

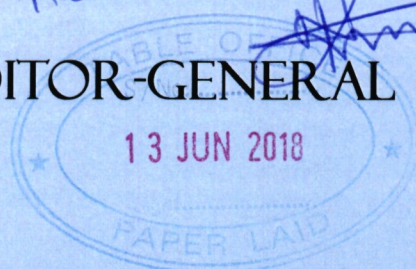
REPUBLIC OF KENYA



Paper Laid 2018
By Hon Wasilahi on behalf of LOMF at Table of the House on 13/6/2018



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REPORT

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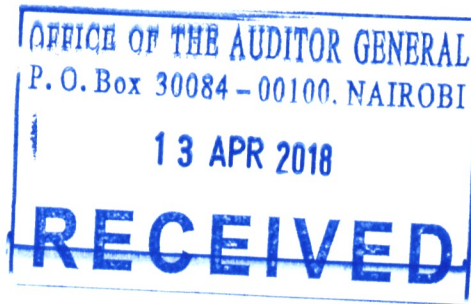
**THE FINANCIAL STATEMENTS OF
HIGHER EDUCATION LOANS BOARD**

**FOR THE YEAR ENDED
30 JUNE 2017**



HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017



HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2017

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

HIGHER EDUCATION LOANS BOARD

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I. KEY BOARD INFORMATION AND MANAGEMENT

(a) Incorporation

The Higher Education Loans Board (HELB) is a statutory body established in July 1995 by an Act of Parliament 'Higher Education Loans Board Act' Cap 213A. It is a state corporation in the ministry of Education. The Board is domiciled and operates within the republic of Kenya. It is governed by Board of Directors and headed by the Chief Executive Officer and Board Secretary who is responsible for general policy and strategic direction of the Board. He the Secretary to the Board of Directors.

(b) Principal Activity

As stipulated in the Higher Education Loans Act of 1995 the objective and the purpose for which Board was established is " for the management of a fund to be used for granting loans to assist Kenyans students to obtain higher education at recognized institutions within and outside Kenya and for matters incidental thereto and connected there with"

Specific Mandates

Section six of the HELB Act states the functions of the Board as follows:-

- Formulate sound policies for regulating the management of the Fund;
- Solicit for funds and other assistance to promote the functions of the Board;
- Set the criteria and conditions governing the granting of loans including the rate of interest and recovery of loans;
- Receive any gift, donation, grants or endowments made to the Board, and to make legitimate disbursements there from;
- Establish and maintain links with other persons, bodies or organizations within or outside Kenya, as the Board may consider appropriate for the furtherance of its purposes;
- Enter into contract with financial institutions for the purpose of loan disbursement and recovery;
- Grant loans out of the Fund either with or without security, as the Board may deem fit, to any eligible person to enable or assist any student, to meet the cost of higher education;
- Determine the maximum number of eligible persons or students to be granted loans in any one particular year;
- Invest any surplus funds not currently required for the purpose of the Board in any investment authorized by law for investment of trust funds with power from time to time to vary or realize those investments;
- With the consent of the minister, to set up and expend such other funds as may from time to time be required;
- Receive and consider all loan applications from eligible persons or students wishing to be considered for the award of higher education loans, and to approve, withhold or reject such

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requests in accordance with the provisions of the Act;

- Borrow such monies from such sources and in such amounts as may be approved by the Minister with the concurrence of the Treasury and to secure such loans in such manner as they deem fit;
- Take insurance cover for risky loans such as death, incapacity or inability to pay, as the Board deems fit;
- Establish and award bursaries and scholarships which it may consider necessary for promotion of the objectives and functions of the Board;
- Perform any other functions relating to the granting of students' loans in accordance with the provisions of the Act;
- Perform and exercise all other functions and powers conferred on the Board by this Act.

c) Key Management

The Board's day to day management is under the following organs

- 1. Board of Directors**
- 2. CEO and Board Secretary**
- 3. Management**

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

- | | |
|--|----------------------------|
| 1. Chief Executive Officer & Board Secretary | Mr. Charles M. Ringera |
| 2. Chief Finance Officer | Mr. Shem A. Gichimu |
| 3. Chief Operations Officer | Mr. Geoffrey O. Monari |
| 4. Chief Strategy and Customer Experience Officer | Mrs. Mary Wachira-Muchee |
| 5. Manager, Human Resource & Administration | Mrs. Madrine Mburu |
| 6. Manager, Finance | Ms. Kerin Lidoroh |
| 7. Ag. Manager, Loan Repayment & Recovery | Mr. Naftal Michira |
| 8. Manager, Lending | Mrs. Esther Michieka |
| 9. Ag. Chief Information Officer | Mr. Josphat K. Nzuki |
| 10. Manager, Legal Services | Mrs. Bernadette N. Masinde |
| 11. Head, Audit Risk Management and Compliance | Mr. Justus K. Mwangi |
| 12. Manager, External Resources & Fund Management | Mr. James Gachari |
| 13. Manager, CC & Customer Experience | Mrs. Wavinya Muigai |

