



Enhancing Accountability

THE NATIONAL ASSEMBLY
REPORT

DATE: 10 NOV 2022 Thursday

Hon Kimani Ichungwa **OF**
Leader of majority
Samuel Koiama

THE AUDITOR-GENERAL

ON

**KENYA NATIONAL LIBRARY
SERVICE**

**FOR THE YEAR ENDED
30 JUNE, 2021**

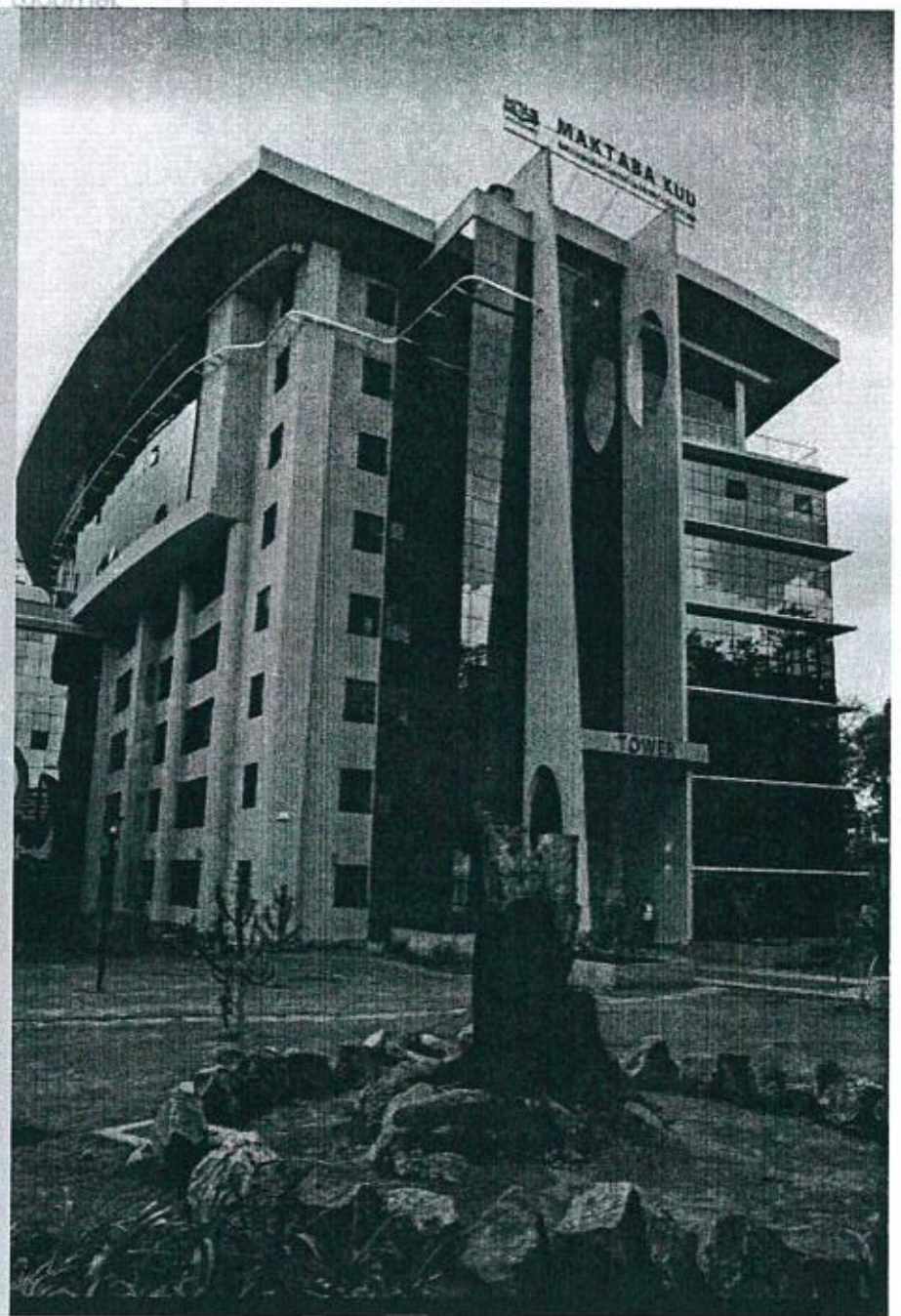
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kenya national
library service

**ANNUAL REPORT
AND
FINANCIAL
STATEMENTS
FOR THE
FINANCIAL YEAR
ENDING
30TH JUNE 2021**



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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Kenya National Library Service (knls) Board is a state corporation under the Ministry of Sports, Culture and Heritage which is for the time being responsible for the corporation. The Board was established by an Act of Parliament Cap 225 of the Laws of Kenya in April 1965. The entity is domiciled in Kenya and has 64 branches spread in 34 counties countrywide.

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

(b) Principal Activities

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

Vision, Mission and Core Values of Knls

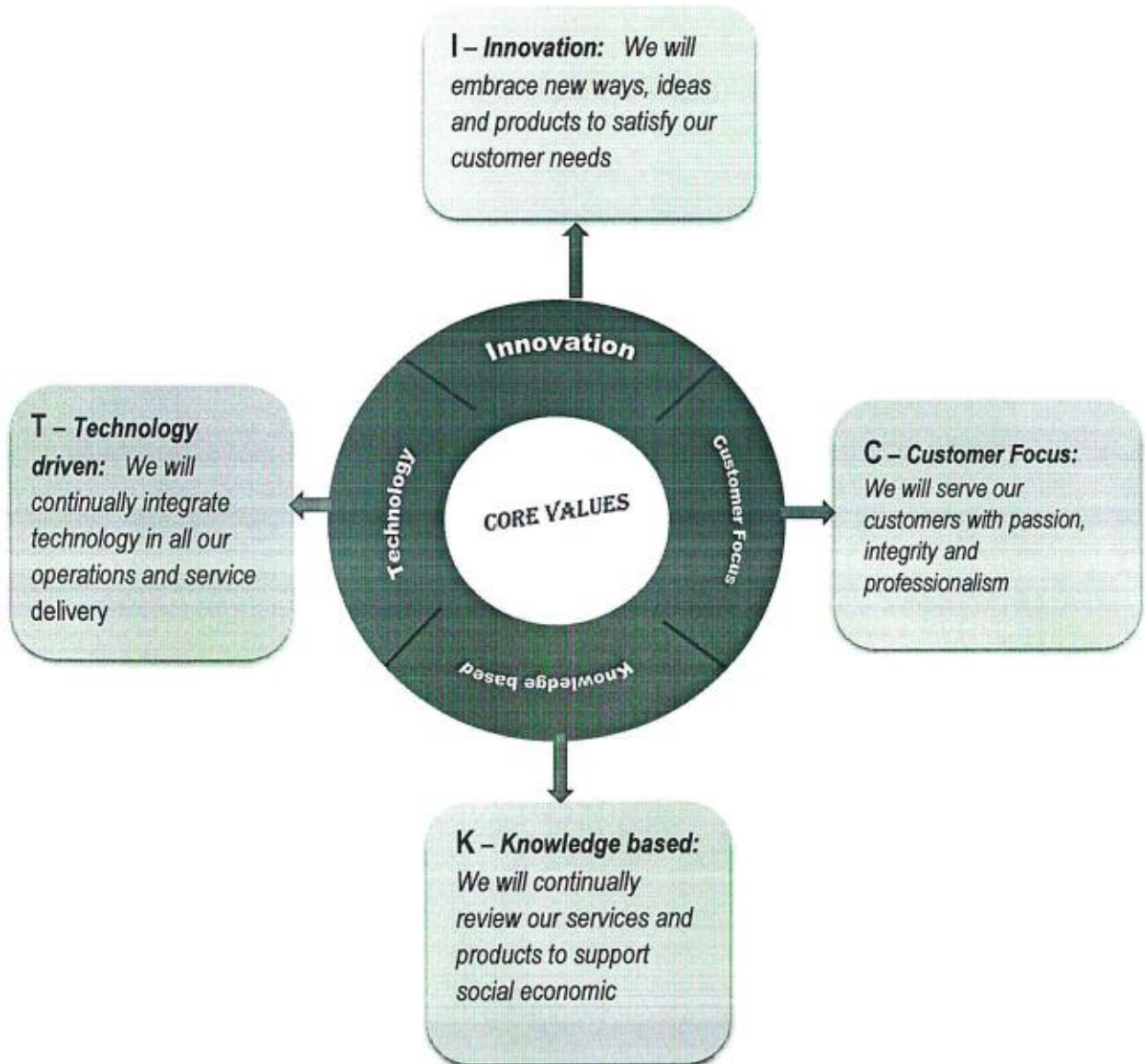


The Hub of Information and Knowledge



To preserve the national documentary heritage and enable access to information and knowledge for transformation of livelihoods

CORE VALUES – T.I.CK



(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 quarter ended 30th June 2021 and who had direct fiduciary responsibility were:

No. Designation	Name
1. Ag. Chief Executive Officer	CPA Jack W. Emusolo
2. Deputy Director (Technical Service)	Mrs. Monicah Wangari Ngovi*
3. Ag. Deputy Director (Technical Services)	Dr. Charles Nzivo
4. Chief Human Resource Officer	Ms. Anne Magamboh*
5. Principal Accountant (Head of Finance)	CPA Julie Musandu
6. Principal Planning Officer	Mr. Cyrus Ndogo
7. Principal Procurement Officer	Ms. Janet Rotich
8. Principal Librarian (National Library Division)	Ms. Philomena Mwirigi
9. Principal ICT Officer	Mr. Alex Ombongi
10. Principal Public Relations Officer	Mrs. Nancy Ngugi
11. Principal Internal Auditor	Ms. Margaret Mwangi
12. Principal Librarian (CDBD)	Ms. Betty Kalugho
13. Principal Resource Mobilization	Ms. Juliana Muchai
14. Senior Communication Officer	Mr. Timothy Mahea

**Mrs Monicah Wangari Ngovi's Deputy Director Technical Services retired from service on 1st September 2020*

**Ms. Anne Magamboh - Chief Human Resource Officer resigned from knls on 19th May 2021*

(e) Fiduciary Oversight Arrangements

The overall oversight responsibility of knls rests with the Board of Directors as guided by the knls Board charter through its committees. It oversees the corporate governance, advises management in developing financial plans, and determines the strategic direction of the corporation, goals and objectives as well as evaluating management's performance in pursuing and achieving those goals.

The Board may establish committees, as it considers appropriate to assist it in executing its functions/ Mandate.

The Board has four standing committees with specific delegated authorities and terms of reference. These are; Audit Committee, Finance & Project Development Committee, Human Resource & Service Delivery Committee and Marketing, Research & Resource Mobilization Committee.

The Board members term expired on 20th October 2019 except for The Chairman and Mr. Stephen G. Mau Kimani - alternate Board member representing the Principal Secretary State Department for Culture and Heritage effective November 2019.

(f) Kenya National Library Service

P.O. Box 30573-00100
Kenya National Library Service Complex
Ragati/Hailleselasie Road Junction, Community Area
Nairobi, Kenya

(g) Contacts

Mobile No : 0722-860567, 0702-578178
Email : knls@knls.ac.ke
Website : www.knls.ac.ke

(h) Kenya National Library Service Bankers

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

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

BOARD OF DIRECTORS

(k) Board Members

The term of the previous Board ended on October 20th 2019, save for the Chairman and Mr. Stephen Mau, Alternate Member representing the PS, State Department for Culture and Heritage. As at the close of the Financial Year, a new Board was yet to be fully constituted. Currently, three members i.e the Chairman and the Rep. from the Parent Ministry - State Department of Culture in consultation with the Ag. Chief Executive Officer, guides on policy issues that need approval.

Hon. Noah Katana Ngala, EGH



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

He served in various Ministries as an Assistant Minister and Minister between 1979 and 2002. These included Local Government and Urban Development, Office of the President, Co-operative Development, Tourism & Wildlife, Lands and Settlement Ministry of Home Affairs, Heritage and Sports. He has also served in various political parties.

Stephen G. Mau Kimani

Born in 1967, Mr. Stephen G. Mau Kimani became an alternate Board member representing the Principal Secretary State Department for Culture and Heritage in November 2019. Mr. Mau holds a Master of Library and Information Science degree (KU); Postgraduate Diploma in Librarianship (MUK) and Bachelor of Arts degree (UON).

Experience: Mr. Mau is a career civil servant with vast experience in the field of library and information services. Currently the Ag. Director in the Department of Library Services, he has served as a librarian in various government ministries and departments including ministry of information, Kenya Institute of Mass Communications etc






CPA Jack Wafula Emusolo










Born in 1978, Mr. Wafula is the Ag. Chief Executive Officer with effect from 1st September 2019. He holds an Executive MBA from JKUAT, BBA (Finance Option) from USIU and is a Certified Public Accountant (K).





Experience: He has over 25 years' experience in Financial Management, 12 of which have been at Senior Management level. He has worked in the Real Estate, Trading, NGO and Public Sector.

MANAGEMENT TEAM

No	Passport size photo & Name	Area of Responsibility	Key Professional/academic Qualifications,
1.	<p>CPA Jack Wafula Emusolo</p> 	<p>Ag. Director/Chief Executive Officer</p>	<ul style="list-style-type: none"> • Executive MBA, • BBA (Finance Option), • CPA (K)
2.	<p>Dr. Charles Nzivo</p> 	<p>Ag. Deputy Director (Technical Services)</p> <p>Principal Research & Development Officer</p>	<ul style="list-style-type: none"> • PhD Library Science • Msc. Information Science • BA (Anthropology)
3.	<p>Monicah Wangari Ngovi</p> 	<p>Deputy Director (Technical Services)</p> <p>She retired effective 1st September 2020 from service.</p>	<p>Masters in Education: Library Studies</p>

4.	<p>Anne Magamboh</p> 	<p>Chief Human Resource Officer</p> <p>Resigned on 19th May 2021)</p>	<ul style="list-style-type: none"> • MA HRM (UK), • BBA (Marketing Option), • IHRM, CIPD (UK)
5.	<p>Nancy Ngugi</p> 	<p>Principal Public Relations Officer</p>	<ul style="list-style-type: none"> • Master of Arts in Communication, • Bachelor of Arts Economics and Philosophy • PRSK (Member)
6	<p>CPA Julie Musandu</p> 	<p>Principal Accountant</p>	<ul style="list-style-type: none"> • Masters in Business Administration. • B.Com (Accounting Option), • CPA(K)
7	<p>Cyrus Ndogo</p> 	<p>Principal Planning Officer</p>	<ul style="list-style-type: none"> • MA (Project Planning and Management), • MBA-HRM, • B.Com Admin.

<p>8.</p>	<p>Philomena Mwirigi</p> 	<p>Principal Librarian National Library Division</p>	<ul style="list-style-type: none"> • MA (Information and Library Management), • Bachelor of Library Studies (BLS)
<p>9.</p>	<p>Alex Nyaribo Ombongi</p> 	<p>Principal ICT Officer</p>	<ul style="list-style-type: none"> • Master of Science in Computing, • Postgraduate Diploma in Computing, • BSC in Information Technology
<p>10.</p>	<p>Margaret Wanjiku Mwangi</p> 	<p>Principal Internal Auditor</p>	<ul style="list-style-type: none"> • B.Com(Hons), Accounting Option • CPA(K), • Internal Audit Quality Assessor • ICM Diploma (Risk Management)

11.	<p>Janet Chepkemoi</p> 	<p>Principal Supply Chain Officer</p>	<ul style="list-style-type: none"> • MBA (Strategic Management) • B.Com (Procurement & Business Logistics) • KISM, CIPS, NPLA
12.	<p>Betty Kalugho</p> 	<p>Principal Librarian Collection Distribution Books Department</p>	<ul style="list-style-type: none"> • Msc. Library & Information Studies, • Bachelor of Science (Information Science)
13	<p>Juliana Muchai</p> 	<p>Principal Resource Mobilization and Projects</p>	<ul style="list-style-type: none"> • Bachelor of Arts Degree • Experience in Resource mobilization, project management, community development
14	<p>Timothy Mahea</p> 	<p>Senior Communication Officer</p>	<ul style="list-style-type: none"> • Master of Business Administration • B.Com (Hons) in Marketing • Diploma in Business Management and Purchasing and Supplies Management. • MSK, PRSK

CHAIRMAN'S REPORT



I have the pleasure to submit the Annual Report together with the Financial Statements of the Kenya National Library Service Board, for the year

ended 30th June 2021.

The Board made substantial strides through activities implemented under the knls Board 2020/2021 Performance Contract. This was a year that preceded a pandemic year and libraries had to adapt in a multitude of ways to mitigate the challenges faced in the previous financial year.

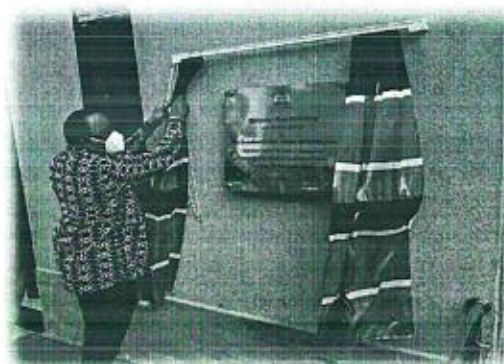
Like all organizations that had to adapt and find ingenious ways of staying abreast during the pandemic, knls was not left behind. Implementation of the knls' activities for the FY' 2020/2021 was adversely affected by the COVID-19 pandemic. During this period, the libraries remained closed for 7 months of the FY thus, most programmes that had been scheduled for implementation by and through the branch libraries suffered a blow. Despite the 1st and 2nd quarters being closed off to the public and experiencing fairly low performance in reading promotion campaigns, Librarians ensured specific community needs were addressed through different inventive ways.

However, bad as the year was, the Board recorded great success in specific areas as follows:

OFFICIAL OPENING OF MAKTABA KUU

During the year under review knls had the privilege of hosting his Excellency Hon. Uhuru

Kenyatta, C.G.H, President and Commander in Chief of the Defense Forces of the Republic of Kenya on two occasions; the first one was on 17th September 2020 during an inspection visit of the ongoing Construction works of Maktaba Kuu. During this visit H.E. The President expressed great joy and satisfaction in the design of the building, the works done, the impact it shall create in service delivery and the programs that are being rolled out to enhance quality service delivery. At the time of the visit, final touches were being done on the building to facilitate its official



commissioning at the earliest time possible. The second visit took place on 13th November 2020 when H.E Hon. Uhuru Kenyatta presided over the official commissioning of Maktaba Kuu. The President acknowledged that the iconic building "marks an important milestone for us and for the future generations, who stand to benefit from our continued commitment to knowledge and information sharing."

The President termed the event as part of his Administration's promise to open new avenues for Kenyans to learn, obtain information, expand their intellectual horizons, and promote a reading culture. He appreciated the creative use of the library space to transform it into a hub for knowledge and networking.

INFRASTRUCTURAL DEVELOPMENT

The Board remains committed to availing accessible information services to all communities and work with other stakeholders in fast tracking library development programs to cover many other areas without library services. Two more libraries are under construction in partnership with the respective members of parliament who utilized part of their NG-CDF to establish the libraries for their constituents. These are;

- i) Awendo Community Library which was 95% complete by 30th June 2021.
- ii) Kimilili library which was still work in progress was 90% as at 30th June 2021 with an expected completion date of December 2021.

CORPORATE GOVERNANCE

The knls Board maintained good governance and ethical leadership throughout the period under review. The Board also ensured that the Code of Good Conduct was adhered to by all staff. That notwithstanding, the Board carried out its mandate in consultation with the Parent Ministry for necessary guidance. During the year under review the Board in conjunction with the Parent Ministry adopted Guidelines and protocols for business operations during COVID-19 for library services.

The Ag. CEO continued his tenure on an acting capacity following his appointment during the previous financial cycle, pending recruitment of a substantive CEO. Recruitment of the Director/CEO for knls is a responsibility of knls Board and shall be undertaken once a new Board is fully constituted. The tenure of the previous Board expired on 20th October 2019 before the Board could conclusively complete the recruitment process.

BOARD SELF EVALUATION

The Board self-evaluation for the Financial Year 2019/2020 was not carried out due to lack of a fully constituted Board. The exercise which is guided by the State Corporations Advisory Committee (SCAC) is meant to assess the performance of the Board Chairman, Individual Board members, and the CEO for the financial year ended June 2020. The evaluation could not take place in the financial year 2020/2021 as there were only two members of the Board and hence there was no requisite quorum for undertaking the Board self-evaluation exercise. SCAC therefore pushed the evaluation to the next financial year awaiting constitution of the full board.

FINANCIAL POSITION

The support received from the Government and development partners enabled the Board to deliver on its mandate by implementing specific programs that mostly focused on enabling access to library and information services, thus improving the reading culture of Kenyans. Details of Financial position of the Board are captured in the Financial Statements.

LOOKING AHEAD

On behalf of the Board, I would like to thank the Government, development partners, library customers and all other stakeholders for their efforts in ensuring knls delivers solid results. I am thankful for the leaders that have and continue to champion more library facilities across the country. Already, several library projects have been funded through the Constituency Development Fund, with the support from various Members of Parliament.

Through innovative technology such as the virtual library, the Board is looking at having a wider patronage globally and ensure communities in

rural areas and urban areas as well will have access and inadvertently, bridge the digital divide, contributing to Kenya's Vision 2030, and laying a foundational model for replication globally. knls Board strongly believes that in order to catapult Kenya to a new level of digital access and information sharing, it is necessary to harness and enhance the power of libraries.

