

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

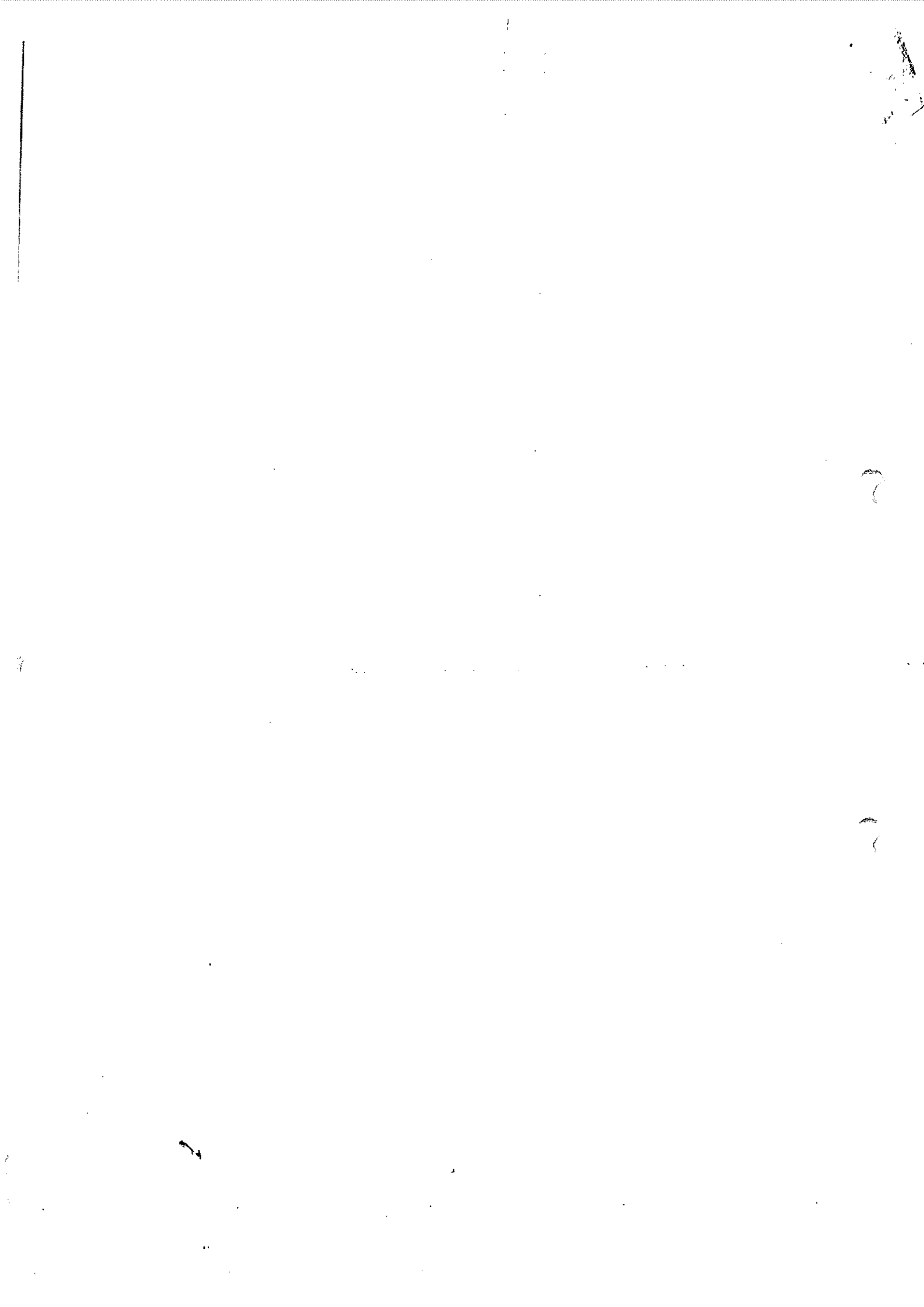
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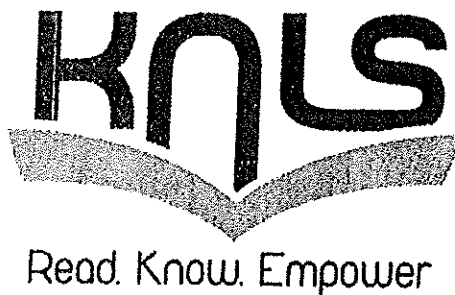
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
KENYA NATIONAL LIBRARY  
SERVICE

FOR THE YEAR  
ENDED 30 JUNE 2015





kenya national  
library service

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# **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2015**

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

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

### (a) Background information

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

### (b) Principal Activities

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

### (c) Key Management

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

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

### (d) Fiduciary Management

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

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

### (e) Fiduciary Oversight Arrangements

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

#### a) AUDIT COMMITTEE

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

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

**b) FINANCE & PROJECT COMMITTEE**

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

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

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

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

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

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

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



**(h) Independent Auditors**

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









**(i) Principal Legal Adviser**

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








II. THE BOARD OF DIRECTORS AS AT 30<sup>TH</sup> JUNE 2015

S.No	Director Passport size photo & Name	Date of Birth, Key Professional/academic Qualifications, Work Experience
1.	<p>Samwel Nyangeso</p> 	<p><b>Chairman – with effect from January 2014</b></p> <p>DOB: 1963</p> <p>Qualifications: 'O' Level</p> <p>Experience: 10yrs Mayor of Kisii Town; 7yrs Board Director Kisii Level 5 Hospital; 5yrs Board Director Gusii Water Company; 6yrs National Chairman- Association of Local Government Employers; 10yrs Chairman- Kenya Football Federation Nyanza South; PR Officer Athletic Kenya-Kisii County since 2013.</p>
2	<p>Richard M. Atuti</p> 	<p><b>Chief Executive Officer – Secretary to the Board</b></p> <p>DOB: 1962</p> <p>Qualifications: MA, B.A, &amp; Post Graduate Diploma-Library &amp; Information Science – Makerere University.</p> <p>Experience: 22 years in Public Services 15 of which in Senior Management level in the knls Board.</p>

### III. MANAGEMENT TEAM AS AT 30<sup>TH</sup> JUNE 2015

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



9.	<p>Carolyn Kayoro</p> 	<p><b>Qualifications:</b> MA in Library and Information, BSC in Information Science</p> <p><b>Responsibility:</b> Principal Librarian</p>
10.	<p>Philomena Mwirigi</p> 	<p><b>Qualifications:</b> MA in Information and Library Management, BA in Information and Library Management</p> <p><b>Responsibility:</b> Principal Librarian</p>
11.	<p>Alex Ombongi</p> 	<p><b>Qualifications:</b></p> <ul style="list-style-type: none"> <li>• Postgraduate Diploma in Computing</li> <li>• Bachelor of Science in ICT</li> <li>• MA in Information Technology</li> </ul> <p><b>Responsibility:</b> Principal ICT Officer</p>
12.	<p>Geoffrey Ruto</p> 	<p><b>Qualifications:</b> Masters in Commerce, B.Com(Banking Option)</p> <p><b>Responsibility:</b> Senior Administrative Officer</p>
13.	<p>Margaret Mwangi</p> 	<p><b>Qualifications:</b> B.Com Accounts, CPA(K), Dip. Risk Management</p> <p><b>Responsibility:</b> Principal Internal Auditor</p>
14.	<p>Janet Chepkemoi</p> 	<p><b>Qualifications:</b> MBA (Entrepreneurship and Innovation) Ongoing B.Com (Procurement &amp; Business Logistics)</p> <p>KISM, CIPS, NPLA</p> <p><b>Responsibility:</b> Principal Supply Chain Officer</p>
15	<p>Betty Kalugho</p> 	<p><b>Qualifications:</b> Bachelor of Science (Information Science)</p> <p><b>Responsibility:</b> Principal Librarian</p>

#### IV. CHAIRMAN'S STATEMENT

I am delighted to present the knls Board's Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2015. This has been another year of fair performance in the face of challenging, albeit slightly enhanced government funding in the development grants and gainful partnerships. Backed by a deliberate, carefully thought out and well executed strategy, knls managed to overcome the challenges despite the shortfall funding on the recurrent budget of kshs.24, 229,472 and achieved fair results during the year under review. knls was able to successfully realize her targets in meeting her mandate geared towards community empowerment through access to information, promotion of social cohesion and participation in nation building.

