

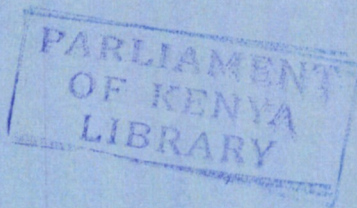


OFFICE OF THE AUDITOR-GENERAL

REPORT

PAPER LAID BY
THE LEADER OF
THE MAJORITY PARTY
HON. ADEN DUALE
ON 8/11/2017

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OF

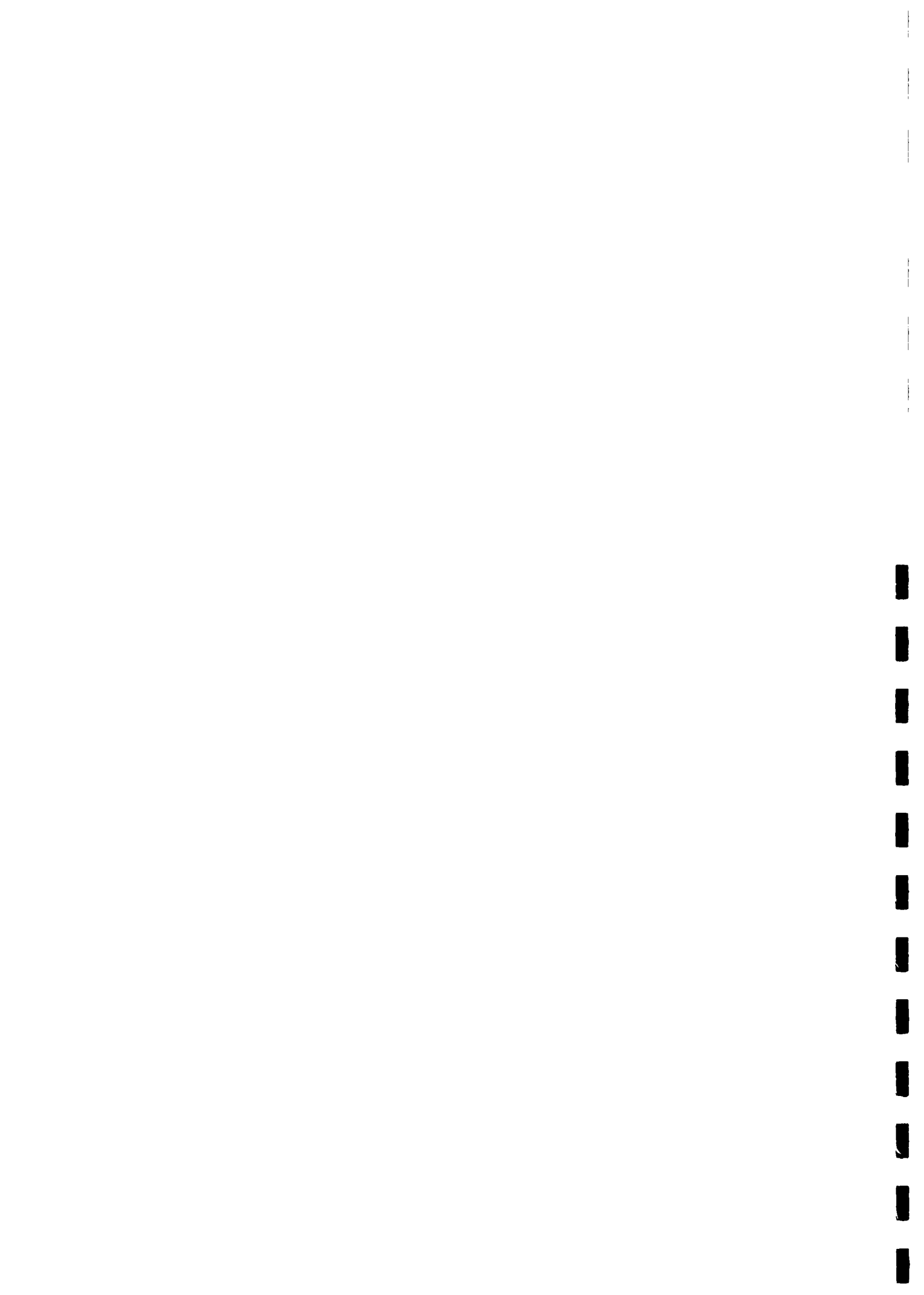


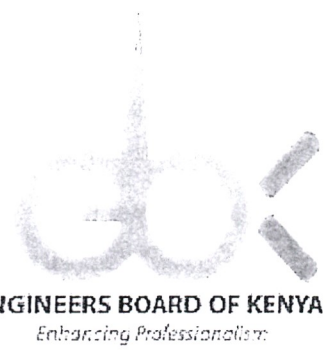
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
ENGINEERS BOARD OF KENYA

