporting) training whose objective is to enhance excellence in financial reporting and disclosure. In addition, a number of administrative staff were trained in their areas of specialization. This capacity building was aimed at continually improving the staff competencies in the performance of their duties towards service delivery.

### Participation in International Meeting/Events

Following successful implementation of various donor-funded projects in knls branches, some knls staff members were sponsored to participate and present papers on specific knls projects at international conferences/events as listed below:

#### i. Sponsored by International Federation of Library Associations (IFLA)

International Advocacy Programme (IAP) in Pretoria, South Africa: 23<sup>rd</sup> to 24<sup>th</sup> November 2016 - Caroline Kayoro, Donor-funded Projects Coordinator participated.

#### ii. Sponsored by Electronic Information for Libraries (EIFL)

- a. Fourth (4<sup>th</sup>) African Library Summit & 2<sup>nd</sup> AFLIA Conference in Cameroon: 14<sup>th</sup> - 19<sup>th</sup> May 2017 - 3 knls staff i.e. Mary Kinyanjui, Librarian-in-Charge of Kibera Library, Juliana Muchai – Resource Mobilization Officer and Miriam Mureithi in Charge of Thika Library participated in the event.

- b. International Network of Emerging Library Innovators Sub Saharan Africa (INELI SSAF) 2<sup>nd</sup> convening: 19<sup>th</sup> to 24<sup>th</sup> February 2017 at Mahe Island, Seychelles - Mary Kinyanjui, Librarian-In-Charge, Kibera Library, participated
- c. Next Library International Festival Denmark: 11<sup>th</sup>–14<sup>th</sup> June 2017. Purity Kavuri Mutuku, the Librarian-in-Charge of Nakuru branch won the scholarship to attend the Next Library International Festival among other five winners from Cameroon, Croatia, Ghana, St. Lucia and South Africa. She had showcased the Book-Wave Digital Learning project in Nakuru Library, a program that seeks to change the children's attitude towards mathematics.

#### iii. Sponsored by Adult Learning Documentation and Information Network (ALADIN)

Reading Tent in Senegal: 15<sup>th</sup> – 16<sup>th</sup> March 2017 - Moses Imbayi a librarian in Kisumu attended and showcased some of the activities that knls Kisumu was implementing for children, youth and adults to promote reading, writing, drawing and application of creativity in information literacy activities.

### Awards/Recognition

#### a) Innovation Award

Thika knls Library was declared winner of the EIFL Public Library Innovation Award. The award was announced and presented at the Fourth (4<sup>th</sup>) African Library Summit & 2<sup>nd</sup> AFLIA Conference in Cameroon in May 2017. This was in recognition of the Library's outreach service that provided access to educational content on Kio kit tablets, to children with disability and poor children living in slums.

#### b) Library of the Year Award (LOYA)

knls libraries clinched the Library of the Year Award at National Museums of Kenya 30<sup>th</sup> September 2016 in an exercise that was participated by 71 libraries from all over Kenya. The Best Overall Library in all categories and Best Public Library was knls Kisumu, 1<sup>st</sup> and 2<sup>nd</sup> runners-up Public Libraries were knls Nakuru and Buruburu respectively, Best Community Library was knls Dr. Robert Ouko Memorial

library – Koru. The Award aims to recognize excellence in the provision of library and information services in the country.

### **Digital and Online Platforms**

Knls in collaboration with development partners strengthened the digital learning platforms in knls libraries countrywide. In addition, online learning programmes were introduced in a number of libraries to enable the students and youths keep abreast with the emerging technologies. Some of the programmes included:

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

The World Reader donated 3,000 e-readers that were distributed in all the 61 knls libraries countrywide. The Launch 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 of 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. Individual libraries also carried out their own mini launches locally to sensitize their publics about the newly introduced service. The e-reading service has enthusiastically been received in all the branch libraries and had raised the usage of libraries immensely.

#### **b) Mathwhizz**

The digital learning initiative dubbed 'Mathwhizz' was launched at Nakuru Library on 16<sup>th</sup> February 2017. This is an online virtual Maths tutorial platform that provides highly interactive Maths lessons and quizzes. More than 600 primary school children (classes 1 to 8) from 6 primary schools are using the online platform to learn and practice maths at the Nakuru library. Following its success in Nakuru, the program was introduced during the 4<sup>th</sup> quarter 2016/17 in three other knls branches namely Kibera, Narok and Buruburu.

### **Enterprise Resource Planning (ERP)**

Knls has fully integrated an ERP system (Navision 2015) in management of procurement and finance services. This is aimed at improving service delivery in a bid to enhance performance and productivity at all levels of operations and processes. For Human Resource System, the implementation is ongoing and this is expected to be commissioned in FY 2017/2018.

### **Future Outlook**

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. During the year under review, the Bill was reviewed and approved by the AG Offices and submitted to the Cabinet Secretary in our Parent Ministry for presentation to the 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.

### **Appreciation**

I would like to thank the Board of Directors, our clients, dedicated and talented staff, our service providers for their continued support and loyalty, without which our objectives could not have been achieved. I also extend our gratitude to the Government of Kenya, the Ministry of Sports, Culture and The Arts and all other stakeholders for the cooperation and support as we strive to transform knls to be a hub of information and knowledge for empowerment.



**Richard M. Atuti, OGW**  
**CHIEF EXECUTIVE OFFICER**

## VI. 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 Mwongozo, The Code of Governance for State Corporations. 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.

Knls Board was constituted during the second quarter (October to December) of the financial year 2016/17. This was intended to enhance performance and decision making process of knls; and the implementation of Board's mandate as per the knls Board Act Cap 225 of the Laws of Kenya.

In addition to the Board Chairman; Representative of the Parent Ministry and the Representative of The National Treasury, an additional 10 persons were appointed as members of the knls Board of Directors. The appointment was done Vide Kenya Gazette Notice No. 8753 dated 26th October, 2016; for a period of three (3) years, with effect from the 21<sup>st</sup> October, 2016. The new appointments comprised four (4) Female and six (Male).

### Induction of knls Board Members

The Board develops an induction and training programs designed to introduce new directors to the operations of the Board and related governance issues. The programs are also aimed at familiarizing the board with the operations of knls and effectively take up their mandate.

During the year, Management organized a three-day programme for the Board members between 28<sup>th</sup> and 30<sup>th</sup> November 2016. The programme covered specific topics on; overview of the organization's programmes, Strategic Plan 2012 - 2017, Board Charter, development of Board calendar 2016/2017 up to June 2017; and an overview of Performance Contract Targets process for 2016/2017 period. This forum presented an opportunity to the new Board members to understand the big picture of Government agenda and the working relationship between the Parent Ministry and the Board.

Further, knls Board members also participated in the induction training organized by SCAC on Mwongozo, The Code of Governance for State Corporations programme on 6<sup>th</sup> – 8<sup>th</sup> February 2017 in Mombasa. Consequently, members signed the *Mwongozo/Organization's Code of Conduct and Ethics*, and copies were submitted to the Executive Office of the President, State Corporations Advisory Committee (SCAC) and the Office of Performance Management and Coordination.



The Committees of the Board have clear TORs as guided by the knls Board Charter 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 Development 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**

- ii. Review, consider and recommend to the Board for approval all the Human Resource policies relating to terms and conditions of service for employees.
- iii. Oversee, monitor and evaluate implementation of all the approved human resource policies by the management.
- iv. Review and recommend Human Resource Management Committees' reports on discipline, raining and any other human resource report for Board's approval.
- v. Receive and review changes proposed by management on the organization structure, performance management system, compensation guidelines and recommend to the Board for approval.
- vi. Review management's proposals for appointment of union employees and recommend for approval by the Board.
- vii. Advise the Board on the criteria for identifying, recruiting and appointment of managerial staff and recommend candidates to the full board for approval.

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- viii. Ensure in consultation with the Board and the CEO that succession plans are in place at all levels and review such plans regularly.
- ix. Review recommendations regarding any other issues related to Human Resource Management.
- 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.

### d) Marketing, Research & Resource Mobilization Committee

- i. Advise on formulation, implementation and review of communication, marketing and resource mobilization policies, strategies and plans.
- iv. Advise on development and implementation of Corporate Identity Manual to realize consistent reinforcement of knls brand.

### Board Meetings Held in the Year

The board normally meets at least once every quarter and is chaired by a non-executive Chairman. The Board Members therefore hold regular scheduled meetings throughout the year and consultative meetings are held as and when necessary.

The table below details board membership and attendance as per scheduled board meetings during the year;

BOARD MEMBERS ATTENDANCE FY 2016/17					
No	Board Member	Designation	Meetings attended	Meetings held	% Attendance
1	Hon Noah Katana Ngala, EGH	Board Chairman	8	8	100%
2	Dr. Zeddy Rop	Board Vice Chairman and Member – Finance & Projects Development Committee	14	14	100%
3	Hon Mohamed Sheikh Aden	Chairman – Audit Committee	9	9	100%
4	Simon Yatich Namba	Chairperson – Finance and Projects Development Committee	12	12	100%
5	Patrisha M. Nekaiya	Chairperson – Human Resource & Service Delivery Committee	9	9	100%
6	Sam Madoka	Chairperson – Marketing, Research & Resource Mobilization Committee	9	9	100%
7	Abshiro Halake	Member – Audit Committee	6	9	67%
8	David Lochuch Imana <sup>1</sup>	Member – Audit Committee	5	9	56%
9	Loise Kathambi Kaburu	Member – Marketing, Research & Resource Mobilization Committee	9	9	100%
10	Wenslas Ongayo	Alt Rep. The National Treasury - Member Finance & Projects Development Committee	7	9	78%
11	Kipkorir Keter	Member – Marketing, Research & Resource Mobilization Committee	8	9	89%
12	Richard Atuti, OGW	Board Secretary	19	19	100%

*Note<sup>1</sup> – The board member resigned on 8<sup>th</sup> May 2017.*

knls Board held the following meetings during the year under review:

TYPE	Meetings held
<b>Finance &amp; Projects Development Committee</b>	5
<b>Human Resource &amp; Service Delivery Committee</b>	3
<b>Audit Committee</b>	3
<b>Marketing, Research &amp; Resource Mobilization Committee</b>	3
<b>Induction Retreat</b>	1
<b>Scheduled Full Board</b>	3
<b>Special Full Board</b>	1

### 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:

- (a) To observe high standards of ethical and moral behavior;
- (b) To act in the best interests of the organization;
- (c) To remunerate and promote fairly and responsibly;
- (d) To recognize legitimate interests of all stakeholders; and
- (e) To ensure that knls acts as a good corporate citizen.

### Role and Functions of The Board

The Board:

- (a) Determines the organization's mission, vision, purpose and core values
- (b) Sets and oversee the overall strategy and approve significant policies of the organization
- (c) Ensures that the strategy is aligned with the purpose of the organization and the legitimate interests and expectation of its shareholders

- (d) 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
- (e) Approves the organizational structure
- (f) Approves the annual budget of the organization
- (g) Monitors the organization's performance and ensure sustainability
- (h) Enhances the corporate image of the organization
- (i) Ensures availability of adequate resources for the achievement of the organization's objectives
- (j) 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
- (k) Ensures effective communication with stakeholders.

### Conflict of Interest, Code of Conduct & Ethics

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 declaration of Conflict of Interest which must be embraced by both the Board and the employees of the organisation. The Board members are required to avoid conflict of interest and deal at arms - length and with integrity

in any matter that relates to knls. The Board has put various measures in place to ensure there is no conflict of interest amongst its directors and staff.

The Board has put in place Anti-Corruption Policy and a Code of Conduct & Ethics that binds both the board and the employees. 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.

### **Board Remuneration**

The non-executive Board members are paid taxable sitting allowances as approved by the Chief of Staff and Head of the Public Service following guidelines from the State Corporations Advisory Committee. The Chairman is paid honoraria at a rate approved by the Government.

Transport expenses are reimbursed on travel for board business at the prevailing AA rates. The members are also entitled to outpatient and inpatient medical cover and a personal accident cover as applicable.

### **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

### **Board Evaluation**

To assess and improve the capacity, functionality and effectiveness of the Board and its Committees, an annual evaluation is undertaken in accordance with the principles of corporate governance.

The self-evaluation reviews the capacity, functionality and effectiveness of its performance in the achievement of its goals and objectives. The Chairman's ability to add value, his performance against what is expected of his role and functions is assessed. It assesses on their performance and independence of the Board, its committees and individual members of the Board including the Chief Executive Director. The Executive Director is assessed on his roles as the chief executive officer and the Secretary to the Board. The Board discussed the annual evaluation of its performance for 2016/17 contract period. Management had proposed 21<sup>st</sup> July 2017 as the suitable date for the Board's evaluation exercise.

## VII. MANAGEMENT DISCUSSION AND ANALYSIS

### KNLS OPERATIONAL AND FINANCIAL PERFORMANCE

#### 1.0 Operational Performance

During Financial Year 2016/2017 knls implemented various projects and programmes that were mostly focused on enabling access to library and information services; thus improving the reading culture of Kenyans. While some of the programmes were sponsored by the knls Board through funds received from the exchequer, others were sponsored by donors and other development partners through specific partnership agreements. This also helped to raise the profile of knls and to enhance awareness about the services offered by knls. These included:

#### 1.1 Reading Promotion

In order to raise the profile of knls and create awareness about services provided and gain goodwill among the stakeholders and the general public, knls carried out various activities.

##### 1.1.1 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 was structured in four phases with phase one covering 18

libraries in 10 Counties, phase two 19 libraries located in 15 Counties, phase three covered 10 libraries located in 6 Counties and phase four covered 11 libraries in 4 Counties. Overall the number of e-readers received by each library centre will vary between 35 and 100 based on the target population.

The Launch 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 of MOSCA Mr. Joe Okudo, knls Board Chairman Hon. Noah Katana Ngala, knls CEO Richard Atuti, and Muthoni



Dr. Hassan Wario, Cabinet Secretary MOSCA, Hon. Noah Katana Ngala, knls Board Chairman and Mr. Richard Atuti, CEO knls looks on as pupils enjoy reading using the Kiddles from World reader during the launch on 26th July 2016

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.

