

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

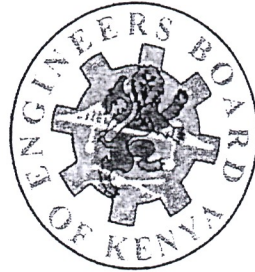
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
ENGINEERS BOARD OF KENYA**

**FOR THE YEAR ENDED
30 JUNE 2013**



ENGINEERS BOARD OF KENYA (EBK)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2013

Prepared in accordance with accrual basis of accounting under International Financial Reporting Standards (IFRS)

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1.0 CORPORATE INFORMATION

1.1 MANDATE

The Engineers Board of Kenya, (EBK) was established by the Engineers Act 2011. The mandate of EBK includes responsibility for the registration of engineers and engineering firms, regulation of engineering professional services, setting of standards, development and general practice of engineering.

1.2 OUR VISION

“A safe, efficient and effective engineering infrastructure, systems and processes for Kenya”.

1.3 OUR MISSION

“To ensure production of competent engineers and quality engineering services through regulation, capacity building and enforcing compliance with set engineering standards for improved socio-economic development”.

1.4 CORPORATE CORE VALUES

The Board’s corporate core values are:

- Integrity
- Professionalism
- Teamwork
- Public Interest
- Fairness
- Respect and courtesy
- Inclusiveness and Diversity

1.5 BOARD MEMBERS

Board members who served during the Financial Year 2012/13 were as follows:

1. Eng.Dionysius M.Wanjau - Chairman.
2. Eng (Prof.) Francis J.Gichaga - Vice Chairman.
3. Eng Michael. Kamau,CSB,HSC - Principal Secretary,
Ministry of Roads
(Replaced by Eng.John K.Mosonik,EBS.
Principal Secretary, Infrastructure
Ministry of Transport and Infrastructure).
4. Eng (Prof.) Harry Kaane - Alt Member to the Principal Secretary,
Ministry of Education, Science and
Technology
5. Eng Stanley K. Kamau - Alt Member to the Principal Secretary,
Ministry of Finance
The National Treasury
6. Eng. Abdullahi Samatar - Public Corporations
7. Eng.Julius Riungu - Institution of Engineers of Kenya
8. Eng (Prof.) Bancy Mati - Institution of Engineers of Kenya
9. Eng Grace L. Onyango - Institution of Engineers of Kenya
- 10.Eng Reuben Kosgei - Private Sector
- 11.Eng Aruna Patel - Private Sector
- 12.Eng. Gilbert Arasa, OGW - Registrar/CEO -Secretary to the
Board

REGISTERED OFFICES ENGINEERS BOARD OF KENYA,
TRANSCOM HOUSE ANNEX,
1st FLOOR, NGONG ROAD
P.O BOX 30324-00100,
NAIROBI.

BANKERS NATIONAL BANK LTD
HILL BRANCH
P.O BOX 45219-00100
NAIROBI

HOUSING FINANCE COMPANY KENYA,
REHANI HOUSE,
P.O BOX -30088-00100,
NAIROBI.

AUDITORS THE AUDITOR –GENERAL,
KENYA NATIONAL AUDIT OFFICE,
P.O BOX 30084-00100,
NAIROBI.

2.0 STATEMENT ON CORPORATE GOVERNANCE

Corporate governance is the process and structure used to direct and manage business affairs of the Board towards enhancing prosperity and corporate accounting with the ultimate objective of realizing long-term value while taking into account the interest of other shareholders.

The Board is committed to business integrity and professionalism in all its activities.

2.1 THE EBK BOARD

The full Board meets at least once every quarter for scheduled meetings and on other occasions to deal with specific matters that may require attention between the scheduled meetings. The Directors are given appropriate and timely information so that they can make well informed and balanced business decisions as well as planning for the future and growth of the Board. Scheduled meetings include review of annual and half year accounts and annual budgets together with monitoring of business and operational issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of the day-to-day business to the Registrar assisted by a Team of Managerial Staff.

The Board has established various committees to which it has delegated certain responsibilities with the conveners of the Board committee reporting to the Board.

- Executive Committee.
- Registration and Technical Affairs Committee (ReTAC).
- Professional Development Affairs Committee (PDAC)
- Academics Qualifications Committee (AQC).
- Risk and Audit Committee.

2.2 INTERNAL CONTROLS

The Board is responsible for internal controls systems and for reviewing their effectiveness. The Board has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information.