FOR THE YEAR ENDED
30 JUNE 2016





ENGINEERS BOARD OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016

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

I. Contents

II. KEY EBK INFORMATION AND MANAGEMENT	iii
A. ABOUT THE BOARD	iii
B. FUNCTIONS AND POWERS OF THE BOARD	iii
III. MANAGEMENT TEAM	x
IV. CHAIRMAN'S STATEMENT	xi
V. REPORT OF THE REGISTRAR/CHIEF EXECUTIVE OFFICER	xii
VI. CORPORATE GOVERNANCE STATEMENT.....	xiii
VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xiii
VIII. REPORT OF THE DIRECTORS.....	xiv
IX. STATEMENT OF BOARD'S RESPONSIBILITIES.....	xv
X. REPORT OF THE INDEPENDENT AUDITORS ON THE ENGINEERS BOARD OF KENYA.....	xvi
XI. STATEMENT OF FINANCIAL PERFORMANCE	1
XII. STATEMENT OF FINANCIAL POSITION.....	2
XIII. STATEMENT OF CHANGES IN NET ASSETS	3
XIV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 TH JUNE 2016	4
XIV.STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
XV. NOTES TO THE FINANCIAL STATEMENTS	6

PART I
ANNUAL REPORT 2015/2016 FINANCIAL YEAR

II. KEY EBK INFORMATION AND MANAGEMENT

A. ABOUT THE BOARD

The Engineers Board of Kenya (EBK) is a statutory body established under Section 3(1) of the Engineers Act 2011. The Board has the overall mandate of developing and regulating engineering practice in Kenya. The development and regulation of engineering practice is considered a key component to the achievement of infrastructure foundation under the country's Vision 2030 development blueprint.

The Board is a successor to the Engineers Registration Board (ERB) established by the Engineers Registration Act, Cap 530 (1969).

The Board is mandated with the responsibility of regulating standards in the engineering profession and building capacity for individual engineers and engineering firms. The Board also registers engineers and engineering firms and regulates their conduct for improved performance of the engineering profession

B. FUNCTIONS AND POWERS OF THE BOARD

The functions and powers of the Board are—

- (a) Receive, consider, make decisions on applications for registration and register approved applications;
- (b) Keep and maintain the Register;
- (c) Publish the names of registered and licensed persons under the Engineers Act 2011;
- (d) Issue licences to qualified persons under the provisions of the Engineers Act 2011;
- (e) Publish and disseminate materials relating to its work and activities;
- (f) Carry out inquiries on matters pertaining to registration of engineers and practice of engineering;
- (g) Enter and inspect sites where construction, installation, erection, alteration, renovation, maintenance, processing or manufacturing works are in progress for the purpose of verifying that—
 - (i) Professional engineering services and works are undertaken by registered persons under this Act;
 - (ii) Standards and professional ethics and relevant health and safety aspects are observed;
- (h) Assess, approve or reject engineering qualifications of foreign persons intending to offer professional engineering services or works;
- (i) Evaluate other engineering programmes both local and foreign for recognition by the Board;

- (j) Enter and inspect business premises for verification purposes or for monitoring professional engineering works services and goods rendered by professional engineers;
- (k) Instruct, direct or order the suspension of any professional engineering services works, projects, installation process or any other engineering works, which are done without meeting the set out standards;
- (l) Approve and accredit engineering programs in public and private universities and other tertiary level educational institutions offering education in engineering;
- (m) Set standards for engineers in management, marketing, professional ethics, environmental issues, safety, legal matters or any other relevant field;
- (n) Prepare detailed curriculum for registration of engineers and conduct professional examinations for the purposes of registration;
- (o) Establish a school of engineering and provide facilities and opportunities for learning, professional exposure and skills acquisition, and cause continuing professional development programmes for engineers to be held;
- (p) Establish the Kenya Academy of Engineering and Technology whose purpose shall be to advise the National and the County Governments on policy matters relating to engineering and technology;
- (q) Plan, arrange, co-ordinate and oversee continuing professional training and development and facilitate internship of graduate engineers;
- (r) Collaborate with engineering training institutions, professional associations, engineering organizations and other relevant bodies in matters relating to training and professional development of engineers;
- (s) Determine the fees to be charged by professional engineers and firms for professional engineering services rendered from time to time;
- (t) Hear and determine disputes relating to professional conduct or ethics of engineers;
- (u) Develop, maintain and enforce the code of ethics for the engineers and regulate the conduct and ethics of engineering profession in general;
- (v) Determine and define disciplines of engineering recognised under the Engineers Act 2011;
- (w) Conduct recruitment of staff of the Board through a competitive process; and
- (x) Carry out such other functions related to the implementation of the Engineers Act 2011.