I look forward to working together as we endeavor to generate increased growth in the years ahead.

I would also like to acknowledge, with appreciation, the invaluable support I continue to receive from knls Management and Staff, which has helped to implement the knls strategies successfully throughout 2020/2021.



Hon. Noah Katana Ngala, EGH
CHAIRMAN

REPORT OF THE CHIEF EXECUTIVE OFFICER



It is my pleasure to present to you the Annual Report and Financial Statements for the year ended June 30, 2021 at a time when our country and the world is facing extra-ordinary times due to the COVID-19 outbreak

The global economy is whirling from the disruptive effects of COVID-19 and knls is not spared by the virus related effects.

All libraries remained largely closed to the public during Quarter 1 and Quarter 2 and were fully reopened to the public on 1st February 2021. This was due to the containment measures that had been implemented by the government. Despite the odds and knls experiencing fairly low performance in reading promotion campaigns, Librarians ensured specific community needs were addressed through different innovative ways.

OFFICIAL OPENING OF MAKTABA KUU

A key highlight of the year was the official commissioning of the Maktabaa Kuu building where his Excellency Hon. Uhuru Kenyatta, C.G.H. President and Commander in Chief of the Defense Forces of the Republic of Kenya termed the event as part of his Administration's

the iconic building "marks an important milestone for us and for the future generations, who stand to benefit from our continued commitment to knowledge and information sharing."

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"marks an important milestone for us and for the future generations, who stand to benefit from our continued commitment to knowledge and information sharing." He appreciated the creative use of the library space to transform it into a hub for knowledge and networking.

PERFORMANCE CONTRACTING

knls Board developed the PC targets for the financial year 2020/2021 using the prescribed guidelines issued by the Office of Performance Management and Coordination. The PC targets, which were derived from the Board's 2017-2022 Strategic Plan were cascaded to all departments/branches for ease of implementation. The Board did not participate in the vetting exercise as the current board is yet to be fully constituted.

FINANCIAL STEWARDSHIP

Knls Board continued to enjoy the goodwill of the Government through the Ministry of Sports, Culture and Heritage throughout the year. The Board received the outlined periodic grants from the exchequer to facilitate provision of library and information services to the public. As is detailed in the Financial Statements in this report, all the monies channelled to the Board were appropriately utilized for the approved programmes and activities. The key sources of

knls Board's revenue during the year under review were the Government of Kenya through the Exchequer, Appropriation in Aid and donor funding for specific projects.

During the year under review, knls projected to collect **Kshs.82,148,138** Appropriation in Aid as compared to **Kshs.54,004,445** in the previous financial year depicting a 52% increase. This was attributed to the uptake of office space at the completed Maktaba Kuu Tower. The Board also received recurrent grants from the exchequer totalling to **Kshs.661,010,000**.

Under Development Grant, the Board was not allocated any grant in the Financial Year.

The Statement of Financial Performance FY 2020/2021 has a book deficit of **Kshs.129,499,275** as compared to a deficit of **Kshs.8,364,366** during the previous FY 2019/2020. This scenario is as a result of Exchequer grants that were received on 29th June 2020 for settlement of CBA arrears for the period 2012-2013 and 2013-2017 and implementation of the SRC Job evaluation Phase III. The settlement of the arrears was done effective July 2020.

STRATEGIC DIRECTION

All library programmes and activities for the year under review were anchored on the knls Board's strategic objectives as outlined in the 2017-2022 Strategic Plan. The 2020/2021PC Targets were achieved through various specific activities aimed at improving service delivery to the public and enhancing a positive reading culture among Kenyans. The Government's 'Big Four Agenda' were also incorporated in the Board's Performance Contract.

'BIG FOUR' AGENDA

Knls greatest desire is for Kenyan people everywhere to have access to information and knowledge for empowerment. Knls believes that knowledge is at the core of human progress; endeavor and well-being. Access to relevant information and knowledge will enable Kenyans to participate and contribute to the nation's

socio-economic transformation and development agenda.

The knls Board therefore has aligned its strategies to the Government's strategic thinking as articulated in Kenya's Vision 2030 and the "big four pillars" i.e. manufacturing, universal healthcare, affordable housing, and food security.

i. Book Donation to Medical Institutions



KMTC Nyeri Branch Staff Assumpta and Zipporah after selection of the desired medical books at Maktaba Kuu

As part of knls contribution to the big four agenda, knls sought to acquire medical books from its partners for equipping the libraries and also for equipping medical learning institutions in different parts of the country. Knls has been working closely with Kenya Medical Training Colleges in the past where arrangements have been made with libraries in zones where we have medical colleges in order to serve the students and teaching staff better while promoting the professional development of medical personnel.

ii. Improving The Health and Confidence of Girls from Less Fortunate Backgrounds

On 2nd March 2021, the Office of the knls CEO received a donation of 480 and 240 packets of softcare sanitary pads and baby wipes respectively. These were allocated to five libraries that were expected to distribute the items fairly on need basis. The target is the needy girls who are library users.

This exercise was in support of the GoK's commitment to provide sanitary pads to girls in public schools. This would also enable knls to

positively contribute the Universal Healthcare in the Government's Big Four Agenda

iii. Food Security

As a way of contributing to improved food security among Kenyan communities, knls librarians in various branches organized interactive forums with local farmers in conjunction with agricultural experts. The forums provided a platform for the farmers, not only to learn new methods of farming, but also to be able to ask any questions concerning the challenges that they could be facing in farming.

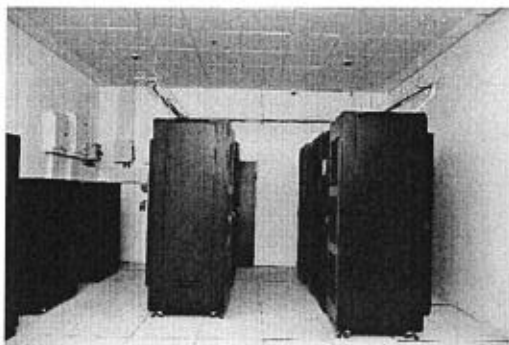
ICT

Coronavirus (COVID-19) and the related lockdown measures to prevent the virus' spread have highlighted how important it is for everyone to have access to reliable and resilient digital infrastructure. Restrictions on movement have generated higher Internet usage and increased traffic on networks, reflecting an increase in remote working and learning, as well as other activities that have shifted online.

Knls also installed the Open-Source Integrated Library System i.e KOHA in 4 more branch libraries; Mikumbune, Eldama Ravine, Mutyambua and Munyu libraries to ease provision of library services and operations.

VIRTUAL LIBRARY

Knls Board is in the process of establishing a virtual library which is part of the Transformation Strategy adopted by the Board in 2014. This is with the support from the Government through



the Ministry of Sports, Culture and Heritage at an

approximate cost of **Kshs.250 Million** from the Sports, Arts and Social Development Fund Board.

The project is scheduled to be completed in two years. This would be critical in addressing challenges such as those posed by the COVID-19 pandemic that hindered people from visiting the physical library premises. The project had been estimated to be complete by June 2021, however challenges encountered included:

- i. Disruption of processes occasioned by periodic closure of offices and cessation of movement due to COVID 19 pandemic slowed down operations of committees that were required to hold regular in-person meetings and conduct physical benchmarking exercises.
- ii. Non-responsiveness of the first tender for the data center caused a delay and affected other processes that were dependent on this deliverable.
- iii. Business environment affected by restriction of movement and cargo shipment thus causing delay by the Vendor in delivery of Servers for the data center.

Despite the challenges tremendous progress has been made with the virtual library during the Financial year 2020/2021, as summarized below:

1.1 Hardware infrastructure: Tier II Data Center

1.1.1 Inspection and Testing

Inspection and Testing of all components of the data center has been done as per the contract terms signed between knls and the successful bidders.

The Tier II data center is up and running with a storage capacity of 80 TB and a reliability of upto 99.6% uptime. Migration of existing services and platforms to the data center is complete.

1.1.2 Technical Training

Technical Training for ICT officers has been done on VESDA & Fire Suppression Systems, HVAC System, Power Systems, DC Environment Monitoring & NOC System, Access control and Security systems and training on Virtualization.

1.2 Establishment of Digitization Lab



The Digitization Lab is situated on the first floor of the Library wing of Maktaba Kuu building. The space identified has been remodeled to support the various functionalities of a digitization lab. The lab has a workstation, a studio and two Scanner rooms.

1.2.1 Acquisition of hardware for the Lab

i. Robotic Scanner

The acquisition process for Automatic Book scanner, AIO Scanner and related software is ongoing and is expected to be complete within the 1st Quarter of the next FY.

1.3 Virtual Library Software

1.3.1 Review of the Virtual Library Business Model

The Board has developed a Virtual Library Business model framework that describes the process involved in rendering the services to the customer, the relationship with content providers, process supporters, final interface with the customers and the feedback mechanism.

The elaborate ICT infrastructure within the facility will facilitate community access to online information and connect Kenyans to the rest of the world. Deploying technology is an absolute necessity, and as organizations we have to re-invest and re-invent ourselves all the time. Kenya National Library Service is working hard to provide access to collections and services remotely, often investing time and effort in updating websites and computer systems in order to deal with demand.

The virtual library is expected to be launched in December 2021.

VISION 2030 FLAGSHIP PROJECT

Kenya has made numerous gains towards achieving key milestones as set out in the Jubilee Manifesto and Vision 2030 blueprint. In an endeavor to keep Kenyans abreast of these achievements, turning them into believers in their Government, in themselves and in the fact that "Kenya is transforming", while energizing them to participate in nation building, Implementation of the knls Board's government funded Vision 2030 project i.e. the construction of the National Library of Kenya at Community was finalized and the project "Maktaba Kuu" was officially handed over and commissioned by H.E the president Uhuru Kenyatta on 13th November 2021. The president termed the event as part of his Administration's promise to open new avenues for Kenyans to learn, obtain information, expand their intellectual horizons, and promote a reading culture.

INFRASTRUCTURAL DEVELOPMENT

The Board remains committed to availing accessible information services to all communities and work with other stakeholders in fast tracking library development programs to cover many other areas without library services. More consultation and collaboration with different stakeholders can serve society well. Partnerships are the foundation on which progress is built. Diversity in ideas, resources, networks and expertise creates better and more robust results; Two new libraries were

constructed in partnership with the respective Members of Parliaments, who utilized part of their NG-CDF to establish the libraries for their constituents. These were:

Awendo Community Library

The Kenya National Library Service Board was granted a piece of land in Awendo township in 2007 and a Plan for the proposed library done the same year. In 2010, the construction of the Library began but was done upto the foundation level. The project stalled for 10 years until the current area member of Parliament and NG-CDF Awendo constituency revived the project and committed to its completion. The Library facility is scheduled to be completed, handed over and operationalized in the next financial year.

Kimilili Library

The new library is located next to the CDF offices along Kimilili-Chwele Road, in a 100 by 100 plot that was allocated to knls in 2011. Construction



of the Library is being done through funding from NG-CDF.

The Library comprises of Junior and Adult section, an ICT hub, a seating capacity of 50 outdoor reading area, a semi-detached studio, e-resource center and a book stock of 14,113.

The construction is at 95% completion rate and is expected to cost **Kshs.9M** inclusive of furniture.

The area MP is keen on promoting art and talents among the youth hence the inclusion of a studio to enable upcoming artists to record their respective work for free. Once construction of

the library is complete it will enhance the reading culture of the township. The completion date is estimated at December 2021.

APPRECIATION

I would like to thank the Board of Directors, our clients, our dedicated staff, our service providers for their continued support and loyalty, without which our objectives could not have been achieved. I also extend our gratitude to the Government of Kenya, the Ministry of Sports, Culture and Heritage and all other stakeholders for the cooperation and support.

Dr. CHARLES NZIVO

Ag. CHIEF EXECUTIVE OFFICER

**At the time of submission of the Audited Financial Statements, the former Ag. CEO Mr. Jack Wafula had exited knls service effective 27th May 2022.*

As a result, the Annual Report and Financial Statements were signed by the Ag. Director/CEO – Dr. Charles Nzivo.

REVIEW OF KENYA NATIONAL LIBRARY SERVICE PERFORMANCE

KEY ACHIEVEMENTS AGAINST STRATEGIC OBJECTIVES

The following Key Performance Areas(KRAs) are derived from the current organization strategic plan (knls strategic plan 2017 to 2022) and set as a performance target in the 17th cycle of performance contracting (2020/2021 FY) as targets.

Strategic Pillar	Objectives	Key Performance Indicators	Activities	Achievements
i) Preservation and conservation of comprehensive national documentary heritage and promotion of reading, & controlling of national bibliography	To promote literacy and reading culture in Kenya	Increase No. of library users No. of New libraries opened.	Create awareness and promote library services Collaboration with NG-CDF to establish new libraries	5,207,081 library customers used the library facilities 2 New libraries were opened at Voi in the County of Taita Taveta and Eldama Ravine in the county of Baringo
	To promote use of ISBN and ISMN among the Kenyan publishers and publication of the Kenya National Bibliography (KNB)	No. of legal deposit copies collected No. of Publishers issued with ISBN. KNB published	Collect legal deposits Sensitize publishers and authors on the need to acquire ISBN and ISMN Publish comprehensive KNB	1,226 legal deposit copies have been produced 1049 Book Publishers were issued with ISBN. KNB has been published and printed
	To complete construction of the National Library of Kenya/Knls headquarters	Increase in number of customers accessing the national library services -Increase in revenue	Completion of the NLK/knls HQs building	The building was completed and handed over to knls Board on 19 th August,2020
	To establish a virtual library	Wider access of e-resources and other digitized informational materials	Configure, test and commission virtual library	Establishment of the virtual library was started in 2019/2020 FY and by 30 th Jun,2021, it was at level 70% complete.
ii) Upscaling automation levels for enhanced access to services.				

		To automate and maintain Management Information System (MIS)	No. of Branches installed with KOHA (Library management software	Installation of KOHA library management soft ware	4 branches installed with KOHA library management software giving a cumulative total of 35 branches.
		To Acquire Audit Management System(AMS) to improve on Audit efficiency	Percentage increase in revenue generation Improvement in internal controls and compliance	Complete upgrading of Navision 2015 and activate the web-based platform Installation and commissioning of the Audit Management System (ACL)	Enhanced revenue collection and upgraded working systems Installed and commissioned the Audit Bond and cascaded the same to branch libraries and departments
iii)	Strengthening Institutional capacity, resource mobilization, brand visibility and corporate governance for effective service delivery.	To improve work performance, capacity building and employee welfare for enhanced productivity	No. of library facilities refurbished	Refurbishing and maintain library facilities	Construction work of new toilets on going in Timau and Ukwala branches
		To mainstream the Government Big Four Agenda and comply with other Directives	No. of branches equipped with Health Information materials	Acquiring and distributing health information resources	18 knls branch libraries were equipped with health information materials.
			No. of condoms distributed and no. of dispensers installed	Distribution of condoms and installing condom dispensers	Over 20,000 condoms were distributed through our 64 branch network
			No. Farmers equipped with smart farming skills.	Holding training sessions for farmers in our branches	Over 100 farmers were trained/sensitized on how to do the smart farming over the seasons.
			No. of youths trained /sensitized on entrepreneurial skills.	Holding training/sensitization forums in our libraries	Over 200 youths were trained /sensitized on the entrepreneurial skills.

CORPORATE GOVERNANCE STATEMENT

Kenya National Library Service Board operates under Cap 225 Laws of Kenya and embraces the principles of good governance that is engraved in the culture of integrity, accountability and transparency. The principles and standards adhered to by the Board have been developed with close reference to the Mwongozo Code of governance for state corporations, issued by the State Corporations and Advisory Committee (SCAC). 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. 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.

Board Composition

The term of the previous Board ended on the 20th October 2019. As at the end of the FY 2020/2021, a new Board was yet to be fully constituted. Hence, three members i.e the Chairman and the Rep. from the Parent Ministry in consultation with the Ag. Chief Executive Officer, continued guiding on policy issues that needed approval.

Role and Functions of the Board

The Board:

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

Existence of a Board Charter

The purpose of this charter is to promote high standards of corporate governance and to:

- i) Clarify the roles, responsibilities and powers of the Board and those of various committees of the board to assist in decision-making processes.
- ii) Outline the policies and practices of the Board in respect to matters such as conflicts of interest and convening of Board meetings.

- iii) Define the specific responsibilities of the Board of Directors, in order to enhance coordination and communication between the Chief Executive and the Board and more specifically, to clarify both Board and Management accountability.

Board Self Evaluation and Performance

The knls Board maintained good governance and ethical leadership throughout the period under review. The Board also ensured that the Code of Good Practice was adhered to by all staff. That notwithstanding, the Board carried out its mandate in consultation with the Parent Ministry for necessary guidance. During the year under review the board in conjunction with the parent ministry adopted Guidelines and protocols for business operations during Covid-19 for library services.

Board Self Evaluation exercise which is guided by the State Corporations Advisory Committee (SCAC) is meant to assess the performance of the Board, Individual Board members, Board Chairman and the CEO for the financial year ended June 2020. The evaluation could not take place in the financial year 2020/2021 as there were only two members of the board and hence there was no requisite quorum for undertaking the board self-evaluation exercise. SCAC therefore pushed the evaluation to the next financial year awaiting constitution of the full board.

Board Committees

The Board may establish committees, as it considers appropriate to assist it in executing its functions/ Mandate.

The Board has four standing committees with specific delegated authorities and terms of reference. These are; Audit Committee, Finance & Project Development Committee, Human Resource & Service Delivery Committee and Marketing, Research & Resource Mobilization Committee.

Board Meetings Held in the Year

The board normally meets at least once every quarter and is chaired by a non-executive Chairman. The Board Members therefore hold regular scheduled meetings throughout the year and consultative meetings are held as and when necessary. At every meeting of the full board the chair of each committee presents a report on its activities, decisions and recommendations of the respective committees since the date of the previous meeting for further consideration and approval where necessary.

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

TYPE	Meetings Held
Special Finance & Projects – National Library of Kenya & Headquarters site inspection	10
Consultative Meetings	18

Conflict of Interest, Code of Conduct & Ethics

knls has fully adopted the Code of Ethics that is enshrined in the Mwongozo which is the Code of Governance for State Corporations. The code of ethics entails among other things declaration of Conflict of Interest which must be embraced by both the Board and the employees of the organisation. The Board members are expected to be sensitive to conflict of interest that may arise and be mindful of their fiduciary obligations to the corporation. The Board has put various measures in place to ensure there is no conflict of interest amongst its directors and staff.

The Board has put in place Anti-Corruption Policy in line with EACC guidelines and a Code of Conduct & Ethics that binds both the board and the employees. A Board member who identifies an area of conflict of interest shall be required to disclose any actual or potential conflict of interest to the Board. The same is registered in the Conflict of Interest Register.

Board Remuneration

The non-executive Board members are paid taxable sitting allowances as approved by the Chief of Staff and Head of the Public Service following guidelines from the State Corporations Advisory Committee. The sitting allowance is paid when a member attends meetings of the Board or Committees. The Chairman of the Board is paid honoraria at a rate approved by the Government on monthly basis.

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

Succession Planning

knls Board has an established succession management plan geared to ensuring continuity of business operations at all levels of the Board and Management. The term of the Chairman, and the Alternate Representatives from Parent Ministry and National Treasury are scheduled to end at different times. The term of the previous Board ended on the 20th October 2019, while the Chairman's term expired on 30th June 2021.

The Board Strategic objectives in its current Strategic Plan is to "strengthen institutional capacity by upholding mobilization and development of human capital"

The objectives of knls Succession Plan are therefore to;

- i) Ensure continuity of knls
- ii) Ensure timely placement of employees to take up roles of their predecessors
- iii) Ensure suitable employees are available to fill the vacancies when they fall due
- iv) Help in monitoring of staff skills development
- v) Support allocation of resources for the talent development process

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL PERFORMANCE

Operational Performance

Implementation of the knls' activities for the FY' 2020/2021 was adversely affected by the COVID-19 pandemic. During this period, the libraries remained closed, thus, most programmes that had been scheduled for implementation by and through the branch libraries suffered a blow. Community outreach programmes were also stopped in compliance with Ministry of Health COVID-19 protocols that included physical/social distancing. Nonetheless, knls implemented various projects and programmes that were mostly focused on enabling access to library and information services; thus improving the reading culture of Kenyans.

While some of the programmes were sponsored by the knls Board through funds received from the exchequer, others were sponsored by donors and other development partners through specific partnership agreements. This was done with strict adherence to the Covid-19 protocols as set by the Ministry of Health.

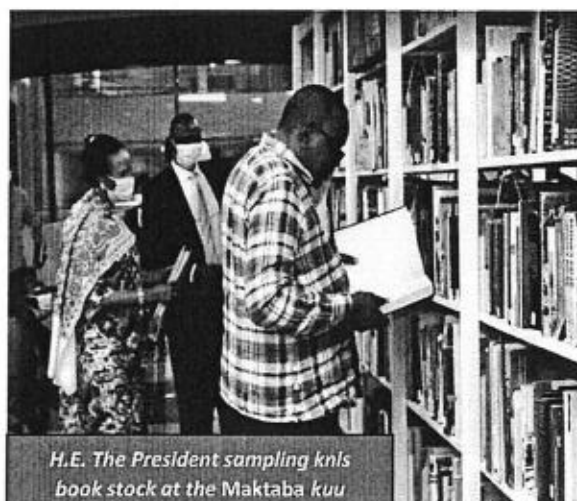
1.0 Maktaba Kuu Building Official Opening Ceremony

knls had the privilege of hosting His Excellency Hon. Uhuru Kenyatta, C.G.H., President and Commander in Chief of the Defence Forces of the Republic of Kenya, during his inspection tour of the newly constructed Maktaba Kuu Building.