The systems in place are designed to ensure that authority is obtained for any major transaction and that the Board complies with all Kenya Laws and Regulations, including those that govern sound financial management. Procedures are in place to ensure that all assets are subject to proper physical controls and these are professionally revalued regularly.

2.3 RISK MANAGEMENT

The Authority will continue to recognize risk management as an integral part of internal control and logistically and systematically engage in the process of identifying, evaluating and communicating risks associated with any activity, function or process in a way that will enable it minimize losses and maximize opportunities.

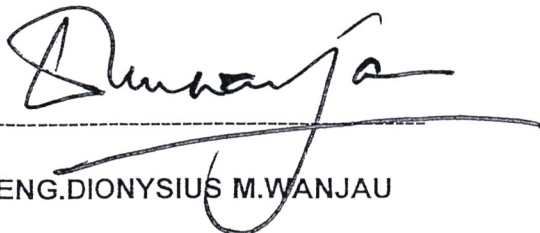
3.0 STATEMENT OF BOARD MEMBERS RESPONSIBILITY

The Engineers Act 2011 and the Public Audit Act 2003 require the Board to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Board as at the end of the financial year and of its profit or loss. It also requires the Board to ensure that the Board keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Board. They are also responsible for safeguarding the assets of the Board.

The Board members accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The Board members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Board and of its profit or loss in accordance with International Financial Reporting Standards. The members further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the Board members to indicate that the Board will not remain a going concern for at least twelve months from the date of this statement.

Approved by the Board on 23rd July 2014 and signed on its behalf by:



ENG.DIONYSIUS M.WANJAU
CHAIRMAN



ENG.NICHOLAS M.MUSUNI
REGISTRAR / CEO

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON ENGINEERS BOARD OF KENYA FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Engineers Board of Kenya set out on pages 8 to 20, which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, together with a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

The Board of Directors of Engineers Board of Kenya is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-General's Responsibility

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

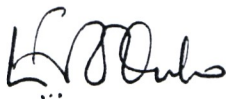
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects the financial position of the Board as at 30 June, 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Engineers Act, 2011.



Edward R.O. Ouko, CBS
Auditor-General

Nairobi

23 March 2015

**4.0 STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED
30TH JUNE 2013**

		2012/2013	2011/12
		Kshs.	Kshs.
INCOME	Notes		
Application Fees	1	1,296,500	-
Annual Subscription	2	10,524,551	-
Licence Fees	3	130,137	-
Finance Income	4	2,831,105	-
Other Income	5	2,208,620	-
		16,990,913	-
EXPENDITURE			
Board Expenses	6	3,562,500	-
Administration Costs	7	6,436,891	-
Personnel Costs	8	1,198,200	-
Depreciation Costs	9	3,359,922	-
		14,557,613	-
SURPLUS		2,433,300	-

5.0 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013

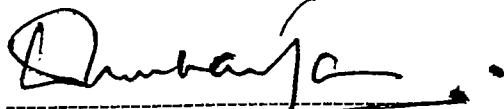
		2012/13	2011/12
	Notes	Kshs.	Kshs.
NON-CURRENT ASSETS			
Property, Plant and Equipment	10	10,554,242	-
Investment - HFCK	11	35,530,431	-
CURRENT ASSETS			
Cash and Cash Equivalents	12	4,596,948	-
		50,681,621	-
FINANCED BY			
Capital and Reserves			
Capital Reserves	13	47,484,821	-
Retained Earnings	14	2,433,300	-
Current Liabilities			
Tax Liability	15	763,500.00	-
		50,681,621	-

STATEMENT OF CASH FLOWS FOR YEAR ENDED 30TH JUNE 2013


	2012/13	2011/12
	Kshs	Kshs
OPERATING ACTIVITIES		
Cash generated from (used in) operations	2,433,300	-
Add Back Depreciation	3,359,922	-
Taxation accrued	763,500	-
Less Interest from investment	[2,831,105]	-
Net cash generated from/(used in) operating activities	3,725,617	-
INVESTING ACTIVITIES		
Investment into National Bank	9,098,610	-
Purchase of office furniture and fittings	[227,280]	-
Cash transferred to HFCK	[8,000,000]	-
Net cash generated from/(used in) investing activities	871,330	-
FINANCING ACTIVITIES		
Net cash generated from/(used in) financing activities	-	-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,596,947	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	NIL	-
Effects of foreign exchanges rate fluctuations	0	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4,596,947	-

The financial statements on pages 8 to 17 were approved for issue by the

Board on 23rd July 2014 and signed on its behalf by:



CHAIRMAN
ENGINEERS BOARD OF KENYA



REGISTRAR/CEO
ENGINEERS BOARD OF KENYA

6.0 NOTES TO THE ACCOUNTS

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of Preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs.)