C. KEY MANAGEMENT

a) Day-To-Day Management

EBK's day-to-day management was under the following:

Eng. Nicholas M. Musuni, PE - The Registrar/CEO

b) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Registrar/CEO	-Eng. Nicholas M. Musuni
2.	Ag. Human Resources Manager	-Mrs. Ruth Shakaba
3.	Ag .Registration Officer	-Mrs. Norah Nyaboga
4.	Ag. Administrative Officer	-Mrs. Pauline Mwarabu
5.	Ag. Accountant	-CPA Mathew Kivava

D. FIDUCIARY OVERSIGHT ARRANGEMENTS

i. Board's Audit and Finance Committee Activities

The Board has in place Audit and Finance Committees. Some of the functions of the Board committees are;

- a) To monitor the integrity of the financial statements of the Board and any formal communication relating to the Board's financial performance.
- b) To review the Board's internal financial controls and risk management systems.
- c) To monitor and review the effectiveness of the Board's internal audit function and make recommendations to the Board, in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
- d) To review and monitor the external auditors independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.
- e) To develop and implement policy on the agreement of the external auditor to supply non-audit

Parliamentary Committee Activities

The Board reports on financial matters to the Parliamentary Investments Committee (PIC) by virtue of being a state corporation. In addition the Board due to its mandate also reports to the Parliament Committee on Transport as well as Committee on Higher Education

- a) Most parliamentary committees investigate specific matters of policy or government administration or performance. Other parliamentary committees are responsible for matters related to the internal administration of the parliament.
- b) Committees are able to do things which it would not be possible to undertake in the large, formal environment of the parliament, such as finding out the facts of a case or issue, gathering evidence from expert groups or individuals, sifting evidence and drawing up reasoned conclusions. This kind of work is more effectively carried out by small group members.
- c) An advantage of committees is that several of them can operate at one time enabling many more investigations to be conducted. Each committee has its own defined area of operation so that it is able to specialize and build up a body of expertise among its members.

iii. Development Partner Oversight Activities

- 1. Monitor and review progress of projects in relation to the agreed performance contracts.
- 2. Provide recommendations regarding strategic directions, new opportunities for investment, and enhanced performance.
- 3. Approve the development projects budget proposal.

E. CORPORATE INFORMATION

i. EBK Headquarters

P.O. Box 30324 - 00100, NAIROBI
Transcom House Annex,
1st Floor Ngong Road
Nairobi, KENYA

ii. EBK Contacts

Telephone: 020-2719974, 2723101 Ext 3180
(+254)-735330744, (+254)-722509972
E-mail: registrar@ebk.or.ke
Website: www.ebk.or.ke

iii. EBK Bankers

National Bank Ltd
Hill Branch
P.O Box 30081-00100
Nairobi

Housing Finance Board Kenya,
Rehani House,
P.O Box 45219-00100,
Nairobi.







iv. Independent Auditors







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

v. Principal Legal Adviser






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

F. BOARD MEMBERS

 <p>1.Eng. Wanjau D. Maina</p>	<p>Chairman YOB:1956 Key Qualifications University of Newcastle Upon Tyne (MSc Environmental Engineering) University of Nairobi BSc (Civil Engineering) Work Experience: over 34 years experience in the Engineering profession</p>
 <p>2.Eng. (Prof.) Francis J. Gichaga</p>	<p>Vice Chairman YOB:1942 Key Qualifications University of East Africa BSc (Civil Engineering) University of Nairobi MSc (Civil Engineering) University of Nairobi PhD (Civil Engineering) Work Experience: over 45 years experience in the Engineering field</p>
 <p>3.Peter B.Kusimba</p>	<p>YOB:1956 Key Qualifications University of Nairobi; Bachelor of Arts (B.A) , Upper Second Class (1984) Masters in Business Administration, MBA (2006)</p>
 <p>4.Charles Obiero</p>	<p>YOB:1964 Key Qualifications Kenyatta University; BEd Kenyatta University; Masters in Educational Administration</p>
 <p>5.Eng. Stanley K. Kamau</p>	<p>YOB:1959 Key Qualifications University of Nairobi BSc (Civil Engineering) Work Experience:29 Years experience in the Engineering profession</p>
 <p>6.Eng. Abdullahi Samatar</p>	<p>YOB:1963 Key Qualifications University of Nairobi BSc (Civil Engineering) Work Experience: 27 Years experience in the Engineering profession</p>