14. Ass. Manager, Procurement & Logistics

Mrs. Phyllis Kipruto

e.) Fiduciary Oversight Arrangements

The key fiduciary oversight committees of the board for the financial year 2016/2017 and their respective functions are outlined as below:

i) Loans Disbursement and Recovery Committee

- To formulate policies for sound management of loan disbursement and loan recovery processes;
- To formulate policies for sound management of the scholarship facility.
- To formulate and recommend for approval the criteria to be used in loan allocation/award;
- To formulate policies and conditions to guide the process of loan waivers.
- To submit to the Board quarterly reports on the activities of the Committee with regard to disbursement and recovery performance;
- To review the Credit management and scholarship policy on a regular basis;
- To hold meetings on a quarterly basis or as may need demands;
- Provide oversight of the risk management framework for controlling credit risks arising from ongoing lending activities in both the undergraduate and postgraduate loan;
- Monitor the loan portfolio quality and, in particular arrears performance
- Perform any other function assigned by the Board.

ii) Finance Staff & General Purpose Committee.

- To review and recommend approval of policies and conditions for sound management of the financial processes and operations;
- To review and report to the Board on the annual audited accounts;
- To review and recommend approval of policies and conditions for sound management of HELB's property and financial investments;
- To formulate policies and conditions for sound management of the HELB Human Resources;
- To formulate policies and conditions for sound management of the HELB Funds;
- To formulate policies and conditions for sound management of the HELB ICT systems;
- To submit to the Board of Directors quarterly reports on the activities of the Committee;

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iii) Audit, Risk Management & Compliance Committee.

- Assist the Chief Executive Officer (CEO) in enhancing internal controls in order to improve efficiency, transparency and accountability in the management of HELB's resources;
- Examine internal and external audit reports and recommendations after management response to ensure action is taken;
- Follow up to ensure positive action is taken to resolve unsettled and unimplemented Public Accounts and Public Investment Committees' (PAC/PIC) recommendations. In this regard, there shall be in place adequate mechanisms of enabling the audit committee facilitate adequate disposal of all PAC/ PIC recommendations;
- Provide oversight on HELB risk management processes;
- Enhance communication between Management, Internal and External Audit and fostering an effective internal audit function;
- Any other duties set out in the Audit committee charter.

(f) Board Headquarters

18th Floor, Anniversary Towers, University Way,
P. O. Box 69489-00400,
Nairobi - Kenya.

(g) Board Contacts

Telephone: (020) 2278000

Cell phone: 0711052000

Email: ceo@helb.co.ke

Website: www.helb.co.ke

 twitter.com/HELBpage

 facebook.com/HELBpage

 Linkedin.com/higher-education-loans-board

(h) HELB Bankers

1. Kenya Commercial Bank Limited,
University Way Branch, Nairobi.
2. Equity Bank Limited,
Equity Centre Branch, Upper hill, Nairobi
3. Citibank Limited,
Upperhill Branch, Nairobi.

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4. Standard Chartered Bank Kenya Limited,
Koinange Street Branch, Nairobi.
5. Co-operative Bank of Kenya Limited,
University Way Branch, Nairobi
6. Barclays Bank of Kenya Limited,
Business Centre, Barclays Plaza, Nairobi
7. Housing Finance Limited,
Koinange Street Branch, Nairobi
8. Family Bank Limited
Family Bank Towers Branch, Nairobi.
9. Chase Bank Limited
Delta Branch, Westlands, Nairobi.
10. Jamii Bora Bank Limited
Koinange Street Branch, Nairobi
11. NIC Bank Limited
Upper hill Branch, Nairobi
12. National Bank Limited
Harambee Avenue Branch, Nairobi

(i) Independent Auditors

The Auditor General,
Anniversary Towers, University Way,
P.O. Box 30084-00100,
Nairobi, Kenya.