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Board's accounting policies.

(b) Revenue Recognition

Revenue is recognized when funds are received and represent the amount of Funds received from the Both Annual Subscription and Applications from Engineers and Engineering related Activities. All the funds received have been included in the accounts.

(c) Tangible Assets

Motor vehicles and equipment are stated at historical cost less depreciation. 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 Board and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Comprehensive Income Statement account during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to write down their cost or devalued amounts to their residual values over their estimated useful lives, as follows:

Motor Vehicles	- 25%
Furniture, fittings and office Equipment	- 12.5%
Computers	- 33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Motor vehicles and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of motor vehicles and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

(d) Intangible Assets

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 Group, and that will probably generate economic benefits exceeding costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over three years.

e) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out (FIFO) method. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(f). Receivables

Receivables are recognized initially at fair value and subsequently measured at an amortized cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Authority will not be able to collect all the amounts due according to the original terms of Receivables.

The Amount of the provision is the difference between the carrying amount and the present value of expected cash flows, discounted at the effective interest rate. The amount of the provision (if any) is recognized in the Comprehensive Income Statement account. In the year 2010/2011 there was no provisioning for impairment.

(g) Grants

Grants including non-monetary grants at fair value are recognized when there is reasonable assurance that the Authority shall comply with the conditions attaching them and that the grants shall be received. The grants are recognized as income over the periods necessary to match them with the related costs which they intend to compensate, on a systematic basis.

(h) Borrowing Costs

Borrowing costs are interest and other costs incurred in connection with borrowing of funds. They are recognized as an expense in the period in which they are incurred, except to the extent they are capitalized in the acquisition of a qualifying asset. Under the year in review, no borrowing costs were incurred.

2. Critical Accounting Estimates and Judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical Accounting Estimates and Assumptions

Receivables

Critical estimates are made by the directors in determining the recoverable amount of impaired receivables.

Property Plant and Equipment

Critical estimates are made by the directors in determining depreciation rates for property plant and equipment. The rates used are in Note 2(c.) above.

(ii) Critical Judgment in Applying the Entity's Accounting Policies

In the process of applying the Authority's accounting policies, management has made judgements in determining:

- The classification of financial assets and leases.
- Whether assets are impaired.

NOTES TO THE FINANCIAL STATEMENTS

1. Application Fees

	2012/2013 Shs 000	2011/2012 Shs 000
Temporary Engineers	220,900	-
Consulting Firms	-	-
Consulting Engineers	60,000	-
Professional Engineers	202,100	-
Graduate Engineers	797,000	-
Graduate Technician	14,500	-
Technical Engineers	2000	-
	<u>1,296,500</u>	<u>-</u>

2. Annual Subscriptions

	2012/2013 Shs 000	2011/2012 Shs 000
Temporary Engineers	3,181,151	-
Consulting Firms	-	-
Consulting Engineers	818,500	-
Professional Engineers	2,078,500	-
Graduate Engineers	4,309,600	-
Graduate Technician	133,800	-
Technical Engineers	3,000	-
	<u>10,524,551</u>	<u>-</u>

3. Licence Fees

	2012/2013 Shs 000	2011/2012 Shs 000
Engineers Licence	130,137	-
Trading Licence	-	-
	<u>130,137</u>	<u>-</u>

4. Finance Income

	2012/2013 Shs 000	2011/2012 Shs 000
Income from fixed account at HFCK	2,831,105	-
	<u>2,831,105</u>	<u>-</u>

5. Other Income

	2012/2013 Shs 000	2011/2012 Shs 000
Other Miscellaneous Receipts	2,208,620	-
	2,208,620	-

6. Board Expenses

	2012/2013 Shs 000	2011/2012 Shs 000
Chairman Honoraria	925,000	-
Cost of Board Meeting	2,637,500	-
	3,562,500	-