 7.Eng. (Prof.) Bancy Mati	YOB:1959 Key Qualifications University of Nairobi BSc (Agricultural Engineering) University of Nairobi MSc (Land and water management) Cranfield University, UK, PhD (Rural land use and GIS) Work Experience: Over 20 years experience in Engineering profession
 8.Eng. Julius M. Riungu	YOB:1950 Key Qualifications University of London, UK BSc (Electrical and Electronics Engineering) Work Experience: Over 40 years experience in the Engineering profession
 9.Eng Grace L. Onyango	YOB:1980 Key Qualifications University of Northumbria at Newcastle, BEng (Electrical and Electronic Engineering) Work Experience: over 10 years experience in the Engineering profession
 10. Eng. Michael E. Okonji	YOB:1953 Key Qualifications BSEE (Cum Laude) Degree in Electrical Engineering from Howard University, USA (1987) Work Experience: 30 years experience in the Engineering profession
 11. Eng. Aruna Patel	YOB:1955 Key Qualifications University of Vallabhvidyanagar, India, BEng (Electrical) Work Experience: 28 years experience in the Engineering profession
 13. Eng. Nicholas M. Musuni	YOB:1979 Registrar/Chief Executive Officer Key Qualifications University of Nairobi, BSc (Civil Engineering) Work Experience: Over 10 years experience in the field of engineering

III. MANAGEMENT TEAM

 <p>1. Eng. Nicholas M. Musuni</p>	<p>YOB:1979 Registrar/CEO Key Qualifications University of Nairobi, BSc (Civil Engineering) Work Experience: Over 10 years experience in the field of Engineering and Management</p>
 <p>2. Ruth A. Shakaba</p>	<p>YOB:1957 Ag. Human Resources Manager Key Qualifications University of Nairobi, Bachelor of Arts Work Experience: Over 30 years experience in Human Resource Management</p>
 <p>3. Pauline W. Mwarabu</p>	<p>YOB:1979 Ag. Administrative Officer University of Nairobi, MA (Social Science) University of Nairobi, Bachelor of Arts Work Experience: Over 9 years experience as an Administrative Officer</p>
 <p>4 Norah K. Nyaboga</p>	<p>YOB:1963 Ag. Registration Officer Punjab, University MA, Sociology Punjab University, University BA, Sociology Work Experience: Over 20 years experience in Human Resources Development and Registration Management in the Board</p>
 <p>5. CPA Mathew Kivava</p>	<p>YOB;1983 Ag. Accountant Maseno University, BBA (Accounting Option) Certified Public Accountant (K), Member of ICPAK Work Experience: 8 years experience in the field of Finance and Accounts</p>

IV. CHAIRMAN'S STATEMENT

During the financial year 2015/16, the Board continued with implementation of its mandate which is; registration of engineers and engineering consulting firms, regulation of engineering professional services, setting of engineering standards, development of the general practice of engineering and training and capacity development as stipulated in the Engineers Act of 2011

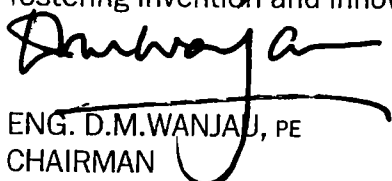
Despite the fact that the Board Members were in place for only 5 months out 12 in the financial year, the Board made several achievements during the short period including;

- i. Accreditation of University Programmes in the following universities;
 - Dedan Kimathi Univeristy of Science and Technology
 - Masinde Muliro of Science and Technology
 - Technical University of Mombasa
 - Multi Media University of Kenya

The Board continued to hold consultations with all Universities whose programs are awaiting accreditation.

- ii. The Board also mounted a stakeholders conference in Mombasa targeting stakeholders from the Coast region and the country as a whole
- iii. The Board approved the commencement of recruitment of key staff to assist in capacity building.
- iv. Mounted an induction course on Corporate Governance for new Board Members and members of senior management.
- v. The Board continued supporting mobility of engineering services and works within Region by continuing engagement with competent Authorities in Engineering Profession within EAC.

The Board continues with its commitment of supporting development of engineering profession and services in Kenya as provided for under Engineers Act of 2011 and reaffirms its commitment to playing its rightful role in building a strong economy for future sustainable development. This can be done through developing and improving on our infrastructure, fostering invention and innovation that will support our global competitiveness.


ENG. D.M.WANJAU, PE
CHAIRMAN
ENGINEERS BOARD OF KENYA

V. REPORT OF THE REGISTRAR/CHIEF EXECUTIVE OFFICER

The financial year 2015/2016 marked the end of the fourth financial year since the enactment of Engineers Act, 2011.

During the financial year, the Board continued to exercise its mandate as provided for in Engineers Act, 2011 including;

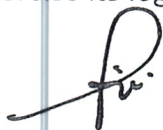
- Registration of Engineers and Engineering firms
- Evaluation of University programmes for recognition by the Board
- Approving of University Programmes
- Setting of Standards
- Collaboration with stakeholders in the Engineering profession

In the financial year 2015/16 the government of Kenya funded the establishment of the secretariat for the Graduate Engineers Internship Programme (GEIP). The secretariat is now fully established .The Board has developed all necessary policy documents towards actualization of this noble programme and is engaging the Government of Kenya as well as other development partners towards this actualization.

