

REPUBLIC OF KENYA



*paper laid by,
Leader of Majority
on 3/6/2015*

KENYA NATIONAL AUDIT OFFICE



REPORT

OF

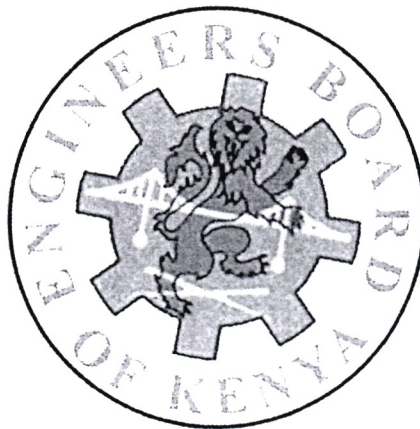
THE AUDITOR-GENERAL

ON

ENGINEERS BOARD OF KENYA

FOR THE YEAR ENDED

30 JUNE 2014



ENGINEERS BOARD OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014**

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

TABLE OF CONTENTS	PAGE
KEY EBK INFORMATION	i
CHAIRMAN'S STATEMENT	vii
REPORT OF THE BOARD MEMBERS	xii
STATEMENT OF FINANCIAL PERFORMANCE	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF CHANGE IN NET ASSETS	3
STATEMENT OF CASHFLOWS	4
STATEMENT OF BUDGET COMPARISON	5
NOTES TO THE FINANCIAL STATEMENTS	6

I. KEY EBK INFORMATION AND MANAGEMENT

(a) Background information

The Engineers Board of Kenya (EBK) was established by the Engineers Act 2011. At the Cabinet level, EBK is represented by the Cabinet Secretary for Transport and Infrastructure who is responsible for the general policy and strategic direction.

The Mandate of the Board is derived from the core functions as set out in the Engineers Act, 2011 and includes:

- Registration of engineers and engineering consulting firms;
- Regulation of engineering professional services;
- Setting of engineering standards;
- Development of the general practice of engineering; and
- Training and capacity development.

(b) Principal Activities

The principal activities of the Board continue to be:

- Registration of all engineers and engineering consulting firms;
- Regulation of engineering professional services;
- Development and implementation of engineering standards;
- Development of the general practice of engineering; and
- Training and capacity development of engineers.

(c) Key Management

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

1. Eng. Nicholas Mulinge -The Registrar/CEO

(d) Fiduciary Management

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

No.	Designation	Name
1.	Registrar/CEO	-Eng. Nicholas M. Musuni
2.	Ag.HumanResourcesManager	-Mrs.Ruth Shakaba
3.	Ag.Registration Officer	-Mrs.Norah Nyaboga
4.	Ag.Administrative Officer	-Mrs.Pauline Mwarabu
5.	Ag.Accountant	-Mr.Samuel Muraguri

(e) Fiduciary Oversight Arrangements

Audit and Finance committee activities

- 1.To monitor the integrity of the financial statements of the board and any formal communication relating to the boards financial performance.
- 2.To review the boards internal financial controls and risk management systems.
- 3.To monitor and review the effectiveness of the boards 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.
- 4.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.
- 5.To develop and implement policy on the agreement of the external auditor to supply non-audit

Parliamentary committee activities

1. 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.
2. 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.
3. 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