7. Administration Costs

	2012/2013 Shs 000	2011/2012 Shs 000
Communication services and supplies	478,325	-
Transportation, travelling and subsistence	91,827	-
Advertising, printing, stationery	1,041,010	-
Hospitality supplies and services	410,626	-
Insurance costs	-	-
Bank charges and commissions	6,538	-
Sanitary items	-	-
Legal fees	2,220,020	-
Consultancy fees (Workshops	1,663,842	-
Repairs and maintenance – Equipments	524,703	-
Repairs and maintenance – Motor Vehicle	-	-
	6,436,891	-

8. Personnel Costs

	2012/2013 Shs 000	2011/2012 Shs 000
Chairman Honoraria	1,198,200	-
	1,198,200	-

9. Depreciation Of PPE

	2012/2013 Shs 000	2011/2012 Shs 000
Depreciation of assets	3,359,922	-
	3,359,922	-

NOTES TO THE FINANCIAL STATEMENTS
10. PROPERTY, PLANT AND EQUIPMENT

2011/2012	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
COST OR VALUATION				
At July 1, 2011	-	-	-	-
Additions	-	-	-	-
Transfers	-	-	-	-
Disposals	-	-	-	-
At June 30, 2012	-	-	-	-
DEPRECIATION				
At July 1, 2011	-	-	-	-
Charge for the year	-	-	-	-
Impairment loss	-	-	-	-
Eliminated on disposal	-	-	-	-
At June 30, 2012	-	-	-	-
NET BOOK VALUE At June 30, 2012	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
10. PROPERTY, PLANT AND EQUIPMENT

2012/2013	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
COST OR VALUATION				
At July 1, 2012	12,556,884.20	245,000.00	885,000.00	13,686,884.20
Additions	-	-	227,280.00	227,280.00
Transfers	-	-	-	-
Disposals	-	-	-	-
At June 30, 2013	12,556,884.20	245,000.00	1,112,280.00	13,914,164.20
DEPRECIATION				
At July 1, 2012	-	-	-	-
Charge for the year	3,139,221.05	81,665.85	139,035.00	3,359,921.90
Impairment loss	-	-	-	-
Eliminated on disposal	-	-	-	-
At June 30, 2013	3,139,221.05	81,665.85	119,660.00	3,359,921.90
NET BOOK VALUE				
At June 30, 2013	9,417,663.15	163,334.15	973,245.00	10,554,242.30

11. Fixed Interest Investments (HFCK)

	2012/2013 Shs 000	2011/2012 Shs 000
Opening Bank Balance	32,199,719	-
Interest	3,330,712	-
Closing Balance	35,530,431	-

12. Cash and Cash Equivalents

	2012/2013 Shs 000	2011/2012 Shs 000
	4,596,948	-
	4,596,948	-

13. Capital Reserves

	2012/2013 Shs 000	2011/2012 Shs 000
Opening Balance	-	-
Additions during the year	47,484,821	-
Capital Reserve	47,484,821	-

14. Retained Earnings

	2012/2013 Shs 000	2011/2012 Shs 000
Balance at the beginning of the year	-	-
Retained earnings during the year	2,433,300	-
Balance at the end of the year	2,433,300	-

15. Trade And Other Payables

	2012/2013 Shs 000	2011/2012 Shs 000
Income Tax Liability	763,500	-
Trade And Other Payables	763,500	-
	763,500	-

16. RELATED PARTY DISCLOSURES

(a) Employees

The Board does not provide certain qualifying employees with car and housing loans on terms more favourable than available in the market.

(b) Board Members

The board expenses during the period reported totalled KShs 3,562,500.

17. FINANCIAL RISK MANAGEMENT

Risk is an integral part of operations in any institution. EBK is exposed to various risk including credit risk and liquidity risk. The risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring.

18. INCORPORATION/LEGAL STATUS

The Board is established by the Engineers Act 2011 is domiciled in Kenya.

19. SEGMENT REPORTING

The board does not have reportable segments as all operations are managed from the registered head office.

20. ULTIMATE HOLDING ENTITY

The immediate parent institution of the board is the Ministry Of Transport And Infrastructure

21. CURRENCY

The financial statements are presented using the functional currency Kenya Shillings(KShs)

22. EVENTS AFTER REPORTING PERIOD

There are no material non-adjusting events after the reporting date

23. CURRENT LIABILITIES:

This comprises of amounts due for payment as P.A.Y.E. (taxes) to Kenya Revenue Authority incurred by Board Members on their allowances. This is an amount of Kshs 763,500.00.

24. CONTINGENT LIABILITIES:

At the end of the year there was no contingent matter that would entail the Board incurring any costs.