Development of the National Library of Kenya which is a Vision 2030 flagship project dominated the priority list of knls Board's development programmes. This is a government-funded project and its implementation has received unwavering support through the Parent Ministry i.e. the Ministry of Sports, Culture and the Arts. By the end of June 2015, the completion of this project was at 53% complete. It is expected that all other things remaining constant, wing A of phase I of the project will be ready for occupation by December 2015.

Guided by the vision *"to enable access to information for knowledge and transformation of livelihoods"* knls Board continued with the promotion campaigns for establishment of more libraries especially in areas without such facilities. This was done through collaboration with CDF Committees, the County Chief Executives, other development partners and well wishers. Some of the tangible benefits that accrued from these partnerships included: a) Establishment of Kangema Library in Murang'a County; and b) the ground breaking for the construction of a Ksh.38 Million library in Eldama Ravine, Baringo County which was presided by Governor Benjamin Cheboi of Baringo County on 25<sup>th</sup> May 2015. The Board continues to sensitize the County Governments and the Members of Parliament on the need to set aside funds from their development kittys for the purpose of establishing libraries, which translate to community resource centres.

Another milestone that the Board has achieved during the year under review is the introduction of Microsoft IT training in some knls branches in August 2014. Microsoft established the Microsoft IT academies in knls libraries with a focus to offer unlimited access to eLearning training materials to enable library customers and all interested persons study and be certified for IT professional courses.

The other knls' major high point during the year under review was the implementation of the transformation strategy that was approved by the Board during the last financial year 2013/14. The execution of the various special purpose vehicles outlined by the strategy went on well although at a slow pace due to financial constraints. The Board singled out some of what was considered as low-hanging fruits to set the ball rolling. These included: i) review of library fees, which was preceded by gazettelement of the same by the Cabinet Secretary, Ministry of Sports, Culture and the Arts, Dr. Hassan Wario; and ii) installation of the software to facilitate online acquisition of ISBN by Kenyan publishing firms and self-publishing authors.

The Board continues to prioritize customer satisfaction in all its engagements and to this end various initiatives are being undertaken to create and deliver high-quality, innovative products and services. In the next financial year, some of the key activities lined up for implementation include: a) establishment of a virtual library to facilitate broad online access to library services by the public. This is also expected to ease the challenge of space in the static libraries; b) Digitization of library information materials to facilitate unlimited access.

With a view to monitor the overall performance, the Board has undertaken a mid-term review of the knls 2017 Strategic Plan. This will help in providing the Board with insights and recommendations for the final period of the current Strategic Plan.

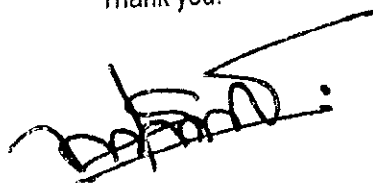
As regards the increase to the uptake of ICTs by the public, plans to automate over 40 knls libraries by the Communication Authority (CA) of Kenya are at an advanced stage. This follows the successful implementation of a similar project by CA in 10 knls branches in various parts of the country. This will be a big boosted towards the operationalization of the Microsoft IT Academies in all knls branches.

The tablets e-Learning project that was implemented in our Kibera library in 2012 through the support of Electronic Information For Libraries (eifl) is another highlight towards enhancing the uptake of ICTs among the young children. The success of this project led to replication of a second project sponsored by BAI in five more branches.

With the positive response that we have been enjoying from development partners and well-wishers, knls Board is optimistic that in deed access to information will take its pivot position among community members in facilitating them to be actively in nation building.

I wish to sincerely thank and appreciate our stakeholders including the Government of Kenya, donors, partners and library clients for their support in the implementation and sustainability of library programmes. I also acknowledge the commitment and leadership of the knls CEO, Mr. Richard Atuti in guiding Management and Staff throughout the year under review. I have no doubt that together we will make knls "*The hub of Information and knowledge for empowerment*".

Thank you.



Samwel Nyangeso

Chairman, knls Board

## V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The year 2014/15 has been a period classified by consolidation of activities focused on integration of ICTs in our library operations. We have gained plausible partnerships that have facilitated the implementation of ICTs-based projects in several knls branches countrywide. This is in addition to the primary support accorded to us by GoK through our Parent Ministry for Sports, Culture and the Arts.

The year under review marked the third year of the implementation of our strategic plan 2012/17. All efforts were focused on realizing our growth potential, which aims at ensuring wide access to library and information services through the use of technology, investing in solutions that improve our customers' satisfaction, and driving efficiencies in our operations. This combination is what is calculated to bring about the desired transformation of livelihoods among communities. For us to track the progress we made against each of the strategic objective, we embarked on comprehensive mid-term review of our Strategic Plan 2012-2017.

Some of the key achievements realized during the year under review are highlighted in the following sections.

### **a) Implementation of the National Library of Kenya flagship project**

Construction of the New National Library of Kenya building has continued to register impressive advancement. This is a GoK funded project that commenced in April 2012. During the year under review the implementation progress reached 53%. This was achieved due to prudence utilization of the budget allocated to knls by the Government.

### **b) Establishment of New Libraries**

Access to library and information services by all communities has been a great concern to knls Board over the years just as it has been to communities that have no access to libraries. However the collaboration with development partners, CDF Committees and individuals has resulted to notable expansion of library services through development of several Community Libraries. During the year under review, knls welcomed the opening of an additional Community Library in Kangema that was developed through support from the area CDF Committee. This is the second public library in Murang'a County. Another upcoming development is the construction of Eldama Ravine public library. The ground-breaking ceremony, where knls Board was represented by the CEO Mr. Richard Atuli, was conducted by Governor Benjamin Cheboi of Baringo County in May 2015. The construction of this library is being supported by CDF and Waitrose Foundation at a cost of Ksh. 38 Million. Other partners in addition to knls Board who provided the land for the construction of the library include Baringo County Government and Eldama Ravine Education Foundation. The library is expected to be complete by 2017.

### **c) knls libraries licensed to become Microsoft IT Academies**

The year under review recorded the established of Microsoft IT academies in knls libraries. This followed the signing of a contract between knls and Microsoft in August 2014. The idea behind this initiative was to ensure unlimited access to eLearning training materials that would enable library customers and all interested persons to study for IT professional courses. The project will convert library centres to eLearning and collaboration hubs. It offers an opportunity especially for Kenyan youth to develop their IT skills and get globally recognized certificates in various IT courses right at their village. 28 branches were licensed to operate as Microsoft IT

Academy, and the librarians in those branches were given induction training to enable them effectively provide registration services and the necessary advice to the applicants at the grass root level.

#### **d) knls SCOPES TOP CIO 100 PLUS ONE AWARD IN THE EDUCATION SECTOR**

Following establishment of knls libraries as Microsoft IT Academies, knls scoped the top CIO 100 Plus One Award in the education sector. This is an annual award given to organizations leading in adoption and use of information technology in innovative ways. The fourth edition of the Annual CIO 100 Awards gala was held on 14<sup>th</sup> November 2014 at Enashipai Resort in Naivasha. knls was listed among top 100 organizations out of 560 entries from East and Central Africa. Seven (7) awards were presented for different categories with knls emerging the winner of Plus One Award in Education Category.

#### **e) e-Learning Tablets Project**

The successful implementation and uptake of the e-Learning Tablets Project in Kibera library since 2012 has solicited tangible interest from donor organizations and development partners. Kibera project which has been a success story was sponsored by Electronic Information For Libraries (eifl). This success inspired BAI (UK) to replicate a similar project in three other libraries i.e. Meru, Kisumu and Isiolo. The BAI project which included donation of 30 new computer tablets for each library was first piloted in Meru library in November 2013. During the year under review, BAI rolled out the project in the other two branches i.e. Kisumu and Isiolo in May 2015. To actualize the project, knls teamed up with an educational agency, eLimu eLearning Company, which creates attractive and interactive local educational content that is related to the school curriculum, and loads it onto the tablet computers. Children and their teachers are able to access the digital educational materials including curriculum content, timed exams, games, puzzles and stories. They are taught relevant computer skills to enable them navigate the digital and online content available on the tablets.

