

REPUBLIC OF KENYA



*Paper Laid*  
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OFFICE OF THE AUDITOR-GENERAL

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**REPORT**

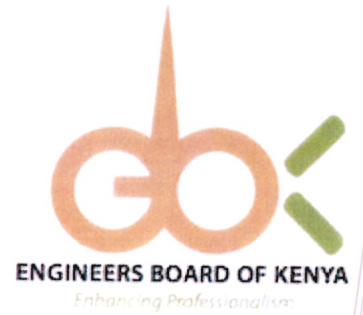
**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED**  
**30 JUNE 2017**



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**ENGINEERS BOARD OF KENYA**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2017**

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

**PART I**  
**ANNUAL REPORT 2016/2017 FINANCIAL YEAR**

**TABLE OF CONTENTS**

KEY EBK INFORMATION AND MANAGEMENT ..... 1

THE BOARD OF DIRECTORS..... 8

MANAGEMENT TEAM ..... 10

CHAIRMAN'S STATEMENT ..... 12

REPORT OF THE REGISTRAR/CHIEF EXECUTIVE OFFICER..... 13

CORPORATE GOVERNANCE STATEMENT ..... 14

MANAGEMENT DISCUSSION ANALYSIS..... 16

CORPORATE SOCIAL RESPONSIBILITY STATEMENT ..... 23

REPORT OF THE DIRECTORS ..... 24

STATEMENT OF BOARD'S RESPONSIBILITIES..... 25

STATEMENT OF FINANCIAL PERFORMANCE ..... 28

STATEMENT OF FINANCIAL POSITION ..... 29

STATEMENT OF CHANGES IN NET ASSETS ..... 30

STATEMENT OF CASH FLOWS..... 31

STATEMENT OF COMPARATIVE BUDGETED VS ACTUAL AMOUNTS..... 32

NOTES TO THE FINANCIAL STATEMENTS..... 33

## 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 to: -

- (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;

*Engineers Board of Kenya Annual Report and Financial Statements for the*

*Financial Year ended June 30, 2017*

- 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

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

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

### d. Fiduciary Management

The key management personnel who held office during the period ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Registrar/CEO	Eng. Nicholas M. Musuni
2.	Head of Human Resources and Administration	Mr. Erick Obiero
3.	Head of ICT	Sebastian Bwire
4.	Head of Procurement	Catherine Macharia
5.	Head of Registration	Norah Nyaboga
6.	Head of Administration	Pauline Mwarabu
7.	Head of Finance	CPA Mathew Kivava
8.	Head of Graduate Internship	Judy Rotich
9.	Head of Corporate Communications	Beth Mbatia

### e. Fiduciary Oversight Arrangements

#### Board Committees Towards Good Corporate Governance

The Board has constituted the following Committees towards good corporate governance and as required by the Mwongozo Code of Governance for State Corporations:

1. Audit, Governance and Risk Committee.
2. Finance Administration and Human Resource Development Committee.
3. Registration and Professional Development Committee.
4. Academics Qualifications Committee.

### **Audit, Governance and Risk Committee**

The functions of the Audit, Governance and Risk Committee include:

- a) To review the Board's internal financial controls and risk management systems and advise on risk areas.
- b) 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.
- c) 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.
- d) To develop and implement policy on the agreement of the external auditor to supply non-audit.
- e) To advise the Board on matters related to audit and Governance.
- f) To handle audit issues.
- g) To ensure compliance with the legal and statutory requirements.

### **Membership of the Committee**

- (i) Eng.Aruna Patel, PE- Chairperson
- (ii) Eng.Grace L. Onyango, PE- Member
- (iii) Eng.Abdullahi Samatar, PE- Member

### **Finance, Administration and Human Resource Development Committee**

The functions of the Finance, Administration, and Human Resources Development Committee include:

- i) To monitor the integrity of the financial statements of the Board and any formal communication relating to the Board's financial performance.
- ii) Oversee the finance and administration affairs of the Board.
- iii) Oversee the implementation of the Board's strategies.
- iv) Develop, review or update laws and regulations.
- v) Scrutinize policy issues before transmitting them to the Board for decision.
- vi) Oversee the resource mobilization, implementation of development programmes and sustainability of the Board.
- vii) Handles urgent and emergency issues on behalf of the Board.
- viii) Links with Government Ministries and Departments.
- ix) To ensure compliance with the legal and statutory requirements.

### **Membership of the Committee**

- (i) Eng. Julius M. Riungu, PE- Chairperson
- (ii) Eng. Stanley Kamau, PE- Member
- (iii) Eng. Michael Okonji, PE- Member
- (iv) Mr. Etyang A.R.O- Member

### **Registration and Professional Development Committee (R&Pdc)**

The functions of the Registration and Professional Development Committee includes:

- i. To process applications for registration of engineers and consulting firms.
- ii. To monitor professional activities of engineers and engineering consulting firms.
- iii. To conduct professional interviews for candidates applying for registration.
- iv. To ascertain deployment of registered engineers to perform engineering duties.
- v. To advise the Board on matters relating to technical affairs of the Board.
- vi. To ensure compliance of code of conduct and ethics for engineering practice.
- vii. To prepare curriculum for registration of engineers and conduct professional examinations.
- viii. To establish, operationalize and organize continuing professional development programmes for engineers of all categories.
- ix. To organize seminars, workshops and conferences.
- x. To coordinate competence building programmes for engineering consulting firms.
- xi. To oversee EBK publications.
- xii. To advise the Board on matters relating to professional development affairs of the Board.

### **Membership of the Committee**

- (i) Eng. Michael Okonji, PE- Chairperson
- (ii) Eng. Prof. Francis J. Gichaga, PE- Member
- (iii) Eng. Julius M. Riungu, PE- Member
- (iv) Eng. Prof. Bancy M. Mati, PE- Member
- (v) Eng. Grace L. Onyango, PE- Member

### **Academics Qualifications Committee (AQC)**

The functions of the Academics Qualifications Committee include:

- i. To evaluate undergraduate engineering programmes offered by the Universities and other Tertiary level Institutions offering education in engineering and advise on accreditation of engineering programmes.
- ii. Assess engineering qualifications of foreign persons intending to offer professional engineering services or works.
- iii. To develop, review and update the criteria and procedures for preparation of engineering programmes.

*Engineers Board of Kenya Annual Report and Financial Statements for the*

*Financial Year ended June 30, 2017*

- iv. To advise the Board on matters relating to engineering programs offered in the universities and other tertiary institutions.

#### **Membership of the Committee**

- (i) Eng.Prof.Francis J.Gichaga,PE- Chairperson
- (ii) Eng.Prof.Bancy M. Mati,PE- Member
- (iii) Mr.Charles Obiero- Member

#### **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 Transport, Public Works and Housing Committee as well as Education, Research and Technology Committee.

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.

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.

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.

#### **Development Partner Oversight Activities**

Development Partner Oversight Activities include;

Monitor and review progress of projects in relation to the agreed performance contracts.