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

(f) EBK Headquarters

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

(h) EBKBankers

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

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








(i) Independent Auditors





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

(j) Principal Legal Adviser







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

II. THE BOARD OF BOARD MEMBERS

 <p>1.Eng. Wanjau D. Maina</p>	<p>Chairman DoB:1956 Key Qualifications University of Newcastle Upon Tyne (MSC Public Health Engineering) University of Nairobi BSC (Civil Engineering) Work Experience:34 years experience in the engineering profession</p>
 <p>2.Eng. (Prof.) Francis J. Gichaga</p>	<p>Vice Chairman DOB:1942 Key Qualifications University of Nairobi BSC (Civil Engineering) University of Nairobi MSC (Civil Engineering) University of Nairobi PHD(Civil Engineering) Work Experience:over 45 years experience in the Engineering field</p>
 <p>3.Eng. John K. Mosonik,EBS</p>	<p>DOB:1958 Key Qualifications Herriot watt university MSC(Strategic focus) University of Leicester (MSC-Finance) University of Durham (MBA) University of Nairobi BSC(Electrical Engineering) Work Experience:30years experience as an engineer and other senior managerial positions.</p>
 <p>4.Eng. (Prof.) Harry Kaane</p>	<p>DOB:1953 Key Qualifications University of Nairobi PHD (Electrical Engineering) University of Nairobi MSC (Electrical Engineering) University of Nairobi BSC (Electrical Engineering) Work Experience Over:37Yyears experience in the engineering profession</p>
 <p>5.Eng. Stanley K. Kamau</p>	<p>DOB:1959 Key Qualifications University of Nairobi BSC (Civil Engineering) Work Experience:29 Years experience in the engineering profession</p>
 <p>6.Eng. Abdullahi Samatar</p>	<p>DOB:1963 Key Qualifications University of Nairobi BSC (Civil Engineering) Work Experience 27 Years experience in the Engineering profession</p>
 <p>7.Eng. (Prof.) Bancy Mati</p>	<p>DOB:1959 Key Qualifications University of Nairobi BSC (Agricultural Engineering) University of Nairobi MSC (Land and water management) Cranfield University, UK, PHD (Rural land use and GIS) Work Experience:Over 20years experience in Engineering profession</p>

 <p>8.Eng. Julius M. Riungu</p>	<p>DOB:1950 Key Qualifications University of London,UK BSC(Electrical and electronics engineering) Work Experience:Over 40 years experience in the Engineering profession</p>
 <p>9.Eng Grace L. Onyango</p>	<p>DOB:1980 Key Qualifications University of Northumbria at Newcastle,Bachelor of Engineering(Electrical and Electronic Engineering) Work Experience: over 10 years experience in the engineering profession</p>
 <p>10. Eng.ReubenK.Kosgei</p>	<p>DOB:1949 Key Qualifications University of Nairobi,BSC (Mechanical Engineering) Work Experience:40 years experience in the engineering profession</p>
 <p>11. Eng.Aruna Patel</p>	<p>DOB:1955 Key Qualifications University of Vallabhvidyanagar,India, Bachelor of Engineering (Electrical) Work Experience:28 years experience in the engineering profession</p>
 <p>12. Eng.Gilbert Arasa</p>	<p>DOB:1967 Registrar(1st July 2014-March 2014) Key Qualifications University of Nairobi, BSC (Civil Engineering) Work Experience: Over 20 years experience in the engineering field</p>
 <p>13. Eng. Nicholas M. Musuni</p>	<p>DOB:1979 Registrar/Chief Executive Officer(March 2014-30th JUNE 2014) Key Qualifications University of Nairobi, BSC (Engineering) Work Experience: 10 years experience in the field of engineering</p>

III. MANAGEMENT TEAM

 1. Eng. Nicholas M. Musuni	Registrar/CEO(March 2014-30 th June 2014)
 12. Eng. Gilbert Arasa	Registrar(1 st July 2014-March 2014)
 2. Mrs Ruth Shakaba	Ag. Human Resources Manager
 3. Mrs. Pauline Mwarabu	Ag. Administrative Officer
 4. Mrs. Norah Nyaboga	Ag. Registration Officer
 5. Mr. Samuel Muraguri	Ag. Accountant

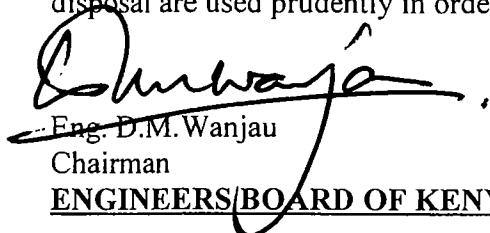
IV. CHAIRMAN'S STATEMENT

The Engineers Act 2011 was enacted by Parliament in the year 2011. The Act was commenced on 14th September 2012 and therefore this marks the second year of the operations of the Board.

The Board has since set out to develop its systems and put up structure that will enable it deliver on its mandate. The Board has a critical role to play in spearheading our Country's aspirations of becoming a newly industrialised middle income country as envisioned in the development blueprint, the Vision 2030.

The Board's vision of "an efficient and safe engineering infrastructure" as well as its stated mission "To ensure production of competent engineers and quality engineering services through regulation, capacity building and enforcing compliance with set engineering standards for improved socio-economic development" will certainly ensure that the Board plays its role in the attainment of Vision 2030 objectives.

The Board is committed to good corporate governance and will ensure resources at the Board's disposal are used prudently in order to derive maximum benefit.