(j) Principal Legal Adviser

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

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II. THE BOARD OF DIRECTORS

Board Member	Key Qualifications and Experience
<p>1. D. Ndegwa Wachira – Chairman of the Board</p> 	<p>Mr. Wachira holds a B.Sc from University of Nairobi, M.Sc. (Economics and Business Management) and Postgraduate Diploma in Agricultural Economics both from the University of New England, Australia. He is also a graduate in Finance and Banking from Cornell University, Ithaca, USA where he studied as a Hubert H Humphrey Scholar. His competence lies in Corporate Strategic Planning and Management, Commercial Banking, Financial Modelling, risk & compliance, Economic Analysis and Governance, among other areas of specialization. Mr. Wachira is also a member of the Institute of Directors (Kenya Chapter) and a Fellow of Kenya Institute of Management.</p>
<p>2. Mr. Charles Ringera - Chief Executive Officer</p> 	<p>Mr. Ringera is the Chief Executive Officer of Higher Education Loans Board. He is a seasoned banker with over 20 years' experience gained at the Central Bank of Kenya and other banks. He holds a BSc. degree in Applied Accounting and an MBA in Strategic Management. He is a professional accountant, CPA (K), and a Fellow of the Association of Certified Chartered Accountants (FCCA). He also holds an Advanced Diploma in Risk Management in Banking/Finance by KPMG Sweden. He was born in 1969.</p>
<p>3. Prof. Timothy Wachira – Representing Private Universities</p> 	<p>Prof. Wachira is the Vice chancellor of Daystar University. He has a doctoral degree in Public Health from University of Nairobi. He also served as the Vice Chancellor St Paul's University in 2004 to 2010. He has served as a General Secretary FOCUS, Senior Medical Research Scientist, AMREF, Lecturer University Nairobi and a Senior Research Scientist KARI.</p>




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Board Member	Key Qualifications and Experience
<p>4. Prof. David Some - Chief Executive Officer, CUE</p> 	<p>Prof. Some is the Chief Executive Officer of the Commission for University Education. He holds a PhD from University of Newcastle – upon Tyne, U.K., M.Sc from Cranfield University and B.Sc. (Hons) from University of Newcastle-upon Tyne, UK. He is a former Vice-Chancellor of Moi University and is a member of a number of boards, including the Higher Education Loans Board and Family Bank Limited. He also served as a member and founder Chairman of the Board of Kenya Medical Training Colleges. He was born in 1956.</p>
<p>5. Jacqueline A. Mugo – CEO Federation Of Kenya Employers</p> 	<p>Mrs. Mugo is the Chief Executive Officer, Federation of Kenya employers. She holds a Bachelor of Laws (University of Nairobi) and a Higher Diploma in HRM, Institute of Personnel Management. Her key expertise lies in employee relations and human resources management. She has worked in different capacities including being the resident magistrate, judicial department, Regional Human Resources Operations Manager Unilever Kenya Limited, head of human resources, Kenya Airways limited. She serves as a Board member of Member of Governing Body, ILO, Council Member, Pan-African Employers' Confederation (PEC), Trustee, National Social Security Fund (NSSF) Board of Trustees, Higher Education Loans Board, Labor Advisory Board, National Industrial Training Council and Productivity Centre of Kenya.</p>




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<p>6. Mr. Ezra Magati – Alternate PS State Department of Education</p> 	<p>Ezra holds a Bachelor of Commerce, and Masters of Commerce Business Administration from Mohan Lal Sukhadia, India. He worked as a senior finance officer in the former Local Government Ministry for 15 years until 2006 and later in the EAC, Commerce and Tourism, Trade Ministries. He is currently in the Ministry of Education in the state department for university education.</p>
<p>7. Mr. Charles Onami Maranga – Independent Member</p> 	<p>Charles holds a BA (Hons) Sociology and Government (University of Nairobi) Kenya and a MSC Business Studies – HR Option (University of Salford) United Kingdom. Charles has over 25 years’ experience in Human Resource Management. He has worked as Director HR in KCB and CBK; Head of Human Resources Barclays and Kenya Airways and is currently the CEO/Managing Partner-Human Capital Consultancy LTD (HCMC)</p>
<p>8. Prof. Richard Mibey – Representing Public Universities</p> 	<p>Prof. Mibey is a Kenyan academic, research scientist and university administrator. He holds a BA, Biology from Warren Wilson College, Swannanoa, NC, USA; MSc Biology from Appalachian State University, Boone, NC USA; MSc in Plant Pathology and a D.Ed. in Agricultural Education and Extension (Speciality in Plant Pathology) from Oklahoma State University, Stillwater, OK USA; and a PhD in Mycology from University of Nairobi. He has over 35 years teaching and scholarly experience.</p>