In the 2016/2017 Financial Year a total of 2,030 e-readers were received and distributed and launched in 40 knls branches located in 25 counties. 970 e-readers were received in 2015/2016 financial year and distributed in 18 libraries located in 10 counties.

##### 1.1.2 Good Things Foundation

Kenya National Library Service (knls) and Good Things Foundation have entered into a partnership to pilot a project on digital and social inclusion for people in Kenya libraries starting in June 2017 and



running until June 2018. **Good Things Foundation** is a UK Charity working to help socially excluded people improve their lives through digital literacy. They have developed a model that enables and supports people to gain basic digital skills through an online learning platform, “**Learn My Way**”. Learn My Way provides basic digital skills training for people with little or no previous experience of the internet. The curriculum offers simple and interactive learning content on a range of digital skills for the 21<sup>st</sup> century such as Using a Touchscreen and Online Safety.

The pilot project will be focused on helping library staff and users gain basic digital skills through the blended model Good Things Foundation has created. This blended model combines the use of the Learn My Way platform together with tools and trainings for personal support for learners. Throughout the pilot, Good Things Foundation will evaluate the usefulness of the program and how it can be improved to better serve in improving people’s lives through digital.

Learn My Way will be made available for free to all knls libraries, and guidance and support on how to use the platform and support learners will follow soon.

Ten knls libraries have been selected to work closely with Good Things Foundation for the pilot phase. These libraries include Naivasha, Gilgil, Silibwet, Kinyambu, Malindi, Kangema, Timau, Mbalambala, Moyale and Rambula. Two Librarians from each of the pilot libraries will undergo two days training in July 2017 on how to use Learn My Way and how to be a ‘Digital Champion’ through supporting and inspiring learners.

## 1.2 Launch of New Services

knls branch libraries conducted launches of their newly introduced services at their respective branches. The launches helped to popularise these services and knls as a whole. These events also attracted media coverage and hence enhance creation of awareness widely. Some of the activities are outlined below.

### 1.2.1 Digital Learning at knls Nakuru Branch – 16<sup>th</sup> February 2017

The digital learning initiative dubbed ‘Mathwhizz’ was launched at Nakuru Library on 16<sup>th</sup> February 2017. This is an online virtual Maths tutorial platform that provides highly interactive Maths lessons and quizzes. More than 600 primary school children (classes 1 to 8) from 6 primary schools are using the online platform to learn and practice maths at the Nakuru library. The launch was presided over by Director knls, Mr. Richard Atuti, National Government County Director of Education, Mr. Atenya and County Government Director of Education, Mrs Yugi.

### 1.2.2 Handing over of Human-Centered Design (HCD) Toolkit in Kisumu - 2<sup>nd</sup> March 2017

knls has partnered with U.S government to avail innovative information resources through the Libraries. The HCD toolkit is an innovation manual with applications geared towards providing solutions to food shortage cycle and poverty in Kenya. This is an initiative by Feed the Future Kenya Innovation Program, funded by USAID. The online toolkit is available through knls e-resource portal while 150 print copies of the same will be availed to all knls Libraries.

The handing over ceremony of the toolkit was held in Kisumu Library on 2<sup>nd</sup> March 2017. The ceremony was presided over by the Cabinet Secretary Dr. Hassan Wario who was accompanied by the Permanent Secretary for Arts and Culture-Mr. Joe Okudo, Chairman knls Board - Hon. Noah Katana Ngala and the knls Director Mr. Richard Atuti. The US Government was represented by a team led by USAID office of Economic Growth Chief Mr. Mark Carrato.

## 1.3 Reading and awareness creation campaigns

### 1.3.1 Reading Tent Event in Senegal – March 15<sup>th</sup> – 16<sup>th</sup> March 2017

knls participated in an International Reading Tent event in Dakar Senegal that was organized by the Association for the Development of Education in

Africa (ADEA). ADEA is a forum for policy dialogue on educational policies. Moses Imbayi, a Librarian in Kisumu was sponsored by ALADIN to attend and share knowledge on how libraries in Kenya are contributing to education and lifelong reading through various programs and activities. The event brought together librarians with a view of sharing success stories and best practices in reading promotion in Africa.

### 1.3.2 Reaching out to the juvenile minors at Kamiti maximum prison

knls has been working with various prisons in Kenya to support the inmates with information and knowledge programs in order to aid their transformation, support those in the learning program and enable them productively make use of their time. Kamiti Maximum Prison created a new correctional facility for the juvenile in order to cater for convicted boys and girls.

### 1.3.3 Book Club “Fun Day” and ‘Reading is Fun’ Activities

knls Nairobi Area branch organized for a fun day for its Children’s Book Club members at Nairobi club on 18<sup>th</sup> March 2017. The fun filled day had lots of activities that included storytelling, spelling competitions, public speaking, dancing and swimming. Parents and guardians also got to learn about their children’s abilities.

knls Kangema branch hosted a reading activity under the theme **“Reading is Fun”** that was held on 17<sup>th</sup> March 2017. The event was focused on showing primary school pupils and their teachers that reading is an exciting activity. Children were encouraged to engage in reading as a constructive way to make use of their leisure time. One of the activities of the day included reading aloud in both English and Kiswahili.

### 1.3.4 ‘Give a Child in Kenya the Gift of Reading’

A programme to promote reading among the children and youth through reading programs in the two knls libraries has been initiated by EIFL. The funds to

implement this programme were raised by EIFL through a campaign dubbed **‘Give a Child in Kenya the gift of reading’** that was run on the Global giving fundraising platform. A total of 518 selected children and youth books by Kenyan/African Authors have been purchased for Rumuruti and Dzitsoni Libraries. Each library received 259 titles, most of which are latest in the market.

### 1.3.5 Reading Extravaganza at The Nairobi National Museum – 1<sup>st</sup> April 2017

knls Buruburu and Kibera branches participated in a children’s reading extravaganza dubbed **“Kiddies Cup”** at the National Museum of Kenya. The event was organized in partnership with publishers of the Kiddies Magazine, The Museums of Kenya and knls.

## 1.4 knls’ Participation in International Meetings and Events

### 1.4.1 Worldreader Digital Reading Summit

World-reader sponsored the 2017 annual "Digital Reading Summit" at the Weston Hotel, Nairobi on 25<sup>th</sup> and 26<sup>th</sup> April, 2017. The summit themed "The power of digital in learning" brought together the most important voices in the digital reading revolution that are shaping Africa's future.

### 1.4.2 Next Library International Festival: 11<sup>th</sup>–14<sup>th</sup> June 2017

Purity Kavuri Mutuku, the Librarian-in-Charge of Nakuru branch won a scholarship to attend the Next Library International Festival in Aarhus, Denmark. The event took place in Dokk1 – Aarhus’ award-winning public library building. Purity was among other five winners from Cameroon, Croatia, Ghana, St. Lucia and South Africa. She had showcased the Book-Wave Digital Learning project in Nakuru Library, a program that seeks to change the children’s attitude towards mathematics. The acquisition for the online licence was facilitated through a Grant from Electronic Information For Libraries (EIFL). ANEXT LIBRARY event draws its participants from library professionals, innovators

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and decision-makers who are pushing boundaries and making changes that support learning in the 21<sup>st</sup> century.

### 1.4.3 Peer 2 Peer University (P2PU)

knls, Electronic Information for Libraries (EIFL) and Peer 2 Peer University (P2PU) signed an MOU for a pilot project on blended learning in Libraries. This project contributes towards building the capacity of knls as a community hub that supports online learning. The project activities focus on building the capacity of Librarians to facilitate internet-based learning experiences and to mobilize library patrons to successfully complete online courses. The project adopted the 'learning circle' model that was pioneered by Peer 2 Peer University and Chicago Public Library in 2015.

### 1.4.4 Library of the Year Award (Maktaba Awards)



The Kenya Library Association (KLA), the Goethe-Institut and The Jomo Kenyatta Foundation,

The following were the winners and the amount of money each received:

Category/Position	Library	Amount (ksh)
Best Overall in all categories	knls Kisumu	300,000
Best Public Library	knls kisumu	60,000
1 <sup>st</sup> runners-up Public Library category	knls Nakuru	45,000
2 <sup>nd</sup> runners-up Public Library	knls Buruburu	35,000
Best Community Library	knls Dr. Robert Ouko Memorial – Koru	60,000
Certificate of being consistent in their service and performance	knls Narok	-

The launch of the project was marked by a series of activities held between 7<sup>th</sup> to 9<sup>th</sup> September 2016 in Nairobi and Nakuru. EIFL and P2PU was represented by Janet Sawaya, EIFL-Advisor for Africa and Dirk Uys, P2PU-Technology Lead.

Six (6) knls Learning Circles have been created and uploaded on the P2PU website. Buruburu: <https://learningcircles.p2pu.org/en/city/Nairobi> and Nakuru

<https://learningcircles.p2pu.org/en/city/Nakuru>.

The programme had an enrollment of 100 learners out of which 63 learners completed the online courses. A second learning circle began in December 7 2016 with 12 participants.

organizes Library of the Year Award (Maktaba Award).

The Award aims to recognize excellence in the provision of library and information services in the country. knls participated in Maktaba Awards which was held on 30<sup>th</sup> September 2016 at National Museums of Kenya. The number of libraries that participated was 71 from across the country.

Libraries were assessed in the following categories: Public libraries, Academic /Research libraries, School Libraries, Community Libraries and Special libraries

#### 1.4.5 Adaptation of Mobile Information Literacy Curriculum in Kenya

The Kenya National Library Service (knls), Electronic Information for Libraries (EIFL) and University of Washington Technology for Social Change Group (TASCHA) are developing a Mobile Information Literacy curriculum to be implemented through training on critical digital and information literacy skills for Librarians and Library users. The project inspection activities were carried out in November 2016 and they included: A partners'/stakeholders' consultative meeting in Nairobi; and a needs assessment in 7 Libraries (Burusuru, Naivasha, Gilgil, Nakuru, Kericho, Silibwet, Narok).

### 1.5 Capacity Building

knls deepened capacity building of its staff in order to equip them with the relevant skills for better performance. knls staff benefited from Board's training in collaboration with development partners in different areas of operation as follows:

#### 1.5.1 E-reader Training

64 librarians from 32 branches were trained on use of digital devices in the libraries and conduct community outreach and e-readers activities. The training was sponsored by the knls Board and facilitated by Worldreader. The trained librarians i.e. 2 from every branch have also been training the other staff in their branches and also their library customers and this has greatly enhanced the usage of e-Readers by respective communities.

#### 1.5.2 knls MYSA Reading Havens: Library spaces for children in the slum

Librarians from knls joined their counterparts from Mathare Youth Sports Association (MYSA) in a workshop sponsored by Book Aid International (BAI) from 6<sup>th</sup> to 10<sup>th</sup> February 2017 at the knls Kibera. The workshop which attracted 11 participants aimed at introducing librarians from Kibera and MYSA

libraries to good practices in working with children and schools. It was facilitated by BAI and knls staff. The project which runs from September, 2016 to October, 2017 involves provision of new books from the UK and also locally purchased to the three libraries; refurbishment of children areas/junior library sections; and two training sessions on children library services conducted for the library staff.

#### 1.5.3 Advocacy Workshop in Pretoria South Africa

The two librarians from Kenya including one from knls were selected to participate in an International Advocacy program that is being implemented by International Federation of Library Associations (IFLA). They represented Kenya in an IFLA conference held in Pretoria, South Africa where there were 20 participants from 10 countries.

#### 1.5.4 Adaptive Technology for the Visually Impaired Persons (VIPs)

Training for 8 Librarians was conducted at the Nairobi Area Library on use of assistive technology for VIPs on February 2017. The training, which was sponsored by Electronic Information For Librarians (EIFL) was aimed at equipping the team with skills that will enhance provision of information and services for the visually impaired persons. Some of the topics covered included: conversion of print materials into audio format; and managing assistive devices for VIPs. Facilitators were from Information Technology Applications Consultancy (ITAC).

#### 1.5.5 Retirement Planning and Management at Crown Plaza Hotel - Nairobi

knls staff participated the Retirement Planning and Management workshop organized by Retirement Benefits Authority (RBA) on 24<sup>th</sup> February 2017 and 31<sup>st</sup> March 2017 at the Crown Plaza Hotel, Nairobi. Participants included staff who are nearing retirement and those newly employed. This was a full day training that covered on investment & personal

## kenya national library service

financial management, time management, attitudes to retirement & coping with change, stress management & psychological issues in retirement as well as a retiree testimonial who has benefited.

### 1.5.6 Digital Wellness Workshop: 3rd - 5th May 2017

knls in partnership with Goethe Institut participated in a workshop at Corat Africa to develop the Information Literacy Manual for knls. The main goal is to ensure that library patrons are knowledgeable on identifying their information needs, have the ability to locate, evaluate and make use of it effectively.

### 1.5.7 Continuous Professional Development (CPD) & ToT Workshop by EIFL-PLIP

A workshop was held on Continuous Professional Development (CPD) organized by Eifl from 8<sup>th</sup> to 11<sup>th</sup> May 2017 at the knls Boardroom. The workshop was facilitated by Ramune Petuchovaite, Public Library Innovation Programme (PLIP) Manager and Susan Schnuer, Associate Director, Mortenson Centre.

The key objectives of the workshop were to:

- Review and customize a template tool for assessing the level of public libraries development.

- Link the capacity building areas to continuous professional development of staff based on the organizational needs.
- Develop timelines for CPD/ToT activities for 2017-2018.

### 1.5.8 Anasoma Project: Training of Trainers - 5<sup>th</sup> to 7<sup>th</sup> June 2017

Worldreader in partnership with Think Place Kenya organized a three-day workshop at Corat Africa to equip librarians to create a collaborative framework that would ensure successful implementation and organization of book clubs. Participants included two knls staff from headquarters and eight librarians from Buruburu, Thika, Kibera and Muranga knls libraries, where the project will be piloted within period of four months from July to October 2017.