Eng. D.M. Wanjau
Chairman
ENGINEERS/BOARD OF KENYA

V. REPORT OF THE REGISTRAR/CHIEF EXECUTIVE OFFICER

The Board during the year under review carried on with development of systems and structures that would enable and govern the Board's operations in the achievement of its mandate.

This year saw an increase in the registration of engineers in all categories compared to previous years. A total of 770 graduate engineers and 105 professional engineers were recorded. This represents an increment of 9.4% and 154% compared to the previous financial year. The increment can be attributed to the sensitization of employers on the requirement to have persons undertaking engineer's works and services as required in the Engineers Act 2011.

The Ministry of Transport and Infrastructure supported the Board through deployment of key staff and budgetary support.

The Board undertook the following key Consultancy services in the year under review:

- i. Consultancy services for the development of the Board's five (5) year strategic plan
- ii. Consultancy services for the development of graduate engineers internship policy guidelines and manuals
- iii. Consultancy studies for the assessment of engineering manpower needs assessment

The above consultancies were conducted with the assistance of the World Bank through the Kenya National Highways Authority (KeNHA).

The Board also continued with the development of the regulations to the Engineers Act 2011.

The regulations have comprehensively covered the following areas:

- Requirements of registration of engineers and engineering firms (both local and foreign).
- Requirements of registration of accredited checkers.
- Professional training and professional exams.
- Payable fees.
- Accreditation of engineering programmes.
- Continuous Professional Development (CPD) for Engineers.
- Code of Ethics for Engineers.

The regulations are expected to be gazetted in the financial year 2014/2015.

The Board will carry on with establishment of its systems and ensure that procedures are established for the effective delivery of service within the framework of good governance.



Eng Nicholas M. Musuni,

REGISTRAR/CEO

VI. CORPORATE GOVERNANCE STATEMENT

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

The Board is committed to business integrity and professionalism in all its activities and will ensure that processes and procedures developed enhance transparency and accountability whilst taking cognisance of the need for efficiency in service delivery.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

VIII. REPORT OF THE BOARD MEMBERS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the Engineers Board of Kenya affairs.

Principal activities

The principal activities of the Board continue to be:

- Registration of all engineers and engineering consulting firms;
- Regulation of engineering professional services;
- Development and implementation of engineering standards;
- Development of the general practice of engineering; and
- Training and capacity development of engineers.

Results

The results of the entity for the year ended June 30, 2014 are set out on pages 1-5.

Board Members

The members of the Board of Directors who served during the year are shown on page v-vi. The Directors were appointed by the Cabinet Secretary for a term of three (3) years from 12th September 2012 to 12th September 2015.

Auditors

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

By Order of the Board



REGISTRAR

Nairobi

Date: 24/02/2015

IX. STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

Section 89 of the Public Finance Management Act, 2012 and the State Corporations Act; require the Board Members to prepare financial statements in respect of *EBK*, which give a true and fair view of the state of affairs of *EBK* at the end of the financial year/period and the operating results of *EBK* for that year/period. The Board Members are also required to ensure that *EBK* keeps proper accounting records which disclose with reasonable accuracy the financial position of *EBK*. The Board Members are also responsible for safeguarding the assets of *EBK*.

The Board Members are responsible for the preparation and presentation of *EBK*'s financial statements, which give a true and fair view of the state of affairs of *EBK* for and as at the end of the financial year (period) ended on June 30, 2014. 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 *EBK*; (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 *EBK*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board Members accept responsibility for *EBK*'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 Board Members are of the opinion that *EBK*'s financial statements give a true and fair view of the state of *EBK*'s transactions during the financial year ended June 30, 2014, and of *EBK*'s financial position as at that date. The Board Members further confirm the completeness of the accounting records maintained for *EBK*, which have been relied upon in the preparation of *EBK*'s financial statements as well as the adequacy of the systems of internal financial control.

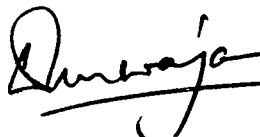
Nothing has come to the attention of the Board Members to indicate that *EBK* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

EBK's financial statements were approved by the Board on 24/02/2015 ~~2014~~ and signed on its behalf by:



Board Member



Board Member

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON ENGINEERS BOARD OF KENYA FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Engineers Board of Kenya set out on pages 1 to 17, which comprise the statement of financial position as at 30 June 2014, the Statement of financial performance, the Statement of net assets and the Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor -General's Responsibility

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

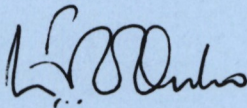
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Board's

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects the financial position of the Board as at 30 June, 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Engineers Act, 2011.