Through the BAI project, Meru library has embarked on introducing ICT skills through the use of computer tablets to pupils and teachers in institutions for children with disabilities in Meru. These include Kaaga School for Children with hearing impairment and Meru Primary School for children with autism. The library staffs take the tablets to these institutions and both children and their teachers are able to access the electronic educational contents. For the children with hearing abilities, the teachers act as the interpreters between the children and the library staff. However once the children are given simple instructions, they are able to navigate through the preloaded educational content in the tablets. The children have embraced the use of the tablets and are very excited about the new ICT skills they have acquired. This is crucial in preparing them to face the world of technology.

#### **f) eReaders in knls libraries to promote reading**

knls is keen to expand the services to include access to friendly information technology that will encourage both the young and old to use libraries and improve their reading. In the last financial year, knls partnered with the U.S.-based non-profit organization World Reader in 2014 to introduce eReaders in Kakamega, Kisumu, Dr. Robert Ouko Memorial and Nyilima libraries. Every library received 25 eReaders each. This project was funded by Bill and Melinda Gates Foundation through World Reader.

During the under review, eReaders were introduced in Kibera library. These were acquired from World Reader through support from Berkley Trust Family and Practical Action. The donation included 50 eReaders loaded with curriculum and other educational materials from eLimu. Library staffs, junior library users,

teachers from surrounding schools and some community members were trained on how to use the eReaders effectively.

An eReader can hold up to 2000 titles thus enabling one to have a whole library in their hand. This is a great advantage for the library in terms of storage space and wear and tear, bearing in mind that the shelf life of a popular children's book is only 6 months.

#### **g) ISBN Online**

In Kenya, knls is the National ISBN Agency that is mandated to issue ISBN to the Kenyan publishers and individual authors who publish their works without passing through the publishers. During the year under review, knls availed a platform where one can apply, pay for and acquire ISBN online instantly via the knls website at [www.knls.ac.ke](http://www.knls.ac.ke). This has resulted to faster and convenient acquisition of the ISBN.

#### **h) Open Public Access Catalog (OPAC)**

During the year under review knls availed OPAC to enable the public to have a preview of the information materials available in all knls libraries.

#### **i) Another American Corner Launched in knls Nakuru Branch**

U.S. Embassy (Nairobi) Deputy Chief of Mission (DCM) Isaiah Parnell launched a new American Corner (AC) at the Nakuru knls Library on October 3, 2014. DCM was representing the U.S. Ambassador Robert F. Godec. Mr. Parnell, who was received at the library by knls Director Mr. Richard Atuti, spoke about the significance of books and reading, access to free internet and the importance of the 50-year old partnership between the United States and Kenya. This American Corner is the 4<sup>th</sup> in Kenya and 2<sup>nd</sup> within the knls system since the first one was launched at the knls Kisumu Library in 2009. The American Corner package in Nakuru comprised: e-Resources; Internet connection; eGranary digital library with over 32 million digital resources; books and 15 computers.

#### **j) A Chinese Hanban Corner Launched at the knls Nairobi Area Library**

The Chinese Hanban Corner was launched at Nairobi Area Library on 28<sup>th</sup> April 2015. This is a great resource for those who want to learn Chinese Language. The information materials received from Hanban included Chinese-Kiswahili translations which is even friendlier to more library patrons.

#### **k) Mobile Library Service Launched in Taita Taveta County**

In the year under review, knls offered consultancy service to Taita Taveta Government to facilitate establishment of the Mobile library service to schools within the County. The project launch was presided over by the County Chief Executive, Governor, Eng. John M. Mruttu on 30<sup>th</sup> September 2014. Knls provided the technical assistance in selection and processing the books; and training of 184 teachers on basic library skills. The training was necessary to enable the teachers to appropriately manage the usage of the mobile library books. The project comprised 16 motor bikes and 180 book boxes to be used to transport books to various schools. An initial stock of 14,000 books was purchased for the project.

#### **l) Future projections**

knls has outlined a number of activities to be carried out during the financial year 2015/16 in order to improve access to library and information services by the public. These include (but are not limited to) the following:

#### **a) Implementation of the knls Transformation Strategy**

During the year under review, knls initiated the implementation of some of the "low-hanging fruits" in the Transformation strategy that was approved by the Board in the last financial year. Some of the activities whose implementation take-off commenced in the year under review included:

- Availing the ISBN online platform
- Digitization of rare books
- Implementation of new library fees. This was gazetted via Kenya Subsidiary Legislation, 2015 - Legal Notice. 16.

In the coming financial year, knls intends to upscale the implementation of the Transformation Strategy through a number of activities that have already been identified. These include:

##### **i) Establishment of a virtual library**

knls will commence the establishment a virtual library (a collection of information resources in digital format) in the next financial year 2015/2016 to promote remote access to online resources. The establishment will take a period of two years.

##### **ii) Digitization**

To enhance preservation and access to information materials, documents and records, knls intends to invest in digital and digitization services. This will also be used as an income generation stream.

##### **iii) Marketing and awareness creation**

knls intends to intensify the marketing and publicity campaigns about the available library and information services to ensure an increase in usage. A part from an enhanced reading culture, the projected high patronage is expected to translate into an increase in revenue collection as well.

#### **b) Library Development Master Plan**

During the financial year 2015/16 knls will finalize the formation of the Library Development Master Plan that was commenced in the year under review. The plan will guide the development of library facilities in the country both at the national and county level.

#### **Challenges**

This year's financial statement depicts a deficit of kshs.77,447,986 due to the budget cuts and constrained recurrent grant releases coupled together with the organizational growth witnessed by the Board and expanded PE as summarized below:

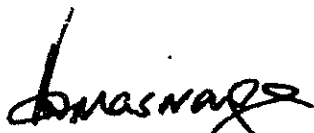
- In the year 2012/2013 knls was allocated total grant less 4% on initial allocation. During the Supplementary Estimates I, knls suffered a further 10% reduction leaving a balance of 28.6M which knls is still pursuing with the Parent Ministry. The deficit left a number of pending bills which were cleared in 2013/2014.
- By the end of 2013/2014 knls received full government grant from the Ministry but due to the 2012/2013 deficit, there were further pending bills which spilled over to FY 2014/2015 for

clearance.e.g the PAYE for May and June 2013 amounting to kshs.10,606,791 were not remitted on time and had to be paid in September 2014.

- In FY'2014/2015, knls received less recurrent grant transfers by kshs.24.22M resulting to further pending bills which will be cleared FY'2015/2016.
- To avert a looming industrial unrest, the Board made provision to implement the CBA that was signed effective July 2014. It also paid arrears for one year i.e 2010/11 which had not been factored in the budget provisions amounting to Kshs.15,953,637.60. the increase in Personnel Emoluments effected in July 2014, for the SRC recommended salaries and negotiated salaries for unionisable staff was Kshs.20,374,988.
- Payment of Internet services - The budget for the year was ksh.5,561,088 but at 31<sup>st</sup> May 2015 the expenditure had exceeded the allocation by kshs.2,361,702 necessitated by taking over of internet connection monthly fees of 10 branches initially under the CAK project which lapsed in May 2014.
- Automation – Purchase of computers and laptops as the network has been growing and there is need to facilitate staff with efficient working tools.

#### Conclusion

I extend my appreciation to our customers, business partners, Board of Directors, the management team and staff for their continued commitment to the growth of knls. I would further like to extend a special word of appreciation and gratitude to the government of Kenya, Ministry of Sports, Culture and the Arts for their continued co-operation and support during the year under review.



Richard M. Atuti, OGW  
Chief Executive Officer, knls



## VI. CORPORATE GOVERNANCE STATEMENT

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

### **Board of Management**

Kenya National Library Service Board has adopted high standards of service delivery and applies strict rules of conduct, based on best practices. As part of this commitment the Board has adhered to the Guidelines on Corporate Governance. The previous Board's tenure ended on 4<sup>th</sup> March 2014 with the exception of the Chairman who was appointed on 4<sup>th</sup> January 2014 for a period of two (2) years. The full Board is yet to be constituted.

## VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

## VIII. REPORT OF THE DIRECTORS

The Chairman of the Board submits his report together with the audited financial statements which show the Kenya National Library Services' state of affairs for the year ended June 30, 2015.

### 1. Principal activities

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

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

### Results

The results of the Kenya National Library Service for the year ended June 30, 2015 are set out on page 17-39.

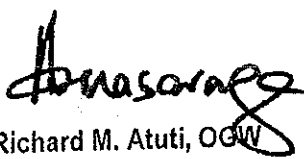
### Directors

The Chairman and the Chief Executive Officer were the only members of the Board as shown on page 5

### Auditors

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

By Order of the Board

  
Richard M. Atuti, OGW  
Chief Executive Officer  
knls

Date: 24.09.2015

## IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

They are also responsible for the preparation and presentation of financial statements, which give a true and fair view of the state of affairs of the Board as at the end of the financial year ended on June 30, 2015. This responsibility includes: -

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Kenya National Library Service Board.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Kenya National Library Service Board.
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

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

The Directors are of the opinion that financial statements give a true and fair view of the state of the Board's transactions during the financial year ended June 30, 2015, and financial position as at that date.

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


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

**Approval of the financial statements**

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



Mr. Samwel Nyangeso  
Chairman knls Board



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

Date.....24.09.2015

Date.....24.09.2015

# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL LIBRARY SERVICE FOR THE YEAR ENDED 30 JUNE 2015

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya National Library Service set out on pages 17 to 39, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

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

The Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### **Basis for Qualified Opinion**

#### **1. Budget and Budgetary Control**

##### **(i) Revenue**

The Kenya National Library Service (KNLS) had budgeted to collect revenue of Kshs 632,900,000.00. However, the actual receipts amounted to Kshs 611,127,657.55 representing a shortfall of Kshs 21,772,342.46 or 3.44%. The shortfall mainly occurred in Government grants where KNLS had budgeted for Kshs 567,400,000.00 but received only Kshs 558,170,528.00 which was also a reduction by 5.14% from Kshs 588,400,000.00 in 2013/2014. As a result of this KNLS was unable to effectively implement planned programs and deliver on its mandate.

##### **(ii) Expenditure**

A comparison between the approved budget and the actual expenditure reflected in the statement of financial performance revealed that KNLS spent in excess of the voted provision as follows:-

<b>Expenditure head</b>	<b>Budget Kshs.</b>	<b>Actual Kshs.</b>	<b>Over / (under) Kshs.</b>	<b>% Over/ (under)</b>
Compensation of employees	498,022,329.00	513,703,472.71	15,681,143.71	3.15
Travel costs	11,382,000.00	12,164,962.84	782,962.84	6.88
General expenses	102,729,858.00	102,645,911.94	(83,946.06)	(0.08)
Utilities	12,500,000.00	13,544,568.85	1,044,568.85	8.36
Repairs and	17,265,813.00	22,874,862.00	5,609,049.00	32.49

maintenance costs				
Board expenses	6,000,000.00	5,146,469.00	(853,531.00)	14.23
<b>TOTAL</b>	<b>647,900,000.00</b>	<b>670,080,247.34</b>	<b>22,180,247.34</b>	<b>3.42%</b>

The over expenditures mainly occurred under compensation of employees where KNLS had budgeted to spend Kshs.498,022,329.00 but spent Kshs.513,703,472.71 representing an increase of Kshs.15,681,143.71 or 3.15%. The over expenditure of 3.15% was attributed to part implementation of the 2010/2012 Collective Bargaining Agreement (CBA) where new salaries and staff allowances were adjusted upwards. However, the CBA funds though budgeted for were not received from the National Treasury.

KNLS had also budgeted to spend Kshs.17,265,813.00 on repairs and maintenance costs but spent Kshs.22,874,862.00 resulting to over expenditure of Kshs.5,609,049.00 or by 32.49%. The over expenditure was attributed to some items factored under development but later properly charged to recurrent.

In view of the foregoing, the management need to strive to execute the revenue and expenditure budget as planned to deliver on the promised programs as per the annual work plan.

## 2. Property, Plant and Equipment

(i) As reported in 2013/2014, the financial statements as at 30 June 2015 reflect property, plant and equipment balance of Kshs.1,200,283,655.00. However, thirty five (35) parcels of land with an estimated value of Kshs.12,150,000.00 had partial or no legal ownership documents at all and were omitted from the financial statements.

In the circumstances, it has not been possible to confirm whether the carrying value stated in the financial statements reflects the fair values of the properties as at 30 June 2015.

(ii) In addition, the property, plant and equipment net book value disclosed under fixed assets movement schedule Note 22, excludes the values of fully depreciated assets of Kshs.66,703,840.45 as at 30 June 2015. According to records provided for audit review, these assets are still in use, though reflecting nil values in the assets register.

Consequently, the accuracy of the property, plant and equipment balance of Kshs.1,200,414,622.00 reflected in the statement of financial position as at 30 June 2015 could not be confirmed.

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

As reported in 2013/2014, Kenya National Library Service entered into a contract on 08 May 2012 with a local construction company to construct the National Library and Headquarters at a sum of Kshs.2,055,200,200.00. The work was to take 208 weeks commencing on 10 April 2012 with a practical completion date on 19 January 2017.

Further, the management has indicated that Kshs.580,000,000.00 had tentatively been allocated in 2016/2017 through the MTEF budgeting process giving a total cumulative resource allocation of Kshs.2,275,156,702.00 against the signed contract sum of Kshs.2,055,200,200.00. The explanation given for the resultant difference of Kshs.219,956,502.00 was that the signed contract sum of Kshs.2,055,200,200.00 excluded various consultants' fees.

It is not clear why consultants fees were excluded from the contract sum and whether the project will be completed within the project contract sums to avoid the provisional and prime cost sums, and contingencies currently stated at Kshs.563,435,000.00 and Kshs.85,000,000.00 respectively in the contract document final summary.

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

The statement of financial position reflects receivables from exchange transactions balance of Kshs.13,255,950.00 as at 30 June 2015. However, included in the balance is an amount of Kshs.8,195,899.00 relating to outstanding balances from rented space in various stations out of which rental income debt amounting to Kshs.1,699,989.99 has remained uncleared for a period of forty eight (48) months.

In addition, no provision has been made in the financial statements in relation to these uncertainties as at 30 June 2015, although the management has engaged the Credit Reference Bureau and it's lawyers to recover the outstanding debts balance of Kshs.13,255,950.00.

Consequently, the accuracy and recoverability of the receivables from exchange transactions balance of Kshs.13,255,950.00 could not be ascertained.

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

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.5,720,782.00 as at 30 June 2015. The receivables from non-exchange transactions balance includes Kshs.4,812,438.00 in respect of staff debtors as disclosed under Note 20 to the financial statements.



However, no provision in relation to an amount totalling Kshs.3,955,706.90 owed by former employees, some of whom have since died was made in the financial statements.

In the circumstances, the accuracy, completeness and recoverability of the non-exchange receivables' balance of Kshs.5,720,752.00 could not be confirmed.

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

The statement of financial position reflects trade payables from exchange transactions balance of Kshs.128,146,703.00 as at 30 June 2015. The payables include a figure of Kshs.127,989,524.00 disclosed as trade creditors and Kshs.157,179.00 disclosed as advance receipts (prepayments). The trade creditors' balance of Kshs.127,989,524.00 includes Kshs.98,961,753.00 referred to as trade payables. However, it was not possible to confirm the accuracy of the figure of Kshs.98,961,753.00 since circularized confirmation letters from two (2) firms indicate debts owed as Kshs.507,040.96 and Kshs.2,083,050.00 and not Kshs.108,925.00 and Kshs.1,155,425.00 respectively as indicated in the payables list provided for audit review. The resulting differences of Kshs.398,115.96 and Kshs.927,625.00 respectively has neither been reconciled nor explained.

In view of the foregoing, the accuracy of trade payables from exchange transactions balance of Kshs.128,106,356.00 could not be confirmed.