1.1 His Excellency Hon. Uhuru Kenyatta EGH, pays an Inspection Visit to the Newly Constructed Maktaba Kuu Building

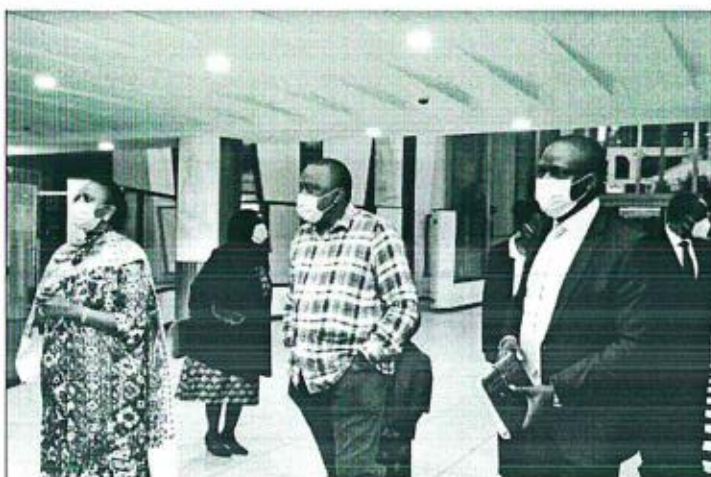
On Thursday 17th September 2020, His Excellency the President Hon. Uhuru Kenyatta paid an inspection visit to Maktaba Kuu, the new library building at Community where he was given a tour by the Parent Ministry's CS (Ministry of Sports, Culture and Heritage) Amb. (Dr) Amina Mohamed together with knls Ag. CEO, Jack Wafula. Other dignitaries present included;

1. CS Dr Fred Matiang'i
2. CS Dr Monicah Juma
3. CS Raychell Omamo
4. PS Macharia Kamau
5. PS Josepta Amukobe



H.E. The President expressed great joy and satisfaction in the design of the building, the works done, the impact it shall create in service delivery and the programs that are being rolled out to enhance quality service delivery. Makataba Kuu building is one of the Kenya's Vision 2030 flagship projects funded through the exchequer. Its completion therefore is a significant achievement for the Government of Kenya.

Photo Moments



1.1.1 Official opening of Maktaba Kuu by His Excellency Uhuru Kenyatta, C.G.H., President of the Republic of Kenya and Commander-In-Chief of the Kenya Defence Forces

The newly constructed Maktaba Kuu building was officially opened on 13th November 2020. The event was



graced by His Excellency Uhuru Kenyatta. The President who was the Chief Guest, acknowledged that the iconic building *"marks an important milestone for us and for the future generations, who stand to benefit from our*

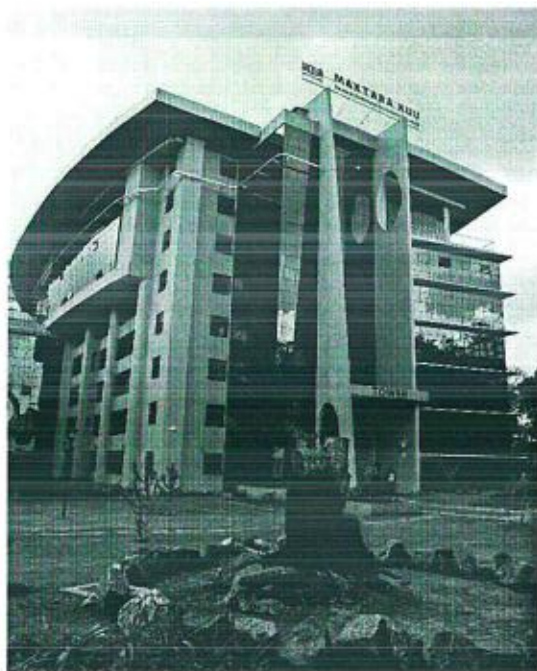
continued commitment to knowledge and information sharing."

H. E. The president termed the event as part of his Administration's promise to open new avenues for Kenyans to learn, obtain information, expand their intellectual horizons, and promote a reading culture. He appreciated the creative use of the library space to transform it into a hub for knowledge and networking.

H. E. The president particularly noted some of the special features of the library including:

- a. The 300 capacity Children Theatre
- b. The 50-capacity senior citizens section
- c. Four auditoriums with a combined capacity of 1,200 people
- d. The 500-seater gallery (Sanaa Centre)
- e. The section for persons with disability





H. E. The President also reiterated his Government's support, through the Ministry of Sports, Culture and Heritage and the Sports, Arts and Social Development Fund, in implementing a two-year Ksh.250 million project that is focused on establishing the Kenya National Library Service virtual library. He assured Kenyans that the virtual library, which was to be launched by June 2021, will ensure that Kenyans of all walks of life have access to quality, timely and relevant information held by the Kenya National Library from the comfort of their homes.

Leaders who have championed development of libraries across the country especially through use of Constituency Development Fund, did not escape H. E. The President's mention. On this, he singled out the newly constructed Voi and Eldama Ravine libraries and commended the respective Members of

Parliament for the noble course. He also recognized two exceptional young women Angela Wachuka and Wanjiru Koinange, founders of Book Bunk, for having adopted and transformed three public libraries, Makadara, Kaloleni and McMillan.

He called on more citizens to draw inspiration from Wachuka and Wanjiru to engage in endeavors of lasting impact for the country.

H. E. The President restated his commitment and that of other leaders at the national and county levels, to have more libraries across the

country to address the growing need for knowledge and information.

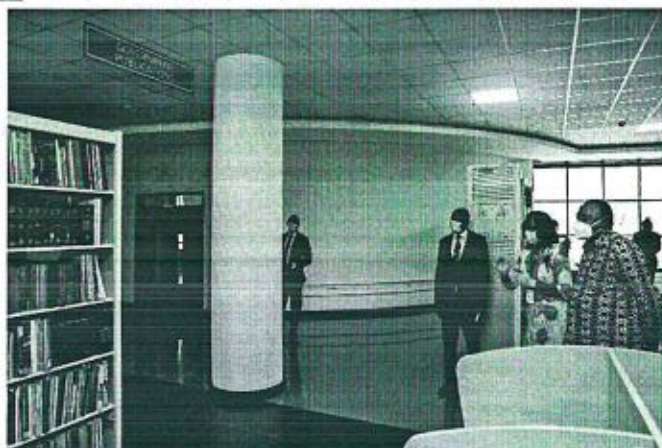
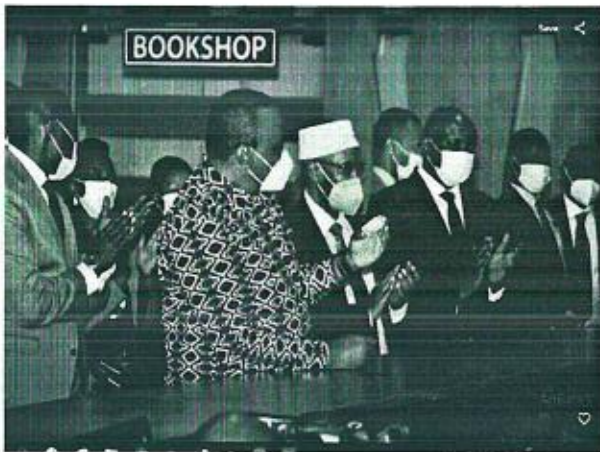
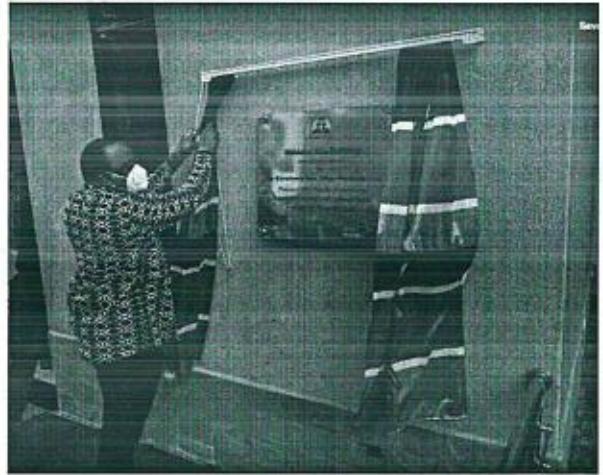
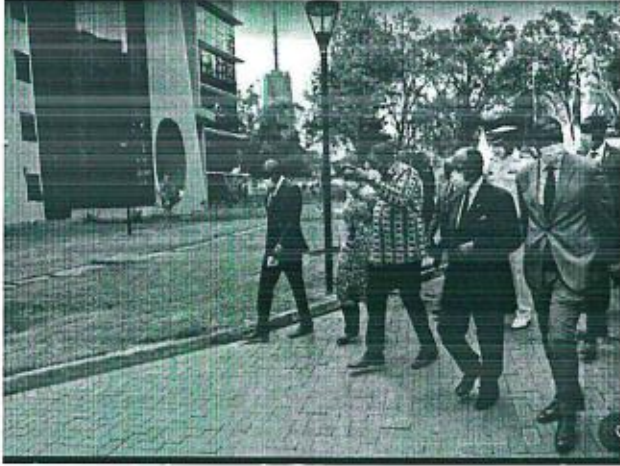


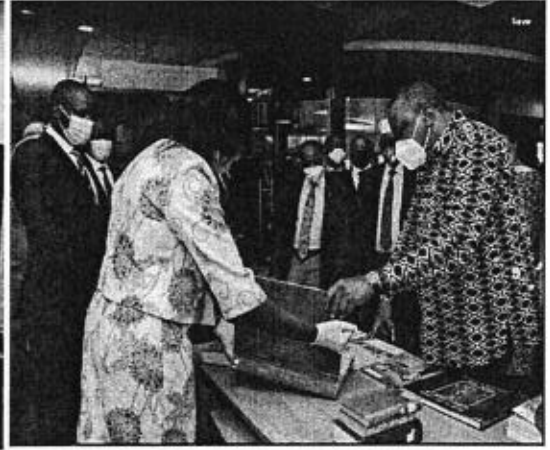
PHOTO MOMENTS

Maktaba Kuu Building Handing Over Ceremony Pictorials



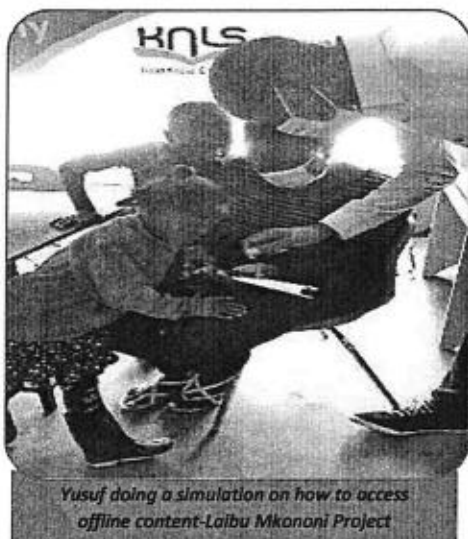
Maktaba Kuu Official Opening - 13th November 2020







1.2 Reading Promotion/ Youth Empowerment and Social Advocacy Initiatives



1.2.1 Laibu Mkononi (Library at hand), Knls Kibera and Knls Moyale, Roll out in March 2020

Knls Kibera initiated the *Laibu Mkononi Project*, which entailed providing smart phones that have been preloaded with offline content to children in Kibera. The main aim of this project was to enable children read story books, play educational games in a controlled environment, and use their leisure time constructively.

The devices are secured with parental control software to limit the applications' accessibility, and the time spent on the device. The initiative allows the smart phones to be lent out to users who are registered members of Knls Kibera, and have built a rapport with the library. The smart phones, were donated by well-wishers.

1.2.2 Toastmasters Club, knls Nakuru

knls Nakuru has embraced the virtual platform by forming a toastmasters' club that meets every first and third Thursday of every month. This is a non-profit educational club that provides a safe learning space in public speaking and leadership for adults and children. Members are encouraged to contribute freely by presenting prepared speeches or table talks on topical issues. The current club has 20 dedicated members. The main aim of this club is



Knls Nakuru Toastmasters Club in Session

to encourage an open, safe space for progressive talks in a supportive environment.

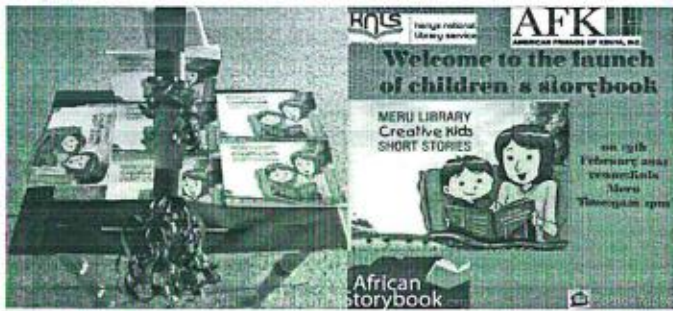
1.2.3 Mentorship Program for Teens, Knls Kibera,

The closure of schools led to an increase in the number of violent cases and teenage pregnancies in Kibera. This was attributed to poverty and idleness in the largest informal settlement in Kenya. To this end, Librarian in charge of knls Kibera branch organized a mentorship program for teenagers within the area.

This was done in partnership with Child Helpline Organization, who facilitated the regular mentorship programs that were conducted. Youth were advised on how to use ICT wisely for educational gains and not to involve themselves with crimes. The girls and ladies were also taught on the importance of keeping themselves chaste to avoid sexually transmitted diseases, early pregnancies and early marriages. They were encouraged to visit the library, offer to volunteer in many programs within the library, and act as mentors to those looking up to them.



Teenage Mentorship Programme at Knls Kibera in Partnership with Child Helpline Organization.



1.2.4 Meru Library Publishes a Book on Short Stories by Junior Library Readers

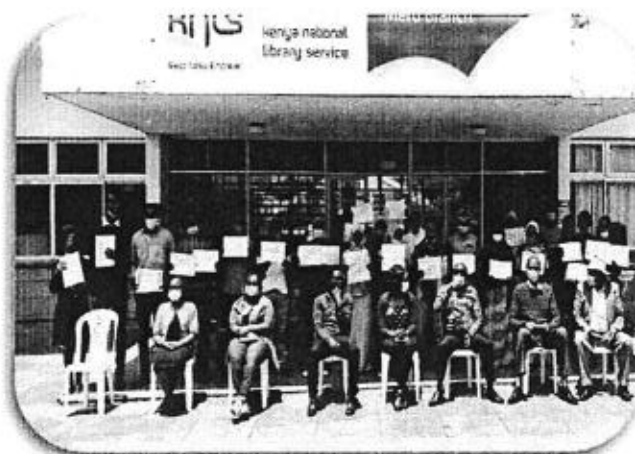
knls Meru branch launched a Junior book dubbed "Meru Library Creative Kid's Short Stories" on 19th February 2021. The book comprises stories written by junior library members after an intensive training through African Storybook Project that was initiated in November 2019 through the assistance of Dorcas Wepukulu the program co-ordinator in Kenya. The participants for the launch were drawn from various primary schools around Meru, which included: CCM, Runogone, Meru, ST Pauls Academy Conquerors. Teachers from the five schools also graced the occasion.

Printing the stories in a hardcopy book was seen as a motivator for children to

read, write and publish. Initially the stories were published online on www.africanstorybook.org. This has resulted to publishing approximately 15 books in the African storybook website. Some of the stories include; Hard work, my wish come true, trip to Mombasa, lost mother, Bad rich man My politician grandmother, flying bicycle among others.

1.2.5 Youth and Women Empowerment Program at the knls Meru Library

In a program dubbed "Learning Circles" Meru Library partnered with Mjini Youth and Women Advocacy Network, a Community Based Organization that support Teenage Mothers, Children from the slum and women based in mijni slums to facilitate youth and women from the slums to undertake online courses. The library is supporting the C.B.O develop a library at their resource centre and have agreed on empowering the youth by training them on various courses.



On 31st March 2021, knls Meru organized a graduation ceremony for the 17 students who had been trained for 2 months. They were trained on the following courses including Fundamentals of Public Speaking; Basic Computer Skills; Cyber Security and Internet of Things.

One of the digital literacy teachers, Mr. Kamau Mbugua, who also focusses on empowering youths with ICT skills that help them earn a livelihood, challenged the youth to make use of the library as a tool of learning and re-learning, by quoting Alvin Tophra 'The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.' In addition, he explained that Learning is a change of behaviour geared towards the 4th Industrial Revolution which comprises of Internet of things, Robotics, Artificial Intelligent, Big Data Block chain technology and Virtual reality.



1.2.6 Enhancing Reading by Among the Primary School Children

Book Aid International (BAI) is supporting Kenya National Library Service (knls), to implement the *Explorer Library* project. The *Explorer Library* project encourages and enhances reading by children in primary school by making access to a range of books easy. Literacy research is clear that regular reading develops fluency, vocabulary and comprehension skills, and starting children reading early at primary school prepares them well for secondary school and beyond. The aim of the *Explorer Library* project is to increase reading by primary school children, through the establishment of a basic functioning primary school libraries. Two knls Libraries, i.e. Knls Nakuru and Knls Buruburu were selected as hub beneficiaries to support two schools each. The



Participants following the training keenly

Explorer Project training workshop for head teachers, teachers and librarians took place online at the Kenya National Library – Nakuru and Buruburu branches, Wednesday 27th January to Friday 29th January 2021.

1.2.7 Stem Study Hub Project at Kangema and Wundanyi knls Libraries

Book Aid International (BAI) and Kenya National Library Service (knls), are implementing a project at Kangema and Wundanyi libraries named STEM Study Hub Project. The STEM Study Hub Project aims to develop study hubs for teenagers focusing on STEM Subjects (Science, Technology, Engineering and Mathematics) in selected beneficiary schools. The aim of the STEM Study Hub is to assist student prepare for their exams in STEM Subjects through branch libraries provision to offer increased access to locally purchased curriculum books and donated supplementary texts for key examination subjects and Fiction.



Participants in a Practical Session

1.2.8 Sigana International Storytelling Festival

Sigana International Storytelling Festival is an initiative of Zamaleo Act and Culture Trust and brings together the finest oral storytellers with different story telling approaches from different cultures of the Countries in the world. The festival is held annually and this year's event took place on 10th June 2021 at knls Buruburu Library where a total of 148 pupils and 10 teachers were in attendance.

This unique carnival celebrates the art of storytelling that is slowly fading as technology takes the



Artists from Ethiopia and Tanzania engaging the children with stories during the Sigana International Storytelling Festival held at knls Buruburu on 10th June 2021 at the library's

information sharing space globally. The stories told are not just for entertainment but they also help children grow their creativity and imagination. Most importantly, stories were used as a way of character shaping, instilling good morals and promote positive behaviour among children as they grew up. Sigana International Storytelling festival seeks to strengthen the storytelling culture through stories, poems and songs in order

to pass down information from one generation to another. The festival seeks to achieve the following objectives;

- i) Create an appreciation among participants of the wisdom and beauty of storytelling as a powerful means of teaching, communication and entertainment
- ii) Showcase different tellers and their art

1.2.9 Story Moja Read Aloud Festival in Partnership with knls

The Read Aloud day happened on 16th June 2021 to coincide with the day of the African child which honors those who participated in the Soweto uprising of 1976. It raises the awareness of the continued need for the improvement of education provided to the African children.

Ten (10) knls branch libraries participated in the Read aloud as a joint event with Storymoja in an attempt to set a new Guinness world record for the same text being simultaneously read in multiple locations. The overall total number of participants reached from the knls branches was **7,515**. The



libraries represented were; Gilgil, Thika, Embu, Gatimbi, Moyale, Malindi, Dzitsoni, Buruburu, Mikumbune, Karatina, Silibwet and Laikipia.

1.3 BIG FOUR AGENDA

1.3.1 Environmental Conservation

1.3.1.1 Kazi Mtaani Initiative, Voi Community Library

Voi community library partnered with the Kenya Forest services and the Ministry of Interior and Provincial Administration under the Kazi Mtaani Initiative to make library spaces conducive through environmental conservation. This was to be achieved by planting 200 trees, making the library a reference point for the community to learn but later extend the service of planting trees to the bare hills and rivers in Voi. This is geared towards realizing vision 2030 on forest cover.

1.3.1.2 Tree Planting by Knls Lusumu Library



The Government continues to prioritize environmental conservation in the list of its key agenda items. In this regard, Lusumu library partnered with



the local community including schools and church to plant 55 trees on 21st May 2021. Among the participants were five secondary schools, four primary schools and one church.

1.3.2. Universal Healthcare programs

1.3.2.1 Improving the Health and Confidence of Girls from Less Fortunate Backgrounds

On 2nd March 2021, the Office of the knls CEO received a donation of 20 boxes of softcare sanitary pads each containing 24 packets and 20 cartons of softcare baby wipes each containing 12 packets. In total, the donation contained 480 and 240 packets of softcare sanitary pads and baby wipes respectively. This was in response to a request made by knls to Sunda Kenya Industrial Company.