- i) Provide recommendations regarding strategic directions, new opportunities for investment, and enhanced performance.
- ii) Approve the development projects budget proposal.
- iii) Issue clearances on projects at particular points during implementation
- iv) Offer advice on corrective measures on ongoing projects

**f. EBK Headquarters**

Transcom House Annex,  
1<sup>st</sup> Floor Ngong Road  
P.O. Box 30324 – 00100, NAIROBI  
Nairobi, KENYA

**g. EBK Contacts**

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

**h. EBK Bankers**

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

**i. Housing Finance Corporation Kenya,**

Rehani House,  
P.O Box 45219-00100,  
**Nairobi.**







**j. Independent Auditors**






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

**k. Principal Legal Adviser**

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

## THE BOARD OF DIRECTORS

 <p><b>1. Eng. Wanjau D. Maina</b></p>	<p><b>Chairman</b>  <b>YOB:</b>1956  <b>Key Qualifications</b>            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><b>2. Eng. (Prof.) Francis J. Gichaga</b></p>	<p><b>Vice Chairman</b>  <b>YOB:</b>1942  <b>Key Qualifications</b>            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><b>3. Abednego Etyang</b></p>	<p><b>YOB:</b>1967  <b>Key Qualifications</b>            University of Nairobi, Bachelor of Arts (BA)            Moi University, Master of Public Administration (MPA)            Work Experience: Over 25 years experience in Public Administration</p>
 <p><b>4. Charles Obiero</b></p>	<p><b>YOB:</b>1964  <b>Key Qualifications</b>            Kenyatta University; Bachelor of Education (B.ED)            Kenyatta University; Masters in Educational Administration</p>
 <p><b>5. Eng. Stanley K. Kamau</b></p>	<p><b>YOB:</b>1959  <b>Key Qualifications</b>            University of Nairobi BSc (Civil Engineering)            Work Experience:29 Years experience in the Engineering profession</p>
 <p><b>6. Eng. Abdullahi M. Samatar</b></p>	<p><b>YOB:</b>1963  <b>Key Qualifications</b>            University of Nairobi BSc (Civil Engineering)            Work Experience:27 years experience in the Engineering profession</p>

 <p><b>7. Eng. (Prof.) Bancy M. Mati</b></p>	<p><b>YOB:1959</b>  <b>Key Qualifications</b>  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</p>
 <p><b>8. Eng. Julius M. Riungu</b></p>	<p><b>YOB:1950</b>  <b>Key Qualifications</b>  University of London, UK BSc (Electrical and Electronics Engineering)  Work Experience: Over 40 years experience in the Engineering profession</p>
 <p><b>10. Eng. Michael E. Okonji</b></p>	<p><b>YOB:1953</b>  <b>Key Qualifications</b>  BSEE (Cum Laude) Degree in Electrical Engineering from Howard University, USA (1987)  Work Experience: 30 years experience in the Engineering profession</p>
 <p><b>11. Eng. Aruna A. Patel</b></p>	<p><b>YOB:1955</b>  <b>Key Qualifications</b>  University of Vallabhvidyanagar, India, BEng (Electrical)  Work Experience: 28 years experience in the Engineering profession</p>
 <p><b>12. Eng. Nicholas M. Musuni</b></p>	<p><b>YOB:1979</b>  <b>Registrar/Chief Executive Officer</b>  <b>Key Qualifications</b>  University of Nairobi, BSc (Civil Engineering)  Work Experience: Over 13 years experience in the field of engineering</p>

**MANAGEMENT TEAM**

 <p><b>1. Eng. Nicholas M. Musuni</b></p>	<p><b>Registrar/CEO</b>  <b>Key Qualifications</b>            University of Nairobi, BSc (Civil Engineering)            Work Experience: Over 15 years experience in the field of Engineering and Management</p>
 <p><b>2. Eng. Grace Onyango</b></p>	<p><b>Deputy Registrar</b>  <b>Key Qualifications</b>            University of Northumbria at Newcastle, BEng (Electrical and Electronic Engineering)            Work Experience: over 10 years' experience in the Engineering profession and management.</p>
 <p><b>3. Catherine Mungania</b></p>	<p><b>Legal and Corporate Affairs Manager</b>            LLM, University Of Nairobi            LLB, Moi University            Post Graduate Diploma in Law, Kenya School of Law.            Diploma in Human Resource, Kenya Institute of Management.            11 Years Work Experience in Legal, Court Work, Corporate work, Conveyancing &amp; Arbitration</p>
 <p><b>4. Mr. Erick Obiero</b></p>	<p><b>Human Resources and Administration Manager</b>            University of Nairobi, MBA (Strategic Management)            Maseno University, BBA            Higher Diploma in Human Resources Management (K)            Full Member of the Institute of Human Resources Management of Kenya IHRM (K)            Work Experience: More than 7 years' experience in Human Resources and Administration</p>
 <p><b>5. CPA Mathew Kivava (ICPAK Full Member, MNO13540)</b></p>	<p><b>Finance Manager</b>            Maseno University, BBA (Accounting Option)            Certified Public Accountant (K)            Full Member of ICPAK            Work Experience: 8 years' experience in the field of Finance and Accounts</p>
 <p><b>6. Sebastian B. Abuya</b></p>	<p><b>ICT</b>            University of Nairobi, MBA (MIS) ongoing.            Egerton University, BSC (Mathematics &amp; Computing).            Oracle Certified Associate (OCA), Microsoft Certified Professional (MCP).            Member of Computer Society of Kenya.            Work Experience: Over 12 years experience in Information Communications Technology</p>

 <p><b>7. Norah K. Nyaboga</b></p>	<p><b>Head of Registration</b>  Bombay University, MA, Sociology  Punjab University BA, Sociology  Work Experience: Over 20 years experience in Human Resources Development and Registration Management in the Board</p>
 <p><b>8. Beth Mbatia</b></p>	<p><b>Head of Corporate Communications</b>  Moi University, Bsc. Communications and Public Relations (CPR)  Kenya Institute of Mass Communication, Diploma and Certificate in Journalism  Member of AMWIK (Association of Media Women in Kenya)  Work Experience: 5 years' experience in the field of Journalism and Communications</p>
 <p><b>9. Catherine Macharia</b></p>	<p><b>Head of Supply Chain Management</b>  JKUAT, MSC (Purchasing and Supply Management)  Jomo Kenyatta University of Agriculture and Technology, Bsc in Procurement and Logistics  Members of Chartered Institute of Procurement and Supplies(UK) MCIPS  Full Member of the Kenya Institute of Supplies Management. MKISM  Work Experience: More than 7 years' experience in Purchasing and Supplies Management</p>

## **CHAIRMAN'S STATEMENT**

During the financial year 2016/17, the Board continued with implementation of its mandate as stipulated in the Engineers Act of 2011 and continued to align its operations to its Strategic Plan (2014-2019). The Board during the year under review registered yet the highest number of Engineers in the Board's history. The growing numbers of Engineers are expected to participate in the economic growth of the country through offering expertise in the Infrastructure Projects not just in the country but across the region.