#### **7. Overpayment of Retirement Benefits**

The Kenya National Library Employees are eligible for retirement benefits where the employer contributes 20% and employee 10 % of the monthly basic salary towards an employee's Retirement Benefit Scheme which are charged to the income statement in the year to which they relate. Examination of the Retirement Benefits Scheme records revealed that thirteen (13) retired scheme members were overpaid by Kshs.4,291,802.18 out of which only Kshs.482,064.80 had been recovered leaving a balance of Kshs.3,809,736.50 outstanding as at 30 June 2015.

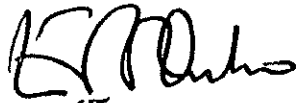
Further, the Retirement Benefits Scheme financial statements for the year ended 31 December 2014 indicate Kshs.3,866,384.00 as the overpayment while the Kenya National Library Services financial statements as at 30 June 2015 reflects Kshs.3,809,736.50 on the same.

The resultant difference of Kshs.56,647.50 between the two (2) sets of records has not been reconciled or explained.

There was no evidence of action being taken by management to recover the balance of Kshs.3,809,736.00.

## **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Kenya National Library Service as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya National Library Service Act, Cap. 225 of the Laws of Kenya.



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

**Nairobi**

**19 April 2016**

## X. STATEMENT OF FINANCIAL PERFORMANCE

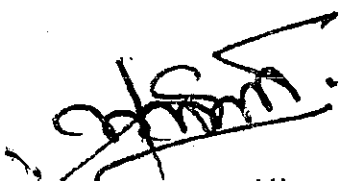
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015

		2014/2015 KSHS.	2013/2014 KSHS.
<b>Revenue from non-exchange transactions</b>	<b>NOTE</b>		
Transfers from government	3	558,170,528	588,400,000
Other Grants	4	14,846,523	15,627,865
Deferred income	4	1,053,288	
		<b>574,070,339</b>	<b>604,027,865</b>
<b>Revenue from exchange transactions</b>			
Interest Income	5	8,714	8,926
Rental income from facilities	6	28,787,079	20,641,286
Rendering of Services	7	3,747,385	3,476,258
Annual membership & Entrance Fees	8	13,280,724	12,317,655
Other Income	9	6,192,505	4,722,507
		<b>52,016,407</b>	<b>41,166,632</b>
		<b>626,086,746</b>	<b>645,194,497</b>
<b>Expenditure</b>			
Employee costs	10	513,703,473	442,952,817
Travel Costs	11	12,164,963	9,977,596
General Expenses	12	102,645,912	90,812,723
Utilities	13	13,544,569	12,703,264
Repairs and Maintenance Cost	14	22,874,862	16,615,211
Boards Expenses	15	5,146,469	14,952,755
Bad debt	16	374,375	
Depreciation	22	38,509,410	40,451,092
Amortisation of software	24	366,667	
<b>TOTAL EXPENDITURE</b>		<b>709,330,699</b>	<b>628,465,458</b>
<b>SURPLUS/(DEFICIT)</b>		<b>(83,243,953)</b>	<b>16,729,039</b>

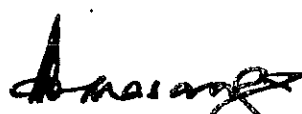
# XI. STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2015

		2014/2015 KSHS	2013/2014 KSHS
<b>CURRENT ASSETS</b>			
Inventory	18	6,650,014	6,270,725
Receivables from exchange transactions	19	13,255,950	9,979,913
Receivables from non-exchange transactions	20	5,720,782	5,923,668
Cash & Bank balances	21	25,890,984	12,421,346
	<b>SUB -TOTAL</b>	<b>51,517,731</b>	<b>34,595,652</b>
<b>NON CURRENT ASSETS</b>			
Property, Plant & Equipment	22	1,200,283,655	1,207,514,765
Stock - Books	23	741,848,014	681,980,295
Intangible Asset	24	733,333	1,100,000
Work in Progress	25	1,243,829,197	831,486,711
	<b>SUB-TOTAL</b>	<b>3,186,694,200</b>	<b>2,722,081,771</b>
<b>TOTAL ASSETS</b>		<b>3,238,211,931</b>	<b>2,756,677,423</b>
<b>CURRENT LIABILITIES</b>			
Trade payables from non-exchange transactions	26	1,280,000	638,000
Trade payables from exchange transactions	27	128,146,703	126,897,616
Deferred income	28	127,254,709	60,984,907
<b>NON-CURRENT LIABILITIES</b>			
Employee benefit obligation	26	3,372,800	2,480,000
<b>TOTAL LIABILITIES</b>		<b>260,054,211</b>	<b>191,000,525</b>
<b>NET ASSETS</b>			
Accumulated Fund		1,577,201,074	1,659,982,443
Revaluation Reserve		313,694,455	313,694,455
Capital Reserve		1,087,262,189	592,000,000
	<b>TOTAL EQUITY</b>	<b>2,978,157,719</b>	<b>2,565,676,898</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>3,238,211,931</b>	<b>2,756,677,423</b>

  
Mr. Samwel Nyangeso  
Chairman - knls Board

24<sup>th</sup> September 2015

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

24<sup>th</sup> September 2015

## XII. STATEMENT OF CHANGES IN EQUITY

For the year ended 30<sup>th</sup> June 2015

	Accumulated Fund	Revaluation/ Additions	Capital Reserves	Total
Balance as at 30th June 2014	1,643,253,404	322,329,455	230,000,000	2,195,582,859
Adjusted for:				-
Land adjustment		(8,635,000)		(8,635,000)
Capital grants received			362,000,000	362,000,000
Surplus for the year	16,729,039			16,729,039
Balance as at 30th June 2014	<u>1,659,982,443</u>	<u>313,694,455</u>	<u>592,000,000</u>	<u>2,565,676,898</u>
Balance as at 30th June 2014	1,659,982,443	313,694,455	592,000,000	2,565,676,898
Adjusted for:				-
Prior year adjustment	462,584	-		462,584
Capital reserve			500,000,000	500,000,000
Capitalisation			(4,737,811)	(4,737,811)
Surplus	(83,243,953)			(83,243,953)
Balance as at 30th June 2015	<u>1,577,201,074</u>	<u>313,694,455</u>	<u>1,087,262,189</u>	<u>2,978,157,718</u>

### XIII. STATEMENT OF CASH FLOWS

#### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2015

	Note	2014/2015 (KSHS)	2013/2014 (KSHS)
Net Surplus/(Deficit) For The Year		(83,243,953)	16,729,039
<b>Adjusted For: -</b>			
Depreciation	22	38,509,410	40,451,092
Amortisation of software	24	366,667	
Resurfaced books	23	(1,327,064)	(74,747)
Donations (FA)	4	(1,053,288)	(156,688)
Withdrawn books	23	5,165,829	4,191,047
Deferred income (Cash)		2,421,264	
Prior year adjustment		462,584	
<b>Operating Deficit Before Working Capital Changes</b>		<b>(38,698,554)</b>	<b>61,139,743</b>
(Increase) / Decrease In inventory	18	(379,289)	(3,186,029)
Increase / (Decrease) in payments received in advance	27	(57,736)	104,991
(Increase) / Decrease In receivables	19,20	(3,073,151)	(5,142,238)
Increase / (Decrease) In payables	27	1,306,823	(181,705,275)
(Decrease)/Increase in Provisions	26	1,534,800	1,327,200
<b>Net Cash Outflow From Operating Activities</b>		<b>(39,367,108)</b>	<b>(127,461,605)</b>
<b>Cash Flows From Investing Activities</b>			
Purchase Of Fixed Assets	22	(11,425,161)	(15,382,021)
Additions in Work In Progress	25	(429,505,823)	(203,349,728)
Purchase of Books	23	(6,232,269)	(10,996,681)
Purchase of Software			(1,100,000)
<b>Net Cash Outflows From Investing Activities</b>		<b>(447,163,254)</b>	<b>(230,828,430)</b>
<b>Cash Flows From Financing Activities</b>			
GOK Grants		500,000,000	362,000,000
<b>Net Cash Inflows From Financing Activities</b>		<b>500,000,000</b>	<b>362,000,000</b>
(Decrease)/Increase In Cash and Cash Equivalents		13,469,638	3,709,964
Cash and Cash Equivalents Beginning		12,421,347	8,711,383
<b>Cash and Cash Equivalents Ending</b>		<b>25,890,985</b>	<b>12,421,347</b>

**XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**A. RECURRENT EXPENDITURE**

	Original Budget 2014/2015 Kshs.	Adjustments 2014/2015 Kshs.	Final Budget 2014/2015 Kshs.	Actual on Comparable basis 2014/2015 Kshs.	Performance diff 2014/2015 Kshs.
<b>REVENUE</b>					
Government grants	567,400,000.00	-	567,400,000.00	543,170,528.00	(24,229,472.00)
Supplementary budget (FY 2013/2014)	15,000,000.00		15,000,000.00	15,000,000.00	
Public contributions and donations	14,143,955.00	2,356,045.00	17,000,000.00	17,267,786.65	267,786.65
Appropriation in Aid	42,000,000.00	6,500,000.00	48,500,000.00	50,689,342.90	2,189,342.90
Transfer from Development					
<b>Total Revenue</b>	<b>638,543,955.00</b>	<b>9,356,045.00</b>	<b>647,900,000.00</b>	<b>626,127,657.55</b>	<b>(21,772,342.45)</b>
<b>EXPENSES</b>					
Compensation of employees	479,029,262.00	18,993,067.00	498,022,329.00	513,703,472.71	15,681,143.71
Travel Costs	8,000,000.00	3,382,000.00	11,382,000.00	12,164,962.84	(782,962.84)
General Expenses	109,804,380.00	(7,074,522.00)	102,729,858.00	102,645,911.94	83,946.06
Utilities	11,700,000.00	800,000.00	12,500,000.00	13,544,568.85	(1,044,568.85)
Repairs and Maintenance Cost	15,010,313.00	2,255,500.00	17,265,813.00	22,874,862.00	(5,609,049.00)
Board expenses	15,000,000.00	(9,000,000.00)	6,000,000.00	5,146,469.00	853,531.00
Depreciation & Amortisation					
<b>Total expenditure</b>	<b>638,543,955.00</b>	<b>9,356,045.00</b>	<b>647,900,000.00</b>	<b>708,956,324.04</b>	<b>(61,056,324.04)</b>
<b>Surplus for the period</b>				<b>(82,828,666.49)</b>	

#### Changes from original budget and final budget

- There was additional donor funding of Kshs.2,856,045 that was received in the year against a projection of Kshs.14,143,955 giving a total budget of Kshs.17,000,000.
- The budgeted AJA amount was reviewed upwards by Kshs.6,500,000 to give a final budget of Kshs.48,500,000 against an initial amount of Kshs.42,000,000. This was due to significant increase in rental income and library fees.

#### Variations

- \* The expense for compensation of employees was over spent due to the implementation of the CBA and payment of the arrears for one year as was awarded by the court.
- \* The expenditure on the Repairs and Maintenance includes the amount paid for the operating licenses for systems in use after the lapse of support by CAK – a strategic partner in the e-resource centres.



## B. DEVELOPMENT EXPENDITURE

	Original Budget 2014/2015 Kshs.	Adjustments 2014/2015 Kshs.	Final Budget 2014/2015 Kshs.	Actual on comparable basis 2014/2015 Kshs.	Performance diff 2014/2015 Kshs.
<b>Revenue</b>					
Roll over funds	13,943,999.00	-	13,943,999.00	13,943,999.00	-
Government grants	500,000,000.00	-	500,000,000.00	500,000,000.00	-
Public contributions and donations	-	-	-	-	-
<b>Total Income</b>	<b>513,943,999.00</b>	<b>-</b>	<b>513,943,999.00</b>	<b>513,943,999.00</b>	<b>-</b>
<b>Expenses</b>					
Transfer to Recurrent a/c	-	-	-	-	-
National Library of Kenya	440,482,200.00	-	440,482,200.00	433,984,185.57	6,498,014.43
Refurbishment of Libraries	18,987,212.00	2,272,250.00	21,259,462.00	16,950,680.00	4,308,782.00
Support to Community Based Libraries	31,200,000.00	645,000.00	31,845,000.00	12,094,876.00	19,750,124.00
Other development expenditure	22,775,087.00	(2,967,530.00)	19,807,557.00	4,491,984.00	15,315,573.00
Retention monies	499,500.00	50,280.00	549,780.00	499,776.00	50,004.00
<b>Total expenditure</b>	<b>513,943,999.00</b>	<b>-</b>	<b>513,943,999.00</b>	<b>468,021,501.57</b>	<b>45,922,497.43</b>
<b>Surplus for the period</b>				<b>45,922,497.43</b>	

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

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

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

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

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

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

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

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

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

###### **Transfers from other Government entities**

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

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

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

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

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

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

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be

measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to knls.

#### **Rental income**

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

#### **b) Budget information**

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

#### **c) Taxes**

##### **Current income tax**

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

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

##### **Value Added Tax**

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

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

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

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

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, knls recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in

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

- Freehold land	Nil
- Buildings	2%
- Motor vehicles	25%
- Fixtures, furniture & fittings	12.5%
- Equipments	20%
- Computers	33%

- Capital work in progress is not depreciated until such a time as the assets is brought into use.

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

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

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

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

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

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

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

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

- i) The debtors or an entity of debtors are experiencing significant financial difficulty
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization

- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

**i) Financial liabilities**

**Initial recognition and measurement**

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

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

**g) Inventories**

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

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

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

**h) Foreign currency transactions**

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

**i) Provisions**

Provisions are recognized when knls has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

**Contingent liabilities**

knls does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**J) Nature and purpose of reserves**

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

- i) Capital Reserve – this is used to record contribution made by government in form of 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.

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

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

**l) Related parties**

Kenya National Library Service regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over knls, or vice versa. Members of key management are regarded as related parties and comprise the Board of Directors and top level management.

**m) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Kenya Commercial Bank and Mpesa holding account at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**n) Comparative Figures**

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

**o) Employee Benefits**

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

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

The preparation of the organisation's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

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

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

***Estimates and assumptions***

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

**i) Key sources of estimation uncertainty**

***Impairment of assets***

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

***Plant and equipment***

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

- The condition of the asset based on the assessment of experts employed by the authority
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**Fair value estimation – financial instruments**

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

**q) Taxation**

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

**r) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015.



**3 REVENUE FROM NON EXCHANGE TRANSACTIONS**

PARTICULARS	2014/2015 KES	2013/2014 KES
<b>Unconditional Grants</b>		
Govt Grants- Recurrent Acc	558,170,528	588,400,000
<b>Total</b>	<b>558,170,528</b>	<b>588,400,000</b>
<b>4 Other Grants</b>		
Cash Donations - BAI	1,811,906	2,652,395
- US Embassy	-	12,153,483
- Others	15,455,881	821,987
	<b>17,267,787</b>	<b>15,627,865</b>
Deferred income	1,053,288	
Fixed Asset Donation - Computers	2,689,800	-
Book Donations	57,474,215	-
	<b>61,217,303</b>	<b>15,627,865</b>

**Reconciliation of public contributions and donations**

Balance unspent at the beginning of year	60,984,906	
Current year receipts	74,742,002	76,612,771
Conditions met - transferred to revenue	(14,846,523)	(15,627,865)
Conditions to be met - remain liabilities	<b>120,880,385</b>	<b>60,984,906</b>

**REVENUE FROM EXCHANGE TRANSACTION**

<b>5 Interest Received</b>	8,714	8,926
<b>6 Rental income from facilities</b>		
Hire Of Halls	3,605,297	932,710
Bill Boards	-	-
Parking Charges	523,800	399,379
Rent	22,868,129	18,080,197
Service charge from rentals	1,789,853	1,229,000
	<b>28,787,079</b>	<b>20,641,286</b>
<b>7 Rendering of Services</b>		
Photocopies	94,177	100,410
KnB & Kpd Sales	450	19,000
Internet And E-Mail	290,598	347,828
Consultancy Services	3,362,160	3,009,020
	<b>3,747,385</b>	<b>3,476,258</b>
<b>8 Library Fees</b>		
Membership Fees- Institution	661,735	580,500
Membership Fees- Adult	2,677,785	3,996,498
Membership Fees - Junior	424,820	559,016
Entrance Fees - Foreigners	22,220	28,080