These were allocated to five libraries that were expected to distribute the items fairly on need basis. The target was the needy girls who are library users. This exercise was in support of the GoK's commitment to provide sanitary pads to girls in public schools. This would also enable knls to positively contribute the Universal Healthcare in the Government's Big Four Agenda



Jack Wafula, knls Ag. CEO when he received the consignment for distribution to needy girls with five knls branch libraries. With him are knls staff.

1.3.2.2 Distribution of Sanitary Towels and Baby Wipes

Staff at Rumuruti Library organized a forum to promote basic hygiene among girls on 27th April 2021. About 48 girls identified from needy families participated in the event. The main focus was on basic hygiene especially

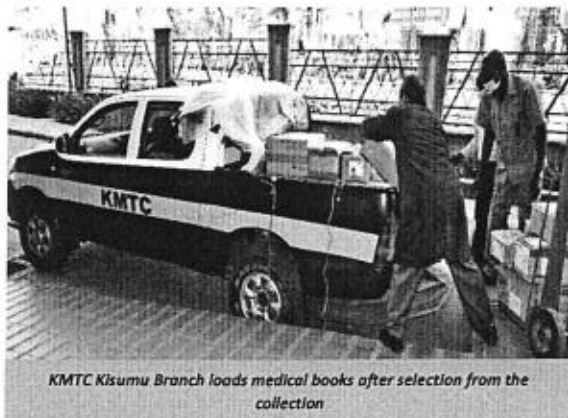
during menstrual periods. A volunteer from Zetech University also took the girls through the importance of girl-child education, the challenges a girl faces



especially those who come from disadvantaged communities. In addition, the girls were gifted with pads that had previously been donated Sunda Kenya Industrial Company. A question and answer session was also slotted in to allow the participants raise any pressing issue related to menstrual hygiene.

1.3.2.3 Book Donation to Medical Institutions

As part of knls contribution to the big four agenda, knls sought to acquire medical books from its partners for equipping the libraries and also for equipping medical learning institutions in different parts of the country. Knls has been working closely with Kenya Medical Training Colleges in the past where arrangements have been made with libraries in zones where we have medical colleges in order to serve the students and teaching staff better while promoting the professional development of medical personnel.



Through this initiative, knls managed to acquire a huge collection of medical books from Book Aid International who in turn got heavily supported by Elsevier Foundation an entity that focuses on medical information and is based in Amsterdam. Through the consignment of books received, medical training colleges were invited to select the books that were relevant to them based on their course portfolio and the population of students served. The last consignment of books was collected on 2nd to 4th March 2021. Some of the

institutions involved were KMTCC Nyeri, KMTCC Kisumu and PCEA Tumu Tumu Hospital Training College. The management of those learning institutions greatly appreciated the donations and acknowledged that

for the first time they were able to acquire lots of recent and relevant information materials which their yearly budget could not afford them.

1.3.2.4 knls Nyeri Library Joins in Promoting Healthy Communities

knls Nyeri library partnered with Japanese Organization for International Co-operation in Family Planning (JOICFP) team and organized an interactive meeting with the library users and other community members to talk about diverse health issues. This was held on 31st March 2021.

The topics covered included: Reproductive Health; Adolescent Rite issues; Blood Pressure; STIs and HIV Counselling and Testing; Behavior Change; Alcohol Drugs and Substance Abuse; and Covid-19 pandemic. Participants were also given an opportunity to undertake

some of the basic medical tests which included: blood sugar, blood pressure and also voluntary HIV and AIDs examination. A total of 43 members from the community attended the interactive forum. They were grateful for the knowledge gained and requested for more forums to address various topical issues affecting the community.



1.4 Capacity Building

1.4.1 Pre-Retirement Training

The Virtual Pre- Retirement Training was organized by ICEA Lion Group and knls from 23rd to 25th September, 2020. It targeted staff who were due for retirement from the knls Board w.e.f 2020 to 2025. Eighty-five (85) members of staff participated.

The main objective of the training was to prepare the staff on issues concerning:

- a) Social Planning for Retirement
- b) Tax Matters at Retirement
- c) Retirement Options on Pension Matters
- d) Drawdown Annuity
- e) Estate Planning and Administration
- f) Investing after Retirement/Financial Wellness

1.4.2 Road Safety Mainstreaming Training

A road safety awareness training was conducted at the Sanaa Centre, Maktaba Kuu building in community on 28th and 29th January 2021. The training was conducted by NTSA staff and the target was to ensure support for their road safety mainstreaming program that is being implemented in partnership with the Government Ministries, Departments and Agencies in Kenya. Through mainstreaming, NTSA moving forward shall have Key Performance Indicators in the FY 2020/2021 performance contract.

The training program seeks to reinforce the good habits in the use of road infrastructure by both drivers and pedestrians. From the statistics, majority of the road accidents are caused through human error, which can be avoided by observing the guidelines provided and being aware of the risks involved while driving.

National Transport and Safety Authority (NTSA) is a state Agency established by an Act of Parliament, as the lead agency in road safety issues in Kenya. It's mandated to advise on matters relating to road transport and safety, implement policies, plan manage and regulate the road transport sector, and ensure provision of safe, reliable and efficient road transport service. Following the training exercise, knls will be required to develop its own Work Place Policy on Road Safety, prepare annual implementation plans, and conduct road safety training for communities. It will also be a requirement to send quarterly reports to NTSA based on national indicators provided in the performance contracting period.

1.4.3 Disability Mainstreaming Training

The 2020/2021 PC mandated Human Resource Department to conduct sensitization for members of the Disability Mainstreaming Committee, Senior Management and Staff in Nyanza region on Disability Mainstreaming.

The sensitization for the Committee members was conducted at the Maktaba Kuu Building (Sanaa Centre) on 10th and 11th February, 2021 where 8 members were trained.

The Heads of branches and staff from Nyanza region i.e Kisumu, Nyilima, Rambula, Awendo and Ukwala and Heads of Departments were sensitized virtually on 12th February, 2021.

The sensitization programs were facilitated by officers from the National Council for Persons with Disability (NCPWD).

1.4.4 Gender Mainstreaming Training

In the Performance Contract 2020/2021 under G7 (i), the Board was mandated to implement measures to support Gender Mainstreaming and Youth empowerment.

Knls staff and Gender Mainstreaming Committee members were sensitized to gain insight of how to mainstream gender in the organization.

The sensitization was conducted by the National Gender and Equality Commission (NGEC) on 4th and 5th March, 2021 at the Sanaa Centre, Maktaba Kuu Building.

1.4.5 Awareness Creation On Drug and Substance Abuse by knls Laikipia Library

On 21st May 2021, Knls Laikipia Library invited the Health Promotion officer, Ministry of Health, Laikipia County, Mrs. Ann Mbuthia to give the youths a talk on the above subject. About 24 Youths, majority of whom were those who had recently completed form four, and had enrolled for ICT basic training classes at the Library.

The subject of COVID-19 and the Ministry of Health's laid down protocols to protect themselves and their loved ones, was also emphasized.

1.4.6 Virtual Leadership and Change Management Training

Leadership and Change Management training program had been prioritized in the TNA exercise conducted in 2020/2021 Financial year.

The training program was facilitated virtually by Adventure Educator Kenya Consultants and the following subtopics were covered:

- i. Introduction to Leadership
- ii. Qualities of a good leader
- iii. People leadership
- iv. Change Management
- v. Leadership through Change Management
- vi. Customer Care Skills

The target group was the HOBs, HODs and their deputies.

1.4.7 Integrity training.

i) IAOS training

This was held by EACC between 14th-18th June 2021 at the Arch Hotel Egerton University. Two senior members of staff were trained.

ii) staff training

This was held virtually on 6th May 2021. 20 branch libraries drawn from different regions of the country were trained. A total of 38 staff managed to join the virtual training.

The participants were trained on:

- (a)** Leadership and integrity
- (b)** Ethical conduct at the work place
- (c)** ICT integrity
- (d)** Gift Handling Procedures
- (e)** Complaints handling mechanism and service delivery
- (f)** Knls performance cycle and how to avoid manipulation of performance reports

2.0 Financial Results and Review of Performance

2.1 Recurrent Grant

During the year 2019/2020, knls received Gok recurrent grants transfer of **Kshs.661,010,000**, **Donations Kshs.6,142,817.10** and **collected AIA Kshs.82,148,138** giving a **cumulative total of kshs. 749,069,928.10** which was utilized to fund employees and operational costs.

2.1.1 Donations

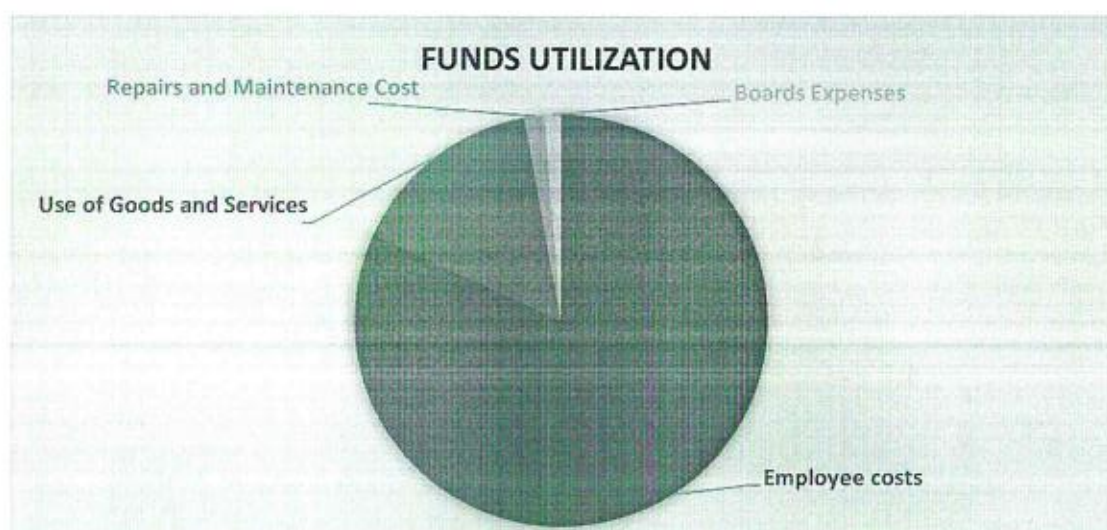
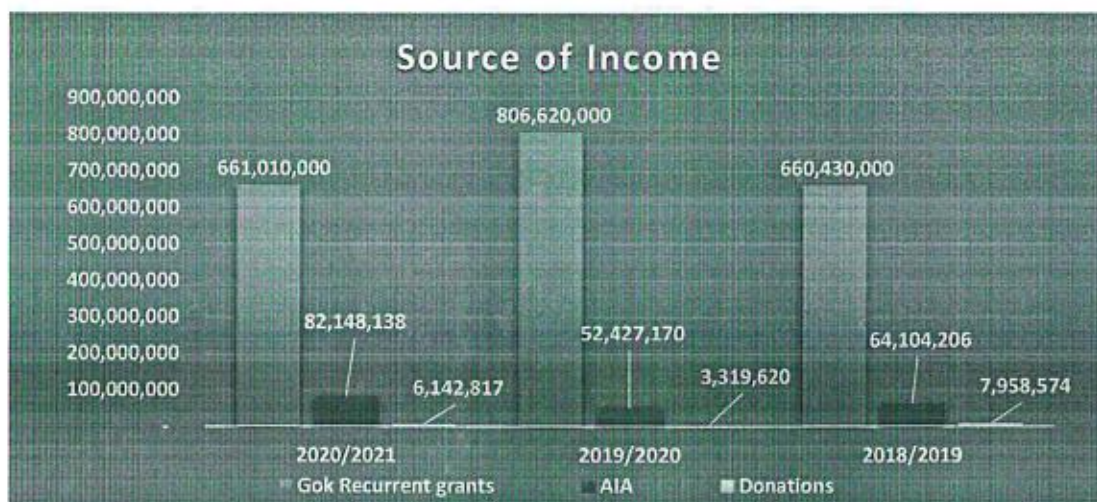
During FY 2020/2021, knls continued to enjoy support from her long time partners who sponsored various library programmes. Donor funds are conditional and are strictly pegged to specific projects arrived at through an MOU signed by the donor and knls. The following are donations received from our partners;

Payee	Description	Credit
Embu Water and Sanitation Services	CD: Self program on social perfection Event EFT 09-03-21	43,440.00
Tactical Tech organization	CD: 4 Data Detox workshop Eft on 19.3.2021	86,499.00
I Choose Life Africa	I CHOOSE LIFE AFRICA (CD-Publish Books Meru Lib)	30,000.00
Tactical Tech organization	CD: Tactical Tech for Training on Data Detox, Misinformation and Online Safety.	85,057.00
Book Aid International	Explorer libraries project (Nakuru and Buruburu Libraries and 4 primary schools)	2,773,004.30
Book Aid International	Additional grant funding COVID 19 items for Mini IR Kibera	53,713.00
Book Aid International	Additional grant funding COVID 19 items for STEM Study hub	31,097.00
Book Aid International	CD: Mini-Inspiring Readers Project: Additional	111,834.80
Book Aid International	CD: Books to Go Project Eft on 03-03-21	928,192.00
USA Embassy	2nd Tranche -program Activities -Nakuru	319,780.00
USA Embassy	Branding materials & Comfortable Seats	379,400.00
USA Embassy	Internet for 1 year -Nakuru	1,300,800.00
	TOTAL	6,142,817.10

The following is a summary of the income knls has received in the last three financial years:

	2020/2021	2019/2020	2018/2019
GoK Recurrent grants	661,010,000.00	806,620,000	660,430,000.00
AIA	82,148,138	52,427,170	64,104,206.00
Donations	6,142,817.10	3,319,620	7,958,574

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

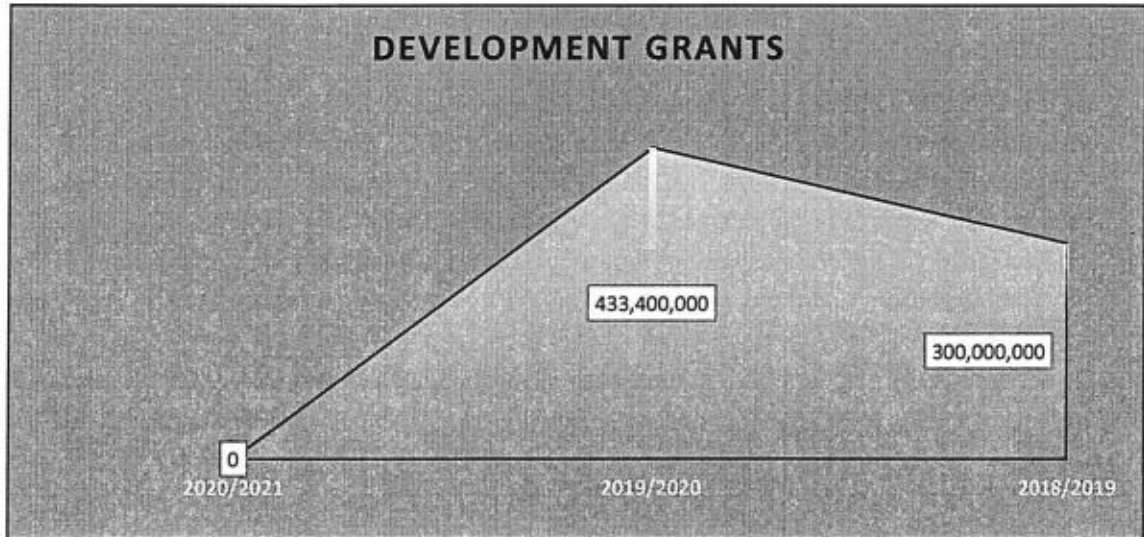


2.2 Development Grant

During the year under review, knls was not allocated any financial resource under Development budget. However, in a letter from the PS-State Department of Culture and Heritage under the Ministry of Sports, Culture and Heritage dated 5th August 2020, forwarding a letter from National Treasury – DGIPE/A/1/10 dated 30th June 2020, which read in part that **'the knls project was not allocated any amount during the MTEF period and it was agreed during the sector meeting that the balance of Kshs.13.6M will be availed upon provision of Certificate of Completion.'** It is expected that this amount will be availed in the FY 2021/2022 to offset the pending payments after completion and commissioning of the project.

The trend of the Development grants in the last 3 years is as shown;

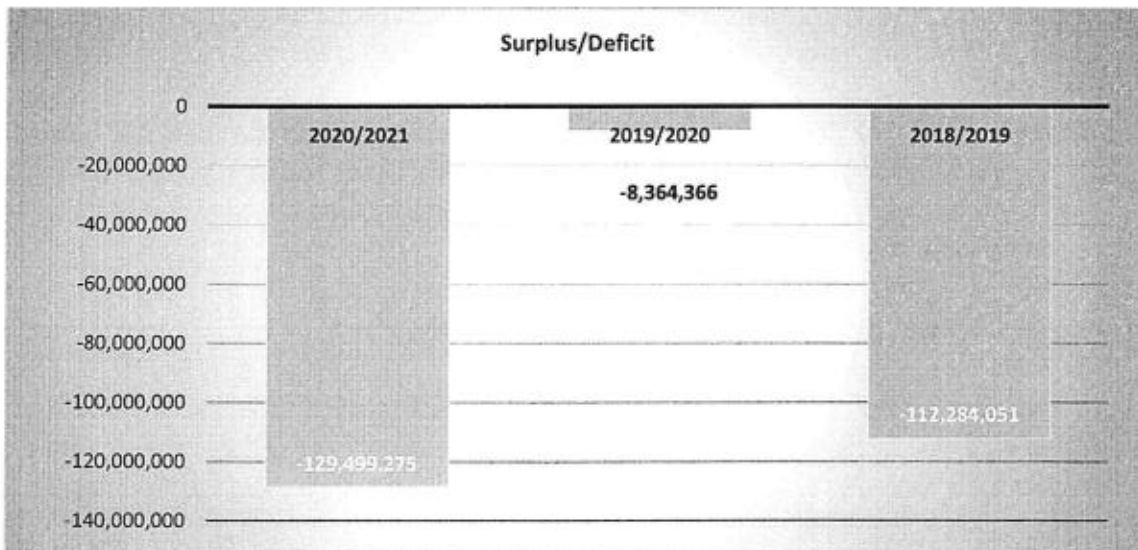
GOK Grant	2020/2021	2019/2020	2018/2019
			Kshs
Development Grants	0	433,400,000	300,000,000



2.3 Deficit Trend for The Last Three Financial Years

knls recorded a deficit of **Kshs.129,499,275** as compared to a deficit of **Kshs.8,364,367** in the previous FY'2019/2020. The increase in the recorded deficit is attributed to the receipt of Government Grants on 29th June 2020 amounting to **Kshs.106,750,000** for settlement of CBA arrears for the period 2012-2013 and 2013-2017 and the SRC Job evaluation Phase III. The settlement was effected July 2020, thereby increasing the expenditure in the reporting period by the same amount.

Surplus/ (Deficit) Trend	2020/2021	2019/2020	2018/2019
	Kshs.	Kshs.	Kshs.
Surplus/Deficit	(129,499,275)	(8,364,367)	(112,284,051)



2.4 Up-dates

i) Transfer of the Public Library Function to County Governments

The Board concluded the draft National Library of Kenya Bill, 2019 and the Attorney General accented to the Bill which has since been approved by Cabinet. The Bill has been read and approved by the National Assembly and the Senate before being accented in to law by the President.

ii) Finalization of the Job Evaluation Report by Salaries & Remuneration Commission

The job evaluation report and grading structure for Kenya National Library Service Board by SRC was concluded.

In addition, the funding for Phase III amounting to **Kshs.33,600,000** and CBA arrears **Kshs.73,150,000** was received on 29th June 2020 under Supplementary II. The payment of the CBA arrears was paid effective July 2020.

The CBA negotiations for the period 2017-2021 are ongoing and once concluded and duly registered, the agreed amounts will be settled.

3.0 KEY PROJECTS AND INVESTMENT DECISIONS knls IS PLANNING/ IMPLEMENTING

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

One of the key projects that knls has been implementing is the Vision 2030 flagship project i.e. the National Library of Kenya/ knls Headquarters, which commenced in 2011/2012, and is fully funded by the Government. During the year under review, progress was registered as follows:

3.1 The Construction of the National Library of Kenya/ knls Headquarters

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

One of the key projects that knls has been implementing is the Vision 2030 flagship project i.e. the National Library of Kenya/ knls Headquarters, which commenced in 2011/2012, and is fully funded by the Government of Kenya.