The Board continued engaging its stakeholders and sensitizing them on the Engineers Act 2011, to this end the Board mounted a stakeholder's conference in Kisumu targeting stakeholders from the Nyanza and Western regions of the country.

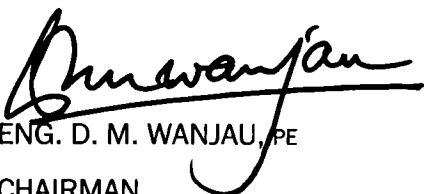
The Board continued to build its capacity to deliver on its mandate. Board members were trained on good Corporate Governance through a training organised by the State Corporations Advisory Council (SCAC). The Board also was also represented in international fora where members learnt on the best international practices in engineering.

The Board continued supporting mobility of engineering services and works within Region by continuing engagement with competent Authorities in Engineering Profession within EAC. To this end the Board hosted a Mutual Recognition Agreement coordination committee attended by Registrars of the competent authorities from the EAC.

The Board in the year under the review carried out familiarisation visits to some of the mega projects that the country is undertaking. The Board visited the construction of the Standard Gauge Railway and the Ahero Irrigation Scheme.

The Board continued to exercise its mandate in regard to Accreditation of University Engineering programmes. The Board continued to hold consultations with all Universities whose programs are awaiting accreditation. The Board also approved Engineering programmes in local universities during the financial year.

The Board continues to execute its mandate despite a host of challenges including insufficient funding and legal challenges and will continue to play its rightful role as the country endeavours to achieve vision 2030.



ENG. D. M. WANJAU, PE  
CHAIRMAN

## **ENGINEERS BOARD OF KENYA**

*Engineers Board of Kenya Annual Report and Financial Statements for the  
Financial Year ended June 30, 2017*

## **REPORT OF THE REGISTRAR/CHIEF EXECUTIVE OFFICER**

During the financial year, the Board continued to build its capacity building initiatives. The Board operationalized key offices identified by the Strategic Plan (2014-2019). The Board competitively recruited for key persons to drive the Board's agenda in both Core Departments and Business Support.

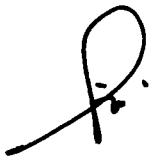
In the financial year 2016/17 the Board established the Secretariat for the Graduate Engineers Internship Programme (GEIP), the flagship project of the Board. The Secretariat is now fully established under a substantive officer. The Board has developed all necessary policy documents towards actualization of this noble programme and is engaging the Government of Kenya as well as other development partners towards this actualization.

During the financial year, great progress was made towards modernisation and automation of Board's business processes. The Board contracted a consultant for the supply, configuration and Installation of an Enterprise Resource Planning system. The Board projects to fully automating its business processes in the financial year 2017/2018.

The Board also continued with efforts to enhance its working environment. The Board acquired its own office space in the financial year under review. The acquisition of office space is expected to greatly increase service delivery to the Board's clientele. The Board also acquired modern office equipment to ensure that services are delivered in an efficient manner.

The Board continued to carry out activities committed under the 13<sup>th</sup> Cycle Performance Contract with the Government of Kenya through the Ministry of Transport, Infrastructure, Housing and Urban Development for the financial year where it scored well in various areas.

The Board continues to be guided by the Strategic Plan (2014-2019) the implementation of which remains the top priority of the Board.



ENG. NICHOLAS M. MUSUNI, PE

**REGISTRAR/CEO**

**ENGINEERS BOARD OF KENYA**

## **CORPORATE GOVERNANCE STATEMENT**

### **Introduction**

The Board of Directors of EBK believes that high standards of corporate governance fostering a culture that values integrity and ethical behaviour are essential for sustainable long-term performance and creating shareholder value. The Board has established a corporate governance framework, the key features of which are set out in this Corporate Governance Statement.

The Board of Directors is responsible for the governance framework which operates under Board-approved policies and practices. The governance framework and associated practices are reviewed by the Board and its committees to ensure it complies with current regulations.

### **Role and Responsibilities of Directors and Management**

The Engineers Act, 2011, provides that the affairs of the EBK are to be managed under the direction of, the Board. The Board of Directors are responsible for the overall strategy, governance and performance of EBK and delegates responsibility for the day-to-day management of EBK to the Registrar/C.E.O. The Chief Executive Officer/Registrar in turn delegates authority to the appropriate senior managers for specific activities and transactions, including implementation of the corporate strategy and operating within the risk appetite set by the Board. This authority is governed by a formal delegation of authority that is approved by the Board and is reviewed as required.

### **Attendance to Board meetings by Board members**

Members are expected to attend all Board meetings except with the permission of the Chairman. Failure to attend three consecutive Board meetings without chairman's permission may lead to removal from office.

### **The Board Charter**

Operations of the Board at EBK are governed by a Board Charter which stipulates the roles and responsibilities of the Board members. The charter was developed and adopted as a key pillar of good corporate governance. Additionally, *Mwongozo*, the Code of Governance for State Corporations 2015 required that the Board members should develop and adopt a board charter.

### **Induction and Training**

The EBK has formal letters of appointment in place with all non-executive directors setting out the terms of their appointment. As part of the induction program covering the EBK's financial position, strategies, operations and risk management policies, a new director is provided with an induction pack and meets with the Board Chairman, the Registrar, senior managers to gain valuable insights into relevant operational and corporate matters. Ongoing director education is provided through regular management presentations on key business functions and activities and visits to familiarize with EBK operations. Directors are also offered ongoing professional development and training programmes to enable them to develop and maintain their skills and knowledge.

To ensure directors remain equally informed on all material matters impacting the EBK, Board Papers are usually provided at least 14 days before the Board or committee meeting. All important information is usually dispatched to board members to keep them updated on developments affecting the Board

### **Director's Skills and Experience**

The Board's objective is to have an appropriate mix of skills, expertise and experience on EBK's Board and Board committees. The Board as currently constituted draws a membership from all major disciplines of Engineering. Accordingly the Board is also represented by representatives from all major stakeholders making the Board highly to attend to engineering matters in the country.

### **Board and Management Performance Evaluation**

The Board members evaluate themselves through a Board self-evaluation exercise. The performance of individual members fall under the ambit of the Chairman. The Board evaluates The C.E.O/Registrar. The Chief Executive Officer/Registrar conducts annual performance reviews of the senior managers to evaluate their performance against relevant performance measures and reports to the Board on the outcome of this review.

### **Succession plan**

The succession plan at the Board level involves notifying the appointing officer when the term of the Board is coming to an end.

At the management level EBK succession planning process, is to ensure that employees develop their knowledge, skills, and abilities, and prepare them for advancement or promotion into ever more challenging roles.

### **Appointment and removal of Board members**

Board members are appointed by the Cabinet Secretary in charge of engineering matters in accordance to section 5(1) of the Engineers Act. Vacation of office of Board members is provided for in section 11 Engineers Act, 2011.