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<p>9. Mr. George K. Gichuru – The National Treasury</p> 	<p>George holds a Bachelor of Commerce (Accounting) and an MBA Finance from the University of Nairobi. He is also a CPA (K) and a member of the Institute of Public Accountants of Kenya (ICPAK). He is a career accountant having worked in various District Treasuries for 17 years. He has also been Head of Accounting Division at the Ministry of Industrialization and Ministry of Public Works. He is the current Head of Accounting Division at the National Treasury</p>
<p>10. Dr. Habil O. Olaka – CEO Kenya Bankers Association</p> 	<p>Habil Olaka is the Chief Executive Officer of the Kenya Bankers Association since October 2010. He holds a first class honors BSc Degree in Electrical Engineering from University of Nairobi and an MBA in Finance from the Manchester Business School in the UK. He is a member of ICPAK and a seasoned banker</p>
<p>11. Mrs. Grace Kemei - Independent Member</p> 	<p>Grace Kemei holds a Master of Business of Administration (MBA) – USIU; Master of Laws Degree - the University of Nairobi; Higher National Diploma in Human Resources Management (IHRM-K); Higher National Diploma in Legal Studies -Kenya School of Law and a Bachelor of Laws (LLB) from the University of Nairobi. She is an Advocate of the High Court of Kenya, a Member, Law Society of Kenya, a Member, Certified Public Secretaries of Kenya CPS (K), a Full member, Institute of Human Resources Management (HRM), a Member of Commonwealth Lawyers Association (CLA) and a Member, Kenya Institute of Management (KIM) She was Group Chief Executive Officer of Sovereign Group Limited. She is currently running a private law practice J.G Kemei & Associates</p>

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III. MANAGEMENT TEAM

MR. CHARLES M. RINGERA - CHIEF EXECUTIVE OFFICER & BOARD SECRETARY



Charles is a seasoned banker with over 23 years' practical banking experience that cuts across all facets of central and commercial banking. He formerly worked as a regulator with the Central Bank of Kenya (CBK) in various capacities, as a bank examiner, Kisumu Branch, Finance, Audit and National Debt. While he was with CBK, Charles was seconded to Deposit Protection Fund Board (DPFB), now Kenya Deposit Insurance Corporation (KDIC) and did statutory and recovery management in a couple of ailing financial institutions namely - Trust Bank, Kenya Finance Bank, Pan African Bank Group, Euro Bank and Delphis (now Oriental) Commercial Bank. Charles moved to Co-operative Bank in 2004 initially as Senior Credit Risk Analyst before being deployed to Enterprise-wide Risk Management as a senior manager to lay foundation for Risk management for the bank as per the Central Bank's Risk Management Guidelines and Basel II Accord.

In 2006 Charles moved to KCB Banking Group as Head, Group Operational Risk & Compliance supporting - Kenya, Tanzania, Southern Sudan, Uganda, Rwanda & Burundi. Charles was central in formulation of the Group's ERM Framework that supported Operational, Credit, Market and Compliance Risk management process across the Group. Charles oversaw the implementation of the Bank's Risk framework across the group through identification, assessment, monitoring & reporting, risk control and mitigation plans enabling the Bank treble profitability with an admirable EPS and enter new markets in all the six East African countries.

He assumed HELB leadership in March 2013 with a focus to converting the organization to a Human Capital development financial Institution (DFI) by restructuring the Institution's capital base and enhance alternative resource mobilization to reorganize the current balance sheet and double it to over USD850m or Kshs. 85Billion supporting at least 40% of students enrolled in higher education by the year 2018 as part of sustainable development goals in education.

Charles holds Bachelors of Science in Applied Accounting and an MBA in strategic management. He is a professional accountant holding a CPA (K) and a Fellow of Association of Certified Chartered Accountants, FCCA. He also holds an Advanced Diploma in Risk Management in Banking/Finance by KPMG Sweden

**MR. SHEM ANDREW GICHIMU – CHIEF
FINANCE OFFICER**



Shem is the Head of Finance. He has over 24 years' experience in the field of finance. He previously worked for the Credit Reference Bureau Africa Limited as the Group Finance Manager. He holds a B.Com [Accounting] from University of Nairobi and an MBA [Strategic Management] from the same University. In addition, he is a Certified Public Accountant of Kenya [CPA-K].

**MR. GEOFFREY O. MONARI - CHIEF
OPERATIONS OFFICER**



Documentation, Lending, Institutional Relations and Debt Management departments since December 2016. He has attended several courses on Credit/Debt Management both locally and internationally, prosecution/investigation among other trainings key to the delivery of his current position. Besides, he is also an ISO 9001-2008 Internal Auditor. He is the patron of HELB Sacco and a trustee of HELB Staff Retirement Scheme. He is a member of the Institute of Directors of Kenya and a Non-Executive Director at the Institute of Economic Affairs. He is an alumnus of the Strathmore Business School Senior Management Leadership Programme. He holds a B. Com degree and Master of Business Administration degree from Jomo Kenyatta University of Agriculture and Technology.