Edward R.O. Ouko, CBS
Auditor-General

Nairobi

20 April 2015

XI. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2014

	Note	2013-2014 KShs	2012-2013 KShs
Revenue from non-exchange transactions			
Government Grants	1	15,972,884	-
Application Fees	2	2,228,620	1,296,500
Annual Subscription Fees	3	12,182,042	10,524,551
Licenses Fees	4	373,000	130,137
		30,756,546	11,951,188
Revenue from exchange transactions			
Finance income-external investments	5	3,117,719	2,831,105
Other income	6	3,180,000	2,208,620
		6,297,719	5,039,725
Total revenue		37,054,265	16,990,913
Expenses			
Administration costs	7	15,848,989	7,635,191
Board Expenses	8	5,372,000	3,562,500
Depreciation (Property, Plant and Equipment)	9	3,359,922	3,359,922
Total expenses		24,580,911	14,557,613
Surplus before tax		12,473,354	2,433,300
Surplus for the period		12,473,354	2,433,300

The notes set out on pages 6 to 17 form an integral part of the Financial Statements

XII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

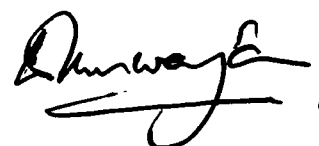
	Note	2013-2014 KShs	2012-2013 KShs
Assets			
Current assets			
Cash and cash equivalents	10	19,204,004	4,596,948
		19,204,004	4,596,948
Non-current assets			
Property, plant and equipment	11	7,194,322	10,554,242
Fixed Interest Investments	12	38,648,149	35,530,431
Total assets		65,046,475	50,681,621
Liabilities			
Current liabilities			
Trade and other payables (Tax Liability)	13	2,655,000	763,500
Total liabilities		2,655,000	763,500
Net assets			
Capital Reserves	14	47,484,821	47,484,821
Retained Earnings	15	14,906,654	2,433,300
Total net assets and liabilities		65,046,475	50,681,621

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Board Members by:

Registrar/CEO



Chairman of the Board



Date

24/02/2015

Date

24/02/2015

**XIII. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2014**

	Attributable to EBK		
	Capital	Reserves	Total
		Retained Earnings	
KShs '000	KShs '000	KShs '000	
Balance at 30 JUNE 2012	47,484,821	-	47,484,821
Surplus/(deficit) for the period	-	2,433,300	2,433,300
Transfers to/from accumulated surplus	-	-	-
Balance at 30 JUNE 2013	47,484,821	2,433,300	49,918,121
Surplus for the period	-	12,473,354	12,473,354
Transfers to/from accumulated surplus	-	-	-
Balance at 30 JUNE 2014	47,484,821	14,906,654	62,391,475

XIV. STATEMENT OF CASH FLOWS

	2013/14	2012/13
		KShs
OPERATING ACTIVITIES		KShs
Cash generated from/(used in) operations	12,473,354	2,433,300
Add Back Depreciation	3,359,922	3,359,922
Tax Accrued	1,891,500	763,500
Less Interest from Investment	(3,117,719)	(2,831,105)
Net cash generated from/(used in) operating activities	14,607,057	3,725,617
INVESTING ACTIVITIES		
Purchase of office furniture & equipment	-	(227,280)
Cash Transfer to HFCK (Deposit)	-	(8,000,000)
Investment to National Bank	-	9,098,610
Net cash generated from/(used in) investing activities	-	871,330
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	14,607,057	4,596,947
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,596,947	NIL
Effects of foreign exchanges rate fluctuations	-	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>19,204,004</u>	<u>4,596,947</u>

X. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Originalbudget	Finalbudget	Actualon comparable basis
	2013-2014	2013-2014	2013-2014
	KShs '000	KShs '000	KShs '000
Revenue			
G O.K Funding	27,000,000	27,000,000	15,972,884
Annual Subscriptions	9,600,000	9,600,000	12,182,042
Applications-Graduates	4,300,000	4,300,000	2,228,620
License Fees	3,400,000	3,400,000	373,000
Other Incomes	459,200	459,200	3,180,000
Finance Income	3,117,719	3,117,719	3,117,719
Totalincome	47,876,919	47,876,919	37,054,265
Expenses			
Board Expenses	(6,000,000)	(6,000,000)	(5,372,000)
Administration costs	(27,420,000)	(27,420,000)	(15,848,989)
TotalExpenditure	(33,420,000)	(33,420,000)	(21,037,328)
SurplusForThePeriod	14,456,919	14,456,919	16,016,937

XV. NOTES TO THE FINANCIAL STATEMENTS

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

EBK'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 EBK and all values are rounded to the nearest shilling. The accounting policies have been consistently applied to all the years presented.

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

In Preparation of these final accounts, EBK has not applied any transitional provisions in any IPSAS.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees

EBK recognizes revenues from fees when the event occurs and the asset recognition criteria are met. 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 EBK 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 EBK and can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

EBK recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to EBK.

Interest income

Interest income is accrued comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

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 EBK. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or EBK 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

EBK is a non-commercial oriented/not for profit regulatory State Corporation and for this purpose, it is exempted from paying corporation tax.

d) Investment property – IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes thereplacement cost of components of an existing investment property at the time that cost is incurred if therecognition 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 ofacquisition. Subsequent to initial recognition, investment properties are measured using the cost model and aredepreciated over a 30-year period.

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

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

e) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Costincludes 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, EBK recognizes such parts as individual assetswith specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its costis 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 isacquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fairvalue.

The annual rates in use are:

Motor vehicles, including motor cycles	25%
Computers and related equipment	33 1/3 %
Office equipment, furniture and fittings	8%

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

f) Intangible assets–IPSAS 31

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

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

g) 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. EBK 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 EBK 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

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

- The debtors or a EBK 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)

h) 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. EBK 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 are 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 labor 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 EBK.

j) Nature and purpose of reserves

EBK creates and maintains reserves in terms of specific requirements. EBK to state the reserves maintained and appropriate policies adopted. The following are the reserves held by EBK

- Capital reserves-which represents capitalised values of assts donated to EBK. eg motor vehicles
- Retained earnings which is a cumulative figure of all surplus made up to date

k) Changes in accounting policies and estimates – IPSAS 3

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

EBK 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 EBK, or vice versa. Members of key management and board members are regarded as related parties

n) 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 our commercial bank at the end of the financial year.

o) Comparative figures

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

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

The preparation of EBK'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.

State all judgements, estimates and assumptions made: e.g

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. EBK based its assumptions and estimates on parameters available when the 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 EBK. 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 EBK
- 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

Q) 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 reflects 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.

r) 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, 2014.

NOTES TO THE FINANCIAL STATEMENTS

1. Grants From National Government

	2013/2014 Shs 000	2012/2013 Shs 000
Recurrent grants received	15,972,884	-
	<u>15,972,884</u>	<u>-</u>

2. Application Fees

	2013/2014 Shs 000	2012/2013 Shs 000
Temporary Engineers	-	220,900
Consulting Firms	1,087,120	-
Consulting Engineers	150,000	60,000
Professional Engineers	256,500	202,100
Graduate Engineers	735,000	797,000
Graduate Technician	-	14,500
Technical Engineers	-	2000
	<u>2,228,620</u>	<u>1,296,500</u>

3. Annual Subscriptions

	2013/2014 Shs 000	2012/2013 Shs 000
Temporary Engineers	2,857,642	3,181,151
Consulting Firms	603,000	-
Consulting Engineers	1,070,500	818,500
Professional Engineers	2,992,300	2,078,500

Graduate Engineers	4,562,400	4,309,600
Graduate Technician	96,200	133,800
Technical Engineers	-	3,000
	<u>12,182,042</u>	<u>10,524,551</u>

4.Licence Fees

	2013/2014	2012/2013
	Shs 000	Shs 000
Engineers Licence	333,000	130,137
Trading Licence	40,000	-
	<u>373,000</u>	<u>-</u>

5.Finance Income

	2013/2014	2012/2013
	Shs 000	Shs 000
Income from fixed account at HFCK	3,117,719	2,831,105
	<u>3,117,719</u>	<u>2,831,105</u>

6.Other Income

	2013/2014	2012/2013
	Shs 000	Shs 000
Other Miscellaneous Receipts	3,180,000	2,208,620
	<u>3,180,000</u>	<u>2,208,620</u>