The Board continued to carry out activities committed under the 12th Cycle Performance Contract with the Government of Kenya through the Ministry of Transport and Infrastructure for the financial year where it scored well in various areas.

During the financial year, the Board continued collaboration with development partners and saw the 13 of the Boards staff receive Technical Training under World Bank funded projects under the Boards capacity building initiatives. The Board is a beneficiary under a few World Bank funded projects largely towards capacity building initiatives.

During the financial year, great progress towards acquisition of office space for the Board was made. This activity is expected to be concluded in the financial year 2016/17. The acquisition of office space is expected to greatly increase service delivery to the Boards clientele. The capacity building initiatives will continue in the coming periods to ensure that Board continues to exercise its legal mandate in an effective and efficient manner.



ENG. NICHOLAS M. MUSUNI, PE

REGISTRAR/CEO

VI. CORPORATE GOVERNANCE STATEMENT

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 and will ensure that processes and procedures developed enhance transparency and accountability whilst taking cognisance of the need for efficiency in service delivery.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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.

II. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of Engineers Board of Kenya's affairs.

Principal Activities

The Engineers Board of Kenya (EBK) is a statutory body established under Section 3(1) of the Engineers Act 2011. The Board has the overall mandate of developing and regulating engineering practice in Kenya. The development and regulation of engineering practice is considered a key component to the achievement of infrastructure foundation under the country's Vision 2030 development blueprint.

Results

The results of the entity for the year ended June 30, 2016 are set out from pages 1-5

Directors

The members of the Board of Directors who served during the year are shown on page VI-VII In accordance with Engineers Act, 2011

Auditors

The Auditor General is responsible for the statutory audit of the Engineers Board of Kenya's in accordance with the Section 68 (2) (K) of the Public Finance Management (PFM) Act, 2012

By Order of the Board



Registrar

Nairobi

Date 1-2-2017

IX. STATEMENT OF BOARD'S RESPONSIBILITIES

Section 89 of the Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements in respect of Engineers Board of Kenya, 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 Board for that year/period. The Directors are also required to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the Board. The Directors are also responsible for safeguarding the assets of the Board

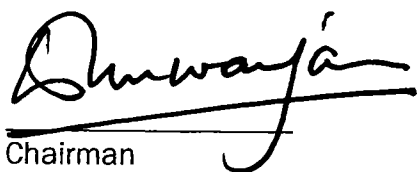
The Directors are responsible for the preparation and presentation of the Boards financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year (period) ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 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 Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2016, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's 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 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 Board's financial statements were approved by the Board on 27/09/2016 and signed on its behalf by:


Chairman


Registrar

REPUBLIC OF KENYA

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E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON ENGINEERS BOARD OF KENYA FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Engineers Board of Kenya set out on pages 1 to 20, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, the statement of changes in net assets, the statement of cash flows and statement of comparison of budget and actual amount 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 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

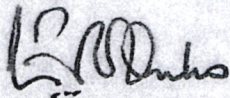
Report of the Auditor-General on the Financial Statements of Engineers Board of Kenya for the year ended 30 June 2016

opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Engineers Board as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Engineers Act, 2011.



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

Nairobi

16 March 2017

1. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2016

	Note	2015/2016 Kshs	2014/2015 Kshs
Revenue ; Non-Exchange Transactions			
Government Grants	3	76,393,397.50	-
Application Fees	4	4,525,959	8,487,868
Annual Subscription Fees	5	8,868,980	9,516,709
License Fees	6	373,600	386,830
In Kind Donations	7	8,086,000	23,937,097
		98,247,936.50	42,328,504
Revenue from Exchange Transactions			
Finance Income-External Investments	8	4,188,739	3,173,243
Accrued Income	9	-	57,290
		4,188,739	3,230,533
Total Revenue		102,436,675.50	45,559,037
Expenses			
Staff Costs	10	10,850,585	5,004,534
Board Expenses	11	5,945,034.60	11,210,567
Administrative Expenses	12	15,565,994	8,835,419
Maintenance Costs	13	872,901.30	1,012,422
Workshops, Media& Legal Exp	14	10,210,003.20	9,178,614
Provision for Audit Fees	15	300,000	300,000
Training Expenses	7	8,086,000	
Depreciation (PPE)	16	9,861,042.43	9,770,747
Total Expenses		61,691,560.53	45,312,303
Surplus before Tax		40,745,114.97	246,734
Surplus for the Period		40,745,114.97	246,734

The notes set out on pages 6 to 20 form an integral part of the Financial Statements