### 1.6 Training Programmes Sponsored by knls Board

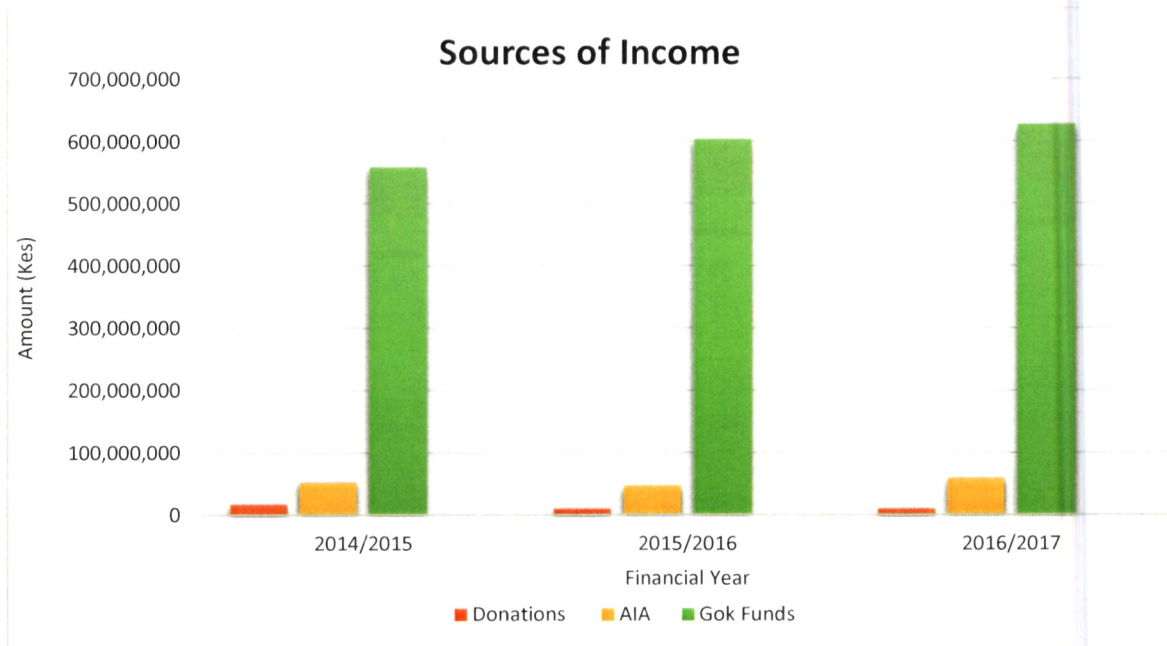
In addition to the capacity building programmes mainly funded by development partners, knls Board also organized for skills development programmes for staff on integrity training, safety and security measures, sensitization on HIV/AIDS, gender mainstreaming, disability mainstreaming retirement planning and management.

## 1.0 FINANCIAL RESULTS AND REVIEW OF PERFORMANCE

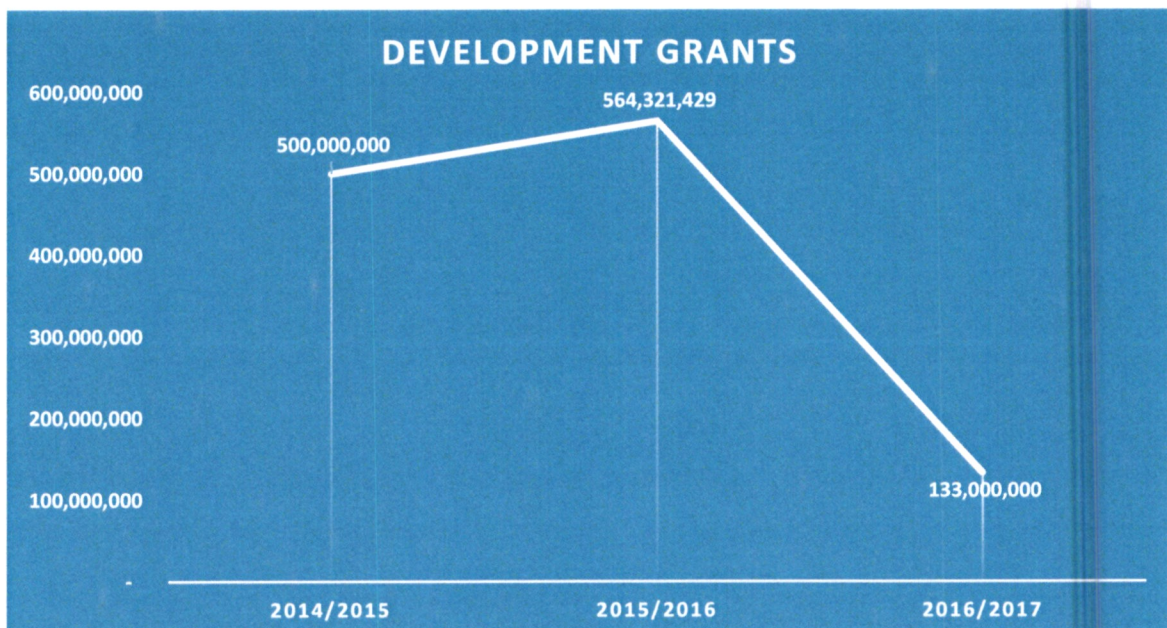
During the year 2016/2017, knls received Gok recurrent grants transfer of **Kshs.627,180,000**, **Donations Kshs.9,771,905** and **collected AIA Kshs.59,030,540** giving a **cumulative total of kshs.695,982,445** which was utilized to fund employee and operational costs. The following is a summary of the income knls has received in the last three financial years:

	2014/2015	2015/2016	2016/2017
<b>Donations</b>	17,267,787	9,801,378	9,771,905
<b>AIA</b>	52,016,407	46,485,833	59,033, 540
<b>Gok Funds</b>	558,170,528	603,000,000	627,180,000

## kenya national library service

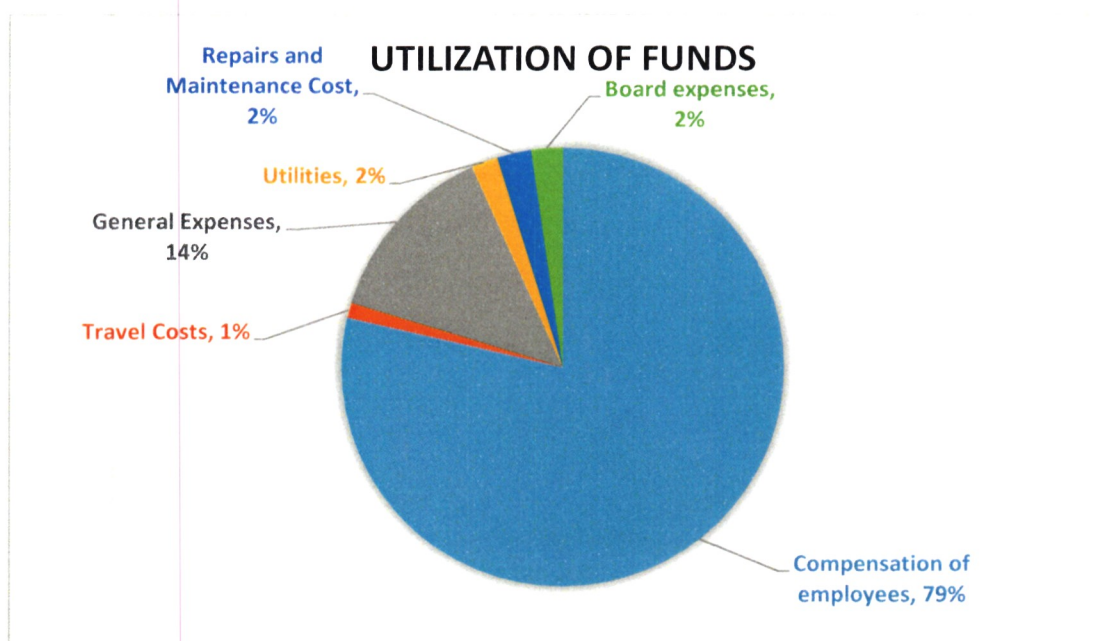


During the year under review knls received Development grant transfers of **Kshs.133M** a reduction of Kshs.57M from the original budget allocation. The trend of the Development grants in the last 3 years is as shown.



## kenya national library service

The Recurrent income that was received was utilized for employee costs and operational expenses as shown:



### DEFICIT TREND FOR THE LAST THREE FINANCIAL YEARS

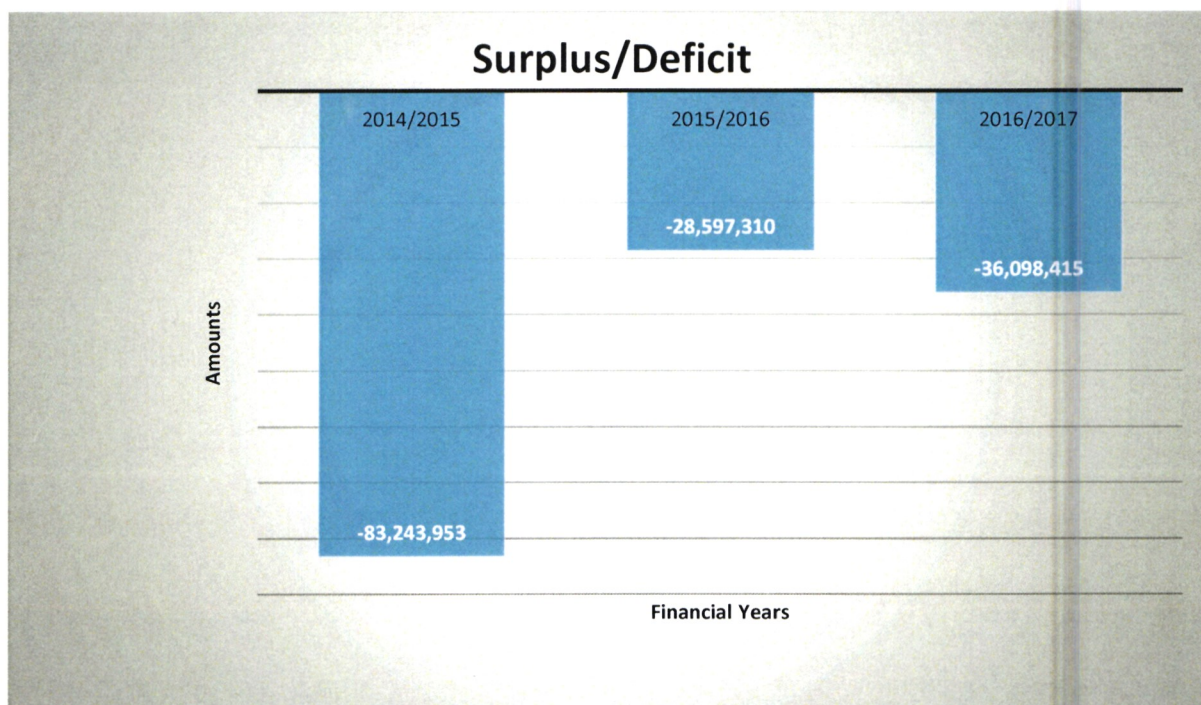
knls recorded a deficit of Kshs.36M which is an increase from the previous year's deficit of Kshs. 28M. The deficit performance is largely due to:

- a) Clearing of the pending bills for FY 2015/2016 of Kshs.13,211,660
- b) **Repair and maintenance cost**  
The repairs and maintenance has a variance of 34%. This is attributed to:
  - Payments made for the AMLIB licences that were inadvertently omitted by the vendor that related to the previous financial year.
  - The reinforcement of identified libraries to ensure compliance with the Communication Authority's regarding security of Phase II Project - a partnership between knls and CA.
  - The facilitation expenses by staff to ensure full implementation and assembly of the CA Project works.
- c) **Board Expenses**

The knls full Board was appointed in October 2016. In a bid to induct the Board as to the mandate and the programmes that Management had planned for in the Financial Year, it was imperative that an induction retreat is held in November 2016. Further, the Board members were taken for the SCAC training and other meetings that were scheduled and two Special meetings.

## kenya national library service

	2014/2015	2015/2016	2016/2017
<b>Deficit</b>	-83,243,953	-28,597,310	-36,098,415



### 2.2 Donations

During FY 2016/17, knls continued to enjoy support from her long time partners who sponsored various library programmes. Donor funds are conditional and are strictly pegged to specific projects arrived at through an MOU signed by the donor and knls. The following are donations received from our partners;

Donor	Purpose	Amount (Kshs.)
Book Aid International (BAI)	Community development on inspiring readers,	3,914,659.45
Electronic Information for Libraries (EIFL)	knls project meetings and innovation award	2,143,949.70
Peer 2 Peer University (P2PU)	Piloting blended learning	1,807,470
US Embassy	American Corner Activities	511,500
China Hanban	Chinese Corner activities,	113,772.15
World Reader Organisation	Anasoma Project	197,655.55
Maktaba Loya Award Committee	Maktaba LOYA awards	500,000
Good Things Foundation	Digital champion training.	582,899.20
	<b>TOTAL DONATIONS</b>	<b>9,771,906.05</b>

### 2.3 Challenges

High demand for information in various digital formats and inadequate internet connectivity has continued to strain service provision. To address this knls has partnered with various development partners to avail information materials in digital formats suitable to it's patrons and scale up internet connectivity across the network.

## KEY PROJECTS AND INVESTMENT DECISIONS knls IS PLANNING/ IMPLEMENTING

The main sources of knls Board's revenue for projects and investment decisions are the Exchequer from Government and Donor funding. Donor funds are conditional and are strictly pegged to specific projects arrived at through an MOU signed by the donor and knls. One of the key projects that knls has been implementing is the Vision 2030 flagship project i.e. the National Library of Kenya/ knls Headquarters, which commenced in 2011/2012. During the year under review, progress was registered as follows:

### The Ongoing Construction of the National Library of Kenya/ knls Headquarters



### *National Library of Kenya & knls Headquarters - Construction on-going*

The construction of the National Library of Kenya/ knls Headquarters commenced in 2011/2012 Financial Year and is an ongoing flagship project located at Capitol Hill. The project is envisaged to contribute immensely to the achievement of the knowledge based economy under vision 2030 programme.

The project is funded by grants from the Government. In the FY 2016/2017 under Development Expenditure Estimates knls Board had been allocated a total of **Ksh.190 Million** development grants to implement the National Library of Kenya/Headquarters Vision 2030 flagship project. This was reviewed downwards and the Board received a total of **kshs.133million** as at 30<sup>th</sup> June 2017.