7.Administration Costs

	2013/2014	2012/2013
	Shs 000	Shs 000
Staff costs (see note 16)	3,475,140	1,198,200
Communication services and supplies	364,485	478,325
Transportation, travelling and subsistence	1,571,532	91,827
Advertising, printing, stationery	6,454,069	1,041,010
Hospitality supplies and services	496,372	410,626
Insurance costs	446,714	-
Bank charges and commissions	2,166	6,538
Sanitary items	314,858	-
Legal fees	1,455,300	2,220,020
Consultancy fees (Workshops	544,550	1,663,842
Repairs and maintenance –Equipments	616,609	524,703
Repairs and maintenance – Motor Vehicle	107,194	-
	<u>15,848,989</u>	<u>7,635,091</u>

8.Board Expenses

	2013/2014	2012/2013
	Shs 000	Shs 000
Chairman Honoraria	960,000	925,000
Cost of Board Meeting	4,412,000	2,637,500
	<u>5,372,000</u>	<u>3,562,500</u>

9.Depreciation Of PPE

	2013/2014	2012/2013
	Shs 000	Shs 000
Depreciation of assets	3,359,922	3,359,922
	<u>3,359,922</u>	<u>3,359,922</u>

10.Bank And Cash Balances

	2013/2014	2012/2013
	Shs 000	Shs 000
Cash at Bank	19,204,004	4,596,948
	<u>19,204,004</u>	<u>4,596,948</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT

2013/2014	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
COST OR VALUATION				
At July 1, 2013	12,556,884.20	245,000.00	1,112,280.00	13,914,164.20
Additions	-	-	-	-
Transfers	-	-	-	-
Disposals	-	-	-	-
At June 30, 2014	12,556,884.20	245,000.00	1,112,280.00	13,914,164.20
DEPRECIATION				
At July 1, 2013	3,139,221.05	81,665.85	139,035.00	3,359,921.90
Charge for the year	3,139,221.05	81,665.85	139,035.00	3,359,921.90
Impairment loss	-	-	-	-
Eliminated on disposal	-	-	-	-
At June 30, 2014	6,278,442.10	163,331.70	278,070.00	6,719,843.80
NET BOOK VALUE At June 30, 2014	6,278,442.10	81,668.30	834,210.00	7,194,320.40

12. Fixed Interest Investments (HFCK)

	2013/2014 Shs 000	2012/2013 Shs 000
Opening Bank Balance	35,530,431	32,199,719
Interest	3,117,719	3,330,712
Closing Balance	<u>38,648,149</u>	<u>35,530,431</u>

13. Trade And Other Payables

	2013/2014 Shs 000	2012/2013 Shs 000
Income Tax Liability	2,655,000	763,500
Trade And Other Payables	<u>2,655,000</u>	<u>763,500</u>

14. Capital Reserve

	2013/2014 Shs 000	2012/2013 Shs 000
Opening Balance	47,484,821	-
Additions during the year	-	47,484,821
Capital Reserve	<u>47,484,821</u>	<u>47,484,821</u>

15. Retained Earnings

	2013/2014 Shs 000	2012/2013 Shs 000
Balance at the beginning of the year	2,433,300	-
Retained earnings during the year	12,473,354	2,433,300
Balance at the end of the year	<u>14,906,654</u>	<u>2,433,300</u>

16. Staff Costs

	2013/2014 Shs 000	2012/2013 Shs 000
Salaries and allowances of permanent employees	1,948,000	532,200
Wages of temporary employees	1,527,140	666,000
Inventories	<u>3,475,140</u>	<u>1,198,200</u>

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

Permanent employees – Management	-	-
Permanent employees – Unionisable	-	-
Temporary and contract employees	21	21
	<u>21</u>	<u>21</u>

17. 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. To this end the board received a grant of KShs15,972,884 from the National Government in the financial year reported.

(b) Employees

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 KShs 5,372,000.

18.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.

19. INCOPORATION/LEGAL STATUS

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

20. SEGMENT REPORTING

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

21.ULTIMATE HOLDING ENTITY

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

22.CURRENCY

The financial statements are presented using the functional currency KShs

23.EVENTS AFTER REPORTING PERIOD

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

XVI. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your EBK responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Registrar/C.E.O

Chairman of the Board

Date.....

Date.....