## MANAGEMENT DISCUSSION ANALYSIS

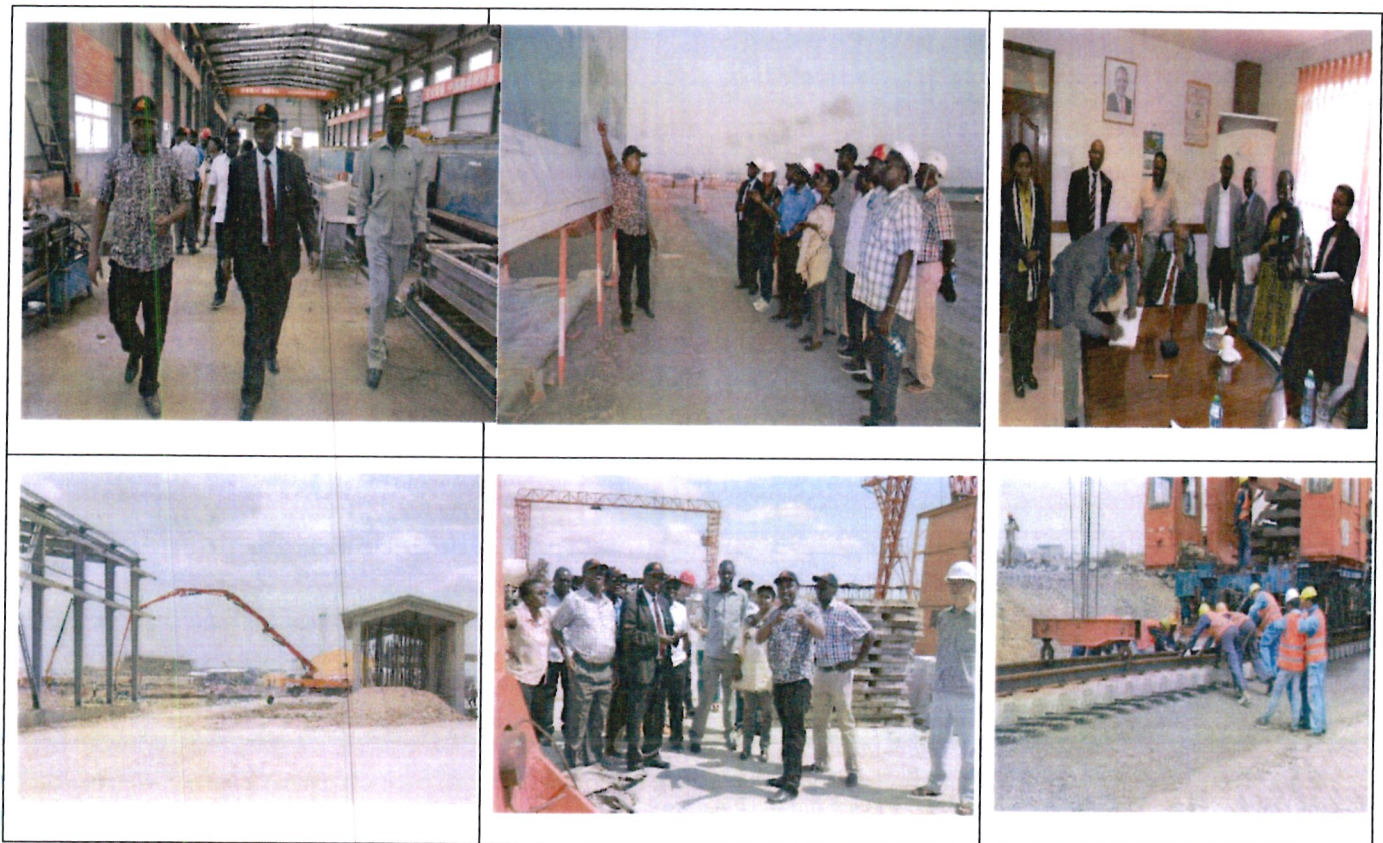
### Promotion of Engineering Practices

The Board has an overall mandate to develop the practice of engineering in Kenya for the sustainable development of the Country. As part of this mandate, the Board carried out familiarisation tours of key engineering projects in the Country.

During the year under review, the Board visited the construction of the Standard Gauge Railway which is the largest infrastructural project undertaken by the Country since independence. The Board also visited the Ahero Irrigation Scheme in Western Kenya to promote advanced agricultural practices geared towards food sufficiency for the Country. The Board prepared reports, which were disseminated to the relevant stakeholders to aid in policy development and for better engineering practices.

#### Site Visit to the Standard Gauge Railway

The Board site visit was conducted in September 2016. Engineers from the Kenya Railway Corporation and project Consultants consortium took the Board through the entire project from the Nairobi terminus to Mombasa Port Reitz where the project starts.



Board of Directors site visit photos to the Standard Gauge Railway, (September 2016)

### Site Visit to the Ahero Irrigation Scheme

The Board also undertook a familiarisation tour of the Western Kenya Irrigation Schemes and visited the Ahero Irrigation Scheme. The National Irrigation Board (NIB) operates the scheme. The Ahero Irrigation Scheme has deployed a new technology called System of Rice Intensification (SRI) that has resulted into increased rice yield and better utilisation of irrigation water. The project was a demonstration of how technology can help the Country face perennial food shortages.



Board visit to the Ahero Irrigation Scheme in support of deployment of technology to combat natural calamities

(June 2017)

## **Accreditation of Engineering Programs**

### **University of Nairobi**

The Engineers Act 2011, confers on the Board the function and mandate to accredit engineering programmes in public and private Universities and other tertiary institutions offering education in engineering programmes.

The Board ensures that an accredited programme is sufficient by ensuring that;

- The course content is adequate;
- The faculty is adequately staffed;
- There is enough equipment and facilities to teach engineering.

In exercising the particular mandate, the Board conducted an accreditation visit to the University of Nairobi in order to evaluate the Bsc. Biosystems Engineering course. The purpose of the visit was to confirm whether it met minimum standards set for accreditation of University Engineering programmes in Kenya.

The accreditation visit was a culmination of elaborate engagement with the University for a long period of time to ensure that the programme meets the needs of the students, the Country and was sufficient to enable the graduates to be trained to become professional engineers.

### **Western/ Nyanza Stakeholders Workshop**

As part of the sensitization programs and public participation initiatives, EBK mounted a regional conference for Western Kenya in Kisumu. This was the first event of its kind organised by the Board in the region.

The event held on 5<sup>th</sup> June 2017 at the Kisumu hotel brought various stakeholders in the engineering profession from the Western /Nyanza region. Partnering agencies, stakeholders and media had the opportunity to understand and discuss the Engineers Act of 2011, learn of upcoming programs at EBK such as Continuous Professional Development for Engineers (CPD), training requirements for engineers, the obligations of the engineers to society and the roles of various engineering associations in the Country.



Stakeholders' workshop for Western Kenya held at the Kisumu hotel on 5<sup>th</sup> June 2017

*Engineers Board of Kenya Annual Report and Financial Statements for the  
Financial Year ended June 30, 2017*

### **Mutual Recognition Agreement Coordination Committee Meeting**

The Engineers Board of Kenya hosted the annual Mutual Recognition Committee meeting on 25<sup>th</sup> May 2017. The MRA is the agreement between the competent authorities charged with regulation of engineering under the East Africa Community Common Market Protocol.