During the year under review, the Board utilised a total of **Ksh.309,288,803** towards the project giving a cumulative expenditure of **Kshs.1,682,947,099** to date and a completion rate of 68.9%.

The implementation/construction of this flagship project is estimated to take 4 years measured yearly based on 100% completion of the targets set each year. The project is in 2 wings as follows; Main Library Wing and Headquarters Offices Wing.

Given the projected cash flow from the exchequer and for effective implementation of the project, the Board prioritized construction of the main library wing to be followed by the headquarters offices wing which will commence as soon as finishes works on the Main Library Wing that are underway are complete. The entire project is tendered as one contract at a sum of **Ksh. 2,055,200,200**.

### Gatimbi Library Project

The Board managed to complete the development of Gatimbi Library – an idea conceived by the Meru community in 2012. The community requested to partner with them in the implementation of the project and knls Board committed to support the project to the tune of Kshs.3M. and the community was to mobilize extra resources to the tune of Kshs.50M.

The Board honoured its initial commitment of Kshs.3M whilst the community was not able to honour the balance of Kshs.11.6M as per the awarded contract sum. This led to delay in settling the balance and the contractor took legal redress and the case was determined on 15<sup>th</sup> March 2017 in favour of the contractor.

As a result, the Board resolved and approved payment of the amount in full of **Kshs.9,684,150.39** closing the matter and the library will be officially launched in the Financial Year 2017/2018.

**knls COMPLIANCE WITH STATUTORY REQUIREMENTS**

The Board has continued to make timely remittance of statutory deductions including; Pay As You Earn (PAYE), National Hospital Insurance Fund, National Social Security Fund, and Pension scheme in order to protect the welfare of its staff in retirement and hospital Insurance and, fully complied with statutory requirements during the year under review.

**MAJOR RISKS FACING knls**

**KEY ORGANIZATIONAL RISKS**

**Policy of the organization on risk management**

knls is committed to risk management as an integral part of its corporate governance and operations, developing strategies and systems to minimize risks.

knls 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;**

	Risk	Risk analysis	Mitigation of risk
Financial Risk		Inadequate budgets to run the organization's programs.	<ul style="list-style-type: none"> <li>• Resource Mobilization</li> </ul>
		Delay in fund disbursements affecting service delivery, completion of projects	<ul style="list-style-type: none"> <li>• Prudence in budget utilization</li> </ul>
Political Risk	Political instability	This affects service delivery due to the uncertainty caused in every election cycle	<ul style="list-style-type: none"> <li>• National cohesion and integration</li> </ul>
	Legislation	Change in Government legislation affects organizations. There could be changes in legislation affecting taxes, employee welfare. This affects enterprises and is a key organizational risk	<ul style="list-style-type: none"> <li>• Aligning the organisational activities to the new legislation</li> </ul>

Strategic Risks	Reputational risk	Every organization will thrive or fail because of the perception the public has about it. With the advent of social media, it's difficult to control what goes out and this can affect the reputation of the organization before the organization has time to clarify it.	<ul style="list-style-type: none"> <li>Monitoring social media activities for our clients</li> </ul>
	Competition	In the changing business world, competition is a strategic risk and an organization has to align its strategy to the changing business environment.	<ul style="list-style-type: none"> <li>Embracing evolving technology in service provision</li> </ul>
Technological Risks	Information Systems security	Information systems security including cyber risks relates to unauthorized access to information systems, failure of data integrity. As an organization automates its processes, the risk of cyber-attack is very present.	<ul style="list-style-type: none"> <li>Comprehensive IT logical access, change and physical access controls</li> <li>Systems design and architecture</li> <li>Disaster recovery planning</li> </ul>
	Mobile applications	The use of mobile applications to transact business is also a technological risk as organizations adopt the platform to make payments e.g. Mpesa, credit card payments	<ul style="list-style-type: none"> <li>Comprehensive IT controls</li> </ul>
Human Resource Risks	Ethics and corporate culture	It's said that culture eats strategy for breakfast. The ethical and corporate culture of an organization determines the success or otherwise of the organization.	<ul style="list-style-type: none"> <li>Ethics and integrity trainings</li> <li>Development, dissemination and adherence to the code of conduct and ethics</li> </ul>
	Talent management and succession planning	These are key components that determine the survival or otherwise of an organization. If not addressed, the risk can eventually determine the success or otherwise of the organization.	<ul style="list-style-type: none"> <li>Development of a succession management plan</li> </ul>

## MATERIAL ARREARS IN STATUTORY/FINANCIAL OBLIGATIONS

### 1.0 Outstanding 2010/2012 Arrears to unionisable staff

The outstanding arrears for unionisable staff for 2010/2012 CBA amounting to **Kshs.66,347,316** was fully settled in the month of May 2017 as per the knls Board resolution of the meeting held on 27<sup>th</sup> April 2017.

### 1.2 Compliance with Laws and Regulations and Standards

The organization continued to comply with legal and regulatory requirements and the various Acts it operates under.

## **FINANCIAL PROBITY AND SERIOUS GOVERNANCE ISSUES**

Knls Board recognizes the importance of corporate governance and as such it carries out its mandate with honesty, openness and integrity. The Board is responsible for overseeing the management of knls and provides guidance and directions in order to attain corporate objectives. To achieve these, the board has constituted four committees namely:

- i) Finance & Projects Development
- ii) Human Resource and Service Delivery
- iii) Audit and Risk
- iv) Marketing, Research & Resource Mobilization

Each of the above committees handles matters relating to their areas of operation and reports back to the full board for necessary action to be taken.

As at 30<sup>th</sup> June 2017, knls had no financial improbity or governance issues reported by internal audit, office of the Auditor General or any other national government agency providing oversight. The organisation complied with the requirements of the Constitution of Kenya 2010.

## VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY 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.

### 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.

### Zero Tolerance to Corruption

The board has an elaborate corruption prevention programme and has undertaken various sensitization and training activities such as Corruption Risk Assessment and mitigation, implementing corruption control measures, all geared towards corruption eradication.

### Customer Focus

The Board is committed to meeting stakeholders requirements to their satisfaction by ensuring effective and efficient use of resources. It encourages continual improvement of its services and processes.

### 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.

## X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the Kenya National Library Service board affairs.

### Principal activities

The principal activity of the Kenya National Library Service is to promote, establish, equip, manage, maintain and develop libraries in Kenya as a National Library Service;

### Results

The performance of knls for the year ended 30<sup>th</sup> June 2017 are set out on pages 1-38 in the subsequent pages of this document.

### Directors

The members of the Board of Directors who served during the year are shown on page v-viii. During the year One Board member Mr. David Lochuch Imana who was a member of Audit committee resigned on 8<sup>th</sup> May 2017.

### Auditors

The Auditor General is responsible for the statutory audit of the *Kenya National Library Service* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

  
Richard M. Atuti, OGW  
CHIEF EXECUTIVE OFFICER, KNLS

Date: 5.4.18.....

**XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and *section 14 of the State Corporations Act*, 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/period and the operating results of the *entity* for that year/period. 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. The Directors are also responsible for safeguarding the assets of Kenya National Library Service

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, 2017. 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, 2017, 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**

The Kenya National Library Service Financial Statements were approved by the Board on \_\_\_\_\_ 2017 and signed on its behalf by:

  
Hon. Noah Katana Ngala, EGH  
Chairman knls Board

Date... 5.4.18 .....

  
Richard M. Atuti, OGW  
Chief Executive Officer, knls

Date... 5.4.18 .....

# REPUBLIC OF KENYA

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## OFFICE OF THE AUDITOR-GENERAL

### **REPORT OF THE AUDITOR GENERAL ON KENYA NATIONAL LIBRARY SERVICE FOR THE YEAR ENDED 30 JUNE 2017**

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#### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya National Library Service (KNLS) set out on pages 1 to 38, which comprise the statement of financial position as at 30 June 2017, and statement financial performance, statement of cash flows, statement of changes in net assets and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the significance of the matters discussed in the Basis of Qualified Opinion paragraph, the financial statements do present fairly, the financial position of Kenya National Library Service as at 30 June 2017, 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 Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures carried out, I confirm that nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

#### **Basis of Qualified Opinion**

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

As previously reported, the value of property, plant and equipment figure of Kshs.1,278,390,069 in 2016/2017 excludes Kshs.12,500,000 in respect of estimated value of thirty-five (35) parcels of land with partial or no ownership documents as observed during the audit of records availed for audit review.

In the circumstances, it has not been possible to confirm the accuracy, custody, and security of the property, plant and equipment balance of Kshs.1,278,390,069 as at 30 June 2017.

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*Report of the Auditor General on the Financial statements of Kenya National Library Service for the year ended 30 June 2017*

## **2. Overpayment of Retirement Benefits**

As previously reported, thirteen (13) KNLS retired staff who were members of Retirement Benefit Scheme were overpaid by Kshs.4,291,802. As at 30 June 2017 an amount of Kshs.1,770,862 had been recovered leaving a balance of Kshs.2,520,940.

A review on the position in 2017 revealed that on 3 April 2017 the Staff Retirement Benefit Scheme appointed auditor - M/s Mitoko and Company Limited for unclear reasons recommended write-off of Kshs.3,866,384 in three instalments starting from the audited accounts of year 2016. No analysis has been provided to show how the write-off figure of Kshs.3,866,384 was arrived at. Further, no reasons were provided for the write-off recommendation.

## **3.0 Depreciation of Library Books**

Paragraph 17 of the International Public Sector Accounting Standards (IPSAS) No.17 recognizes books as assets that are subject to depreciation. However, KNLS depreciation policy on books is still in draft form and has not been approved and adopted for implementation by the board.

During the year under review, KNLS purchased 8,132 books worth Kshs.5,643,679 and also received 59,144 books donated by Book Aid International (BIA) valued at Kshs.48,262,812. However, the books were not aggregated and depreciated in line with IPSAS 17.

In the circumstances, the net book value or fair value of the total assets stated at Kshs.53,926,421 as at 30 June 2017 could not be ascertained.

## **4.0 Delayed Completion of the Proposed National Library and Headquarters for Kenya National Library Service**

Kenya National Library Service on 2 March 2012 awarded a contract to M/s K.G. Patel Sons Limited - Building & Civil Engineering Contractors for the construction of the Proposed National Library and Headquarters at a contract sum of Kshs.2,055,200,200. However, the contract sum of Kshs.2,055,200,200 was exclusive of undetermined consultants fees. Construction commenced in April 2012 and was set to be completed in a period of 208 weeks or by January 2016.

Audit inspection carried out in February 2018 revealed that the Project had not been completed and handed over due to various extension of time period awarded on contractor's request. The period was extended by additional sixty-five (65) weeks to 3 July 2017. Additional extension of 72 weeks was also made from 3 July 2017 to 19 November 2018. Since the commencement of the project in April 2012 there had been a 127.88%-time lapse. Further as noted by the Board in their meeting dated 29 June 2017, cost for some of the project works had notably escalated due to delays resulting to price increase, technological changes rendering the proposed ones

almost obsolete for appropriate benchmarking thus the need to install high level of technology. At the point of production of tender document, the Audio Visual component was valued at Kshs.11 Million but at the time of appraisal, the cost was estimated at Kshs.73,940,904.

Initial contract sum of the Project was Kshs.2,055,200,200 but the appraised sum was recorded at Kshs.2,409,876,499 and thus registering an increase of Kshs.354,676,299 or 17.26% but revised Bill of Quantities have not been availed for audit review. Further, the continued extensions of time have led to payment of avoidable interests and penalties of Kshs.18,907,162.

It is not clear why these major changes to the Atrium Roof, Alterations at exhibition area on ground floor, relocations and technological changes were not foreseen by the consultants mainly the Architect, Structural Engineer and Quantity Surveyor.

In the circumstances, it has not been possible to confirm that expenditure occasioned by several extension of time totalling Kshs.354,676,299 was a proper charge against public resources. It has also not been explained as to why the consultants' fees were not quantified and included in the main contract. The continued delay in completing the project is also likely to lead to further escalation of costs.

## **5. Outstanding Audit Fees**

The statement of financial performance for the year ended 30 June 2017 reflect unpaid audit fees for three years totalling Kshs.1,980,000. The amount is in respect of audit services provided by the Office of the Auditor General. It is not clear why the client has not cleared the outstanding audit fees.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya National Library Service management in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I confirm that there were no other Key Audit Matters to communicate in my report.

## Other Matter

### 1.0 Budget and Budgetary Performance

#### 1.1. Revenue

KNLS had budgeted for revenue totalling Kshs.776,779,835 against the actual amount of Kshs.783,161,217 resulting to an excess of Kshs.6,381,382 or 0.8% as tabulated below:

Revenue Head	Budget Kshs.	Actual Kshs.	Excess/(shortfall) Kshs.	Excess/(shortfall) %
Government grants- Recurrent	603,000,000	603,000,000	0	0
Education and book Supplies	11,780,000	11,780,000	0	0
Education and book Supplies FY 2014/15	12,400,000	12,400,000	0	0
Inter account Transfer	69,732,938	69,547,316	(185,622)	(0.3)
Roll over Donations	6,055,076	6,055,076	0	0
Public contributions and donations	4,440,525	9,771,905	5,331,380	120
Appropriation in Aid	57,794,916	59,030,540	1,235,624	2.1
Insurance Compensation	11,576,380	11,576,380	0	0
<b>Total</b>	<b>776,779,835</b>	<b>783,161,217</b>	<b>6,381,382</b>	<b>0.8</b>

The excess revenue was mainly attributed to public contributions and donations where Kshs.4,440,525 was budgeted for but Kshs.9,771,905 was received resulting to Kshs.5,331,380 or 120% over the budget.