The newly constructed Maktaba Kuu building is complete and was officially opened on 13th November 2020. The event was graced by H.E. The President who was the Chief Guest, acknowledged that the iconic building *"marks an important milestone for us and for the future generations, who stand to benefit from our continued commitment to knowledge and information."*

4.0 knls COMPLIANCE WITH STATUTORY REQUIREMENTS

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

5.0 MAJOR RISKS FACING knls

Risks Analysis

Policy of the organization on risk management

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

knls is committed to:

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

Key risks the organization is exposed to;

NO	TYPE OF RISK	SPECIFIC RISKS	MITGATION
1.	Human resource risk	High staff turnover	knls will strive to improve staff welfare to enable her attract and retain competent staff
		Ageing workforce	knls will undertake a staff audit to identify and fill gaps appropriately
2.	Operational Risks	Lack of key personnel in critical departments	Knls shall endeavour to fill key positions in the departments affected
		Lack of ownership documents for some parcels of land	knls worked with Government agencies to secure ownership documents for the parcels of land
3	Social Risks	Terrorism: this scares people from attending the library due to fear of attack	knls will work with state agencies and implement counter terrorism controls at the work place
4.	Compliance Risks	Covid 19-pandemic	knls has developed the covid 19 protocols and will ensure strict compliance with MOH protocols
		Currently the knls Act, Cap 225 has not been aligned to the Constitution of Kenya 2010.	knls has initiated the process of repealing Cap 225 in line with the COK 2010
5.	Technology Risk	Publishers do not comply with the provisions of Cap 111 and have not been depositing the legal deposits at knls	knls will initiate dialogue with the owners of Cap 111 to lobby for review of the same to ensure compliance
		Rapid change in technology- people moving away from physical to digital books	knls will establish a virtual library during the planning period
		Escalating cost of technology	knls will seek alternative sources of funds to bridge the funding gaps

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		Inadequate systems and infrastructure	knls will seek alternative sources of funds to bridge the funding gaps
6.	Financial Risk	Heavy reliance on Government funding	knls will seek alternative sources of funds to bridge the funding gaps
		Fluctuating economy that could affect the capacity of development partners to support library projects.	knls will ensure that MOUs signed with development partners cover the whole of the project period
7.	Political Risk	Political unrest could lead to destruction of property and harm to the users and employees	knls will undertake insurance cover to mitigate against the uncertainty.
		Each new Government comes into office with its own manifesto and knls is expected to adjust its programs and projects so as to implement the agenda of the government of the day.	knls being a Government agency will work closely with the Government to ensure that its activities are aligned to the global Government objectives within the plan period
		Two levels of government i.e. at the County and National level.	knls will strive to establish collaborations and consultations at the two levels of Government as stipulated in the COK 2010
8.	Strategic Risk	Demand for library services have been growing over the years. There are large crowds wishing to access library services especially during the holiday season.	knls will work with stakeholders to ensure expansion of library facilities
9.	Legal Risks	Legal disputes including any dispute in which a legal claim is made, including employee misconduct, accidents, product liability	Knls will ensure compliance with provisions of all its contracts
10.	Governance Risk	Lack of a fully constituted Board could hamper the operations of the organization	Knls shall continue consulting with the parent ministry for constitution of the Board

Board of Directors Term

In addition, the Board's eight non-executive directors were appointed on the same date i.e 21st October 2016. Their tenure expired on 20th October 2019. As at the end of the financial year a new Board was yet to be fully constituted. This poses a risk on continuity of oversight role and Institutional memory.

6.0 MATERIAL ARREARS IN STATUTORY/FINANCIAL OBLIGATIONS

Compliance with Laws and Regulations and Standards

The organization continued to comply with legal and regulatory requirements and the various Acts it operates under and as at the end of the FY 2020/2021 the Board did not have any material Statutory arrears or financial obligation.

7.0 FINANCIAL PROBITY AND SERIOUS GOVERNANCE ISSUES

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

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

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

As at 30th June 2021, knls had no financial improbity or governance issues reported by internal audit, office of the Auditor General or any other National Government agency providing oversight. The organization complied with the requirements of the Constitution of Kenya 2010.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

1.0 CORPORATE CITIZENSHIP

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

Education Promotion

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.

The book donation has continued to make remarkable and valuable contribution in ensuring access to educational materials and improving quality for the disadvantaged schools in all corners of the country. Books donated are used to stock the libraries and hence uplifting the reading culture.

Teachers/students and community has benefited from social responsibility programmes where knls organizes for training workshops on relevant subjects/programmes.

1.2 SUSTAINABILITY REPORTING

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

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

Zero Tolerance to Corruption

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

Employee Welfare

a) Policies guiding hiring process

The following are the knls Board policies that guide hiring process;

S/no	Title	Review Period	Remarks
1	Career Progression	Regularly	Vacant positions are filled competitively both internally and externally. This largely depends on availability of funds

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2	Human Resource Manual	Regularly	Terms and conditions of service governing employees are applied across the board without discrimination
3	Internship Policy and guidelines	Regularly	Intern positions are filled competitively and without discrimination
4	Organization and Staffing	Regularly	Knls Board has an approved staff establishment of 1691 . In post staff 630 , variance 1061 . The variance is as a result of limited funds from the exchequer.
5	Gender Mainstreaming	Regularly	Knls observes equal employment opportunities during staff recruitment across all genders
6	Disability Mainstreaming	Regularly	knls offers equal employment opportunities to officers living with disability. knls also offers rights and privileges as provided in the PWDs Act and Board employment policies

b) Health, Safety and Environment Policy

Knls has a Health, Safety and Environment Policy in force and is committed to ensuring health, safety and welfare of the working environment for its internal and external publics.

Awareness creation on good working practices are conducted annually to ensure the absence of health risks due to poor hygiene, chemical substances, manual handling certain types of equipment use, work pressure and stress

c) Staff Capacity Building

Staff Training and Development as an integral part of performance improvement strategies is geared towards acquiring the necessary competences as may be required in the Performance Contract. Training is for impact, result oriented and enhances work performance. Knls Board recognizes that qualified and skilled Human Capital is the vehicle that facilitates the realization of the goals and objectives for the organization's Strategic Plan.

Knls carries out a two-year Training Needs Assessment (TNA) in order to identify performance gaps vis- a – vis available skills and address areas which could be improved through training. The TNA report is hence generated geared towards bridging the training gaps in skills within the Board's Establishment and linking training to work performance. Training enable the staff to easily adapt to the new technologies, innovations and the current management techniques.

The Training Needs Assessment (TNA) exercise is necessary as a way of ensuring that knls Board is effective and has necessary capacity in terms of competence to sustainably manage its core mandate. It also enables knls management to make informed decisions on Staff Development. Staff are hence trained in various relevant fields as per the knls Scheme of Service.

Market Place practices

Responsible Supply Chain and Supplier relations

The organization has maintained good business practice by complying with the government policy and Section 227 of The Constitution of Kenya.

All procurement activities have continuously been carried out where Supply Chain ensured that there are sufficient funds to meet the obligations of the resulting contract and are reflected in the approved budget estimates. Knowledge of available funds acts as a guide in knowing what to procure and when to procure. The organization has maintained and continuously updated list of registered suppliers, contractors and consultants in various specific categories of goods, works or services according to its procurement needs. knls has at all-time ensured responsible treatment of the suppliers in various ways as featured below;

- i) Ensuring proper communication channels e.g. Telephone lines and emails are open so as to make sure information is passed across efficiently and effectively between the supply chain unit and the suppliers.
- ii) Providing customer support when and where required. This entails listening keenly to suppliers, contractors and consultants and responding appropriately.
- iii) When doing procurement and asset disposal planning knls has complied with preference and reservation requirements.
- iv) Supply Chain function has ensured timely submission of the suppliers' invoices to facilitate payment process by the finance department after delivery of goods, services or works is completed. This helps in making sure that the payment process is not delayed. Timely payment of suppliers helps in maintaining a good relationship with the supplier and also avoiding of penalties that may arise from delayed payment.
- v) Supply Chain also makes follow ups of invoices issued to finance for payment process to ensure timely payments of suppliers.
- vi) Supply Chain unit maintains a complaints and compliments register whereby suppliers, contractors and consultants can air out their views. The register is reviewed from time to time which helps in knowing the strong areas as well as the weak ones. This helps in improving service delivery in the department as well as the organization as a whole.
- vii) Organizing trainings whereby suppliers are invited and trained on various issues revolving procurement by various organizations such as Public Procurement Regulatory Authority, National Treasury, and National Council for Persons with Disabilities among others

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Kenya National Library Service Board affairs.

Principal activities

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

Results

The performance of knls for the year ended 30th June 2021 are set out on pages 1-47 in the subsequent pages of this document.

Directors

The members of the Board of Directors who served during the year are shown on page vi. The tenure of the Board expired on 20th October 2019. As at the end of the financial year a new Board was yet to be fully constituted.

Surplus Remission

Knls is a service State Corporation and does not generate surplus funds. All the AIA generated from the various income streams forms part of its total budget. The entity did not make any surplus during the year 2020/2021 and hence no remittance to the Consolidated Fund.

Auditors

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

By Order of the Board;



Dr. Charles Nzivo

Ag. Chief Executive Officer, knls

Date: 28th JUNE 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, requires the Directors to prepare financial statements in respect of Kenya National Library Service which give a true and fair view of the state of affairs of the Board at the end of the financial year/period and the operating results of the *entity* for that year/period. The Directors are also required to ensure that the Kenya National Library Service Board maintain proper accounting records which disclose with reasonable accuracy the financial position. The Directors are also responsible for safeguarding the assets of Kenya National Library Service

They are also responsible for the preparation and presentation of knls 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, 2021. This responsibility includes:

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

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) accrual basis and in the manner required by the PFM Act 2012 and the State Corporations Act. The Directors are of the opinion that financial statements give a true and fair view of the state of the Board's transactions during the financial year ended June 30, 2021 and financial position as at that date.

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

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

Approval of the financial statements

The Kenya National Library Service Financial Statements were approved by the Board on 28th JUNE 2022 and signed on its behalf by:


Hon. Noah Katana Ngala, EGH
Chairman - knls Board


Dr. Charles Nzivo
Accounting Officer, knls

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL LIBRARY SERVICE FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya National Library Service set out on pages 1 to 45 which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, the statement of changes in net

assets, the statement of cash flows, and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya National Library Services as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kenya National Library Service Board Act, Cap 225,1965.

Basis for Qualified Opinion

1. Unconfirmed Valuation of Assets

The statement of financial position reflects property, plant and equipment balance of Kshs.7,753,480,604, as further disclosed in Note 24 to financial statements. Included in this balance is fully depreciated motor vehicles with zero net book value as at 30 June, 2021. However, enquiry and physical inspection on some of the vehicles revealed that the vehicles were in good working condition and in use. Management did not provide explanation for lack of valuation of the motor vehicles.

In the circumstances, it was not possible to confirm the accuracy of property, plant and equipment balance of Kshs.7,753,480,604.

2. Long Outstanding Staff Debtors

The statement of financial position reflects trade receivables from non-exchange transactions balance of Kshs.5,588,748, as further disclosed in Note 21 to financial statements, which includes Kshs.2,752,729 which has been outstanding for more than one year. The balance further includes Kshs.2,170,351 relating to a retired officer who left service in June,2007 and Kshs.146,039 to an officer who resigned from service, without settling their outstanding debt before release.

In the circumstances, the recoverability of staff debtors balance of Kshs.2,316,390 could not be confirmed.

3. Lack of Land Ownership Documents

The statement of financial position reflects property, plant and equipment balance of Kshs.7,753,480,604, as further disclosed in Note 24, which includes land balance of Kshs.3,250,508,500. As previously reported, this amount excludes 38 parcels of land of unknown value, which had partial or no ownership documents.

In the circumstances, the completeness, ownership and valuation of land balance of Kshs.3,250,508,500 as at 30 June, 2021 could not be confirmed.

4. Unsupported Variances and Variations in Construction of Kenya National Library and Headquarters

The statement of financial position reflects property, plant and equipment balance of Kshs.7,753,480,604, as further disclosed in Note 24. The balance includes Kshs.2,849,732,945 work in progress, which differs with the corresponding appendix II a total project cost of Kshs.2,820,458,352 resulting to unexplained variance of Kshs.29,274,593. Further, the construction of the National Library and Headquarters commenced on 10 April, 2012 with an expected completion date of 19 January, 2017 at a contract sum of Kshs.2,055,200,200 which excluded consultants' fees.

The project was granted time extension 3 times by 65 weeks, 72 weeks and 20 weeks with the latest completion date of 19 August, 2020. The Board handed over the project to the Cabinet Secretary on 19 August, 2020 and the facility was officially opened on 13 November, 2020.

However, review of the project records revealed that several variations increased the contract sum by Kshs.836,651,599 (or 40%) of the contract sum from Kshs.2,055,200,200 to Kshs.2,891,851,799 contrary to Section 139 of Public Procurement and Asset Disposal Act, 2015 which stipulates that the variation should not exceed 25% of the original contract price. In addition, the statement of comparison of budget and actual amounts for development budget indicates total actual expenditure of Kshs.438,359,079, which includes Kshs.362,301,232 relating to the Service and Kshs.42,458,802 retention monies. However, supporting documents were not provided for audit while a deposit register for recording retention monies was not maintained.

In the circumstances, the accuracy and completeness of work in progress balance of Kshs.2,849,732,945 could not be confirmed, while Management was in breach of the law.

5. Unexplained Variance in Rental Income from Facilities

The statement of financial performance reflects rental income from facilities of Ksh.71,244,920, as further disclosed in Note 9, which includes rent and service charge from rentals of Kshs.59,897,297 and Kshs.10,668,006 respectively. However, review of supporting documents revealed that rent and service charge from rentals amounted to Kshs.55,066,524 and Kshs.8,455,553 respectively. The resultant variances of Kshs.4,830,773 and Kshs.2,212,453 respectively were not explained. Further, examination of records revealed that tenants were issued with letters of offer by the Management to occupy spaces, which was not formalized by tenancy agreements.

In the circumstances, the accuracy and completeness of rental income from facilities amounting to Kshs.71,244,920 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya National Library Service Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

1. Budgetary Control and Performance

During the year under review, the final expenditure budget was Kshs.1,437,941,258 comprising recurrent expenditure of Kshs.859,975,896 and development expenditure of Kshs.577,965,362. Out of the development budget of Kshs.577,965,362, the Management spent Kshs.438,359,079 (or 76%) of the budget, while the Service spent Kshs.877,897,886 (or 102%) of the recurrent budget of Kshs.859,975,896.

The under-expenditure on development vote affected completion of planned projects and could have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

Several prior year audit issues remained unresolved as at 30 June, 2021. Management did not provide satisfactory reasons for the delay in resolving the issues.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Irregular Supply, Delivery, Installation and Testing of Laptops and Printers

Review of quotation No. KNLS/HQ/2020/2021/073 for supply, delivery, installation and testing of laptops and printers worth Kshs.899,492 revealed that five (5) suppliers submitted bids out of which two (2) companies were not in the list of registered suppliers for the category. Further, examination of Quotation No. KNLS/HQ/2020/2021/028, for supply,

delivery and testing of laptops worth Kshs.1,680,000 for data centre revealed that bids were submitted by six (6) suppliers which were not in the list of registered suppliers. This was contrary to Section 106(2) (a) of the Public Procurement and Asset Disposal Act, 2015 which requires that the Accounting Officer of a procuring entity shall give the request to such persons as are registered by the procuring entity.

In the circumstances, Management was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the basis for conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Inadequate Board Membership

Gazette Notice No.9871 dated 16 October, 2019 revealed that Cabinet Secretary for Sports, Culture and Heritage appointed 11 Board Members of the Kenya National Library Service (KNLS) Board for a period of 3 years with effect from 21 October, 2019 to 20 October, 2022. However, the Board comprised of only the chairman and a representative of the parent Ministry contrary to Mwongozo, 2015 Guidelines. The other eleven (11) Board members appointed were not issued with appointment letters as required. Although, through a letter dated 18 March, 2020 Ref.SDCH7 29 (C) 6 Vol.1 the Cabinet Secretary, Ministry of Sports, Culture and Heritage requested Head of Public Service to approve proposed list for KNLS new Board members for gazettelement without further information, there no evidence of any action taken. Further, KNLS Chief Executive Officer position had not been substantially filled since the expiry of his contract on 1 October, 2019.

In the circumstances, the Board had not been fully constituted for a period of 30 months since expiry of terms of previous Board on 20 October, 2019 which may have compromised the oversight role of the Board.

2. Lack of Audit Committee

During the year under review, the Service did not have an independent audit committee in place. This was contrary to Section 73(5) of the Public Finance Management Act, 2012 which provides that every national government public entity shall establish an audit committee whose composition and functions shall be as prescribed by the regulations.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI's 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Directors

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 maintaining effective 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 and for its assessment of the effectiveness of internal control.

In preparing the financial statements, Management is responsible for assessing Service's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Service or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective manner.

The Board of Directors is responsible for overseeing the Service's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Kenya National Library Service policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Service's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Service to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Service to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR- GENERAL

Nairobi

26 July, 2022

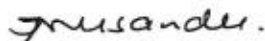
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2021

		2020/2021	2019/20
		KSHS.	KSHS.
Revenue from non-exchange transactions	NOTE		
Transfers from government	6	661,010,000	806,620,000
Other Grants			
Earned income	7	1,573,262	1,894,060
Conditional Grants met	7a	3,801,942	2,633,601
		666,385,204	811,147,661
Revenue from exchange transactions			
Interest Income	8	-	-
Rental income from facilities	9	71,244,920	36,347,458
Rendering of Services	10	12,746	48,432
Library Fees	11	3,108,905	10,153,816
Other Income	12	7,781,567	7,454,738
		82,148,138	54,004,444
		748,533,342	865,152,105
Expenditure			
Use of Goods and Services	13	120,308,515	135,349,225
Employee costs	14	643,532,101	623,108,973
Boards Expenses	15	10,069,343	10,802,182
Depreciation & Amortisation	16	91,791,516	89,136,064
Repairs and Maintenance Cost	17	12,331,142	15,120,028
TOTAL EXPENDITURE		878,032,617	873,516,472
SURPLUS/(DEFICIT)		(129,499,275)	(8,364,367)

*The deficit of Kshs.129,499,275 is as a result of Exchequer grant of Kshs.106,750,000 that was received on the 29th of June 2020 for the implementation of the CBA arrears and SRC Job Evaluation Phase III. The same was effected from July 2020.



Dr. Charles Nzivo
Ag. Chief Executive Officer



CPA Julie Musandu
Principal Accountant
ICPAK Member No.5463



Hon. Noah Katana Ngala, EGH
Chairman – knls Board

Date 28/06/2022

Date 28/06/2022

Date 28/06/2022

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		2020/2021	2019/20
		KSHS	KSHS
CURRENT ASSETS	NOTES		
Cash & Bank balances	18	160,711,238	475,372,655
Receivables from exchange transactions	20	49,253,342	10,684,752
Receivables from non-exchange transactions	21	5,588,748	5,356,898
Inventory	23	5,274,971	7,017,328
SUB -TOTAL		220,828,299	498,431,633
NON CURRENT ASSETS			
Property, Plant & Equipment	24	7,753,480,604	7,551,219,788
Intangible Asset	25	1,972,414	-
Stock - Books	26	1,171,100,380	1,069,391,350
SUB-TOTAL		8,926,553,398	8,620,611,138
TOTAL ASSETS		9,147,381,697	9,119,042,771
CURRENT LIABILITIES			
Trade payables from exchange transactions	27	83,547,786	245,390,089
Refundable deposits (Rental)	28	5,206,222	5,190,722
Current Provisions	29	2,100,000	4,780,000
Provision for deferred Liability	30	3,838,838	10,308,628
Deferred income	31	8,121,927	5,781,052
Total Liabilities		102,814,773	271,450,491
NET ASSETS			
Accumulated Fund		1,313,583,733	1,409,593,715
Revaluation Reserve		4,200,608,250	4,220,408,065
Capital Reserve		2,945,255,997	2,741,841,313
Capital Donations		585,118,944	475,749,187
Total Equity		9,044,566,924	8,847,592,280
TOTAL EQUITY & LIABILITIES		9,147,381,697	9,119,042,771



Dr. Charles Nzivo
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Chairman – knls Board

Date 28/06/2022

Date 28/06/2022

Date 28/06/2022

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2021

	Accumulated Fund	Revaluation/ Additions	Capital Reserves	Capital Donations	Total
Balance as at 1st July 2019	1,390,402,766	4,240,207,882	2,442,026,871	389,198,492	8,461,836,010
Adjusted for:					
Capital reserve			216,700,000		216,700,000
Sports Fund			100,000,000		100,000,000
Prior Year adjustment: 1	(9,130,058)				(9,130,058)
Add: Prior year adjustment:	0				0
Additions : Books				88,220,238	88,220,238
Fixed Assets				224,517	224,517
Transfer of depreciation/amortisation to RE	15,240,165		(15,240,165)	(1,894,060)	(1,894,060)
Derecognition of revaluation surplus					-
Transfer of excess depreciation	19,799,816	(19,799,816)			-
Expenses:					-
Less: Support to CBL	1,645,393		(1,645,393)		-
Deficit for the year	(8,364,367)				(8,364,367)
Balance as at 30th June 2020	1,409,593,715	4,220,408,066	2,741,841,313	475,749,187	8,847,592,280
Balance as at 1st July 2020	1,409,593,715	4,220,408,066	2,741,841,313	475,749,187	8,847,592,280
Adjusted for:					
Capital reserve			216,700,000		216,700,000
Sports Fund			-		-
Prior Year adjustment:	(1,169,101)				(1,169,101)
Additions : Books				107,018,350	107,018,350
Fixed Assets				3,924,670	3,924,670
Transfer to Performance Stmt(Earned Income)	13,803,924		(12,230,662)	(1,573,263)	-
Capitalised Assets	1,054,654		(1,054,654)		-
Transfer of excess depreciation	19,799,816	(19,799,816)			-
Expenses:					-
Deficit for the year	(129,499,275)				(129,499,275)
Balance as at 30th June 2021	1,313,583,733	4,200,608,250	2,945,255,997	585,118,944	9,044,566,924