The coordination committee is comprised of the Registrars of the respective Countries' engineering professional regulatory agencies and meets to review the progress of the implementation of the MRA.

The objectives of the MRA are:

1. To facilitate mobility of engineers and professional engineering services to enable the realization of commitments made by Partner States for liberalizations of trade in professional engineering services across the East African Community (EAC) in accordance with the Protocol;
2. To encourage, facilitate and establish mutual recognition of engineers' qualifications and set up standards of education and practice and commitment to professional development in the engineering profession in the EAC Partner States.
3. To facilitate the exchange of information in order to promote adoption of best practices on standards of engineering education, professional qualifications, professional practice and ethics.

The coordination committee reviewed the progress of the MRA and noted several key issues that require urgent attention to unlock the potential of the MRA as follows:

- Need to review applicable laws to ensure they are fully aligned to the objectives of the MRA.
- Need to constantly and regularly share information on the practice of engineering across the partner states.
- Exploration of closer sharing of knowledge through exchange programs especially on major infrastructural projects.

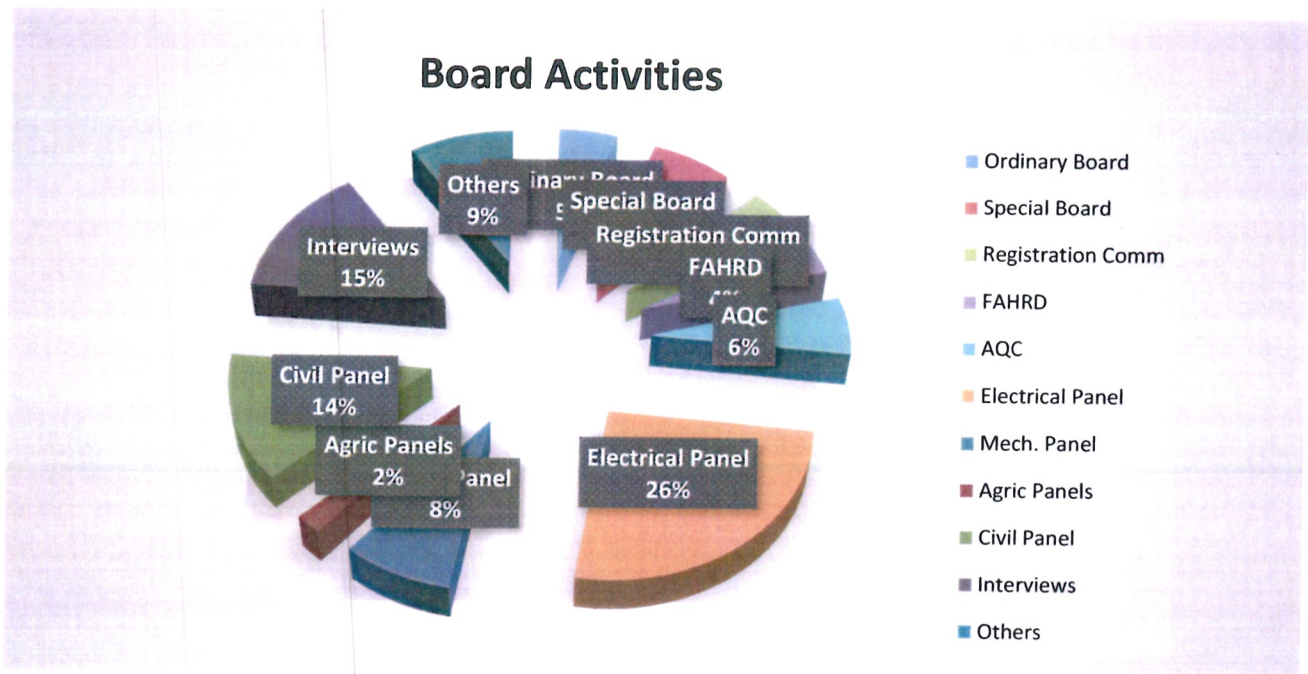


The annual Mutual Recognition Agreement meeting was held in Nairobi, Kenya on 25<sup>th</sup> May 2016

## Summary of Board Activities during the Financial Year

NO.	BOARD ACTIVITY	NO
1	Ordinary Board Meetings	5
2	Special Board Meetings	7
3	Registration and Professional Development Committee meetings	4
4	Finance Administration and Human Resource Development Committee	4
5	Academic Qualifications Committee	6
6	Electrical Panel Meetings and Interviews	25
7	Mechanical Panel Meeting and Interviews	8
8	Agricultural Panels	2
9	Civil Engineering Professional Interviews	13
10	Accreditation Visit University of Nairobi	1
11	Pre-Negotiation Meeting for Performance Contract 2016/2017	1
12	Job Evaluation Clinic by Salaries and Remuneration Commission (SRC)	1
13	Interviews For Top Management	14
14	Workshop on Review of Job Descriptions	1
15	Stakeholders Conference	1
16	Site Visit to Ahero Irrigation Scheme	1
17	Inspection of the Standard Gauge Railway (SGR)	1
18	Corporate Governance Training by SCAC	1
19	Visitation to the proposed Board premises	1
<b>TOTAL</b>		<b>97</b>

### Graphical Representation



## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

Corporate social responsibility, often abbreviated "CSR," is a corporation's initiatives to assess and take responsibility for the company's effects on environmental and social wellbeing. The term generally applies to the mandate of the organization towards betterment of the society;

To this end the Board in the year under review undertook various activities including;

- a) Supporting students from the University of Nairobi to undertake sensitization on engineering education to high school students in Meru County.
- b) Undertook stakeholder's workshops to sensitize the Board's stakeholders and the country at large on the mandate of the Board.
- c) Trained staff to enhance their skills and competencies at the workplace.
- d) Participated in conferences and workshops organised by various bodies including the Institution of Engineers of Kenya.

## **REPORT OF THE DIRECTORS**

The Directors submitted their report together with the audited financial statements for the year ended June 30, 2017 which showed 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, 2017 are set out from page 31-35

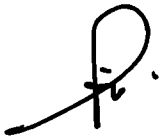
### **Directors**

The Board of Directors who served during the year are shown on page 9-10 In accordance with Engineers Act, 2011

### **Auditors**

The Auditor General is responsible for the statutory audit of the Engineers Board of Kenya in accordance with the Section 68 (2) (K) of the Public Finance Management (PFM) Act, 2012. The Auditor General is responsible for auditing the Boards Accounts. Under article, 229 (5) of the Constitution of Kenya 2010, the Auditor General may and report on the accounts of any entity that is funded from public funds.