#### 1.2 Expenditure

##### i) Recurrent

Overall, Kenya National Library Services underspent it's recurrent budget by Kshs.8,482,412 or 1.1% as shown below:

<b>Expenditure</b>	<b>Budget Kshs.</b>	<b>Actual Kshs.</b>	<b>Over/(Under) Kshs.</b>	<b>Over/(under) %</b>
Compensation of Employees	605,419,133	604,071,339	(1,347,794)	0.2
Travel Costs	8,484,451	8,586,118	101,667	1.2
General Expenses	120,554,599	103,680,720	(16,873,879)	(14)
Utilities	13,855,881	14,897,401	1,041,520	8
Repairs and maintenance	14,280,149	19,088,751	4,808,602	34
Board expenses	14,000,000	17,787,472	3,787,472	27
<b>Total</b>	<b>776,594,213</b>	<b>768,111,801</b>	<b>(8,482,412)</b>	<b>(1.1)</b>

The under expenditure occurred mainly under general expenses by Kshs.16,873,879 or 14% while the over expenditure was mainly on repairs and maintenance by Kshs.4,808,602 or 34% and board expenses by Kshs.3,787,472 or 27%.

## ii) Development

The development budget was underspent by Kshs.59,718,131 or 12% as shown below:

<b>Expenditure</b>	<b>Budget Kshs.</b>	<b>Actual Kshs.</b>	<b>Over/(Under) Kshs.</b>	<b>Over/(under) %</b>
National Library of Kenya	404,440,883	356,094,131	(48,346,752)	12
Refurbishment of Libraries	6,381,093	2,065,831	(4,315,262)	68
Support to Community based Libraries	13,616,838	13,176,868	(439,970)	3
Other development expenditure	14,000,000	7,383,853	(6,616,147)	47
Retention monies	1,365,741	1,365,741	0	0
Inter account Transfers	69,547,316	69,547,316	0	0
<b>Total</b>	<b>509,351,871</b>	<b>449,633,740</b>	<b>(59,718,131)</b>	<b>(12)</b>

The under expenditure mainly occurred under construction of the Kenya National Library and Headquarters by Kshs.48,346,752 or 12%, refurbishment of libraries by Kshs.4,315,262 or 68% and other development expenditures by Kshs.6,616,147 or 47%.

The failure to spend Kshs.59,718,131 or 12% of the budgeted expenditure on projects has negatively delayed the completion of the respective projects. The failure to refund Kshs.69,732,938 transferred from development to cater for recurrent expenditure also impacted negatively on development projects.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the KNLS's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the KNLS or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statement to the Auditor-General in accordance with the provision of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the KNLS financial reporting process.

## **Auditor-General's Responsibilities for the Audit of the Financial Statements**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion 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 of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.


As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 KNLS's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the KNLS's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the KNLS to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the KNLS's activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

**Nairobi**

**10 July 2018**

**kenya national library service**


**XII. STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2017**

		2016/2017 KSHS.	2015/2016 KSHS.
<b>Revenue from non-exchange transactions</b>	<b>NOTE</b>		
Transfers from government	6	696,727,316	603,000,000
<b>Other Grants</b>			-
Earned income	7	6,572,393	3,728,473
Conditional Grants met	7a	9,453,329	6,167,564
		<b>712,753,038</b>	<b>612,896,037</b>
<b>Revenue from exchange transactions</b>			
Interest Income	8	39,202	23,332
Rental income from facilities	9	37,864,345	24,733,931
Rendering of Services	10	176,652	1,164,158
Library Fees	11	16,420,955	16,108,894
Other Income	12	16,109,157	4,455,518
		<b>70,610,311</b>	<b>46,485,833</b>
		<b>783,363,349</b>	<b>659,381,870</b>
<b>Expenditure</b>			
Employee costs	13	604,071,339	506,730,005
Travel Costs	14	8,586,118	9,548,615
General Expenses	15	103,680,720	97,033,579
Utilities	16	14,897,401	13,835,086
Repairs and Maintenance Cost	17	19,088,751	16,481,808
Boards Expenses	18	17,787,472	4,809,827
Depreciation & Amortisation	19	51,349,962	39,540,260
<b>TOTAL EXPENDITURE</b>		<b>819,461,763</b>	<b>687,979,180</b>
<b>SURPLUS/(DEFICIT)</b>		<b>(36,098,415)</b>	<b>(28,597,309)</b>

**kenya national library service**

**XIII. STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

	NOTES	2016/2017 KSHS	2015/2016 KSHS
<b>CURRENT ASSETS</b>			
Cash & Bank balances	20	92,664,583	399,226,240
Receivables from exchange transactions	21	4,369,243	4,307,476
Receivables from non-exchange transactions	22	4,730,298	5,739,843
Inventory	23	6,397,399	4,343,919
Prepayment	24	6,042,193	
	<b>SUB -TOTAL</b>	<b>114,203,716</b>	<b>413,617,478</b>
<b>NON CURRENT ASSETS</b>			
Property, Plant & Equipment	25	1,278,390,069	1,174,539,934
Intangible Asset	26	1,839,160	3,354,319
Stock - Books	27	832,029,802	786,011,055
Work in Progress	28	1,684,245,080	1,444,909,134
	<b>SUB-TOTAL</b>	<b>3,796,504,111</b>	<b>3,408,814,442</b>
<b>TOTAL ASSETS</b>		<b>3,910,707,827</b>	<b>3,822,431,920</b>
<b>CURRENT LIABILITIES</b>			
Trade payables from exchange transactions	29	154,166,924	126,069,289
Provisions for Gratuity	31	2,182,400	992,000
Deferred income	33	227,291,733	176,750,978
<b>TOTAL LIABILITIES</b>		<b>383,641,057</b>	<b>303,812,267</b>
<b>NET ASSETS</b>			
Accumulated Fund		1,534,966,244	1,557,311,180
Revaluation Reserve		313,694,455	313,694,455
Capital Reserve		1,678,406,070	1,647,614,016
	<b>TOTAL EQUITY</b>	<b>3,527,066,769</b>	<b>3,518,619,651</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>3,910,707,827</b>	<b>3,822,431,920</b>

  
Richard M. Atuti, OGW  
Chief Executive Officer

Date: 5.4.18

  
CPA, Jack Wafula  
Deputy Director (F&A)  
ICPAK Member No.R/10685

Date: 5.4.18

  
Hon. Noah Katana Ngala, EGH  
Chairman, knls Board

Date: 5.4.18

**XIV. STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2017**

	Accumulated Fund	Revaluation/ Additions	Capital Reserves	Total
<b>Balance as at 30th June 2015</b>	<b>1,581,938,886</b>	<b>313,694,455</b>	<b>1,087,262,189</b>	<b>2,982,895,530</b>
<b>Adjusted for:</b>				-
<b>Prior Year adjustment</b>				-
<b>Capital reserve</b>			564,321,429	564,321,429
<b>Capitalisation/Expense</b>	3,969,603		(3,969,603)	-
<b>Deficit for the year</b>	(28,597,309)			(28,597,309)
<b>Balance as at 30th June 2016</b>	<b>1,557,311,180</b>	<b>313,694,455</b>	<b>1,647,614,015</b>	<b>3,518,619,650</b>
<b>Balance as at 30th June 2016</b>	<b>1,557,311,180</b>	<b>313,694,455</b>	<b>1,647,614,015</b>	<b>3,518,619,650</b>
<b>Adjusted for:</b>				
<b>Capital reserve</b>			133,000,000	133,000,000
<b>Prior year adjustment:</b>				-
<b>Interest on delayed payment</b>			(15,834,072)	(15,834,072)
<b>Capitalisation</b>	12,724,140		(12,724,140)	-
<b>Expenses: Works on CA project</b>	1,029,330		(1,029,330)	-
<b>Interest &amp; Penalties</b>			(3,073,090)	(3,073,090)
<b>Expenses: Inter Account Transfer</b>			(69,547,316)	(69,547,316)
<b>Deficit for the year</b>	(36,098,415)			(36,098,415)
<b>Balance as at 30th June 2017</b>	<b>1,534,966,235</b>	<b>313,694,455</b>	<b>1,678,406,068</b>	<b>3,527,066,758</b>

**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.

**XV. STATEMENT OF CASH FLOWS**  
AS AT 30 JUNE 2017

	Note	2016/2017	2015/2016
<b>Net cash flows from operating activities</b>	<b>35</b>	<b>43,351,283</b>	<b>19,779,415</b>
<b>Cash flows from investing activities</b>			
Purchase of Fixed Assets	25	(85,036,570)	(2,030,522)
Additions of Software	26	(168,000)	(3,781,480)
Purchase of books	27	(5,643,679)	(2,195,232)
Additions in Work in Progress	28	(322,517,381)	(202,758,354)
<b>Net Cash Outflow From Investing Activities</b>		<b>(413,365,631)</b>	<b>(210,765,588)</b>
<b>Cash Flows from Financing Activities</b>			
GOK Grants		133,000,000	564,321,429
Inter account transfer		(69,547,316)	
<b>Net Cash inflows from Financing Activities</b>		<b>63,452,684</b>	<b>564,321,429</b>
(Decrease)/Increase in Cash and Cash Equivalents		(306,561,663)	373,335,256
Cash and Cash Equivalents Beginning		399,226,241	25,890,985
Cash and Cash Equivalents Ending		<b>92,664,578</b>	<b>399,226,241</b>

**KENYA NATIONAL LIBRARY SERVICE**

**XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

**A. RECURRENT BUDGET**

	Approved Budget 2016/2017	Adjustments	Final Budget 2016/2017	Actual on comparable basis 2016/2017	Performance Difference 2016/2017	Variance %	Remarks on material variances above 10%- Note No.
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.		
<b>REVENUE</b>							
Government grants - Recurrent	603,000,000	-	603,000,000	603,000,000	-	-	
Education & Book Supplies	11,780,000	-	11,780,000	11,780,000	-	-	
Education & Book Supplies FY 2014/2015)	12,400,000	-	12,400,000	12,400,000	-	-	
Inter account transfer		69,547,316	69,547,316	69,547,316	-	-	
Roll over Donations	6,055,076	-	6,055,076	6,055,076	-	-	
Public contributions and donations	2,946,181	1,494,344	4,440,525	9,771,905	(5,331,380)	(120)	a
Appropriation in Aid	48,373,000	9,421,916	57,794,916	59,033,931	(1,239,015)	(2)	b
Insurance Compensation	11,576,380	-	11,576,380	11,576,380	-	-	
<b>TOTAL REVENUE</b>	<b>696,130,637</b>	<b>80,463,576</b>	<b>776,594,213</b>	<b>783,164,608</b>	<b>(6,570,395)</b>		
<b>EXPENSES</b>							
Compensation of employees	537,043,442	68,375,691	605,419,133	604,071,339	1,347,794	0	c
Travel Costs	8,000,000	484,451	8,484,451	8,586,118	(101,667)	(1)	
General Expenses	113,543,487	7,011,112	120,554,599	103,680,720	16,873,879	14	d
Utilities	12,518,202	1,337,679	13,855,881	14,897,401	(1,041,520)	(8)	
Repairs and Maintenance Cost	13,025,506	1,254,643	14,280,149	19,088,751	(4,808,602)	(34)	e
Board expenses	12,000,000	2,000,000	14,000,000	17,787,472	(3,787,472)	(27)	f
Depreciation & Amortisation				51,349,962	(51,349,962)		
<b>TOTAL EXPENDITURE</b>	<b>696,130,637</b>	<b>80,463,576</b>	<b>776,594,213</b>	<b>819,461,763</b>	<b>(42,867,550)</b>		
<b>SURPLUS FOR THE PERIOD</b>				<b>(36,297,155)</b>	<b>36,297,155</b>		

## KENYA NATIONAL LIBRARY SERVICE

### B. DEVELOPMENT BUDGET

	Approved Budget 2016/2017	Adjustments	Final Budget 2016/2017	Actual on comparable basis	Performance Difference	% Variance	Remarks on material variances above 10%
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.		
<b>Revenue</b>							
Roll over funds	375,351,871		375,351,871	375,351,871	-	-	
Government grants	190,000,000	(57,000,000)	133,000,000	133,000,000	-	-	
<b>Total Income</b>	<b>565,351,871</b>	<b>(57,000,000)</b>	<b>508,351,871</b>	<b>508,351,871</b>	<b>-</b>		
<b>Expenses</b>							
National Library of Kenya	518,599,076	(114,158,193)	404,440,883	355,999,992	48,440,891	12	g
Refurbishment of Libraries	11,387,054	(6,005,961)	5,381,093	2,065,831	3,315,262	62	h
Support to Community Based Libraries	11,000,000	2,616,838	13,616,838	13,176,868	439,970	3	
Other development expenditure	24,000,000	(10,000,000)	14,000,000	7,383,853	6,616,147	47	i
Retention monies	365,741	1,000,000	1,365,741	365,741	1,000,000	73	j
Inter account transfers		69,547,316	69,547,316	69,547,316			
<b>Total expenditure</b>	<b>565,351,871</b>	<b>(57,000,000)</b>	<b>508,351,871</b>	<b>448,539,601</b>	<b>59,812,270</b>		
<b>Balance for the period</b>	<b>-</b>		<b>-</b>	<b>59,812,270</b>			

\* Payments on the ongoing construction of the National Library of Kenya are made on account of certificates for work done

## NOTES TO THE STATEMENT OF BUDGET COMPARISON

### a. Public Contributions and Donations

The Board was able to sign successful MOU's with more donors in the areas of capacity building, advocacy and innovative technological developments on different Library programmes

### b. Appropriation in Aid

In the Board's continued efforts to meet the customer needs and keep with the changes more so on the e-books, the Board was able to see fruits by higher patronage and also higher uptake of available rental premises

### c. Employee Costs

The Employee cost was enhanced with the payment of the outstanding CBA arrears for Unionisable Staff in May 2017. This was in line with the court ruling and an impending attachment of Board's Property on failure to honour the payment. The Board in its wisdom sought authority from the parent Ministry of Sports, Culture & The Arts and in a meeting held on the 27th April 2017 Meeting and approved the borrowing of Kshs.66,347,014 for the full settlement of the arrears and a further Kshs.3,200,000.4 for the auctioneers fees. The Board has been assured of getting the funds in the FY 2017/2018 as per the printed estimates

### d. General Expenses

The variance of 14% is attributed to non-responsive awards of procurement and LPO's that had not been fully serviced during the year.

### e. Repairs & Maintenance Costs

The repairs and maintenance has a variance of 34%. This is attributed to:

- i. Payments made for the AMLIB licences that were inadvertently omitted by the vendor that related to the previous financial year.
- ii. The reinforcement of identified libraries to ensure compliance with the Communication Authority's

regarding security of Phase II Project - a partnership between knls and CA.