Nature and purpose of reserves

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

- Capital Reserve – this is used to record contribution made by Government in form of development grants transfers
- Revaluation Reserve – this is used to indicate the re-valued amounts on the plant property and equipment, and any other adjustments on the same.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

		2020/2021	2019/2020
	NOTE	KSHS.	KSHS.
Receipts from non-exchange transactions			
Transfers from government	6	661,010,000	806,620,000
Earned income	7	1,573,263	1,894,060
Conditional Grants	7a/6c	3,801,942	2,633,601
		666,385,204	811,147,661
Receipts from exchange transactions			
Rental income from facilities	9	71,244,920	36,347,459
Rendering of Services	10	12,745	48,432
Library Fees	11	3,108,905	10,153,816
Other Income	12	7,781,567	7,454,739
		82,148,138	54,004,446
Total Receipts		748,533,342	865,152,107
Expenditure			
Use of Good and Services	13	120,308,515	135,349,222
Employee Costs	14	643,532,101	623,108,973
Board Expenses	15	10,069,343	10,802,182
Depreciation & Amortisation	16	91,791,516	89,136,064
Repairs and Maintenance Cost	17	12,331,142	15,120,028
		878,032,617	873,516,469
DEFICIT		(129,499,275)	(8,364,362)
Net cash flows from operating activities	33	(239,996,303)	136,544,719
Investing Activities			
Purchase of Assets	24/25	(8,688,110)	(157,118)
Purchase of Books	26	(1,116,619)	
Additional work in progress	24	(281,560,391)	(349,353,814)
Net cash flows from investing Activities		(291,365,119)	(349,510,932)
Financing Activities			
GOK Grants	6b	216,700,000	216,700,000
Sports fund		-	100,000,000
Net cash flows from Financing Activities		216,700,000	316,700,000
Increase/Decrease in cash & Cash Equivalents		(314,661,422)	103,733,787
Cash and cash Equivalent at the Beginning	18	475,372,660	371,638,873
Cash and cash Equivalent at the End	18	160,711,238	475,372,660



Dr. Charles Nzivo
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Chairman – knls Board

Date 28/06/2022

Date 28/06/2022

Date 28/06/2022

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2021

A. RECURRENT BUDGET

Revenues	Approved Budget	Virement	Revised Budget	Comparable	Performance	% Variance	Remarks on Material Variance (10% and above)
	2020/21	2020/21	2020/21	Actuals	Difference		
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.		
Government Grants -Recurrent	661,010,000.00	-	661,010,000.00	661,010,000.00	-	0.0%	
Roll over CBA & SRC Phase III	104,518,950.00	2,231,050.00	106,750,000.00	106,750,000.00	-		
Appropriation In Aid	55,221,473.00	11,500,000.00	66,721,473.00	82,148,137.51	(15,426,664.51)	-23.1%	a
Roll over Inpatient allowance	-	-	-	-	-	0.0%	
Roll Over Donations	5,938,312.00	-	5,938,312.00	5,781,052.00	157,260.00	2.6%	
Public Contribution and Donations	-	6,027,760.00	6,027,760.00	6,142,817.10	(115,057.10)	-1.9%	
Total	826,688,735.00	19,758,810.00	846,447,545.00	861,832,006.61	(15,384,461.61)		
Less: Pending bills 1st Charge	31,340,662.00	-	31,340,662.00	31,340,662.00	-		
Amount available	795,348,073.00	19,758,810.00	815,106,883.00	830,491,344.61	(15,384,461.61)		
Expenditure							
Compensation of Employee	718,413,353.00	6,901,050.00	725,314,403.00	643,532,100.98	81,782,302.02	88.7%	b
Travel Costs	5,500,000.00	210,000.00	5,710,000.00	6,284,425.00	(574,425.00)	110.1%	
General Expenses	83,836,217.00	12,947,760.00	96,783,977.00	98,201,177.00	(1,417,200.00)	101.5%	
Utilities	13,000,000.00	1,900,000.00	14,900,000.00	15,688,182.64	(788,182.64)	105.3%	
Repair Maintenance	12,467,516.00	(1,900,000.00)	10,567,516.00	12,331,141.84	(1,763,625.84)	116.7%	c
Boards Expenses	7,000,000.00	(300,000.00)	6,700,000.00	10,069,343.00	(3,369,343.00)	150.3%	d
Depreciation				91,791,516.47			
Total	840,217,086.00	19,758,810.00	859,975,896.00	877,897,886.93	73,869,525.54		

B. DEVELOPMENT BUDGET

	Approved Budget 2020/21	Adjustments	Final Budget 2020/21	Actual on comparable basis	Performance Difference	% Variance	Remarks on material variances above 10%
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.		
Revenue							
Roll over funds	247,065,362	-	247,065,362	247,065,362	-	-	
Roll over funds from UDS account	600,000		600,000	600,000	-		
Roll over Sports Fund	100,000,000		100,000,000	100,000,000	-		
Government grants	216,700,000	-	216,700,000	216,700,000	-		
Total Income	564,365,362	-	564,365,362	564,365,362	-		
Expenses							
National Library of Kenya	214,445,362	-	214,445,362	362,301,232	(147,855,870)	168.95%	e
Retention monies	240,000,000	-	240,000,000	42,458,802	197,541,198	17.69%	f
Refurbishment of Library Buildings	9,900,000	(1,400,000)	8,500,000	825,867	7,674,133	9.72%	
Support to Community Based Libraries	4,920,000	1,400,000	6,320,000	2,453,267	3,866,733	38.82%	g
Other development expenditure	8,700,000		8,700,000	1,310,856	7,389,144	15.07%	i
Implementation of Virtual Library	100,000,000		100,000,000	29,009,054	70,990,946	29.01%	h
Total expenditure	577,965,362	-	577,965,362	438,359,079	139,606,283		
Balance for the period	(13,600,000)		(13,600,000)	126,006,283	(139,606,283)		

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

NOTES TO THE STATEMENT OF BUDGET COMPARISON

a. Appropriation in Aid

Knls board realised a favourable variance of **Ksh.15,361,550** driven by uptake of rental space on completion of knls Head Quarters (Maktaba Kuu premises in Upperhill).

b. Compensation of Employees

The National Treasury approved and released supplementary II Grants amounting to **Kshs.106,750,000**. This was to cater for the CBA arrears for the period 2012-2013 and 2013-2017 and the SRC Job Evaluation Phase III. The grants were received on the 29th of June 2020 thus the low uptake as the June 2020 payroll had already been closed. However the same was settled effective July 2020.

c. Repair & Maintenance

During the year, knls experienced un-expected breakdown of motor vehicles and equipment. This is as a result of ageing 3M machines (Book detection machine) which requires regular attention. Further, **Kshs.1,632,516** was incurred in acquisition of Audit Software license.

d. Board expenses

Board expenditure was **Kshs.3,369,343** above the budgeted level. This over expenditure is attributed to activities and preparation for commissioning and launching of Maktaba Kuu by his excellency the President.

e/f National Library of Kenya

The expenditure of **Kshs.147,855,870** was a result of the reconciliation of the final account. The Retention Monies were reconciled to **Kshs.83,143,270** against an initial budget of Kshs.240,000,000. The Final works and certificates presented amounted to the additional money paid against the initial budget of **Kshs.214,445,362**.

g/i Refurbishment of Library Buildings and Other Development expenditure

Most of the projects planned under this vote did not take off due to closure of libraries, occasioned by Government regulations and guideline in the fight against COVID-19

h Implementation of the Virtual Library

The outbreak of the COVID-19 pandemic slowed down the progress of works affecting the Global Supply Chain mechanisms.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the knls accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the knls.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard. <i>(Entity to state the impact of the amendments to the financial statements)</i></p>

3 Adoption of New and Revised Standards (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p>

Standard	Effective date and impact:
	c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

iii. **Early adoption of standards**

knls did not early - adopt any new or amended standards in year 2020/2021.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) **Revenue recognition**

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

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to knls and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

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.

ii) Revenue from exchange transactions

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 original budget for FY 2020/2021 was approved by the National Assembly on June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The knls 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.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented.

c) Taxes

Current income tax

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

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

Value Added Tax

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

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

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

Taxation

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

d) Investment property

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

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

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

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

e) Property, plant and equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation (except as stated below). Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Freehold land, buildings and plant and machinery are subsequently shown at market value, based on periodic valuations less subsequent depreciation.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. Decreases that offset previous increases of the same asset are charged to other comprehensive income; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the retained earnings to revaluation reserve.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Freehold land is not depreciated.

Depreciation on all other assets is calculated on the straight line method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

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

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss. On disposal of revalued assets, amounts in the revaluation reserve relating to that assets are transferred to retained earnings in the statement of changes in equity.

f) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method

are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. 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. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

- **Computer Software**

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives which are estimated to be 3 years.

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include software development staff costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives which are estimated to be 3 years.

g) Research and development costs

All research costs are expensed as incurred. Development costs are capitalised only after technical and commercial feasibility of the resulting product or service have been established;

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit

h) Financial instruments

a) 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)

b) Financial liabilities

Initial recognition and measurement

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

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

i) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of knls.

j) 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.

k) *Contingent liabilities*

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

l) *Contingent assets*

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

m) *Nature and purpose of reserves*

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

- Capital Reserve – this is used to record contribution made by government in form of development grants transfers
- Revaluation Reserve – this is used to indicate the re-valued amounts on the plant property and equipment, and any other adjustments on the same.

n) *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.

o) *Employee benefits*

Retirement benefit plans

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

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

proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

p) 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.

q) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

r) Related parties

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

s) 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.

t) Comparative figures

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

u) 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, 2021.

5. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the knls financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. knls based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of knls. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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.

Key sources of estimation uncertainty

Impairment of assets

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

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in the relevant note. (Note 22a)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

REVENUE FROM NON EXCHANGE TRANSACTIONS

	2020/2021 Kshs.	2019/2020 Kshs.
6 Transfers from other Governments		
Unconditional Grants		
Govt Grants- Recurrent Grants	661,010,000	806,620,000
Total	661,010,000	806,620,000

6b	Name of Entity sending the grant	Amount recognised to Statement of Comprehensive Income	Amount Deferred	Amount recognised in Capital fund	Total grant income during the year	2019/2020
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
	Ministry of Sports and Heritage	661,010,000	-	216,700,000	877,710,000	1,023,720,000
	Sports Fund			-	-	

6c	Public contributions and donations	2020/2021	2019/2020
	Cash Donations - BAI	3,897,841	1,952,330
	- US Embassy	244,996	1,367,290
	- EiFL	1,999,980	-
	- Others	-	-
	Total	6,142,817	3,319,620
7	Earned income (Fixed Asset Donations)	1,573,262	1,894,060

7a	Reconciliation of public contributions and donations	2020/2021	2019/2020
	Balance unspent at the beginning of year	390,421,247	389,735,228
	Current year receipts - Books	107,018,350	-
	- Cash	6,142,817	3,319,620
	Conditions met - transferred to revenue (Cash)	(3,801,942)	(2,633,601)
	Conditions to be met - remain liabilities	499,780,472	390,421,247

REVENUE FROM EXCHANGE TRANSACTION

8	Interest Received	-	-
9	Rental income from facilities		
	Hire Of Halls	422,340	707,590

Bill Boards	-	-
Parking Charges	257,277	125,422
Rent	59,897,297	31,826,274
Service charge from rentals	10,668,006	3,688,173
	71,244,920	36,347,459
10 Rendering of Services		
Photocopies	12,066	39,442
KnB & Kpd Sales	-	5,400
Internet And E-Mail	680	2,470
Consultancy Services	-	1,120
	12,746	48,432
11 Library Fees		
Membership Fees- Institution	253,000	519,000
Entrance Fees - Non Members	2,744,985	8,844,565
Daily access - Executive	51,640	151,120
Book loan fees - Adult	46,800	490,986
Book loan fees - Junior	12,480	148,145
	3,108,905	10,153,816
12 Other Income		
Sundry Income	300,051	170,017
Fines and Overdues	35,630	406,120
Disposal Income	1,356,226	182,208
Hire Of Chairs/ Tents	-	7,445
Gain on Sale of Fixed Assets	-	-
Sale Of Tenders	-	1,000
Clearing Fee	2,800,682	2,154,500
Commission from payroll deductions	142,408	135,811
Attachment Charges	170,500	153,000
Lost And Paid For Books(100%)	43,736	139,640
Annual Renewal Fee	-	18,127
ISBN Fees	2,602,750	2,216,500
Resurfaced Books	77,860	1,401,566
Salary Recovery	251,724	293,096
Provision for doubtful debts	-	175,709
	7,781,567	7,454,739
13 Use of Goods and Services		
Electricity	11,663,961	12,942,807
Water And Sewerage Charges	4,024,221	4,678,551
Telephone & Mobile Phone Services	2,550,974	2,096,491

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Internet Connections	16,086,396	10,782,942
Courier & Postal Services	1,418,087	1,532,192
Printing & Stationery	154,920	378,240
Subscription To Newspaper, Mag	1,932,955	3,994,340
Advertising & Publicity	3,801,945	3,565,727
Trade Shows & Other Exhibition	-	182,452
Rent & Rates-Non-Residential	1,106,580	1,281,000
Catering Expenses	1,307,083	1,780,415
Insurance General	7,840,838	14,506,465
Purchase Of Uniform & Clothing	427,312	394,016
Library Processing Tools,Magnetic strips	1,881,802	2,435,244
Education & Supplies	1,034,177	-
General Office Supplies	1,931,733	3,227,658
Supplies & Accessories For Com	1,039,138	1,001,891
Sanitary & Cleaning Materials	1,930,645	795,695
Contracted Guards & Cleaning	29,325,259	27,870,311
Transport Costs & Charges For	2,572,682	8,047,977
Legal Dues, Arbitration & Comp	1,764,532	3,683,465
Contracted Professional Services	-	1,423,036
Withdrawn books	6,503,798	6,664,299
Bad Debt	-	186,062
Provision for bad & doubtful debts	-	-
Training	5,526,010	6,662,674
Bank & Mpesa Charges/Commission	570,078	597,884
Management Fee-Audit Fee	700,000	780,000
Purchase Of Coffins & Other Miscellaneous exps	874,360	239,580
Membership Fees,Dues &Subscription	516,752	416,435
Research & Development	52,430	444,680
Monitoring & Evaluation	1,235,970	862,850
Refined Fuels & Lubricants For	2,583,807	3,052,902
Foreign Exchange loss	8,692	7,552
Purchase of Furniture & Fittings	264,000	-
Launch of new libraries	1,391,352	-
Membership fee refund	1,600	-
Travel, accommodation, subsistence & other allowances – Local	5,928,643	7,050,556
Passage And Transfers Expenses	355,782	440,356
Travel, accommodation, subsistence & other allowances - Foreign	-	1,322,477
TOTAL	120,308,515	135,349,225
14 Employee Costs		
Basic Salary (Permanent Employees)	327,839,196	309,452,730
Internship Stipend	326,064	429,705

Casual Labour		11,179,442	11,317,184
House Allowance		113,650,169	117,469,307
Acting Allowances		594,780	429,713
Hardship Allowance		22,316,445	8,339,737
Medical Allowance		-	10,930,885
Special Duty Allowances		982,852	919,455
Other Allowances-Remunerative		638,710	1,080,000
Leave Allowance		4,262,083	4,392,908
Refund Of Medical Expenses-Inpatient		-	15,940
Personal Assistance Allowance		960,000	920,000
Retirees Allowances		1,188,681	774,702
Medical Insurance Cover		44,600,000	43,916,200
Other Allowances-Bicycle		76,000	76,800
Commuter Allowance		48,668,490	50,007,092
Employer Contribution To Pension Scheme		66,249,189	62,636,615
		643,532,101	623,108,973
15 Board Expenses			
Chairman's Honorarium		1,044,000	1,044,000
Directors' allowances & Other expenses		7,090,712	7,629,757
Other allowances & Board Expenses		1,934,631	2,128,425
	TOTAL	10,069,343	10,802,182
16 Depreciation & Amortisation Expense			
Property, Plant & Equipment		90,805,310	88,526,848
Intangible Assets		986,206	609,216
	TOTAL	91,791,516	89,136,064
17 Repairs and Maintenance Cost			
Repair, Maintenance: Buildings		994,070	3,637,737
Repair, Maintenance: Furniture		402,560	388,785
Repair, Maintenance: Equip		1,937,215	2,367,545
Repair, Maintenance: Motorvehicle		1,564,950	1,589,415
Repair, Maintenance: Computer		7,432,347	7,136,546
	TOTAL	12,331,142	15,120,028
18 Cash and Cash Equivalents	A/C NO.	2020/2021	2019/2020
		Kshs	Kshs
Cash in hand		22,743.00	12,166
Mpesa Account		819,525.79	1,519,639
Pesa Pal Account		4,512,557.00	2,158,308
Bank Recurrent account	1103249614	16,370,630.21	106,767,127
Bank Development Account	110,249754	51,018,181.78	247,065,361

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Bank Savings & Reserve A/C	1103127063	87,838,069.21	117,719,456
Bank Savings & Reserve -foreign A/C	1108728294	129,530.96	130,598
TOTAL		160,711,238	475,372,655

* The bank accounts are all with Kenya Commercial Bank - Milimani Branch. The M-pesa account is with Safaricom while the Pesa-Pal account resides with the service provider, Jambo Pay Limited.

19(a) Detailed Analysis of Cash & Cash Equivalents	A/C NO.	2020/2021	2019/2020
		Kshs	Kshs
a) Current account			
Kenya Commercial Bank	1103249614	16,370,630.21	106,767,127
Kenya Commercial Bank	1103249754	51,018,181.78	247,065,361
Sub- total		67,388,811.99	353,832,488
Other accounts			
b) Savings account			
Kenya Commercial Bank	1103127063	87,838,069.21	117,719,456
Kenya Commercial Bank	1108728294	129,530.96	130,598
Sub- total		87,967,600.17	117,850,054
c) Pesa Pal Account			
Jambo Pay		4,512,557.00	2,158,308
d) M-pesa account			
Safaricom Ltd (B2C)	897201	118,339.79	549,776
Safaricom Ltd (C2B)	897200	691,686.00	960,383
Safaricom Ltd-M-pesa Till		9,500.00	9,500
Sub- total		819,525.79	1,519,659.08
d) Cash in hand			
		22,743.00	12,166
		160,711,238	475,372,675
20 Current Receivables from Exchange Transactions			
Trade Debtors : Rental space		49,303,758.96	10,172,071
: Direct consignment (Books)		1,882,919.93	2,446,019
		51,186,678.89	12,618,090
Less: Provision for doubtful debt		1,933,337.00	1,933,337
Total		49,253,341.89	10,684,753
20a Ageing Analysis (Trade Debtors)			
No. of Days		As at 30th June 2021	As at 30th June 2020
0-90		8,122,875	3,474,168
91-180		12,258,692	2,579,170
181-365		13,625,521	2,232,340
Over 365		17,179,591	4,332,414
		51,186,679	12,618,091
21 Trade Receivables non exchange transactions			

Staff Debtors		3,944,672	4,739,682
Other Debtors (MOSHE)		924,800	-
Branch Debtors		41,500	-
Refundable Deposit		3,060,205	2,999,645
		7,971,177	7,739,327
Less: Provision of bad & doubtful debts		2,382,429	2,382,429
Total		5,588,748	5,356,898
21a Ageing Analysis (Non-Exchange)			
No. of Days		As at 30th June 2021	As at 30th June 2020
	0-90	3,977,088	3,492,884
	91-180	161,000	358,050
	181-365	1,080,360	656,370
	Over 365	2,752,729	3,232,024
		7,971,177	7,739,327

*** Provision for Doubtful Debt**

The provision for doubtful debt has been made based on the recommendations of the Audit report. knls has not adopted a tailor made policy on this but has made presumptions as provided for in IPSAS 19.