By Order of the Board



Chief Executive Officer/Registrar

Nairobi

Date 29<sup>th</sup> March 2018

## STATEMENT OF BOARD'S RESPONSIBILITIES

Section 81 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 Board's financial statements which give a true and fair view of the state of affairs of the Board and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes:

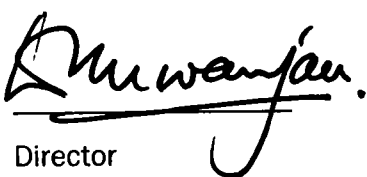
- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board.
- (iii) Designing, implementing 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.
- (vi) Making accounting estimates that are reasonable in the circumstances.

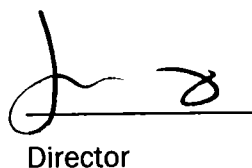
The Directors accept responsibility for the Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required 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, 2017, 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 29<sup>th</sup> September 2017 and signed on its behalf by:

  
Director

  
Director

  
Director

*Engineers Board of Kenya Annual Report and Financial Statements for the  
Financial Year ended June 30, 2017*

# REPUBLIC OF KENYA

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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 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Engineers Board of Kenya, set out on pages 28 to 51, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, the statement of cash flows, the statement of changes in net assets, and the statement of comparison of budget and actual amount for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with 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, the financial statements present fairly, in all material respects, the financial position of Engineers Board of Kenya as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Engineers Act, 2011.

In addition, as required by Article 229 (6) of the Constitution, I confirm that public money has been applied lawfully and in an effective way.

#### Basis for Opinion

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

#### Key Audit Matters

Key Audit Matters are those that, in my professional judgement, are of most significance in the audit of the financial statements. There were no Key Audit Matters in the year under review.

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*Report of the Auditor-General on the Financial Statements of Engineers Board of Kenya for the year ended 30 June 2017*

## **Responsibilities of Management and Those Charged with Governance 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.

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

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

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

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

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

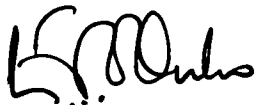
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

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

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

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

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



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

**Nairobi**

**19 April 2018**

## STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2017

	YEAR NOTES	2016/2017 KSHS	2015/2016 KSHS
<b>REVENUE: NON EXCHANGE TRANSACTIONS</b>			
Government Grants	1	45,500,000	76,393,398
Application Fees	2	1,971,197	4,525,959
Annual Subscription Fees	3	16,058,491	8,868,980
License Fees	4	1,425,063	373,600
In Kind Donations	5	-	8,086,000
<b>Total Non-Exchange Transactions</b>		<b>64,954,751</b>	<b>98,247,937</b>
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>			
Finance Income (HFCK Interest)	6	1,514,961	4,188,739
Other Income	7	27,500	-
<b>Total Exchange Transactions</b>		<b>1,542,461</b>	<b>4,188,739</b>
<b>Total Revenue</b>		<b>66,497,212</b>	<b>102,436,676</b>
<b>EXPENSES</b>			
Staff Costs	8	19,891,851	10,850,585
Board Expenses	9	13,060,527	5,945,035
Administrative Expenses	10	14,117,079	15,565,994
Maintenance Costs	11	1,441,184	872,901
Workshops, Media And Legal Costs	12	7,976,309	10,210,003
Provision For Audit Fees	13	300,000	300,000
Training Expenses	14	926,110	8,086,000
Depreciation And Amortization	15	8,670,637	9,861,042
<b>Total Expenses</b>		<b>66,383,697</b>	<b>61,691,560</b>
<b>SURPLUS FOR THE PERIOD</b>		<b>113,515</b>	<b>40,745,116</b>

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	YEAR	2016/2017	2015/2016
ASSETS	NOTES	KSHS	KSHS
<b>CURRENT ASSETS</b>			
Inventories	16	695,099	655,329
Receivables	17	30,069,731	-
Cash and Cash Equivalents	18	19,444,613	44,730,460
<b>Total Current Assets</b>		<b>50,209,443</b>	<b>45,385,789</b>
<b>Non-Current Assets</b>			
Property and Equipment	15	75,332,935	12,556,178
Fixed Income Investments	19	582,382	46,067,421
<b>Total Non-Current Assets</b>		<b>75,915,317</b>	<b>58,623,599</b>
<b>TOTAL ASSETS</b>		<b>126,124,760</b>	<b>104,009,388</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Capital Reserves	20	47,484,821	47,484,821
Retained Earnings	21	78,639,939	55,898,503
<b>TOTAL EQUITY</b>		<b>126,124,760</b>	<b>103,383,324</b>
<b>CURRENT LIABILITIES</b>			
Trade Payables	22	-	626,064
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>126,124,760</b>	<b>104,009,388</b>

The Financial Statements set out on page 28 to 32 were signed on behalf of the Board of Directors by:

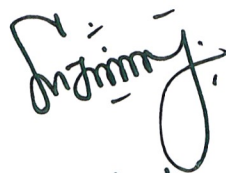
REGISTRAR/C.E.O

Eng. Nicholas M. Musuni, PE

FINANCE MANAGER

Mathew Kivava

ICPAK No: 13540



BOARD CHAIRMAN

Eng. D.M Wanjau, PE



Date:  29/03/2018 Date: 29/03/2018

Date: 29/03/2018

Engineers Board of Kenya Annual Report and Financial Statements for the  
Financial Year ended June 30, 2017

**STATEMENT OF CHANGES IN NET ASSETS**

**For the year ended 30 June 2017**

	<b>CAPITAL RESERVE</b>	<b>RETAINED EARNINGS</b>	<b>TOTAL</b>
	<b>KSHS</b>	<b>KSHS</b>	<b>KSHS</b>
<b>Balance As At 1st July 2016</b>	<b>47,484,821</b>	<b>55,898,504</b>	<b>103,383,325</b>
<b>Prior Year Adjustment</b>		<b>22,627,920</b>	<b>22,627,920</b>
<b>Surplus For The Year</b>		<b>113,515</b>	<b>113,515</b>
<b>Balance As At 30th June 2017</b>	<b>47,484,821</b>	<b>78,639,939</b>	<b>126,124,760</b>
<b>Balance As At 1st July 2015</b>	<b>47,484,821</b>	<b>15,153,388</b>	<b>62,638,209</b>
<b>Surplus For The Year</b>		<b>40,745,116</b>	<b>40,745,116</b>
<b>Balance As At 30th June 2016</b>	<b>47,484,821</b>	<b>55,898,504</b>	<b>103,383,325</b>