- iii. The facilitation expenses by staff to ensure full implementation and assembly of the CA Project works.

### f. Board Expenses

The knls full Board was appointed in October 2016. In a bid to induct the Board as to the mandate and the programmes that Management had planned for in the Financial Year, it was imperative that an induction retreat is held in November 2016. Further, the Board members were taken for the SCAC training and other meetings that were scheduled and two Special meetings.

### g. National Library of Kenya & knls Headquarters

This is a multi-year project that commenced in April 2012. The project has progressed well albeit challenges of inadequate funding in the initial year. The first phase is partially complete with the Public Library and National Library operational on the partially completed wing. The knls Headquarter offices are ongoing and the Board will endeavour to relocate the in the coming Financial Year.

### h. Refurbishment of Libraries

This has a positive variance of 62%. The projects are ongoing and include ablution block in Kapsabet, repair works in Dzitsoni

### i. Other development expenditure

This has a positive variance of 47%. The development expenditure include the automation of the HR and procurement of the hardware component that includes computers which have not been fully delivered.

### j. Retention monies

The balance relates to retention monies for contractual works carried out in KisiLibrary awaiting final completion and handing over. The retention monies for Kakamega were paid out in full.

## XVII. NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Kenya National Library Service is established by and derives its authority and accountability from Act of Parliament, CAP 225 of the Laws of Kenya. knls is wholly owned by the Government of Kenya and is domiciled in Kenya. The principal activity is to promote, establish, equip, manage, maintain and develop libraries in Kenya as a National Library Service;

### 2. 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.

### 3. ADOPTION OF NEW AND REVISED STANDARDS

#### i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
<b>IPSAS 33:</b> First time adoption of Accrual Basis IPSAS	<b>(Effective for annual periods beginning on or January 1, 2017)</b> Kenya National Library Service adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.
<b>IPSAS 34:</b> Separate Financial Statements	<b>(Effective for annual periods beginning on or January 1, 2017)</b> Kenya National Library Service does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply
<b>IPSAS 35:</b> Consolidated Financial Statements	<b>Effective for annual periods beginning on or January 1, 2017)</b> Kenya National Library Service does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.
<b>IPSAS 36:</b> Investments in Associates and Joint Ventures	<b>(Effective for annual periods beginning on or January 1, 2017)</b> Kenya National Library Service does not have investments in associates or joint ventures.
<b>IPSAS 37:</b> Joint Arrangements	<b>(Effective for annual periods beginning on or January 1, 2017)</b> Kenya National Library Service does not have an interest in a joint arrangement and therefore the standard does not apply.
<b>IPSAS 38:</b> Disclosure of Interests in Other Entities	<b>(Effective for annual periods beginning on or January 1, 2017)</b> Kenya National Library Service does not have an interests in other entities and therefore the standard does not apply.

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017**

Standard	Effective date and impact:
<b>IPSAS 39:</b> Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
<b>IPSAS 40: Public Sector Combinations</b>	<b>Applicable: 1<sup>st</sup> January 2019:</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. **Early adoption of standards**

Kenya National Library Service *did not* early – adopt any new or amended standards in year 2017.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

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

**Fees, taxes and fines**

Kenya National Library Service recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the knls and the fair value of the asset can be measured reliably.

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

***Rendering of services***

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

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

***Sale of goods***

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

***Rental income***

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

**b) Budget information**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of knls. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or organisation's differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

**c) Taxes**

***Current income tax***

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

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

**Value Added Tax**

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

- 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
- 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) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, knls recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. 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.	

#### **f) 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.

#### **g) 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.

#### **h) Financial instruments**

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

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

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

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

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

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

#### **i) Financial instruments (Continued)**

##### ***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.

#### **j) 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.

#### **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.

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.

#### ***Contingent assets***

knls does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of knls in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

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

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

- iii) Capital Reserve – this is used to record contribution made by government in form of development grants transfers
- iv) 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) Employee benefits**

**Retirement benefit plans**

knls provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**o) 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.

**p) Related parties**

knls regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

**q) 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.

**r) Comparative figures**

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

## **5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the knls 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. knls 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 knls. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

#### **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).

##### **Useful lives and residual values**

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 knls
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

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

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

### **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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Where knls expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

### **Taxation**

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

### **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, 2017.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

REVENUE FROM NON EXCHANGE TRANSACTIONS

6 Transfers from other Governments

Unconditional Grants

Govt Grants- Recurrent Grants

- Book grants - FY 2016/2017
- Book grants - FY 2015/2016
- Inter account transfers

	2016/2017 Kshs.	2015/2016 Kshs.
	603,000,000	603,000,000
	11,780,000	
	12,400,000	
	69,547,316	
<b>Total</b>	<b>696,727,316</b>	<b>603,000,000</b>

6b	Name of Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount Deferred	Amount recognized in Capital fund	Total grant income during the year	2015/2016
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
	Ministry of Sports, Culture & The Arts	627,180,000	-	133,000,000	760,180,000	1,167,321,429

6c Public contributions and donations

Cash Donations - BAI

- US Embassy
- EiFL
- Others

	2016/2017	2015/2016
	3,914,659	148,409
	511,500	-
	3,951,419	
	1,394,327	9,652,969
<b>Total</b>	<b>9,771,905</b>	<b>9,801,378</b>

7 Earned income (Fixed Asset Donations)

6,572,393

3,728,473

7a Reconciliation of public contributions and donations

Balance unspent at the beginning of year

169,033,069

120,880,385

Current year receipts - Books

48,262,812

44,518,870

- Cash

9,771,905

9,801,378

Conditions met - transferred to revenue (Cash)

(9,453,329)

(6,167,564)

Conditions to be met - remain liabilities

188,258,303

169,033,069

REVENUE FROM EXCHANGE TRANSACTION

8 Interest Received

39,202

23,332

9 Rental income from facilities

Hire Of Halls

1,588,580

1,549,421

Bill Boards

-

-

## kenya national library service

Parking Charges	1,900	18,900
Rent	33,012,129	20,858,742
Service charge from rentals	3,261,736	2,306,868
<b>Total</b>	<b>37,864,345</b>	<b>24,733,931</b>
<b>10 Rendering of Services</b>		
Photocopies	6,780	36,290
KnB & Kpd Sales	10,350	3,600
Internet And E-Mail	45,304	128,948
Consultancy Services	114,218	995,320
<b>Total</b>	<b>176,652</b>	<b>1,164,158</b>
<b>11 Library Fees</b>		
Membership Fees- Institution	766,300	901,935
Membership Fees - Communities/Religious		3,000
Entrance Fees - Foreigners		-
Entrance Fees - Non Members	13,829,060	13,077,690
Daily access - Executive	276,620	348,190
Book loan fees - Adult	1,111,335	1,324,053
Book loan fees - Junior	437,640	454,026
<b>Total</b>	<b>16,420,955</b>	<b>16,108,894</b>
<b>12 Other Income</b>		
Sundry Income	729,247	438,820
Fines and Overdues	719,166	939,782
Disposal Income	156,482	37,110
Hire Of Chairs/ Tents	17,930	20,545
Gain on Sale of Fixed Assets	-	-
Sale Of Tenders	3,000	1,000
Clearing Fee	293,670	446,438
Commission from payroll deductions	117,440	137,650
Attachment Charges	221,500	288,100
Lost And Paid For Books(100%)	220,808	295,847
Annual Renewal Fee	-	3,575
ISBN Fees	1,834,500	1,579,900
Salary On Resignation	106,876	83,180
Lost And Paid For Books (Original)	82,113	120,934
Forex Gain	3,391	17,991
Resurfaced Books	26,654	44,646
Insurance claims	11,576,380	
<b>Total</b>	<b>16,109,157</b>	<b>4,455,518</b>
<b>13 Employee Costs</b>		
Basic Salary (Permanent Employees)	314,566,253	265,906,510
Casual Labour	6,748,710	5,773,675
House Allowance	138,726,891	113,329,186
Acting Allowances	-	-
Hardship Allowance	10,934,312	8,940,595
Medical Allowance	10,181,390	10,287,082

## kenya national library service

Special Duty Allowances	597,773	391,419
Other Allowances-Remunerative	2,160,000	2,160,000
Leave Allowance	4,587,500	4,652,000
Refund Of Medical Expenses-Inpatient	498,349	47,040
Personal Assistance Allowance	720,000	565,000
Other Allowances-Bicycle	66,413	84,000
Commuter Allowance	41,159,530	41,483,538
Employer Contribution To Pension Scheme	61,547,838	53,109,960
Insurance Claims	11,576,380	
<b>Total</b>	<b>604,071,339</b>	<b>506,730,005</b>
<b>14 Travel Costs</b>		
Travel Costs-Domestic	1,254,407	1,062,633
Accommodation-Domestic	2,856,650	1,253,550
Daily Subsistence-Domestic	2,934,737	3,903,032
Sundry Items Domestic	426,920	154,321
Passage And Transfers Expenses	441,353	1,130,550
Travel Cost-Foreign	-	909,166
Daily Subsistence-Foreign	633,942	1,048,090
Sundry Items - Foreign	38,110	87,273
<b>Total</b>	<b>8,586,118</b>	<b>9,548,615</b>
<b>15 General Expenses</b>		
Telephone & Mobile Phone Services	2,621,775	3,053,677
Internet Connections	5,764,307	9,213,264
Courier & Postal Services	1,551,927	1,641,576
Printing & Stationery	265,312	432,014
Publishing & Printing Services	307,891	303,772
Subscription To Newspaper, Mag	3,181,649	3,288,675
Advertising, Awareness & Public	7,295,796	5,036,750
Trade Shows & Other Exhibition	423,150	202,075
Publicity Materials	-	-
Rent & Rates-Non-Residential	600,000	600,000
Catering Expenses	1,416,338	2,474,471
Insurance General	12,258,634	12,285,634
Veterinarian Supplies	-	34,500
Purchase Of Uniform & Clothing	433,859	453,724
Library Processing Tools, Magnetic strips	928,333	4,883,317
Education & Supplies	1,623,065	1,000,111
General Office Supplies	2,408,808	1,208,679
Supplies & Accessories For Com	338,176	738,132
Sanitary & Cleaning Materials	680,527	2,808,532
Contracted Guards & Cleaning	22,941,152	22,414,774
Transport Costs & Charges For	5,956,306	826,306
Legal Dues, Arbitration & Comp	3,983,923	2,694,830
Contracted Professional Services	157,780	2,595,707
Withdrawn books	7,914,397	-

## kenya national library service

Bad Debt	11,490	-
Provision for bad & doubtful debts	4,826,855	-
Travel, Accommodation, Tuition Fees	6,753,623	11,553,958
Bank & Mpesa Charges/Commission	731,563	641,074
Management Fee-Audit Fee	700,000	700,000
Purchase Of Coffins & Other Miscellaneous exps	1,005,750	608,356
Membership Fees, Dues & Subscription	973,354	643,119
Research & Development	239,000	228,900
Monitoring & Evaluation	1,426,236	539,800
Medal & Awards	303,200	156,308
Refined Fuels & Lubricants For	3,656,545	3,771,544
Foreign Exchange loss	-	-
<b>Total</b>	<b>103,680,720</b>	<b>97,033,579</b>
<b>16 Utilities</b>		
Electricity	10,705,369	10,243,083
Water And Sewerage Charges	4,192,031	3,592,003
<b>Total</b>	<b>14,897,401</b>	<b>13,835,086</b>
<b>17 Repairs and Maintenance Cost</b>		
Repair, Maintenance: Buildings	3,270,676	2,704,786
Repair, Maintenance: Furniture	326,932	296,346
Repair, Maintenance: Equip	3,471,628	2,524,898
Repair, Maintenance: Motor vehicle	1,813,546	2,345,613
Repair, Maintenance: Computer	10,205,969	8,610,165
<b>Total</b>	<b>19,088,751</b>	<b>16,481,808</b>
<b>18 Board Expenses</b>		
Chairman's Honorarium	1,044,000	1,044,000
Directors' allowances & Other expenses	14,561,891	2,634,975
Other allowances & Board Expenses	2,181,581	1,130,852
<b>Total</b>	<b>17,787,472</b>	<b>4,809,827</b>
<b>19 Depreciation &amp; Amortisation Expense</b>		
Property, Plant & Equipment	49,666,802	38,379,766
Intangible Assets	1,683,160	1,160,494
<b>Total</b>	<b>51,349,962</b>	<b>39,540,260</b>

## kenya national library service

20 Cash and Cash Equivalents	Account No.	2016/2017 Kshs	2015/2016 Kshs
Cash in hand		92,352	41,868
Mpesa Account		12,605,410	320,216
Pesa Pal Account		2,117,015	744,715
Bank Recurrent account	1103249614	5,988,535	11,882,083
Bank Development Account	1103249754	65,893,516	377,094,828
Bank Savings & Reserve A/C	1103127063	5,195,760	8,395,100
Bank Savings & Reserve -foreign A/C	1108728294	771,994	747,430
	<b>Total</b>	<b>92,664,583</b>	<b>399,226,240</b>

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

21 Trade Receivables Exchange Transactions	2016/2017	2015/2016
Trade Debtors : Rental space	4,938,705	2,997,892
: Direct consignment (Books)	1,446,188	1,309,584
	<b>6,384,893</b>	<b>4,307,476</b>
Less: Provision for doubtful debt	2,015,650	
<b>Total</b>	<b>4,369,243</b>	<b>4,307,476</b>

### 21a Ageing Analysis (Trade Debtors)

No. of Days	As at 30th June 2017	As at 30th June 2016
0-90	1,653,587	
91-180	503,472	
181-365	909,164	
Over 365	3,318,669	2,402,850
<b>Total</b>	<b>6,384,892</b>	<b>2,402,850</b>

### 22 Trade Receivables non exchange transactions

Staff Debtors	5,990,657	4,828,998
Refundable Deposit	1,550,845	910,845
	<b>7,541,502</b>	<b>5,739,843</b>
Less: Provision of bad & doubtful debts	2,811,205	
<b>Total</b>	<b>4,730,298</b>	<b>5,739,843</b>

### Ageing Analysis (Non-Exchange)

No. of Days	As at 30th June 2017	As at 30th June 2016
0-90	3,585,795	3,084,136
91-180		
181-365		
Over 365	3,955,707	2,655,707
<b>Total</b>	<b>7,541,502</b>	<b>5,739,843</b>

**\* 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.

<b>22a Movement in Provision for Bad &amp; Doubtful debts</b>	<b>2016/2017</b>	<b>2015/2016</b>
Opening Balance	5,058,557	-
Additions in the year	155,298	
Payments	(387,000)	-
<b>Balance</b>	<b>4,826,855</b>	<b>-</b>

**23 Inventory**

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

	<b>2016/2017</b>	<b>2015/2016</b>
	<b>Kshs</b>	<b>Kshs</b>
General office	2,083,400	2,295,309
Uniform & Clothing	8,978	8,978
Library Processing Tools	2,129,691	157,544
Computer Accessories	2,175,330	1,882,088
<b>Total</b>	<b>6,397,399</b>	<b>4,343,919</b>

**24 Prepayments**

	<b>2016/2017</b>
Prepayment for knls Motor Vehicle	4,504,861
Purchase of Soft ware	1,537,332
<b>Total</b>	<b>6,042,193</b>

\* The prepayments relate to cost of motor vehicle whose terms were full payments before delivery while the payment for the software was made and awaits commissioning after customisation is complete. The vehicle has since been delivered in the Financial year 2017/2018.