XII. STATEMENT OF FINANCIAL POSITION

As At 30 June 2016

	Note	2015/2016 Kshs	2014/2015 Kshs
Assets			
Current assets			
Cash and Cash Equivalents	17	44,730,460.42	658,523
Interest Receivable-Accrued Interest	18	-	57,290
Inventories	19	655,329	182,078
		<u>45,385,789.42</u>	<u>897,891</u>
Non-Current Assets			
Property, plant and equipment	20	12,556,178	21,798,925
Fixed Interest Investments	21	46,067,420.70	41,821,393
Total Assets		<u><u>104,009,388.12</u></u>	<u><u>64,518,209</u></u>
Liabilities			
Current Liabilities			
Trade Payables from Exchange Transactions	22	326,064.15	1,580,000
Provision for Audit Fees	22	300,000	300,000
Total Liabilities		<u><u>626,064.15</u></u>	<u><u>1,880,000</u></u>
Net Assets		<u><u>103,383,323.97</u></u>	<u><u>62,638,209</u></u>
Capital Reserves	23	47,484,821	47,484,821.
Retained Earnings	24	55,898,502.97	15,153,388
Total Net Assets and Liabilities		<u><u>104,009,388.12</u></u>	<u><u>64,518,209</u></u>

The Financial Statements set out on pages 1 to 20 were signed on behalf of the Board of Directors by:

Registrar/C.E.O

Signature.....

Date: 1: 2: 2017.....

Chairman of the Board

Signature.....

Date 01-02-17.....

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2016

Attributable to the Board

	Capital Reserve	Retained Earnings	Total
	Kshs	Kshs	Kshs
Balance as at 30 JUNE 2014	47,484,821	14,906,654	62,391,475
Surplus/(deficit) for the period	-	246,734	246,734
Balance as at 30 JUNE 2015	47,484,821	15,153,388	62,638,209
Surplus for the period	-	40,745,114.97	40,745,114.97
Transfers to/from accumulated surplus	-	-	-
Balance as at 30 JUNE 2016	47,484,821	55,898,502.97	103,383,323.97

XIV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2016

		2015/2016	2014/2015
		Kshs	Kshs
Operating Activities	NOTE		
Surplus		40,745,114.97	246,734
Add Back; Depreciation	16	9,861,042.43	9,770,747
Add Back; provision for audit fees	15	-	300,000
Less; In kind donation	7	-	(23,937,097)
Less; Accrued Interest	8	-	(57,290)
Less; Decrease in Payables	22	(1,253,935.85)	(1,075,000)
Less; Increase in Inventories	19	(473,251)	(182,078)
Less; Interest from Investment	8&9	(4,188,737.70)	(3,173,243)
Net cash generated from/(used in) operating activities		44,690,232.80	(18,107,227)
Investing Activities			
Acquisition of equipment	20	(618,050)	(438,254)
INCREASE IN CASH AND CASH EQUIVALENTS		44,072,182.8	(18,545,475)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		658,523	19,204,004
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		44,730,705.80	658,523

	Original Budget 2015/2016	Adjustments 2015/2016	Final Budget 2015/2016	Actual On Comparable Basis 2015/2016	% Variance	Comments
Revenue	Kshs	Kshs	Kshs	Kshs	%	
GOK Funding	344,587,587	-257,587,587	87,000,000	87,000,000	0	
Annual Subscriptions & licenses	10,505,000	3,830,300	14,335,300	9,242,580	35.5	Staffing/Manual System challenges
Application Fees	7,808,000	-2,224,000	5,584,000	4,525,959	18.9	One projected Revenue Stream did not materialize
HFCCK	-	40,000,000	40,000,000	46,067,420	-	Interest Income
Others	9,042,000	3,542,000	5,500,000	4,403,397	19.9	No bal c/f from 2014/15 FY
Total Income	371,942,587		152,419,300	105,171,936		
Expenses						
Staff Costs	81,159,000	-70,013,190	11,145,810	10,917,537.90	2	
Board Expenses	7,500,000	-500,000	7,000,000	5,669,934	19	Board Members not in office better part of the FY
Admin. Expenses	137,310,000	-99,336,510	37,973,490	13,862,719.32	2.6	
Maintenance Costs	5,600,000	-2,800,000	2,800,000	2,539,702.15	9.3	
Workshops, Media, Legal and others	15,000,000	2,000,000	17,000,000	12,066,903.20	29	Some Workshops rescheduled
Depreciation	5,000,000	1,500,000	6,500,000	9,861,042.43	51.7	Projected Program kick off delayed due to absence of Board Members
GEIP	120,000,000	105,000,000	15,000,000	5,000,000	66.7	Projected Purchase of office space delayed due to absence of Board Members
Office Space	-	-	55,000,000	-	100	
Total Expenditure	371,587,000	-	152,419,300	60,208,245.50		

XV. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

The Board's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Board. The accounting policies have been consistently applied to all the years presented.