22a Movement in Provision for Bad & Doubtful debts	2020/2021	2019/2020
Opening Balance	4,315,766	4,491,475
Additions in the year	-	6,236
Payments	-	(683)
Write off	-	(181,263)
Balance	4,315,766	4,315,766

23 Inventory

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

	2020/2021	2019/2020
General office	2,518,134	2,680,751
Uniform & Clothing	-	-
Library Processing Tools	1,676,918	2,710,720
Computer Accessories	1,079,919	1,625,857
	5,274,971	7,017,328

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24 PROPERTY, PLANT & EQUIPMENT SCHEDULE

DESCRIPTION	LAND (KSH)	BUILDING (KSH)	EQUIPMENT (KSH)	MOTOR VEHICLES (KSH)	FURNI. & FITTINGS (KSH)	COMPUTERS (KSH)	WORK IN PROGRESS	TOTAL (KSH)
COST as at 1st July 2019	3,250,508,500	1,619,404,395	28,143,399	42,954,250	176,443,526	76,118,746	2,218,818,740	7,412,391,556
ADDITIONS-Purchases			150,168			6,950		157,118
ADDITIONS-Donations					224,517			224,517
CWIP Buildings (addition)							349,353,814	349,353,814
COST as at 30th June 2020	3,250,508,500	1,619,404,395	28,293,567	42,954,250	176,668,043	76,125,696	2,568,172,554	7,762,127,005
ADDITIONS - Purchases			206,131	-	2,869,358	3,254,000		6,329,489
ADDITIONS - Donations			-	-	2,532,234	1,392,435		3,924,669
Works Capitalised		1,251,579						1,251,579
CWIP Buildings (addition)							252,551,336	252,551,336
CWIP - Virtual Library							29,009,054	29,009,054
COST as at 30th June 2021	3,250,508,500	1,620,655,974	28,499,698	42,954,250	182,069,635	80,772,131	2,849,732,945	8,055,193,133
DEPRECIATION								
Accumulated Depreciation	-	64,776,176	11,299,166	39,944,748	44,137,823	50,749,306	-	210,907,219
Prior year adjustment on dep.	-							
Acc. Dep. On Disposals	-							
Depreciation for 2020,21	-	32,413,119	5,699,940	3,009,502	22,758,704	26,924,044		90,805,310
Total Depreciation	-	97,189,295	16,999,106	42,954,250	66,896,527	77,673,350	-	301,712,529
Net Book Value 30/06/2021	3,250,508,500	1,523,466,679	11,500,592	(0)	115,173,108	3,098,781	2,849,732,945	7,753,480,604
Net Book Value 31/06/2020	3,250,508,500	1,554,628,219	16,994,401	3,009,504	132,530,220	25,376,390	2,568,172,554	7,551,219,786

24a Property, Plant & Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows;

	Cost	Accumulated Depreciation	NBV
Land	3,250,508,500	-	3,250,508,500
Buildings	1,620,655,974	97,189,295	1,523,466,679
Plant & Machinery	28,499,698	16,999,106	11,500,592
Motor Vehicles Including motorcycles	42,954,251	42,954,251	-
Computers and related equipment	80,772,131	77,673,350	3,098,781
Office Equipment, Furniture and Fittings	182,069,635	66,896,527	115,173,108
CWIP	2,849,732,944	-	2,849,732,944
	8,055,193,134	301,712,530	7,753,480,604

Property Plant & Equipment includes the following assets that are fully depreciated

	Cost or Valuation	Normal Annual Depr. Charge
Motor Vehicles including motor cycles	12,038,011	3,009,503
Computers and related equipment	76,125,696	25,375,232
Total	88,163,707	28,384,735

25 Intangible Assets - Software

Cost	Kshs	Kshs
As 1 July 2020	-	609,216
Prepayment for Audit Software	600,000	
Additions in the year	2,358,621	
Amortisation for the year	(986,207)	(609,210)
	1,972,414	-

26 Movement of Book Stock

	2020/2021 No. of Books	Value Kshs.	2019/2020 No. of Books	Value Kshs.
Opening balance	1,764,431	1,069,391,350	1,706,461	986,433,845
Add: Govt purchases	6,944	1,116,619		
Donor Purchases	-	-		
Donations	43,558	107,018,350	74,250	88,220,238
Resurfaced books	172	77,860	376	1,401,566
Less: Withdrawn books	(14,500)	(6,503,798)	(16,656)	(6,664,299)
	1,800,605	1,171,100,380	1,764,431	1,069,391,350

The withdrawn books represent the net effect of value of books weeded from the system and lost books (including stolen books). It also includes books donated to needy institutions. knls is an agent of Book

Aid International (BAI). The Board receives books on behalf of other institutions and distributes them.

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

The books have not been depreciated as recommended in IPSAS 17. knls has developed a draft policy on the same which will guide the depreciation of these books going forward. However, they have been recognized and valued as stated in paragraph II.

27 Trade Payables Exchange transactions	2020/2021	2019/2020
	Kshs.	Kshs.
Trade Creditors	73,798,390	224,283,615
Advance Receipts	3,608,706	552,848
Third party payments	6,140,691	20,553,626
	83,547,786	245,390,089
28 Refundable deposits (Rental)	2020/2021	2019/2020
Safaricom Shop - Buruburu	1,399,847	1,399,847
Equity Bank - Buruburu	1,596,987	1,596,987
CFC Bank - Buruburu	658,035	658,035
Agha Khan University Hospital - Buruburu	1,200,870	1,200,870
Candy Shop - Mombasa	5,500	5,500
Eraeva Canteen - Nakuru	67,991	67,991
Kenya Film Classification - Nakuru	142,541	142,541
Donyam - Kisumu	7,500	-
Lasuri - Mombasa	-	15,000
Kenyatta University - Garissa	103,950	103,950
Sungura Creations	8,000	-
Multiple Solutions	15,000	-
	5,206,222	5,190,721
29 Current Provisions - Audit Fees	2020/2021	2019/2020
Balance at the beginning	4,780,000	3,300,000
Additional Provisions	700,000	1,480,000
Provision Utilised	(3,380,000)	-
	2,100,000	4,780,000
30 Deferred Liability from Exchange Transactions	2020/2021	2019/2020
Balance B/Fwd	10,308,628	-
Provision of Internet Services	(6,469,790)	6,469,790
Clearing and Forwarding of Books	-	3,838,838
	3,838,838	10,308,628

31 Deferred Income		2020/2021	2019/2020
Description			
National Government		-	-
International funders		-	-
Public contributions and donations		8,121,927	5,781,052
		8,121,927	5,781,052

The deferred income movement is as follows:	National Government	International funders	Public contributions and donations	Total
Balance brought forward	2,741,841,313	-	5,781,052	2,747,622,365
Additions in the year	216,700,000	-	6,142,817	224,821,927
Transfers to Capital fund	-	-	-	-
Transfers to Income statement	-	-	(3,801,942)	(3,801,942)
Other Transfers	-	-	-	-
Balance carried forward	2,958,541,313	-	8,121,927	2,968,642,350

32 Capital Donations	2020/2021		2019/2020	
	Book Donations	Fixed Assets	Book Donations	Fixed Assets
Balance brought forward	473,192,621	2,556,566	384,972,887	4,226,109
Additions in the year	107,018,350	3,924,669	88,220,238	224,517
Transfers to Income Statement	-	(1,573,263)	-	(1,894,060)
Balance carried forward	580,210,971	4,907,972	473,193,125	2,556,566

33 Cash generated from Operations	Note	2020/2021	2019/2020
		Kshs	Kshs
Surplus(Deficit) for the year		(129,499,275)	(8,364,362)
Adjusted for :			
Depreciation	24	90,805,310	88,526,848
Amortisation of software	25	986,207	609,216
Resurfaced books	26	(77,860)	(1,401,566)
Donations (FA)	7	(1,573,263)	(1,894,060)
Withdrawn books	26	6,503,798	6,664,299
Foreign exchange loss	13	8,692	7,552.00
Contribution to impairment		(5,217,091)	

Operating Deficit Before Working Capital Changes		(38,063,482)	84,147,927
(Increase) / Decrease In inventory	23	1,742,357	274,488
(Increase) / Decrease In receivables		(38,800,437)	(5,391,776)
(Increase) /Decrease in provisions for doubtful debts	22a	-	(175,709)
Increase / (Decrease) in Deferred Income		2,340,875	686,019
Increase / (Decrease) In payables	27-29	(167,215,616)	56,817,708
(Decrease)/Increase in Provisions			186,062
Net Cash Outflow From Operating Activities		(239,996,303)	136,544,719

34 . Financial Risk Management

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

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

(i) Credit risk

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

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

	Total amount	Fully performing	Past due but not impaired	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Receivables from exchange transactions	51,186,679	46,770,730	2,482,612	1,933,337
Receivables from non exchange transactions	7,971,177	5,548,543	20,205	2,402,429
Bank balances	160,711,238	160,711,238	-	-
Total	219,869,093	213,030,511	2,502,817	4,335,766
At 30 June 2020				
Receivables from exchange transactions	10,684,753	8,669,103		2,015,650
Receivables from non exchange transactions	5,356,898	2,611,073		2,745,825
Bank balances	475,372,655	475,372,655	-	-
Total	491,414,306	486,652,831	-	4,761,475

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

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

(ii) Liquidity Risk Management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2021				
Trade payables		94,614,984		94,629,984
Provision for Deferred Liability			3,838,838	3,838,838
Deferred Income			8,121,927	8,121,927
Total	-	94,614,984	11,960,765	106,590,749
As at 30 June 2020				
Trade payables		198,543,103		198,543,103
Provision for Gratuity		528,199	1,430,865	1,959,064
Deferred Income			5,781,052	5,781,052
Total	-	199,071,302	7,211,917	206,283,219

35 Related Party Transactions

a) Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *entity*, both domestic and external.

Other related parties include:

- i. The Parent Ministry;
- ii. Board of directors;
- iii. Key Management

Transactions with related parties

	2020/2021 Kshs.	2019/2020 Kshs.
a. Sales to related parties		
Sale of goods		
Sales of Service		
Total		
b. Grants from the Government		
Grants from National Government	877,710,000	960,430,000
Grants from Sports, Arts and Social Development Fund		
Total income	877,710,000	960,430,000
c. Expenses incurred on behalf of related party		
Payment of salaries and wages for 633 employees	617,889,777	589,259,348
Payment for good and services	142,709,000	161,271,432
Total	760,598,777	750,530,780
Key Management compensation		
Directors' emoluments/Board Members	4,754,079	8,673,757
Compensation to the CEO	4,234,800	12,895,460
Compensation to Key Management	21,407,524	20,954,165
Total	30,396,403	42,523,382
Total expenses	790,995,180	793,054,162

36. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

37 Ultimate and Holding Entity

The *entity* is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Sports Culture & Heritage. Its ultimate parent is the Government of Kenya.

38. Currency

The financial statements are presented in Kenya Shillings (Kshs).

APPENDIX I. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor and management comments that were provided to the auditor.

1.0 INACCURACIES ON FINANCIAL STATEMENTS

Issue/Observations from Auditor

The Financial Statement presented on 30th September 2020 were revised on 15th December 2020. However, the movement for some accounts balances between the first set and the revised set of financial statement resulted to variances that were not explained or supported by journals as shown below;

Accounts	Financial statement 2020	Amended financial statement 2020	Variance
Other Income	7,279,029.00	7,454,738.00	(175,709.00)
Employee cost	622,568,973.00	623,108,973.00	(540,000.00)
General expenses	108,794,066.00	108,894,476.00	(100,410.00)
Repair and maintenance	16,119,528.00	15,120,028.00	999,500.00
Receivables from non-exchange	5,361,698.00	5,356,898.00	4,800.00
Accumulated fund	1,413,867,899.00	1,413,863,097.00	4,802.00

Consequently, the accuracy of the various account balances could not be confirmed.

Management Comments

Following the successful Audit of the Draft account for the FY'2019/2020, the revised set of Financial Statements was submitted following observations therefrom.

The observations were on some General Ledger accounts and the remarks have explained the nature of the variance and supporting journals attached as earlier submitted.

Note No	Accounts	Financial statement 2020	Amended financial statement 2020	Variance	Remarks
12	Other Income	7,279,029.00	7,454,738.00	(175,709.00)	This was the net effect of consolidating the Bad debt of Kshs.78,950 and provision for bad debt of Kshs.5,553 and including an amount of 181,262.70 to the bad debt (See Appendix I)
13	Employee cost	622,568,973.00	623,108,973.00	(540,000.00)	The adjustment was a transposition error under the employee cost
	- Medical allowance	10,390,885.00	10,930,885.00	(540,000.00)	
15	General expenses	108,794,066.00	108,894,476.00	(100,410.00)	The total shift for the General Expenses was Kshs.10,509,038. This was after including the internet cost of Kshs.6,469,790, Transport cost &

					Charges for clearing of books Kshs.3,838,838 captured under Note 30. The journal adjustments made for Courier and Postal and Fuel and lubricants (See Appendix I)
18	Repair and maintenance	16,119,528.00	15,120,028.00	999,500.00	The adjustments for this are as per journals in Appendix I
23	Receivables from non-exchange	5,361,698.00	5,356,898.00	4,800.00	The amount for Kshs. 4,800 was for one Ex-staff Eunice Sasakah where the provision for doubtful debt was not made. The Board approved write off on the 29th of September 2020 and thus the decrease. (Appendix II)
23	Accumulated fund	1,413,867,899	1,413,863,097	4,802.00	The adjustment of the debt w/off for Eunice Sasakah

Focal point Person: Principal Accountant

Status: The Financial Statements were amended accordingly

2.0 PROPERTY, PLANT AND EQUIPMENT

Issue/Observations from Auditor

Note 26 to financial Statements reflected balance of **Kshs 7,551,219,788** as at 30 June 2020 in respect to Property, Plant and Equipment. Included in this amount is **Kshs 3,250,508,500** in respect of land. The value of land excludes amounts of 38 parcels of land of unknown value with partial or no ownership documents. Further, buildings valued at **Kshs.203,601,300** were excluded in the buildings balance of **Kshs.1,619,404,395**.

Further, it was noted that KNLS Board was allocated a plot for library development in Malindi in 1996 vide letter of allotment No. 149519/32 dated 12th June 1996. After registration of the lease at Land Registry Mombasa and acquiring a duly registered land, L.R No. 10723 through Grant No. I.C 35584 it was established that there were Jua Kali vendors who had encroached the land and put up temporary structures on the library site. Despite the Board writing an eviction order to the Town Clerk, Malindi Municipality to remove those who had encroached the land, no evictions have been done to date. Currently the Library is operating on rented premises.

In addition, Kibera Community Library received a complaint from Ministry of Lands, on 14th February 2012, to the effect that land allocated to them vide letter of Allotment Ref: 209163/1X/56 dated 29th December 2006 was not fully built up thereby encouraging illegal occupation where bars and posho mills had been erected becoming a nuisance to the Community and the Library. The activities have also partially blocked vehicles access to the library itself. To date, the illegal occupants have not yet been evicted.

Kenya National Library Service has bit tagged its assets as a measure to safeguard its assets against misappropriations and therefore it was not possible to identify assets belonging to the institution. Instead the Kenya National Library service resort to mark its assets using a marker pen. Asset tagging helps in unique identification of assets.

Under the circumstances the completeness and accuracy of Property, Plant and Equipment amount of **Kshs.7,551,219,788** could not be confirmed. The Security of the encroached land is also doubtful.

Management Comments

i) Land and Buildings

The value of the 38 said parcels of land and the buildings thereon were omitted from the financial statements as knls Board does not have ownership documents.

The said parcels of land are at various stages of registration as indicated in the attached schedule.

(see attachment)

knls Board has continued to pursue the Ministry of Lands and Physical Planning for ownership documents for the Board's service plots vide letter Ref: C/KNL/HQ/AD/192/VOL.III/72 dated 15th January 2018 and response on the same received vide letter Ref: PPD/I/25 (36) dated 21st March 2019.

ii) Malindi

knls Board is in consultation with relevant County Government on possible repossession of the parcel of land.

Through a letter ref: KNL/AD/279/VOL.2/14 knls wrote to the Town Clerk Malindi requesting him to evict the traders from the said plot LR/10723 to facilitate development of a purpose built library.

iii) Kibera

knls Board is in consultation with Government on possible repossession of the parcel of land.

Through a letter ref: KNL/AD/322/17 knls wrote to the Provincial Commissioner requesting him to evict the hawkers who had encroached the Kibera plot LR 209/10368.

iv) Assets tagging

Knls management wish to report that asset tagging is an expensive undertaking and the budget constraint has made it difficult to undertake it.

Management concurs with the audit recommendation and will endeavor to make a budget provision to undertake asset tagging as advised by the auditors.

Focal point Person: Principal Planning Officer

Status: Mr. Cyrus Ndogo was assigned the responsibility on 22nd February 2021 to ensure:

- i) Acquisition of ownership documents for 38 parcels of land without ownership documents**
- ii) Follow up with relevant County Governments on possible repossession of the land in Kibera and Malindi.**

Time frame:

3.0 STOCK-BOOKS

Issue/Observations from Auditor

The Statement of Financial Position reflects stock of books amounting to **Kshs.1,069,391,350**. Included in amount is **Kshs.88,220,238** being donations of 74,250 books. However, as previously reported, Kenya National Library Service did not subject the books (assets) to depreciation charge in line with the requirements of IPSAS 17.

Further the figure of withdrawn books of **Kshs 6,664.674** could not be verified as no board of survey was constituted for stock take but instead the library relied on data from respective heads verification exercise that was not supervised. Consequently, the authenticity of the stock of books worth **Kshs.106,391 ,350** could not be confirmed.

Management Comments

i) Failure to provide depreciation on books.

IPSAS 17 recognizes books as assets and the Board has developed a draft Depreciation Policy for Books. As at the end of the Financial Year 2019/2020, the policy was yet to be fully processed and approved by the Board. The Board shall endeavor to complete the development and implementation of the policy in the current Financial Year 2020/2021. *(See attached draft Policy)*

ii) Failure to undertake Board of survey

During the stock taking period in June 2020, there was cessation of movement into and outside the counties of Nairobi and Mombasa as the two were the Covid-19 hotspots.

Staff were therefore not able to travel to undertake the Board of Survey for library Book stock.

However, instructions and guidelines were issued in line with the stock taking procedure to guide the heads of branches and staff as they undertook the stock taking exercise.

Any discrepancies noted with the stock taking reports was exhaustively addressed and reconciled between the heads of branches and management and the stock taking figure presented in the financial statement was confirmed as authentic.

Focal point Person: Ag Deputy Director (TS)

Status:

Knls Board is not fully constituted.

In the foregoing the draft policy on depreciation of books has not been processed and adopted for implementation. The same will be done once the Board is fully constituted.

The Board of survey was not undertaken in the year under review due to the cessation of movement into and outside the counties of Nairobi and Mombasa as the two were the Covid-19 hotspots.

The same has however been undertaken in the current financial year after the Government lifted the ban on inter county travel.

Time frame:

4.0 RECEIVABLES

Issue/Observations from Auditor

4.1 Receivables from Exchange Transactions

Note 22 to the financial statements reflected Kshs.10,684,753 being receivables from exchange transactions. Included in this amount is Kshs.12,618,090.00 in respect of trade debtors out of which Kshs.4,332,414.00 has

been outstanding for over 365 days. Kenya National Library Service did not avail evidence that efforts were made to recover these debts.

Further, included in receivables amount of Kshs.12,618,090 is Kshs.707,590 being outstanding rental income from facilities. However, it was noted that the entity has no policy which outline rates to be used on to hiring/renting out halls for their branches and therefore, the debt of Kshs.707,590 could not be measured accurately and reliably.

The rental debt of Kshs.10,172,071 as disclosed on note 22 is exclusive of Kshs.37,185,480 being amount owed by the State Department for Culture and Heritage for office they occupy on 4th floor, 5th floor at the rate of Kshs.3,098,790 per month.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.10,684,753 as at 30th June 2020 could not be confirmed.

Management Comments

Outstanding trade debtors of kshs 4,332,414.00 which has been outstanding for over 365 days

The amount of **Kshs.4,332,414** as stated having been outstanding for more than 365 days is comprised of the following:

- i. **KBC (Garissa) – Kshs. 164,800** - KnlS entered into a contract with Kenya Broadcasting Corporation in December 2006 for a period of 5 years for use of space for a broadcasting mast in Garissa. The lease period expired in 2011.
Efforts are currently being made through the Board's lawyer – H.M Mudeizi & Co. Advocates to recover the amount owing up to November 2011 when the contract expired and renew the lease agreement. The lawyer is pursuing settlement of the balance.
- ii. **Residential House (Meru) – Kshs. 427,105** - The caretaker's house in Meru was let out to one Rev. Alfred Muriithi on a monthly payable rent of Kshs. 10,500 upon signing of a contract on the 4th of June 2010. The tenant failed to settle his outstanding rent despite his commitment in a letter dated 17th April 2012. As a result, the Board instructed its lawyer to evict the tenant and demand outstanding amount owed. The tenant vacated the premises on the 19th February 2015 and despite various demand letters from the Board's lawyer, the tenant did not settle the outstanding amount. The lawyer has since instituted legal proceeding to recover the said amounts from the tenant.
- iii. **M/s KAT Universal Ltd (Meru) – Kshs. 195,000** - The tenant failed to settle their outstanding balance and the Board proceeded to lock down the premises. The matter is being pursued by the Board's lawyer, Mwaura & Wachira advocates to recover the outstanding amount.
- iv. **M/s Tropical Promoters – 267,400** - KnlS entered into a contract with Tropical Promoters in December 2008 for a period of 3 years for use of space for advertising on Bill Boards erected at the Nairobi Area Library in Community. The lease period expired in November 2011 and they did

not renew the contract having left an outstanding balance of Kshs. 532,400. The Board wrote to them vide KNLS/HQ/AD/203/VOL.5/50 dated 8th February 2012 and KNL/FN/AD/21 dated 25th July 2012. No response was received neither payment made. Knls Board wrote a third demand letter vide KNLS/HQ/AD/21/TP 7 dated 10th April 2013 and a copy sent to its legal counsel (Mwaura & Wachira Advocates)

knls received part payment of the amount on the 24th June 2013 leaving a balance of **Kshs. 267,400**. The lawyer is still pursuing the matter.

- v. **Francis Bichage (Kiosk) – Kisii – Kshs. 98,400** - The tenant entered into a Memorandum of Understanding with knls on the 2nd of December 2009 for the sole purpose of running a kiosk as per the terms of the contract. The tenant defaulted in the payment of the rent due and in April 2013 knls Management wrote to him demanding payment of the same. This he did not honor and as at 30th June the outstanding amount was Kshs. 98,400. The tenant has since locked his kiosk without clearing outstanding rent leaving his goods behind.