**kenya national library service**

**25 PROPERTY, PLANT & EQUIPMENT SCHEDULE**

	Land		Building		Plant and Equipment		Motor vehicles		Furniture and fittings		Computers		Total	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost														
As at 1st July 2015	430,250,000	808,468,797	37,780,556	30,916,239	77,765,866	47,039,603	1,432,221,061							
Additions - Purchases	-	-	10,500	-	863,600	1,156,422	2,030,522							
Additions - Donations	-	-	495,000	-	2,538,100	6,776,770	9,809,870							
Works capitalized		795,654					795,654							
Disposals														-
As at 30th June 2016	430,250,000	809,264,451	38,286,056	30,916,239	81,167,566	54,972,795	1,444,857,107							
Additions - Purchases	-	-	953,282	-	74,659,524	9,423,764.26	85,036,570							
Additions - Donations	-	-	-	-	-	8,531,760.00	8,531,760							
Works capitalized		59,948,607					59,948,607							
Disposals	-	-	-	-	-	-	-							-
As at 30th June 2017	430,250,000	869,213,058	39,239,338	30,916,239	155,827,090	72,928,319	1,598,374,044							
Depreciation and impairment														
As at 1st July 2015														
Accumulated Depreciation		89,357,251	30,374,257	27,900,232	43,802,860	40,502,807	231,937,407							
On Disposals														-
Impairment														-
Depreciation for the Year		16,185,289	4,724,636	1,508,004	9,309,224	6,652,613	38,379,766							
As at 1st July 2016	-	105,542,540	35,098,893	29,408,236	53,112,084	47,155,420	270,317,173							
On Disposals		-	-	-	-	-	-							-
Impairment		-	-	-	-	-	-							-
Depreciation for the Year		17,384,261	1,922,417	1,508,003	17,703,494	11,148,627	49,666,802							
As at 30th June 2017	-	122,926,801	37,021,310	30,916,239	70,815,578	58,304,047	319,983,975							
Net book values														
As at 30th June 2016	430,250,000	703,721,911	3,187,163	1,508,003	28,055,482	7,817,375	1,174,539,934							
As at 30th June 2017	430,250,000	746,286,257	2,218,028	-	85,011,512	14,624,272	1,278,390,069							

## kenya national library service

26 Intangible Assets - Software	2016/2017	2015/2016
Cost	Kshs	Kshs
As 1 July 2016	3,354,319	733,333
Additions in the year	168,000	3,781,480
Amortization for the year	(1,683,160)	(1,160,494)
<b>Total</b>	<b>1,839,159</b>	<b>3,354,319</b>

\* An amount of **Kshs.1,537,332** was paid for the purchase of the HR Software. The project is ongoing and therefore not included in the schedule.

27 Movement of Book Stock	2016/2017	Value	2015/2016	Value
	No. of Books	Kshs.	No. of Books	Kshs
Opening balance	1,546,934	786,011,055	1,482,115	741,848,014
Add: Govt purchases	8,132	5,643,679	13,207	475,465
Donor purchase				1,719,767
Donations	59,144	48,262,812	59,236	44,518,870
Resurfaced books	77	26,654	133	44,646
Less: Withdrawn books	(23,596)	(7,914,397)	(7,757)	(2,595,707)
<b>Total</b>	<b>1,590,691</b>	<b>832,029,802</b>	<b>1,546,934</b>	<b>786,011,055</b>

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

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

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 recognized and valued as stated in paragraph II.

28 Movement of Work in Progress						
	Opening Balance	Additions	Expensed	Capitalized	Closing Balance	
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Bute		121,400	121,400			-
Dzitsoni		461,650		461,650		-
Gatimbi Community	14,712,190	9,991,060	4,761,243	19,942,007		
Kabamet		413,700	413,700			
Kakamega	4,084,947	-	-	4,084,947		-
Kangema		36,800	36,800			-
Kapsabet	18,000	1,279,981	-			1,297,981
Kilifi		90,000	90,000			-
Kisii	10,512,909	-	575,640	9,937,269		-

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Kisumu	9,958,545	-	-	9,958,545	-
Kithasyu		50,300	50,300		-
Lagam	3,924,927	-	76,517	3,848,410	-
Lelechonik		30,000	30,000		-
Lusumu	6,043,284	34,951	165,970	5,912,265	-
Masalani		110,000	110,000		-
Mbalambala		120,000	120,000		-
Moyale		151,250	151,250		-
NBI- Proposed HQ	1,389,492,367	309,288,803	15,834,071		1,682,947,099
Nyilima	2,810,001	-	24,643	2,785,358	-
Rambula		17,907	17,907		-
Tarbaj		126,000	126,000		-
Wajir		76,800	76,800		-
Werugha		116,780	116,780		-
Wundanyi	3,351,964	-	333,809	3,018,156	-
<b>Total</b>	<b>1,444,909,134</b>	<b>322,517,381</b>	<b>23,232,829</b>	<b>59,948,607</b>	<b>1,684,245,080</b>

### 29 Trade Payables Exchange transactions

	2016/2017	2015/2016
Trade Creditors	136,536,774	123,911,210
Advance Receipts	387,655	178,079
Third party payments	10,178,724	
<b>Total</b>	<b>147,103,153</b>	<b>124,089,289</b>

### Refundable deposits (Rental)

	2016/2017 Kshs.
Safaricom Shop - Buruburu	1,399,847
Equity Bank - Buruburu	1,596,987
CFC Bank - Buruburu	658,035
Agha Khan University Hospital - Buruburu	1,200,870
Candy Shop - Mombasa	5,500
Canndy Shop Annex - Mombasa	12,000
Eraeva Canteen - Nakuru	67,991
Kenya Film Classification - Nakuru	142,540
<b>Total</b>	<b>5,083,770</b>

### Current Provisions - Audit Fees

Balance at the beginning	1,980,000	1,280,000
Additional Provisions	700,000	700,000
Provision Utilised	(700,000)	
Transfers from Non-current provisions		
	<b>1,980,000</b>	<b>1,980,000</b>
<b>Total Trade Payables</b>	<b>154,166,924</b>	<b>126,069,289</b>

**30 Trade payables from non-exchange transactions**

**Gratuity**

Balance at the Beginning	992,000	-
Additional	1,190,400	992,000
<b>Total</b>	<b>2,182,400</b>	<b>992,000</b>

**31 Deferred income – Public Contributions and donations**

Book donations	210,602,991	162,340,179
Fixed Assets	10,315,089	8,355,722
Cash donations	6,373,654	6,055,077
<b>Total</b>	<b>227,291,733</b>	<b>176,750,978</b>

**31a Deferred income movement**

	Book Donations	Fixed Asset	Cash Donations	Total
Balance brought forward	162,340,179	8,355,722	6,055,077	176,750,978
Additions in the year	48,262,812	8,531,760	9,771,905	66,566,477
Transfers to Capital Fund				
Transfers to Income Statement		(6,572,393)	(9,453,329)	(16,025,722)
Other transfers				
<b>Balance carried forward</b>	<b>210,602,991</b>	<b>10,315,089</b>	<b>6,373,654</b>	<b>227,291,733</b>

**32 Cash generated from Operations**

	Note	2016/2017 Kshs	2015/2016 Kshs
Surplus(Deficit) for the year		(36,098,415)	(28,597,309)
<b>Adjusted for :</b>			
Depreciation	25	49,666,802	38,379,766
Amortization of software	26	1,683,160	1,160,494
Resurfaced books	27	(26,654)	(44,646)
Donations (FA)	7	(6,572,393)	(3,728,473)
Withdrawn books	27	7,914,397	2,595,707
Deferred income (Cash)	31a	6,373,654	6,055,077
Contribution to provisions	22a	4,826,855	
Contribution to impairment		(1,961,110)	(1,538,497)
<b>Operating Deficit Before Working Capital Changes</b>		<b>25,806,296</b>	<b>14,282,119</b>
(Increase) / Decrease In inventory	23	(2,053,480)	2,306,096
(Increase) /Decrease in provisions for doubtful debts		231,702	(5,058,557)
Increase / (Decrease) in payments received in advance		-	20,900
(Increase) / Decrease In receivables		(3,879,076)	13,987,971
(Increase)/(Decrease in prepayments	24	(6,042,193)	-
Increase / (Decrease) In payables		28,097,635	(4,078,314)
(Decrease)/Increase in Provisions		1,190,400	(1,680,800)
<b>Net Cash Outflow From Operating Activities</b>		<b>43,351,283</b>	<b>19,779,415</b>

### 33 Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

#### (j) Credit Risks

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2017</b>				
Receivables from exchange transactions	6,384,893	-	2,015,650	0
Receivables from non-exchange transactions	7,541,502	-	2,811,205	11,490
Bank balances	92,664,583	92,664,583	-	0
<b>Total</b>	<b>106,590,978</b>	<b>92,664,583</b>	<b>4,826,855</b>	<b>11,490</b>
<b>At 30 June 2016</b>				
Receivables from exchange transactions	4,307,476	-	2,402,850	-
Receivables from non-exchange transactions	5,739,843	-	2,655,707	-
Bank balances	399,226,240	-	-	-
<b>Total</b>	<b>409,273,559</b>	<b>-</b>	<b>5,058,557</b>	<b>-</b>

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

#### (ii) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2017				
Trade payables		154,166,924		154,166,924
Provisions		1,980,000	2,182,400	4,162,400
Deferred Income			227,291,733	227,291,733
Employee Benefit Obligations				-
Total	-	156,146,924	229,474,133	385,621,057
As at 30 June 2016				
Trade payables	126,069,289			126,069,289
Provisions		1,980,000	992,000	2,972,000
Deferred Income			176,750,978	176,750,978
Employee Benefit Obligations	-			-
Total	126,069,289	1,980,000	177,742,978	305,792,267

### 34 Related Party Transactions

#### a) Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

The entity is related to:

- i) The National Government;
- ii) The Parent Ministry;
- iii) Board of directors;
- vi) Key Management

#### b) Related Party transactions

	2016/2017	2015/2016
	Kshs.	Kshs.
Transfers from related parties'	760,180,000	1,167,321,429
Transfers to related parties'	-	-
<b>Total</b>	<b>760,180,000</b>	<b>1,167,321,429</b>

c) Key Management remuneration

	2016/2017 Kshs.	2015/2016 Kshs.
Directors' emoluments	16,543,280	16,543,280
<b>Key Management compensation</b>		
Senior Management Salary and benefits	18,969,171	19,240,462
<b>TOTAL</b>	<b>35,512,451</b>	<b>35,783,742</b>

**35 Movement in Capital Reserve - Kshs.83,300,786**

1. Depreciation of capitalized building works @ 2% of Kshs.59,948,607 for FY 2016/2017	1,198,972
2. Depreciation of capitalized building works @ 2% of Kshs.795,654 for FY 2015/2016	15,913
3. Depreciation of capitalized building works @ 2% of Kshs.17,163,337 for FY 2014/2015	343,267
4. Depreciation of Furniture & Fittings @12.5% of Kshs.74,659,524	9,332,441
5. Depreciation of Computers - Automation @ 33% of Kshs.5,556,204	1,833,547
6. Expensed works for FY 2016/2017	70,576,646
<b>TOTAL</b>	<b>83,300,786</b>

## XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

### Issue / Observations from Auditor

#### 1. Property, Plant & Equipment

- a) The property, plant and equipment balance of Kshs.1,174,539,934 reflected in the financial statements as at 30th June 2016, as similarly reported in 2014/2015 excludes thirty five 35 parcels of land with an estimated value 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 30th June 2016.

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

- c) Further the Property, Plant and Equipment balance net book value disclosed under fixed assets movement schedule - Note 22 to the financial statements, excludes the values of fully depreciated assets of Kshs.81,669,406.25. 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 revaluation of the property, plant and equipment balance of Kshs.1,174,539,934 could not be confirmed.

### Management Comments

The value of the Property, Plant & Equipment balance of Kshs.174,539,934 as stated in the Financial Statements excludes 35 parcels of land with an estimated value of Kshs.12.5M as per the Auditors' observation. The said parcels include land donated by the community to knls while others knls is in possession of allocation letters awaiting formalization and issuance of Title deeds. IPSAS 16 requires that an entity can only include/declare any property in the Financial Statements if it is in possession of the ownership documentation. In this case knls is still pursuing the ownership documentation and have the same included as Property, Plant & Equipment and in the Financial Statements.

The registration of ownership documents for these parcels of land is in different stages as summarized below;

- 2.1.1 40 No.- Parcels of land with title deeds/certificates of leases
- 2.1.2 13 No.- Parcels of land with letters of allotment from the defunct local authorities
- 2.1.3 20 No.- Free hold parcels of land owned by communities with operational library buildings
- 2.1.4 1 No. - Free hold undeveloped parcel of land in Sabatia (Vihiga County)
- 2.1.5 1 No. - Undeveloped parcel of land in Awendo (with library services currently being provided from Sony Sugar Primary School compound)

The omission of the thirty five (35) parcels of land valued at approximately Kshs.13,530,000 under 2.1.2 and 2.1.3 above 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 in 2.1.2 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 29th April 2013 (Appendix III) and to the National Land Commission ref. KNL/HQ/AD/14BVol.I/17 dated 19th August 2013 (Appendix IV). No response has been received so far.