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

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees, taxes and fines

The Board 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 Board 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 the Board and can be measured reliably. Resources are measured by the actual amount received during the financial year.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The Board 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.

b) Budget information – IPSAS 24

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

c) Taxes – IAS 12

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 Board 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.

e) Property, plant and equipment – IPSAS 17

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

Category	Estimated Useful life	Depreciation rate
Telephones, Telephone Equipments, Apparatus and Instruments	8	12 ½ %
Furniture and Fittings	8	12 ½ %
Motor vehicles and Motor cycles	4	25 %
Computers, photocopiers, fax machines, calculators and IT Equipment	3	33 1/3 %

h) Financial instruments – IPSAS 29

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. The Board determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Board has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Board assesses at each reporting date whether there is objective evidence that a financial asset or a Board of financial assets is impaired. A financial asset or a Board 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 Board of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

i) Financial 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. The Board 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.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

IPSAS 29.65

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

i) Inventories – IPSAS 12

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 condition is accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- 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 the Board.

j) Provisions – IPSAS 19

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

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

Contingent liabilities

The Board 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.

To this end the Board hereby discloses a contingent liability of about Ksh 7,000,000 arising from the following. The Board's Registrar has continued to draw salary and benefits from former employer Kenya Rural Roads Authority (KeRRA) Since his gazettelement on 4th March 2014 until December 2015. It is expected that the Board will reimburse KeRRA once it is in a position to.

Contingent assets

The Board 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 the Board 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.

k) Nature and purpose of reserves

The Board creates and maintains reserves in terms of specific requirements. Board to state the reserves maintained and appropriate policies adopted.

l) Changes in accounting policies and estimates – IPSAS 3

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

m) Employee benefits – IPSAS 25

Retirement benefit plans

The Board provides a Defined contribution plan retirement benefits for its employees under the National Social Security Fund.

n) Foreign currency transactions – IPSAS 4

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.

o) Borrowing costs – IPSAS 5

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.

p) Related parties – IPSAS 20

The Board 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 Board, or vice versa. Members of key management are regarded as related parties.

q) Service concession arrangements – IPSAS 32

The Board analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Board recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Board also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) 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 Central Bank of Kenya and at various commercial banks 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.

s) Comparative figures

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

t) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the Board's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in

outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

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.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of ongoing programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

u) Subsequent events – IPSAS 14

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, 2016

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2015/2016 Kshs	2014/2015 Kshs
3.Grants From National Government		
Exchequer	72,000,000	
Kenya National Highways Authority	4,403,397.50	-
	76,393,397.50	-
 4.Application Fees		
Consulting Firms	108,008	206,310
Consulting Engineers	76,000	93,050
Professional Engineers	225,000	369,450
Graduate Engineers	1,271,500	978,600
University Applications	0	4,800,000
Temporary Engineers	2,845,451	2,040,508
	4,525,959	8,487,868
 5.Annual Subscription Fees		
Consulting Firms	807,000	594,000
Consulting Engineers	1,110,250	1,159,000
Professional Engineers	2,492,230	2,473,900
Graduate Engineers	4,369,500	4,982,439
Graduate Technician	90,000	307,270
	<u>8,868,980</u>	<u>9,516,709</u>
 6.Licence Fees		
Engineers Practicing Licence	<u>373,000</u>	<u>386,830</u>
	<u>373,000</u>	<u>386,830</u>

	2015/2016 Kshs	2013/2014 Kshs
7. In Kind Donations		
Motor vehicles 3 units -World Bank	-	19,670,132
Photocopiers 2 units -World Bank	-	2,318,739
Computers HP 12 units -World Bank	-	1,456,224
UPS 12 units -World Bank	-	492,000
Training-World Bank Projects	8,086,000	-
	8,086,000	23,937,097
8. Finance Income – External Investments		
Income from fixed account at HF Group	4,188,739	3,173,243
Accrued interest	-	57,290
	4,188,739	3,230,533
9. Accrued Income		
Income from fixed account at HF Group	-	57,290
	-	-
	<u>-</u>	<u>57,290</u>
10. Staff Costs		
Wages and Allowances	10,828,585	4,994,534
Subscriptions	22,000	10,000
	<u>10,850,585</u>	<u>5,004,534</u>
11. Board Expenses		
Chairman Honoraria	336,000	960,000
Board Allowances	4,433,086	8,223,132
Board Meetings	276,455.60	631,675
Panel Expenses	899,493	1,395,760
	<u>5,945,034.60</u>	<u>11,210,567</u>
	2015/2016	2014/2015