## STATEMENT OF CASH FLOWS

As at 30th June 2017

	NOTE	2016/2017	2015/2016
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Surplus for the year		113,515	40,745,115
<b>Add back:</b>			
Depreciation	15	8,670,637	9,861,042
Prior year adjustment	21	22,627,920	-
<b>Surplus Before Working Capital Changes</b>		<b>31,412,072</b>	<b>50,606,157</b>
<b>Changes In Working Capital</b>			
Increase in inventories	16	(39,769)	(473,496)
Increase in receivables from exchange transactions	17	(30,069,731)	
Decrease in payables from exchange transactions	22	(626,064)	(1,253,936)
Increase(Decrease) from Investments		-	(4,188,738)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>676,508</b>	<b>44,689,987</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment	15	(6,478,659)	(618,050)
Investment in office space	15	(63,881,436)	-
Acquisition of intangible assets	15	(1,087,299)	-
Proceeds from disposal of fixed income investments	19	45,485,039	-
<b>NET CASH FLOW USED IN INVESTING ACTIVITIES</b>		<b>(25,962,355)</b>	<b>(618,050)</b>
<b>Net Decrease In Cash And Cash Equivalents</b>		<b>(25,285,847)</b>	<b>44,071,937</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>44,730,460</b>	<b>658,523</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>19,444,613</b>	<b>44,730,460</b>

**STATEMENT OF COMPARATIVE BUDGETED VS ACTUAL AMOUNTS**

STATEMENT OF FINANCIAL PERFORMANCE	BUDGETED	ACTUAL	VARIANCE	VARIANCE	REMARKS
	AMOUNT	AMOUNT	KSH.	%	
<b>RECURRENT REVENUE</b>					
Internally generated revenue	21,747,000	20,997,213	(749,787)	(3.45)	
Recurrent government grants	136,010,000	45,500,000	(90,510,000)	(66.55)	Insufficient Government Funding
Others	15,000,000	-	(15,000,000)	(100)	Funds expected to be utilized were not due to stringent conditions
	<b>172,757,000</b>	<b>66,497,213</b>			
<b>OPERATING EXPENSES</b>					
Personnel emoluments	42,000,000	20,817,961	21,182,039	50.43	Anticipated recruitment postponed
Board expenses	12,000,000	13,060,527	(1,060,527)	(8.84)	Due to unprojected training by State Corporations Advisory Committee which was mandatory in nature
Administrative/operating expenses	102,345,000	22,393,388	79,951,612	78.12	Insufficient funding ,from government
Repairs and maintenance	6,412,000	1,441,185	4,970,815	77.52	Insufficient funding ,from government
Depreciation	10,000,000	8,670,637	1,329,363	13.29	All Budgeted equipment not purchased
	<b>172,757,000</b>	<b>66,383,698</b>			
<b>SURPLUS</b>		<b>113,515</b>			

## **NOTES TO THE FINANCIAL STATEMENTS**

### **I. GENERAL INFORMATION**

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.

### **II. 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.

### III. ADOPTION OF NEW AND REVISED STANDARDS

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

Standard	Impact
<p><b>IPSAS 33:</b> First time adoption of Accrual Basis IPSAS</p>	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.</p> <p><i>The entity adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply</i></p>
<p><b>IPSAS 34:</b> Separate Financial Statements</p>	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p><i>The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</i></p>
<p><b>IPSAS 35:</b> Consolidated Financial Statements</p>	<p><b>Effective for annual periods beginning on or January 1, 2017)</b></p> <p>In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> <li>- Its power over the other entity</li> <li>- Its exposure or rights to variable benefits from involvement with the other entity</li> <li>- Its ability to control the nature, timing and amount of benefits from the other entity.</li> </ul> <p>Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.</p> <p><i>The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply</i></p>

Standard	Impact
<p><b>IPSAS 36:</b> Investments in Associates and Joint Ventures</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p><i>The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply</i></p>
<p><b>IPSAS 37:</b> Joint Arrangements</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.</p> <p><i>The entity does not have an interest in a joint arrangement and therefore the standard does not apply</i></p>
<p><b>IPSAS 38:</b> Disclosure of Interests in Other Entities</p>	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.</p> <p><i>The entity does not have an interest in a joint arrangement and therefore the standard does not apply</i></p>

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

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

**c. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2017.

**IV. 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.

*Engineers Board of Kenya Annual Report and Financial Statements for the*

*Financial Year ended June 30, 2017*

## 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.

#### **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.

*Engineers Board of Kenya Annual Report and Financial Statements for the*

*Financial Year ended June 30, 2017*

#### 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 Equipment's, 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)

### ***1) 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 drew salary and benefits from former employer Kenya Rural Roads Authority (KeRRA) since his gazettelement on 4<sup>th</sup> 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) Intangible Assets -IPSAS 31**

Section 96: The depreciable amount of intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Amortization shall begin when the asset is available for use.

The Board will amortize its intangible assets for a period of 10 years

#### **r) 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.

#### **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 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.

#### **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) 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)

Note	2016/2017	2015/2016
	KSHS	KSHS
<b>1 Government Grants</b>		
Exchequer	45,500,000	72,000,000
Kenya National Highways Authority		4,393,398
	<b>45,500,000</b>	<b>76,393,398</b>
<b>2 Application fees</b>		
Consulting firms	196,000	108,008
Consulting engineers	27,000	76,000
Professional engineers	179,200	225,000
Graduate engineers	1,213,000	1,271,500
Temporary engineers	355,997	2,845,451
	<b>1,971,197</b>	<b>4,525,959</b>
<b>3 Annual subscription fees</b>		
Consulting firms	1,314,000	807,000
Consulting engineers	962,500	1,110,250
Professional engineers	2,611,400	2,492,230
Graduate engineers	10,543,091	4,369,500
Graduate technicians	627,500	90,000
	<b>16,058,491</b>	<b>8,868,980</b>
<b>4 License fees</b>		
Engineers practise license	1,425,063	373,600
	<b>1,425,063</b>	<b>373,600</b>
<b>5 Donations in kind</b>		
Staff Training Under World BANK Programmes	-	8,086,000
<b>6 Finance income</b>		
Interest from fixed deposit(HFCK)	1,514,961	4,188,739
<b>7 Other Income</b>		
Sale of Tenders	20,000	-
Replacement of Certificates	7,500	-
	<b>27,500</b>	-
<b>8 Staff costs</b>		
Casual Labour	989,304	-
Deployed Allowances	1,399,999	-
Gross salaries	17,502,548	10,850,585
	<b>19,891,851</b>	<b>10,850,585</b>

Engineers Board of Kenya Annual Report and Financial Statements for the  
Financial Year ended June 30, 2017

<b>9</b>	<b>Board expenses</b>		
	Chairman honoraria	960,000	336,000
	Board, panel, committee allowances and expenses	12,100,527	5,609,035
		<b>13,060,527</b>	<b>5,945,035</b>
<b>10</b>	<b>Administrative expenses</b>		
	Communication services & supplies	633,279	1,330,159
	Transport, travel & subsistence	5,002,340	3,656,746
	Advertising, printing & stationery	5,713,889	7,475,857
	Hospitality supplies and services	1,321,358	768,304
	Insurance	936,708	1,738,823
	Sanitary items	230,075	506,945
	Bank charges	279,430	89,160
		<b>14,117,079</b>	<b>15,565,994</b>
<b>11</b>	<b>Maintenance costs</b>	30,500	
	Maintenance Furniture	426,214	
	Maintenance Equipment	612,985	
	Maintenance Building	371,485	872,901
	Maintenance Vehicles	<b>1,441,184</b>	<b>872,901</b>
<b>12</b>	<b>Workshops, media and legal</b>		
	Workshops	3,363,880	4,194,416
	Media and publicity	2,131,400	4,290,587
	Legal fees	2,481,029	1,725,000
		<b>7,976,309</b>	<b>10,210,003</b>
<b>13</b>	<b>Provision for audit fee</b>		
	Provision for audit fee 16/17 FY	<b>300,000</b>	<b>300,000</b>
<b>14</b>	<b>Training Expenses</b>		
	Staff Training	<b>926,110</b>	<b>8,086,000</b>