Entrance Fees - Non Members	8,945,430	7,153,561
Daily access - Executive	58,920	-
Book loan fees - Adult	361,958	-
Book loan fees - Junior	127,856	-
	<u>13,280,724</u>	<u>12,317,655</u>

**9 Other Income**

Sundry Income	644,431	165,601
Fines and Overdues	1,186,519	1,151,958
Disposal Income	139,583	36,675
Hire Of Chairs/ Tents	62,445	72,634
Gain on Sale of Fixed Assets	25,000	400,000
Sale Of Tenders	206,448	90,500
Clearing Fee	407,185	125,040
Commission from payroll deductions	150,800	149,521
Attachment Charges	157,730	390,324
Lost And Paid For Books(100%)	309,415	259,840
Annual Renewal Fee	277,685	421,700
ISBN Fees	1,017,480	973,040
Salary On Resignation	65,290	147,316
Lost And Paid For Books (Original)	134,790	251,858
Forex Gain	80,641	11,753
Resurfaced Books	1,327,064	74,747
	<u>6,192,505</u>	<u>4,722,507</u>

**10 Employee Costs**

**PARTICULARS**

Basic Salary (Permanent Employees)	269,309,227	225,361,106
Casual Labour	4,343,212	4,429,541
House Allowance	119,511,840	105,405,465
Acting Allowances	-	-
Hardship Allowance	9,361,820	8,454,980
Medical Allowance	10,361,113	9,971,905
Special Duty Allowances	616,679	660,346
Other Allowances-Remunerative	1,996,000	360,000
Leave Allowance	4,619,500	4,631,690
Employer Contribution To Pension Scheme	52,113,192	45,489,814
Other Allowances-Bicycle	74,800	50,400
Commuter Allowance	41,346,037	38,000,640
Refund Of Medical Expenses-Inpatient	50,052	136,930
	<u>513,703,473</u>	<u>442,952,817</u>

**11 Travel Costs**

Travel Costs-Domestic	1,168,412	1,321,322
Accommodation-Domestic	2,832,150	3,047,570
Daily Subsistence-Domestic	3,876,687	3,231,771
Sundry Items Domestic	585,504	119,600
Passage And Transfers Expenses	1,575,650	675,441
Travel Cost-Foreign	826,395	401,155
Accommodation Foreign	-	7,500
Daily Subsistence-Foreign	1,116,508	1,119,911
Sundry Items - Foreign	183,657	53,326

<b>TOTAL</b>	<b>12,164,963</b>	<b>9,977,596</b>
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**12 General Expenses**

Telephone & Mobile Phone Services	2,040,959	2,264,889
Internet Connections	9,411,381	6,122,109
Courier & Postal Services	1,819,062	1,676,735
Publishing & Printing Services	569,308	1,074,040
Subscription To Newspaper, Mag	3,505,009	4,214,956
Advertising, Awareness & Public	9,483,425	6,983,254
Trade Shows & Other Exhibition	368,990	542,030
Publicity Materials	430,244	354,790
Rent & Rates-Non-Residential	600,000	624,422
Catering Expenses	1,870,704	1,311,075
Insurance General	13,563,240	13,003,421
Veterinarian Supplies	30,236	37,715
Purchase Of Uniform & Clothing	705,334	568,039
Library Processing Tools, Magnetic strips	294,217	4,949,928
General Office Supplies	4,064,049	2,644,499
Supplies & Accessories For Com	3,203,605	1,699,149
Sanitary & Cleaning Materials	699,435	1,888,108
Contracted Guards & Cleaning	21,266,533	19,496,086
Transport Costs & Charges For	2,887,066	551,101
Legal Dues, Arbitration & Comp	972,145	465,840
Contracted Professional Services	2,254,268	3,878,792
Withdrawn Books	5,165,829	4,191,047
Purchase of Furniture & Fittings	-	-
Travel, Accommodation, Tuition Fees	9,764,268	3,659,254
Bank & M-pesa Charges/Commission	578,666	688,888
Management Fee-Audit Fee	700,000	1,226,000
Purchase Of Coffins & Other Miscellaneous exps	268,925	162,650
Membership Fees, Dues & Subscription	580,703	532,037
Research & Development	765,600	920,155
Monitoring & Evaluation	585,200	508,550
Medal & Awards	131,513	183,500
Refined Fuels & Lubricants For	4,065,999	4,389,665

<b>TOTAL</b>	<b>102,645,912</b>	<b>90,812,724</b>
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<b>13 Utilities</b>		
Electricity	10,552,005	10,014,263
Water And Sewerage Charges	2,992,563	2,689,001
<b>TOTAL</b>	<b>13,544,569</b>	<b>12,703,264</b>

<b>14 Repairs and Maintenance Cost</b>		
Repair, Maintenance: Buildings	4,171,448	3,524,771
Repair, Maintenance: Furniture	295,797	292,836
Repair, Maintenance: Equip	2,752,058	2,967,584
Repair, Maintenance: Motorvehicle	2,642,629	2,460,201
Repair, Maintenance: Computer	13,012,930	7,369,819
<b>TOTAL</b>	<b>22,874,862</b>	<b>16,615,211</b>

<b>15 Board Expenses</b>		
Board Meetings Expenses	5,146,469	14,952,755

**16 Bad debts 374,375**

This is an amount that was a debt arising from a surcharge on a former employee who resigned from the Board in January 2008. The Board had taken the officer to court in February 2011 for having not paid the outstanding amount in full. In November 2014, the court ruled that: The claimant shall pay to the respondent the sum of Kshs.46,806.50 being the difference between Kshs.90,000 recovered from the respondent's salary on account of the surcharge; that Kshs.43,193.50 be retained by knls being the equivalent of the respondent's one month's salary in lieu of notice. The amount of Kshs.374,375 thus becomes unrecoverable as per the court ruling.

**17 Contingent Legal Liability.**

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

**18 Inventory**

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

	2014/2015 (Kshs)	2013/2014 (Kshs)
General office	564,035	1,723,935
Uniform & Clothing	8,978	49,347
Library Processing Tools	3,859,453	1,135,226
Computer Accessories	2,217,548	3,362,217
Sanitary & Cleaning	-	-
<b>TOTAL</b>	<b>6,650,014</b>	<b>6,270,725</b>

**19 Trade Receivables Exchange Transactions**

Item Description

Trade Debtors : Rental space

8,195,899

6,616,841

: Direct consignment (Books)