The knls Board appreciates the requirement of the International Accounting Standard 16 on Non-current assets as stated. Non-current assets when fully depreciated ought to be revalued

as long as it is probable that the future economic benefits associated with the asset will continue to flow to the entity and the cost of the asset can be measured reliably.

The knls Board has not been able to carry out a revaluation of its assets in the recent past due to budgetary constraints. The knls network is wide and comprises of 61 branch libraries country wide. This has posed a challenge in mapping out the most cost effective way of carrying out the revaluation.

The Management in January 2014 wrote to the Chief Valuer – Ministry of Public Works vide: C/KNL/HQ/AD/192/VOL.3/7 dated 21st January 2014. (Appendix V) requesting for valuation to be carried out on knls parcels of land and assets to ascertain their current value status. There has been no official communication on this request to date. A second letter was written to the Ministry of Lands, Housing and Urban Development C/LM;/AD/192/VOL.3/8 dated 6th October 2015 requesting for valuation of Land, buildings & Movable Assets. (Appendix VI). The response is still awaited.

**Focal Point Person:** Richard Atuti, CEO

**Status:** Not Resolved

- a) The Board has since advised that since the functions of knls are devolved as per Schedule IV of the COK 2010, the revaluation exercise can be carried out in phases starting with the parcels of land that will not be devolved as a strategy road map for those that will be devolved. More consultations and communication will be made to the relevant agencies in pursuit of this matter.

It is worth noting that the parcels of land owned by knls have been valued and revalued at different times since their acquisition. Once the revaluation strategy is agreed on and carried out, knls will update the non-current assets register accordingly.

- b) The Board has pursued the correspondences and has since received communication from the Ministry of Transport, Infrastructure Housing and Urban Development – State Department of Housing and Urban Development vide ref: MLHUD/DH/ED/5/4/VOL.111(61) dated July 4<sup>th</sup> 2017. This letter confirms the team that has been set up to carry out the valuation of land, buildings and movable assets. This will be carried out in the next financial year.

**Time Frame** - in 12 months effective September 2017.

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

As reported in 2014/2015, Kenya National Library entered into a contract for the 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<sup>th</sup> April 2012 and ending on 19<sup>th</sup> January 2017. Information available indicates that the percentage of work certified as at 30<sup>th</sup> 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.

### Management Comments

The National Library of Kenya/knls Headquarters project was conceived and conceptualized by the knls Board as a Vision 2030 Flagship project. 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 as follows;

Financial Year		KES
FY'2011/12	-	163,574,620
FY'2012/13	-	227,099,093
FY'2013/14	-	348,000,789
FY'2014/15	-	440,482,200
FY'2015/16	-	516,000,000
<b>Total</b>	-	<b>1,695,156,702</b>

It is worth noting that knls received the bulk of the Development grant for the FY 2015/2016 amounting to Kshs.399,294,616.85 on the 23<sup>rd</sup> of June 2016. It was therefore not feasible to utilize the allocated funds within the remaining 7 days to end of Financial Year. An amount of Kshs.339,252,080 was thus rolled over to 2016/2017 budget under the project. In addition to the above allocations, the development funds that were allocated to knls for FY'2016/17 as per the printed estimates was Kshs.190,000,000. This has since been reduced by half to read Kshs.95,000,000 and the project specifically allocated Kshs.76,119,946 giving a total cumulative resource allocation of Kshs.1,771,269,648 to 30<sup>th</sup> June 2017. It is worth noting that the contract sum of Kshs.2,055,200,200 is exclusive of the consultants' fees and since inception the consultants have been paid as per the guidelines of The Joint Building Council Price Index alongside the interim certificates from the Main contractor.

As noted above, the inadequate funding towards the project has affected the implementation rate of the project. The Board remains positive that it will be able to secure adequate funding from Government towards completion of the project.

**Focal Point Person:** Richard Atuti, CEO

**Status:** Resolution on-going

**Time Frame:** 12 months

### 3. Recognised Income

The statement of financial performance for the year ended 30<sup>th</sup> June 2016 reflects a figure of Kshs.3,728,473 as recognised income. However, an 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.

#### Management comments

IPSAS 9 – “Certain specific items to be recognized as revenues are addressed in ... donations. .... servicing, that amount is deferred and recognized as revenue over the ...” The recognized income in the Financial Statement amounting to Kshs.3,728,473 was a computation of the depreciation of donated assets in form of furniture, computers and equipment. The tabulation is attached as appendix VIII The 59,236 copies of books worth Kshs.44,519,168 have not been depreciated as knls is in the process of developing a depreciation policy which will encompass treatment of the donated books and their respective depreciation rates. This will be implemented and effected once the policy is approved and adopted by the Board.

**Focal Point Person:** Julie Musandu – Principal Accountant

**Status:** Resolved

### 4. Employee Costs

As reported in 2014/2015, knls 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). A revisit of RBS records revealed that thirteen (13) retired scheme members were overpaid by kshs.4,291,802.18 and only Kshs.482,064.80 had been recovered leaving an outstanding balance of kshs.3,809,736.50 as at 30th June 2016.

In addition and a previously reported the RBS financial statements for the year ended 31 December 2015 indicated Kshs.3,866,384 as the overpayment while the knls Retirement benefits scheme records reflected a figure of Kshs.3,809,736.50 resulting into 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 to reconcile the records.

The accuracy of employees costs figure of kshs.506,730,005 for the year ended 30th June 2016 could not be confirmed.

#### Management Comments

As reported in the knls Staff Retirement Benefits Schemes Audited Financial Statements for the year ended 31st December 2015, there was a figure of Kshs.3,866,384 reflected under the Current Assets as overpayment in 2007.

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The scheme records reflects a figure of Kshs.3,809,736.50 resulting to a difference of Kshs.56,647.50. This anomaly has been brought to the attention of the scheme trustee and they will advise the scheme auditor to rectify it while preparing the 2016 Financial Statements.

The scheme trustees are still pursuing recovery of the remaining balance and the current balance is Kshs.3,809,736.50 as per the following recovery schedule.

### 2007 OVERPAID RETIRED MEMBERS RECOVERIES

NO	NAME	PF/NO	AMT OVERPAID	AMOUNT RECOVERED	OUTSTANDING BAL
1	Burrow I. Koryo	1123	104,387.87	28,270.00	76,117.87
2	Dina Waka	374	153,084.96	33,799.00	119,285.96
3	Joseph N.Mutune	360	170,991.55	21,532.00	149,459.55
4	Daniel Hyimo	159	185,052.65	34,537.00	150,515.65
5	Daniel Ogechi	625	118,823.53	29,375.00	89,448.53
6	Teresa Njoroge	172	185,046.91	33,365.00	151,681.91
7	Isaac Ibro Shako	390	148,086.06	31,128.00	116,958.06
8	Raphael k. Karani	175	185,044.45	37,340.80	147,703.65
9	Florence Nzwii	58	497,416.56	10,000.00	487,416.56
10	Japhether M. Vuyiya	155	559,140.76	10,000.00	549,140.76
11	Nellie E Tendwa	109	629,139.58	10,000.00	619,139.58
12	Mary Kambona	268	309,774.56	-	309,774.56
13	Deborah Nyabundi	128	843,093.86	-	843,093.86
14	Philemon Chebon	431	202,718.88	202,718.00	-
			4,291,802.18	482,064.80	3,809,736.50
		2015 ACCOUNTS			3,866,384.00
		PENSION RECORDS			3,809,736.50
					56,647.50

As part of the mitigation measures that The Trustees had identified and reported, we confirm that:

- a) The Scheme revised its Policy and introduced an Indemnity Insurance Cover to caution the Scheme from any loss into the future.
- b) The Scheme is considering the possibility of writing off the amount owed by Mary Kambona who died after receiving the payment and any other amount that the Trustees may be unable to recover.

**Focal Point Person:** Richard Atuti, CEO

**Status:** Partially resolved

The Scheme Fund Audited Financial Statement for the year ended 31st December 2016. Indicate a balance of Kshs. 2,577,589 having written off Kshs. 1,288,795 during the year.

**Time Frame:**

### OTHER MATTERS

#### 1.0 Budget Control and Performance

#### 1.1 Revenue

Kenya National Library Service (knls) had budgeted to collect revenue of Kshs.680,960,599.00 from the following sources:

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Revenue Head	Budget Kshs.	Actual Kshs.	Excess/ shortfall Kshs.	Excess/ shortfall %
Government grants,	545,000,000	545,000,000		
Supplementary budget (FY 2015/16	58,000,000	58,000,000		
<b>Sub Total</b>	<b>603,000,000</b>	<b>603,000,000</b>		0%
Public Contributions and donations	28,097,419	15,697,449		(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 contribution and donations items where knls had budgeted to receive Kshs.28,097,419 but received only Kshs.15,697,449 or 44% only.

### Management Comments

knls prepared its recurrent budget for the year 2015/2016 based on the budget estimates released from The National Treasury. During Supplementary 1, knls received additional funds of Kshs.58Million and had a revised budget of Kshs.680,960,599. As at 30th June 2016, the Actual collections were Kshs.665,483,575 depicting a shortfall of Kshs.15,791,963. The shortfall was attributed to the non-receipt of the Education and Supplies (Book Grant) of Kshs.12,400,000 and Kshs.3,077,053 from the donor funded component included in the budget. The correct shortfall isKshs.15,791,963and not Kshs.15,477,023. This has been amended.

**Focal Point Person:** Julie Musandu – Principal Accountant

**Status:** Resolved

### 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:

Expenditure head	Budget Kshs	Actual Kshs	Over/under Kshs.	Over/under %
Compensations 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>(50)</b>

The over expenditure mainly occurred under repairs and maintenance where knls had budgeted to spend Kshs.15,980,275 but spend Kshs.16,481,809 representing an increase of Kshs.501,534 or 3%. The over expenditure of 3% was also attributed to unbudgeted security programmed entered between knls and CAK requiring enhancement of security within their branches following donation of computers by the

## kenya national library service

Authority. Knls also budgeted for kshs.13,450,000 on utilities costs but spent kshs.13,835,087 resulting to over expenditure of kshs.385,087 or by 3%.

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

### Management Comments

Expenditure item	Budget (Kshs)	Actual (Kshs)	(Over)/Under (Kshs)	%over/ under exp.
Compensation of Employees	515,820,913	506,730,005	9,090,908	1.76
Travel Costs	9,500,000	9,548,615	-48,615	-1
General Expenses	121,109,411	95,258,504	25,850,907	21
Utilities	13,450,000	13,835,087	-385,087	-2.86
Repairs ,Maintenance Costs	15,980,275	15,625,149	355,126	-
Board Expenses	5,100,000	4,809,827	290,173	5
Depreciation & Amortisation		39,540,259.67		
<b>Total</b>	<b>680,960,599</b>	<b>685,347,455</b>	<b>35,153,413</b>	

The Table above is an extract of what was presented in the Financial Statements.

The Over expenditure of Kshs.385,087 under the utilities gives a 2.86% variance from the budget. This is within the allowable limit for any explanation on over expenditures and being a utility vote which was used to pay for water and electricity bill during the year. The electricity and water bills are paid based on consumption at the end of each billing period and may vary due to tariff changes. The installation and implementation of ICT equipment from the Communication Authority under Phase II of the project covering 47 branch libraries, has also contributed to the increase in power consumption. This was implemented in the last quarter of the Financial Year.

Further the total amount indicated as spent under the Repair & Maintenance Cost of Kshs.18,256,884 in the Statement of Financial Performance has been amended. Under the Repair and Maintenance of Computers the amended amount now reads Kshs.8,610,165 as it included entries on expenditure for internet services. Journals have been drawn to rectify and the correct account of Internet Connections under General expenses charged(see Appendix I). The General expenses goes up by Kshs.1,775,075 with respect to the Internet while the Repair & Maintenance of computers goes down by the same amount. The error is in the Statement of Comparison of Budget & Actual Amount has also been amended and the correct Statement included in the revised Financial Statements. The note explaining the variances remains as had been earlier stated.

**Focal Point Person:** Julie Musandu – Principal Accountant

**Status:** Resolved

Noah Katana Ngala

Hon. Noah Katana Ngala, EGH  
Chairman knls Board

Date.....  
5-4-18

Richard M. Atuti

Richard M. Atuti, OGW  
Chief Executive Officer, knls

Date.....  
5.4.18

XIX. Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY

Project	Total project cost	Total expenditure to date	Completion %	Budget Commitment	Actual
	Kshs.	Kshs.		Kshs.	Kshs.
1 National Library of Kenya & knls Headquarters	2,500,000,000	1,682,947,099	68.9	404,440,883	309,288,803
2 Gatimbi Community Library	13,616,838	13,176,868	100	13,616,838	13,176,868
3 Kisii Library - Access Road and Roof overhaul	1,000,000		0	1,000,000	
4 Kapsabet Community Library - Ablution Block	2,782,000	1,279,981		2,782,000	1,279,981
5 Dzitioni - Sealing Eaves for Bat Control	1,365,741	461,650	100	1,365,741	461,650
6 Communication Authority Partnership					
Kithasyu Community Library	50,300	50,300	100	50,300	50,300
Bute Community Library	121,400	121,400	100	121,400	121,400
Tarbaj Community Library	126,000	126,000	100	126,000	126,000
Mbalambala Community Library	120,000	120,000	100	120,000	120,000
Lelechonik Community Library	30,000	30,000	100	30,000	30,000
Masalani Community Library	110,000	110,000	100	110,000	110,000
Kilifi Community Library	90,000	90,000	100	90,000	90,000
Kangema Community Library	36,800	36,800	100	36,800	36,800
Nyilima Community Library	95,200	95,200	100	95,200	95,200
Wundanyi Community Library	116,780	116,780	100	116,780	116,780
Moyale Community Library	151,250	151,250	100	151,250	151,250
7 Automation - HR, Upgrades	14,000,000	7,383,853		14,000,000	7,383,853



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