## 15. PROPERTY PLANT AND EQEIPMENT

2015/2016	Motor Vehicles, Including, Motor Cycles	Computers & Related Equipment	Office Equipment, Furniture & Fittings	Total
<b>COST OR VALUATION</b>				
At July 1, 2015	32,227,018	4,590,963	1,471,534	38,289,515
Additions		565,050	53,000	618,050
Disposals				
<b>At June 30, 2016</b>	<b>32,227,018</b>	<b>5,156,013</b>	<b>1,524,534</b>	<b>38,907,565</b>
<b>DEPRECIATION</b>				
At July 1, 2015	14,335,197	1,693,388	462,006	16,490,591
Charge for the year	8,056,755	1,613,474	190,813	<b>9,861,042</b>
Impairment loss				
Eliminated on disposal				
<b>At June 30, 2016</b>				
<b>NET BOOK VALUE At June 30, 2016</b>	<b>9,835,067</b>	<b>1,849,151</b>	<b>871,960</b>	<b>12,556,178</b>

2016/2017	Office Space	Motor Vehicles, Including, Motor Cycles	Computers & Related Equipment	Office Equipment, Furniture & Fittings	Intangible Assets	Total
<b>COST OR VALUATION</b>						
At July 1, 2016		32,227,018	5,156,013	1,524,534	0	38,907,565
Additions	63,881,436	-	4,037,822	2,440,837	1,087,299	71,447,394
<b>At June 30, 2017</b>	<b>63,881,436</b>	<b>32,227,018</b>	<b>9,193,835</b>	<b>3,965,371</b>	<b>1,087,299</b>	<b>110,354,959</b>
<b>DEPRECIATION</b>						
At July 1, 2016		22,391,706	3,306,862	652,819	0	26,351,387
Charge for the year		4,917,534	2,982,915	661,458	108,730	<b>8,670,637</b>
<b>NET BOOK VALUE At June 30, 2017</b>	<b>63,881,436</b>	<b>4,917,779</b>	<b>2,904,058</b>	<b>2,651,094</b>	<b>978,569</b>	<b>75,332,935</b>

16	<b>Inventory at cost</b>	695,099	655,329
17	<b>Receivables</b>		
	Consulting Firms	1,753,500	-
	Graduate Engineers	25,431,621	-
	Professional Engineers	1,635,870	-
	Graduate Technicians	1,206,200	-
	Consulting Engineers	42,540	-
		<b>30,069,731</b>	
18	<b>Cash and cash equivalents</b>		
	Cash at bank	17,408,776	39,105,302
	MPESA balances	2,035,837	5,625,158
		<b>19,444,613</b>	<b>44,730,460</b>
19	<b>Fixed income investments</b>		
	Opening bank balance	46,067,422	41,878,683
	Interest accrued	1,514,961	4,188,738
	Liquidation during the year	(47,000,000)	-
	<b>Closing balance</b>	<b>582,382</b>	<b>46,067,421</b>
20	<b>Capital Reserve</b>		
	Opening Balance	47,484,821	47,484,821
	Additions	-	-
		<b>47,484,821</b>	<b>47,484,821</b>
21	<b>Retained Earnings</b>		
	Opening Balance	55,898,503	15,153,389
	Surplus	113,515	40,745,114
	Prior Year adjustment	22,627,920	-
		<b>78,639,939</b>	<b>55,898,503</b>
22	<b>Trade Payables</b>		
	Trade payables	-	626,064
		-	<b>626,064</b>

## 23. 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 13,060,526.60**

### (d) Prior Year Adjustment

The adjustments were recognition of payables as a result of movement from cash basis to accrual basis.

## 24. 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.

The Board overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. The Board has carried out financial risk management survey which is summarized below;

### **Market risk**

#### *Foreign exchange risk*

The Boards currency risk is assessed as low because the Board has no foreign investments and does not operate in foreign currencies

#### *Price risk*

The Boards is lowly exposed to equity securities price risk because it does not have investments in quoted shares that are carried at fair values.

The Board neither trades in debt securities

### **Interest rate risk**

The Board's exposure in risks associated with interest bearing assets include investments in Fixed Deposit accounts. However, this has since been liquidated thus minimizing the impact and magnitude that the Board would have been exposed to as a result.

### **Credit risk**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Board. The Board does not involve itself in lending business therefore the risk is low.

Credit risk also may arise from cash and cash equivalents, fixed deposits, interest bearing investments, deposits with banks and receivables. The risk exposure is also low because the investments in these institutions are minimal.

### **Liquidity risk**

Liquidity risk is the risk that the Board will encounter difficulty in meeting its maturing obligations attributable to the financial liabilities. The Board manages liquidity risk through continuous monitoring of forecast and actual cash flows.

## **25. INCORPORATION/LEGAL STATUS**

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

## 26. SEGMENT REPORTING

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

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Date of transfer	Amount	Cumulative transfers to date
			recognised in capital fund.	
State Department of Infrastructure	15,000,000	30/6/2016	-	Transferred End Of FY 2015/2016 However Not Recognised As Income In Financials Of 2015/2016
State Department of Infrastructure	15,250,000	05/01/2017	-	15,250,000
State Department of Infrastructure	15,250,000	24/05/2017	-	30,500,000
<b>Total</b>	<b>45,500,000</b>			<b>45,500,000</b>

## 27. 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.

## 28. CURRENCY

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

## 29. EVENTS AFTER REPORTING PERIOD

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

### 30. FURTHER NOTES TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

### 31. FURTHER NOTES ON BANK BALANCES

NAME OF BANK	ACCOUNT NAME	BRANCH	AMOUNT HELD
NATIONAL BANK OF KENYA	ENGINEERS BOARD OF KENYA	HILL PLAZA	17,408,775.52
HFCK	ENGINEERS BOARD OF KENYA	REHANI HOUSE	582,381.66

### NATURE AND PURPOSE OF RESERVES

#### CAPITAL RESERVES

Refers to Net value of assets bequeathed by the former Engineers Registration Board to its successor the Engineers Board of Kenya after enactment of Engineers Act, 2011.

#### RETAINED EARNINGS

Refer to cumulative surplus over the years. Included in the capital reserve for accounts of 2016/2017 is a figure for the prior year adjustment in relation to the Boards Receivables where more details is provided for in the notes.

## **PROGRESS ON FOLLOW UP OF AUDITOR RECOMENDATIONS**

All audit issues raised by the external auditor were resolved and concluded during the audit process. There are no audit issues that were carried forward.