5,060,051

3,363,072

**TOTAL**13,255,9509,979,913**20 Trade Receivables non exchange transactions**

Staff Debtors

4,812,438

4,471,562

Refundable Deposit

908,345

1,452,106

**TOTAL**5,720,7825,923,668**21 Cash and Bank Balance**

Cash in hand

15,887

107,333

Mpesa Account

58,939

209,572

Pesa Pal Account

11,500

Bank Recurrent account

8,063,516

647,662

Bank Development Account

14,840,001

10,290,643

Bank Savings &amp; Reserve A/C

2,177,172

527,494

Bank Savings &amp; Reserve -foreign A/C

723,969

638,643

**TOTAL**25,890,98412,421,346

22 PROPERTY, PLANT AND EQUIPMENT

DESCRIPTION	LAND (KSH)	BUILDING (KSH)	EQUIPMENT (KSH)	MOTOR VEHICLES (KSH)	FURNITURE, FITTINGS (KSH)	COMPUTERS (KSHS)	GRAND TOTAL (KSH)
<b>COST</b>							
As at 1st July 2013	438,885,000	753,204,781	33,703,973	24,924,224	69,607,900	35,428,535.00	1,355,754,413
Additions	-	38,100,679	2,280,353	6,032,015	3,424,974	4,439,179.00	54,277,200
Disposals	-	-	-	-	-	(413,850.00)	(413,850)
Revaluations: Old	(8,635,000)	-	-	-	-	-	(8,635,000)
As at 30th June 2014	430,250,000	791,305,460	35,984,326	30,956,239	73,032,874	39,453,864	1,400,982,763
Additions - Purchases	-	1,796,230	-	-	4,732,992	4,895,939.00	11,425,161
Additions - Donations	-	-	-	-	-	2,689,800	2,689,800
Works Capitalised	-	17,163,337	-	(40,000)	-	-	17,163,337
Disposals	-	-	-	-	-	-	(40,000)
Revaluations: Old	-	-	-	-	-	-	-
Valuations New	-	-	-	-	-	-	-
<b>TOTAL COST/VALUATION</b>	<b>430,250,000</b>	<b>808,468,797</b>	<b>37,780,556</b>	<b>30,916,239</b>	<b>77,765,866</b>	<b>47,039,603</b>	<b>1,432,221,061</b>
<b>DEPRECIATION</b>							
As at 1st July 2013	-	57,361,766	18,637,037	21,389,262	25,584,081	30,458,609	153,430,755
Prior year adjustments	-	-	-	-	-	-	-
Acc. Dep. On Disposals	-	-	-	-	-	(413,850)	(413,850)
Depreciation for the year	-	15,826,109	5,815,098	3,689,235	9,129,108	5,991,542.00	40,451,092
As at 30th June 2014	-	73,187,875	24,452,135	25,078,497	34,713,189	36,036,301	193,467,997
Acc. Dep. On Disposals	-	-	-	(40,000)	-	-	(40,000)
Depreciation for the year	-	16,169,376	5,922,122	2,861,734.75	9,089,671	4,466,506	38,509,410
<b>TOTAL DEPRECIATION</b>	<b>-</b>	<b>89,357,251</b>	<b>30,374,257</b>	<b>27,900,232</b>	<b>43,802,860</b>	<b>40,502,807</b>	<b>231,937,406</b>
<b>Net Book Value 30/06/14</b>	<b>430,250,000</b>	<b>718,117,585</b>	<b>11,532,191</b>	<b>5,877,742</b>	<b>38,319,685</b>	<b>3,417,563</b>	<b>1,207,514,766</b>
<b>Net Book Value 30/06/15</b>	<b>430,250,000</b>	<b>719,111,546</b>	<b>7,406,299</b>	<b>3,016,008</b>	<b>33,963,006</b>	<b>6,536,796</b>	<b>1,200,283,655</b>

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

### 23 Movement of Book Stock

	2014/2015 No. of pieces	Value Kshs.	2013/2014 No. of pieces	Value Kshs.
Opening balance	1,388,417	681,980,295	1,314,712	614,752,820
Add: Govt purchases	28,052	6,232,269	13,103	9,771,429
Donor purchase				1,225,252
Donations	84,142	57,474,215	74,484	60,347,094
Resurfaced books	548	1,327,064	169	74,747
Less: Withdrawn books	(19,044)	(5,165,829)	(14,051)	(4,191,047)
	<b>1,482,115</b>	<b>741,848,014</b>	<b>1,388,417</b>	<b>681,980,295</b>

The withdrawn books represent the net effect of value of books weeded from the system and lost books (including stolen books). It also includes books donated to needy institutions. knls is an agent of Book Aid International (BAI). The Board receives books on behalf of other institutions and distributes them. The stock of books consists of reading materials for users of all levels. Books purchased are valued at cost price where as books donated to knls are valued at cover price. Where no value is indicated, the books are valued at Kshs 800/- per copy for adult books and kshs 500 for children.

24 Intangible Assets - Software	2014/2015 Kshs.	2013/2014 Kshs.
Cost		
As 1 July 2014	1,100,000	1,100,000
Amortisation	(366,667)	
As at 30th June 2015	733,333	1,100,000

### 25 Movement of Work in Progress

	Opening (Kshs)	Additions (Kshs)	Capitalised (Kshs)	Closing Balance (Kshs)
BuruBuru	5,092,806	389,311	5,482,117	-
Embu	50,000	1,840,582	1,890,582	-
Gatimbi Community	3,000,000	11,712,190		14,712,190
Kabarnet	1,415,119	216,676	1,631,795	-
Kakamega	397,537	1,444,200		1,841,737
Kilifi	2,310,400	-	2,310,400	-
Kisii	1,455,580	9,057,329		10,512,909
Kisumu	7,988,224	-		7,988,224
Koru	4,997,764	-	4,997,764	-
Lagam	3,803,007	-		3,803,007
Lusumu	5,546,757	259,839		5,806,596
NBI- Proposed HQ	788,884,274	404,118,295		1,193,002,569
Rumuruti	418,135	57,898.00	476,033	-
Nyilima	2,775,143	34,858		2,810,001
Wundanyi	3,351,964			3,351,964
Isiolo	-	374,646	374,646	-
<b>Total</b>	<b>831,486,711</b>	<b>429,505,823</b>	<b>17,163,337</b>	<b>1,243,829,197</b>

	2014/2015	2013/2014
<b>26 Trade payables from non-exchange transactions</b>		
Provisions -Directors Gratuity	3,372,800	2,480,000
Provisions - Audit Fees	1,280,000	638,000
	<u>4,652,800</u>	<u>3,118,000</u>
<b>27 Trade Payables Exchange transactions</b>		
Trade Creditors	127,989,524	126,682,701
Advance Receipts	157,179	214,915
	<u>128,146,703</u>	<u>126,897,616</u>
<b>28 Deferred income</b>		
Balance b/d	60,347,094	-
Book Donations	57,474,215	60,347,094
Fixed Asset donations	4,695,589	637,813
Capitalisation	4,737,811	-
	<u>127,254,709</u>	<u>60,984,907</u>

#### 29 Related Party Transactions

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

	2014/2015	2013/2014
Directors' emoluments	3,795,049	10,313,672
<b>Key Management compensation</b>		
Senior Management Salary and benefits	32,791,418	26,342,120
	<u>36,586,467</u>	<u>36,655,792</u>

#### 30 Financial Risk Management

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



## Fair values

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

	Carrying amount Kshs.	Fair values Kshs.
<b>Financial Assets</b>		
<b>At 30 June 2015</b>		
Receivables from non-exchange transactions	5,720,782	5,720,782
Receivables exchange transactions	13,255,950	13,255,950
Cash and cash equivalents	25,890,984	25,890,984
	<u>44,867,716</u>	<u>44,867,716</u>
<b>Financial Assets</b>		
<b>At 30 June 2014</b>		
Receivables from non-exchange transactions	5,923,668	5,923,668
Receivables exchange transactions	9,979,913	9,979,913
Cash and cash equivalents	12,421,346	12,421,346
	<u>28,324,927</u>	<u>28,324,927</u>
<b>Financial Liabilities</b>		
<b>At 30 June 2015</b>		
Trade & other payables from exchange transactions		128,146,703
Employee benefits obligation		3,372,800
Deferred income		127,254,709
		<u>258,774,211</u>
<b>Financial Liabilities</b>		
<b>At 30 June 2014</b>		
Trade & other payables from exchange transactions		126,897,616
Employee benefits obligation		2,480,000
Deferred income		60,984,907
		<u>190,362,523</u>

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

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

### Receivables

Receivable amounts are owed by clients and the Government of Kenya and are presented net of any impairment losses. There were no material changes in the exposure to credit risk and its objective, policies and processes for managing and measuring knls' exposure to credit risk is monitored on an ongoing basis. knls' maximum exposure to credit is represented by the carrying value of each financial asset in the statement of financial performance.

### 31. Movement in Capital Reserve - Kshs.4,737,811

The Amount of Kshs.4,737,811 under capitalisation is summarised as: Kshs.

1.	Payment made for the Microsoft IT Academy license for the year 2014/2015	- 4,394,888.80
2.	Depreciation of capitalised building @ 2% of 17,146,110	- <u>342,922.20</u>
	<b>Total</b>	<b><u>4,737,811.00</u></b>

### 32. Prior Year Adjustment –Kshs.462,584

The prior year adjustment indicated in the statement of changes in equity relates to Trade payables from Exchange and non-exchange transactions for FY'2013/2014

i.	M/s DT Dobie	-	14,332.95
ii.	M/s Famous Installation	-	31,775.93
iii.	M/s Longhorn	-	370,075.12
iv.	M/s Office Technologies	-	<u>46,400.00</u>
	<b>Total</b>	-	<b><u>462,584.00</u></b>