	Kshs	Kshs.
12. Administrative Expenses		
Communication services and supplies	1,330,150.49	590,633
Transportation, travelling and subsistence	3,656,746	814,950
Advertising, printing, stationery	7,475,856.85	6,486,605
Hospitality supplies and services	775,310	218,400
Insurance costs	1,738,823	659,880
Bank charges and commissions	89,160	64,950
Sanitary items	506,945	-
	15,565,994.34	8,835,419
13. Maintenance Costs		
Maintenance Expenses	872,901.30	1,012,422
	<u>872,901.30</u>	<u>1,012,422</u>
14. Workshops, Media and Legal		
Workshops	4,174,360	4,387,054.50
Media and Publicity	4,290,587.20	4,140,060
Legal Fees	1,725,000	651,500
	<u>10,210,003.20</u>	<u>9,178,614</u>
15. Provision for Audit Fees		
Provision for audit fees	300,000	300,000
	<u>300,000</u>	<u>300,000</u>
16. Depreciation PPE		
Depreciation Charge	9,861,042.43	9,770,747
	<u>9,861,042.43</u>	<u>9,770,747</u>
17. Cash and Cash Equivalents		
Cash at Bank	39,105,302.42	183,729
MPESA Balances	5,625,158	474,794
	<u>44,730,460.42</u>	<u>658,523</u>
	2015/2016	2014/2015
	Kshs.	Kshs.
18. Interest Receivable-Accrued Interest		
Accrued Interest HFCK account	-	57,290
	-	57,290
19. Inventories		
Inventories	655,329	182,078
	<u>655,329</u>	<u>182,078</u>

NOTE 20

2014/2015	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
COST OR VALUATION				
At July 1, 2014	12,556,884.2	245,000.00	1,112,280.00	13,914,164.20
Additions	19,670,134	4,345,962.85	359,254.00	24,375,351
Transfers	-	-	-	-
Disposals	-	-	-	-
At June 30, 2015	32,227,018.2	4,590,962.85	1,471,534.00	38,289,515.05
DEPRECIATION				
At July 1, 2014	6,278,442.1	163,331.70	278,070.00	6,719,843.80
Charge for the year	8,056,754.55	1,530,056.23	183,936.00	9,770,746.78
Impairment loss	-	-	-	-
Eliminated on disposal	-	-	-	-
At June 30, 2015				
NET BOOK VALUE At June 30, 2015	17,891,821.55	2,897,574.92	1,009,528.00	21,798,924.47

2015/2016	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
COST OR VALUATION				
At July 1, 2015	32,227,018.20	4,590,962.85	1,471,534	38,289,515.05
Additions	0	565,050	53,000	618,050
Transfers				
Disposals				
At June 30, 2016	32,227,018.20	5,156,012.85	1,524,534	38,907,565.05
DEPRECIATION				
At July 1, 2015	14,335,196.65	1,693,387.93	462,006	16,490,590.58
Charge for the year	8,056,754.55	1,613,473.71	190,813.46	9,861,042.43
Impairment loss				
Eliminated on disposal				
At June 30, 2016				
NET BOOK VALUE At June 30, 2016	9,835,067.00	1,849,151.21	871,960.25	12,556,178.46

	2015/2016	2014/2015
	Kshs	Kshs
21.Fixed Interest Investments (HFCK)		
Opening Bank Balance	41,878,682.56	38,648,149.39
Interest	4,188,739	3,230,533.17
Closing Balance	46,067,420.70	41,878,682.56
22.Trade Payables from exchange transactions		
Trade Payables	326,064.15	1,580,000
Provision for audit fees	300,000	300,000
Balance at the end of the year	626,064.15	1,880,000
23.Capital Reserve		
Opening Balance	47,484,821	47,484,821
Additions during the year	-	-
Balance at the end of the year	47,484,821	47,484,821
24.Retained Earnings		
Balance at the beginning of the year	15,153,388	14,906,654
Retained earnings during the year	40,745,114.97	246,734
Balance at the end of the year	55,898,502.97	15,153,388

25 NO OF EMPLOYEES

The average number of employees at the end of the year was:

Category	YEAR	
	2015/2016	2014/2015
Permanent employees	12	1
Casual and Deployed employees	11	21
TOTAL	23	22

26. RELATED PARTY DISCLOSURES**(a) Government of Kenya**

The Board is established as a State Corporation under the State Corporations Act Cap 446 of the Laws of Kenya.

(b) Key Management

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

(c) Board Members

The board expenses during the period reported totalled Ksh 5,945,034.60.

27. 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.

28. INCOPORATION/LEGAL STATUS

The Board is established by the Engineers Act 2011 as a body corporate is domiciled in Kenya.

29. SEGMENT REPORTING

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

30. ULTIMATE HOLDING ENTITY

The immediate parent institution of the Board is the Ministry of Transport and Infrastructure. The ultimate holding entity is the Government of Kenya.

31. CURRENCY

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

32. EVENTS AFTER REPORTING PERIOD

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