The issue was forwarded to the Board's lawyer to follow up and recover the outstanding amount. However, Mr. Bichage sued the knls Board under Kisii CMCC NO 244 of 216. The knls management requested the lawyer to negotiate on a possible out of court settlement. The lawyer for Mr. Bichage returned a fee of kshs 980,600.00 for settling the matter out of court.

The case was successfully concluded and the matter ruled in Boards favor.

The Boards lawyer is in the process of extracting the judgment to facilitate finalization of the matter.

Other Receivables from exchange transactions

- i) **Essar Telecom Kenya – Kshs. 355,316.79** – This is a debt transferred to Safaricom when the same acquired Essar Telecom. Due to the logistics and verifications involved during transfer of business, the process has taken long to conclude leading to delay in settlement of the outstanding balance. Knls has continued to pursue Safaricom Ltd to settle the outstanding balance left behind by Essar Telecom.

	Vendor/Tenant	Amount	Remarks
1	Safaricom	87,626.81	Vat not yet remitted
2	CFC Stanbic Bank	155,294.46	Vat not yet remitted
3	Justine Mughendi	3,000.00	Outstanding rent Mombasa Kiosk
4	Maktaba Sacco	4,500.00	Outstanding rent
5	Safaricom Micro cell	17,364.52	Communication mast
6	Free Bird Services Media	300,000.00	Digital bill board
7	Kenya Film Classification	46,143.89	Part of Vat not yet remitted
8	Eraeva	276,291.30	Outstanding rent Nakuru Restaurant
9	Kenya National Audit Office	215,612.40	Vat not yet remitted
10	Communication Authority of Kenya	27,906.50	Vat not yet remitted
11	STAATSBIBLIOTHEK ZU BERLIN	3,096.43	Sale of KNB/KPD
12	Insurance Regulatory Authority	511,327.99	Consultancy Services
13	International Trust (ITED)	280,000.00	Consultancy Services

14	AET-YES to reading	1,595.00	Clearance of books
15	Kenya Bureau of Statistics	58,000.51	Conference Facilities
16	Ministry of Education	56,000.00	Conference Facilities

Management will seek advisory with KRA on the treatment of unremitted VAT by customers to facilitate removal of the same from the books of accounts.

Management will continue to pursue collection of unremitted rental and other consultancy fees from the customers.

- ii) Outstanding rental Income of kshs 707,590.00 and lack of a policy outlining the rates to be used to hiring/ renting out halls at the branches

Management wishes to report that there was no figure of kshs 707,590 as outstanding rental income in the financial statements.

However, management commits to develop a policy on rental income in the course of the financial year for approval by the Board and subsequent implementation.

- iii) Exclusion of rental debt of kshs 37,185,4/80.00 owed by the State Department for Culture and Heritage for office they occupy on 4th, 5th and 6th floor.

The Board through its advocate HM Mundeizi and Co Advocates drafted a lease agreement and forwarded to the parent Ministry for execution through letter ref: **C/KNL/HQ/AD/637/VOL.VII/48** dated 30th July 2019.

The Parent Ministry subjected the lease to State Department for Housing and Urban Development for perusal and advice to facilitate execution through letter ref: **SDCH2/1 VOL. 1**

In their response the State Department for Housing and Urban Development commented as follows:

- iv) The two parties are government entities and therefore the terms of engagement in the proposed lease should reflect a win-win situation i.e. knls should focus on getting a far return on its investments while the state department gets affordable office accommodation. In this aspect we will seek an opinion from the director of valuation on affair rent and service charge fee. The asking rates seems to be on the higher side.
- v) We also advise the parties to keep the cost of the proposed lease reasonably low and affordable by:
- a) adopting the standard government lease that will be prepared by this department at absolutely no cost to the parties including its registration and exemption of payment of stamp duty. We shall however incorporate terms and conditions mutually agreed between the parties hereafter
 - b) waive the requirement to pay a security deposit. The tenant (government) commits to meet its contractual obligations in this lease including reinstating the rented premises to its initial condition at expiry or earlier determination of the lease. **TY/PW/L/1/41/209/8189/3**

Consequently, knls did a revised letter of offer to the State Department for Culture and Heritage vide letter ref: **C/KNLS/HQ/637/VOL.VII/26** forwarded vide letter ref **C/KNLS/HQ/637/VOL.VII/27**.

The PS, State Department for Culture and Heritage approved the letter of offer subject to advice from state department for housing and urban development on rental amounts.

Based on the foregoing, knls through letter ref:**C/KNL/HQ/637/VOL VII** made a request to State Department for Housing and Urban Development to undertake a valuation of the newly completed building and advice in the market rental rates to facilitate preparation and execution of the lease.

The State Department for Housing and Urban Development has since carried out measurements of the rentable area and requested the Director Land Valuation Under the Ministry of Lands and Physical Planning to advise on suitable market rates for rent and service charge to enable them prepare a lease of execution by both parties. **TY/PW/L/1/41/209/8189(6) dated 19th November 2020**

Knls has since issued a letter of offer for lease of the indicated spaces to the Principal Secretary State Department of Housing to facilitate execution of the lease by both parties, through a letter **KNL/HQ/AD/741** dated **28th January 2021**.

Focal point Person: PSCO

Status: A committee was constituted to develop policy on rental income from hire of halls on 22nd February 2021.

Time frame:

Issue/Observations from Auditor

4.2 Receivables from Non-Exchange Transactions

The statement of Financial Position as at 30th June 2020 reflects an amount of **Kshs.5,356,898** in respect to receivables from non-exchange transactions, included in this amount is **Kshs.4,739,682** related to staff debtors out of which an amount of **Kshs.3,232,024** being imprest, salary overpayment, and salary advance held by officers who have since left the organization that has been outstanding for over 365 days.

No plausible explanation was given as to why the Kenya National Library Service could not recover the debts while these officers were still in service. The recoverability of debts amounting to **Kshs.3,232,024** is doubtful.

Management Comments

Included in this is a figure of kshs 3,232,024.00 being imprest, salary overpayment, and salary advance held by officer who have since left the organization that has been outstanding for over 365 days.

The amount stated in the Financial Statements of **Kshs.5,356,988** includes an amount totaling **Kshs.3,232,024** being imprest, salary overpayment, and salary advance held by officer who have since left the organization that has been outstanding for over 365 days. This amount is comprised of the following:

4.2.1 Ex-Staff Debtors – Kshs.2,922,428.75

i. Philemon Chebon kshs 540,000.00

Dr. Chebon resigned on 2nd April 2007 and had an outstanding liability of Kshs. 800,000 as training bond.

Knls filed the matter in the Industrial Court under Cause No. 512 of 2011. The matter was heard and determined on 25th November 2014. The Honorable Court delivered its Judgement in favor of knls Board and directed as follows;

- a) That knls be awarded a Bond amount of Kenya Shillings Eight Hundred Thousand (Kshs. 800,000) with interest of 5% from 1/4/2007 until payment in full;
- b) That knls be awarded General damages for the sum of Kenya Shillings Five Hundred Thousand (Kshs. 500,000) for breach of Contract; and
- c) Costs of the suit

Dr. Chebon has made payments to knls Board totaling to Kshs.1,220,000 as tabulated below leaving a balance of kshs 80,000

Date	Receipt No.	Amount (Kshs.)
10.05.2019	REC03327	305,000
12.07.2019	REC03391	305,000
22.10.2019	REC03472	150,000
07.09.2020	REC03663	460,000
	Total	1,220,000

Knls shall pursue for the recovery of the said amount to clear the balance.

ii. Mrs. Deborah Nyabundi kshs. 2,316,390.05

Kenya National Library Service Board is a Corporate body of the Government of Kenya established through Cap.225 of the Laws of Kenya in 1965 to provide Library and Information Services to the public.

It is classified under Category 'C' and the CEO's salary ranges from Kshs.110,000 to Kshs.270,000. During the Board's 104th meeting held on 16th December, 2005 the CEO's salary was increased to Kshs.195,000 per month. The Board received approval of the increased salary rate of Kshs.195,000 through a letter signed by the then Permanent Secretary vide Ref. MGS/8/3(s) Vol.V dated 16th February, 2006. Mrs. Deborah Nyabundi was appointed to Act as the CEO from 25th July, 2004 to 26th March, 2006 and her acting allowance was based on the difference her basic salary then of Kshs.56,065.85 and Kshs.195,000 for the entire period she acted amounting to a total of **Kshs.2,433,724**.

The issue was picked by the Kenya National Audit Office during the audit in the Financial Year 2007/2008 who advised that the payment was erroneous. The Board informed Mrs. Deborah Nyabundi of the overpayment and its intention to recover the overpaid amount from December 2006. Mrs. Nyabundi appealed against the said recovery claiming the payment was duly authorized by the Board and the Permanent Secretary.

The Board sought advice from the Permanent Secretary in October 2006 who confirmed vide Ref. No.MGS/8/3(s) Vol.V dated 19th October, 2006 that the overpayment be refunded. The Board initiated recovery of the overpayment at the rate of Kshs. 20,068.50 per month with effect from December 2006. At the time of her retirement on the 15th of June 2007, the board had managed to recover Kshs. 120,411, leaving an outstanding balance of Kshs. 2,316,390. Mrs. Nyabundi has since re-located to United States of America. The Board through its letter Ref. No. C/HQ/PF/128/56 dated 12th July 2010 sought advice from the Attorney General on how to pursue this matter. The Board has not yet received any response.

The Board has sought assistance from the parent ministry to request the Ministry of Finance to consider granting authority/approval to knls to write off the debt from the Board's accounts vide ref: C/KNL/HQ/PF/128/VOL.2/57.

The Permanent Secretary in response vide MNH 17/8(c) Vol.II(44) dated 7th December, 2012 advised the Board to step up efforts to trace Mrs. Nyabundi or seek legal redress to the matter or engage a professional debt collector and or seek authority from Treasury to institutionalize the CEO's salary at the current rate.

On the 19th of February, 2013 knls vide Ref. C/KNL/HQ/PF/128/59 wrote to the Permanent Secretary, Ministry of State for National Heritage and Culture, seeking assistance to request Treasury to institutionalize the salary as advised. Knls is still waiting for the response and way forward.

iii. **Fredrick Isisa Muindi - PF 1542**

Fred Muindi served in Supply Chain Department as a Supply Chain Officer I. He resigned on 4th April 2017, by paying one-month salary in lieu of notice.

While still in service, he was issued with an accountable imprest as shown below:

Date	PV/WRT NO.	Particulars	Amount Advanced	Amount Recovered	Balance (Ksh.)
03-11-16	WRT08492	Mobile Information Literacy	8,000	-	8,000.00
28-11-16	WRT08664	Contract Administration & monitoring	61,900	10,097.30	51,802.70
		Total			59,802.70

Salary due to him for the 3 days worked in April 2017 amounted to ksh.10, 097.30 which reduced the debt leaving a balance of **kshs.59,802.70**

knls followed him up for recovery through a letter, KNL/HQ/PF/1542/148 dated 15th September 2017, and no response nor payment has been received from him to date. Knls Board will continue pursuing recovery of the debt.

Management will keep pursuing full recovery of the said amount.

iv. **Abdi Rizack – PF No.1520 kshs.6,236.00**

The staff resigned on 31st July 2013. On resignation he owed the Board a total of Kshs6,236 as fridge advance.

Knls Management wrote to him on 10th February 2014 informing him of the outstanding balance and requiring him to settle before his final dues could be released. To date he has not responded. Knls Board will review the matter and consider writing off the debt./recover the same from his final salary.

4.2.2 **Over Payments – Kshs.20,205**

This relates to staff who were paid allowances on transfer, Special Duty and or Acting allowance but continued to earn beyond the time frame. The recoveries are ongoing from the respective staff. (See Appendix)

4.2.3 Fridge Advance – Kshs.238,330.15

This relates to staff who have been advanced the Fridge Loans and the recoveries are ongoing and were less than 90 days as at 30th June 2020.

4.2.4 Salary Advance – Kshs. 183,901.13

This relates to staff who had salary advance as at 30th June 2020, the recoveries are ongoing and were less than 90 days.

Focal point Person: Chief Human Resource Officer

Status:

Time frame:

5.0 TRADE PAYABLES FROM EXCHANGE TRANSACTIONS

Issue/Observations from Auditor

Note 29 to the Financial Statements reflected trade payables from exchange transactions amount of **Kshs.251,091,428**. Included in this amount is **Ksh.789,519** payables to Xtranet Communication Ltd a company that was supposed to install biometrics for the entity in Buruburu library. The Biometric was installed in June 2016 but has not been commissioned due to non-integrated with the Human Resource Management Information System Software as per the specifications therein. However, the installation process was not completed according to the contract agreement and the project has delayed for over three years. No reasonable explanation was given as to why the completion has been delayed.

In the circumstances, the accuracy and completeness of the trade payables from exchange transactions balance of Kshs.251,091,428 as at 30th June 2020 could not be confirmed.

Management Comments

Included in this is an amount of kshs 789,519 payable to Xtranet Communications Ltd for installation of a biometrics for the entity in Buruburu Library.

The project has delayed for over 3 years.

Xtranet Communications installed a biometric system in June, 2016. The system was supposed to be integrated with the Human Resource Management Software upon its successful completion. The Human Resources management system was successfully completed and deployed in July 2019.

The vendor is yet to complete integration the biometric with the Human Resource Management System to facilitate settlement of the outstanding amount The vendor will be paid once the project is completed and signed off.

Focal point Person: CHRO

Status:

Time frame:

OTHER MATTERS

BUDGET AND BUDGETARY CONTROL

Issue/Observations from Auditor

The Statement of Comparison of budget and actuals reflected actual receipts of **Kshs.878,88,716** against budgeted amount of **Kshs.880.811,918** resulting to excess collection of **Kshs.1,993,202**.

Similarly, the Statement of Comparison of budget and actuals reflected actual expenditure of **Kshs.518,076,134** against budgeted amount of **Kshs.881,179,632** resulting to under expenditure of **Kshs.363,103,498** or **41%**, an indication that goals and objectives of the State Department were not achieved as planned. It was explained that the under expenditure was due to the effects of COVID-19

Managements Comments

Other matters

Actual receipts amounted to kshs 878,818,716 against a budgeted amount of kshs 880,811,918 resulting to a variance of kshs 1,993,202.

This was caused by the closure of all public Libraries in March 2020 due to the outbreak of Covid-19.

Actual expenditure amounted to kshs 518,076,134 against a budgeted expenditure of kshs 881,179,632 resulting to under expenditure of kshs 363,103,498 (41%).

The underperformance was due to the effects of Covid-19.

Focal point Person:

Status:

Time frame:

UNRESOLVED PRIOR YEARS MATTERS

DELAYED PROJECT COMPLETION OF THE NATIONAL LIBRARY AND HEADQUARTERS

Issue/Observations from Auditor

As previously reported, the construction of the proposed National Library and headquarters was awarded to M/S K.G Patel Sons Limited-Building & Civil Engineering contractors on 2 March 2012 at contract sum of **Kshs 2,055,200,200** and was to be completed by April 2016. And this was revised to 20 March 2020.

On 30th May 2017 a project financial appraisal No 3 was performed by the M/S Procosts Ltd Consultants who revised the final costs of the project to sum of **Kshs. 2,409,876,499** due to delayed completion of the project which led to increase of the contract sum by **Kshs. 354,676,299** Or 17.2%. A review of the progress report as at 30 June 2020 revealed that the cost had escalated to **Kshs.2,568,172,544** resulting to a variation of **Kshs.512,972,344** or 24.9% and project was yet to be completed.

Management Comments

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

This was a four-year multi-tier project whose construction commenced on 10th April 2012 with an expected completion date of 19th January 2017.

The contract sum of Kshs. 2,055,200,200 is exclusive of the consultants' fees since conceptualization. The project began with identification of relevant service providers namely;

Consultants

- | | | |
|------------------------------------|---|--------------------------|
| a) Architectural services | - | Aaki Consultants |
| b) Quantity surveying | - | Procost Ltd |
| c) Electrical and civil engineers | - | Mecoy Consultants Ltd |
| d) Structural engineering services | - | Professional Consultants |

The team were to work with the knls Board to develop the building designs, bill of quantities/ tender documents and estimates for tendering purposes and contract documents for main contractor and subcontractors.

The fee payable to the consulting firms was determined and awarded independently and prior to the determination of the actual tender sum of all contractors for builders works and specialized services.

The totality of the project cost would in effect comprise of the tender sum of Kshs. 2,055,200,200 plus consultant's fees as is normally the practice in the industry.

It's worth to note that the knls Board and the parties involved in the implementation of the contract have signed a fluctuating contract in line with Government regulation. In addition, the consultants have been paid as per the guidelines of conditions of engagement and scale of fees for professional services for Building and Civil Engineering Works (1987 edition) alongside the interim certificates from the main contractor for work done.

Challenges in Implementation of the Project

The project has faced a number of challenges resulting in time and cost overruns that have consequentially resulted into variations in scope.

Initial contract sum of the project was Kshs. 2,055,200,200 but the appraised sum is Kshs. 2,409,876,499 thus registering an increase of kshs. 354,676,299 or 17.26%.

The challenges faced by the project include but not limited to:

- (i) **Unfavorable ground conditions** – Existence of black trap rock which was very difficult to excavate resulting to escalation of cost of substructures. The contractor had to do the excavation at night as NEMA would not allow it during the day.
- (ii) **Cash flow not commensurate with level of completed works** – This has resulted to delayed payments which attract interest pursuant to clause 34.6. This also leads to slow progress of work and therefore extension of time which results to further cost escalations in extended preliminaries.
- (iii) **Change in technology** – This project was designed in 2011. Most of the services installations since then have been rendered obsolete by emerging new technologies. The new installations come with cost escalations.
- (iv) **Price of Material escalations** – The cost of materials has been affected by inflation since the works were tendered in 2012. There have also been escalations on the exchange rates which have affected the prices of imported components of the works, more so in electrical and mechanical installations

In the circumstances, upon presentation of the financial appraisal, the Board approved kshs 354,676,299.71 or 17.26% variation to the project on 29th June 2017 summarized as under:

Project Cost Data

1. Original Contract sum	-	Kshs. 2,055,200,200.20
2. Consultants Fees	-	Kshs. 481,975,299.98
3. Approved Variation	-	<u>Kshs. 354,676,299.71</u>
Total Revised Contract Sum	-	<u>Kshs. 2,891,851,799.69</u>

In its 143rd Full Board Meeting held on 29th June 2017, the Full board approved the project's 3rd financial appraisal which extended the project timeline by 65 weeks. An additional extension of 72 weeks was made to November 2018. Another extension was granted in the year under review for 72 weeks and 20 weeks with a new extended completion date of 19th August 2020. The extensions are as a result of cashflow ceilings allocated in each financial year.

Knls Board wish to report that the project is complete and was handed to the Cabinet Secretary, Ministry of Sports Culture and Heritage and the Board Chairman on 19th August 2020.

(See attached)

The facility was officially opened by H.E. the President Uhuru Kenyatta on 13th November 2020 and is in use.

Focal point Person: Ag. Chief Executive Officer

Status: The project was completed and handed over on 19th August 2020 and officially opened on 13th November 2020 by H.E. the President Uhuru Kenyatta

Time frame: Closed



Dr. Charles Nzivo

Ag. Chief Executive Officer, knls

Date.....28th JUNE 2022.....

APPENDIX II. PROJECTS IMPLEMENTED BY knls

STATUS OF PROJECTS COMPLETION						
Project	Total project cost	Total expenditure to date	Completion %	Budget Commitment	Actual	
	Kshs.	Kshs.		Kshs.	Kshs.	
1 National Library of Kenya & knls Headquarters	2,891,851,780	2,820,458,352	100		252,551,336	
2 Wundanyi District Library	1,948,600	1,341,025	100	1,948,600	116,764	
3 Nakuru Roof Repairs	1,400,000	1,251,580	98		825,868	
4 Buruburu Bore Hole	3,000,000	147,587	5	3,000,000	147,587	
Total	2,898,200,380	2,823,198,544		4,948,600	253,641,555	

APPENDIX III. INTER-ENTITY TRANSFERS

KENYA NATIONAL LIBRARY SERVICE				
Break down of Transfers from the State Department for Culture and Heritage				
FY 2020/2021				
A	Recurrent Grants	Bank Statement Date	Amount (Kshs)	FY to which the amounts relate
		02/09/2020	165,252,500	2020/2021
		13/11/2020	111,000,000	2020/2021
		28/12/2020	54,252,500	2020/2021
		05/02/2021	165,252,500	2020/2021
		12/05/2021	165,252,500	2020/2021
	Total Recurrent Grant		661,010,000	
B	Development Grants	Bank Statement Date	Amount (KShs)	FY to which the amounts relate
		There was no allocation during the Financial Year under review		
TOTAL GRANTS RECEIVED FY 2020/2021			661,010,000	

Notes:

The above amounts have been communicated to and reconciled with the Parent Ministry

Head of Finance
Kenya National Library Service

Head of Accounting Unit
State Department for Culture and Heritage

Name JUHE MUSANDU

Name Nelson MOSE

Sign Musandu

Sign.....

**PRINCIPAL
ACCOUNTS CONTROLLER
MINISTRY OF STATE FOR
NATIONAL
HERITAGE & CULTURE**