Geoffrey has served the Board in various capacities as an Assistant Loans Officer, Loans Officer and Senior Loans Officer from 1997 when he joined the Board. He has 20 years working experience in various positions at the Board. Geoffrey has been the team leader of the Operations Division which oversees the

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MRS. MARY WACHIRA-MUCHEE - CHIEF STRATEGY AND CUSTOMER EXPERIENCE OFFICER



Mary is the Head of Research Strategy and Planning. She has over 20 years of experience in the field of Finance. She joined HELB at

inception in 1996 as an accountant in charge of Operations. Before joining HELB, she worked in National Housing Corporation from 1990-1996 in various positions up to Senior Accountant (Cost & Management section). She holds a Bachelor of Commerce degree (Accounting option) from the University of Nairobi and an MBA (Finance) from the same University. In addition she is a Certified Public Accountant of Kenya (CPA-K), a Certified Investment and Security Analyst as well as a member of Institute of Investment Professionals of East Africa (formerly Certified Financial Analyst of East Africa).

MRS. MADRINE MBURU - MANAGER, HUMAN RESOURCE & ADMINISTRATION



Madrine is the Human Resource Manager. She has over 20 years' experience in Human

Resources. She joined the Board from the University of Nairobi where she was the Assistant Manager Human Resources and has risen through the ranks to her current position. She holds an MBA (Human Resource) from Kenyatta University and Bachelor of Arts from University of Nairobi. She has attended several key trainings and seminars that are key to her current position. Madrine also steers the HIV/AIDS committee of the Board. She is an active member of the Institute of Human Resources Management.

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MS. KERIN LIDOROH – MANAGER,



FINANCE

Accountant of Kenya [CPAK] and a member of ICPAK. She holds a Master’s Degree in Business Administration (Finance) from University of Nairobi and a Bachelors degree in Commerce (Accounting Option) from Catholic University of Eastern Africa. She has served the Board in various capacities as an Accounts Assistant, Financial Accountant and Assistant Manager, Finance since 1998 when she joined the Board. She previously worked in the hospital and hotel sector.

Kerin is the Finance Manager. She has over 20 years’ experience in the field of Finance and Accountancy. She is a Certified Public

**MR. NAFTAL MICHIRA – AG. MANAGER,
LOAN REPAYMENT & RECOVERY**



Officer and Senior Loans Officer from 1998 when he joined the Board. He has 20 years working experience in various positions at the Board. He has attended several courses on Credit/Debt Management both locally and internationally, prosecution/investigation among other trainings key to the delivery of his current position. He holds a Bachelor of Education degree (Moi University) and Master of Education degree from Catholic University of Eastern Africa and currently pursuing PhD. in Educational Management, Maasai Mara University

Naftal has served the Board in various capacities as an Assistant Loans Officer, Loans

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**MRS. ESTHER NYABONYI MICHIEKA -
MANAGER, LENDING**



Education, where she served as Senior Curriculum Developer and monitoring and evaluating the same at national level. She conducted research and evaluation on curriculum in African regional level. At the Board, she has risen through the ranks from being Loans Inspector, Senior Loans Inspector, Senior Loans Recovery Inspector, and Recovery Manager.

Mrs. Esther Michieka has attended professional courses in various fields. She is a professional counselor. She holds an M.A degree from the University of Nairobi, a Bachelor of Education degree and a Postgraduate Diploma in Education from the same University

Esther is the Lending Manager. She has over 20 years' experience in the field of education. She joined the Board from Kenya Institute of

**MR. JOSPHAT NZUKI - AG. CHIEF,
INFORMATION OFFICER**



Technology practice spanning key areas of Data Analysis, Systems Analysis and design, Software Development, Database Administration, policy formulation, ICT infrastructure and security Management. He joined the Board from the Bidco (K) Ltd whereas the data and systems analyst he has been instrumental sustaining the growth of ICT agenda at HELB. He holds a B.Sc. Information Sciences (IT) from Moi University ,Oracle DBA certifications, CCNA, WEB development and He is Currently finalizing his research for his Master of Science Information Systems degree (MIS) University of Nairobi. He is a fellow of the Computer Society of Kenya.

Josphat K. Nzuki is the Acting ICT Manager. He has over 20 years' experience in Information

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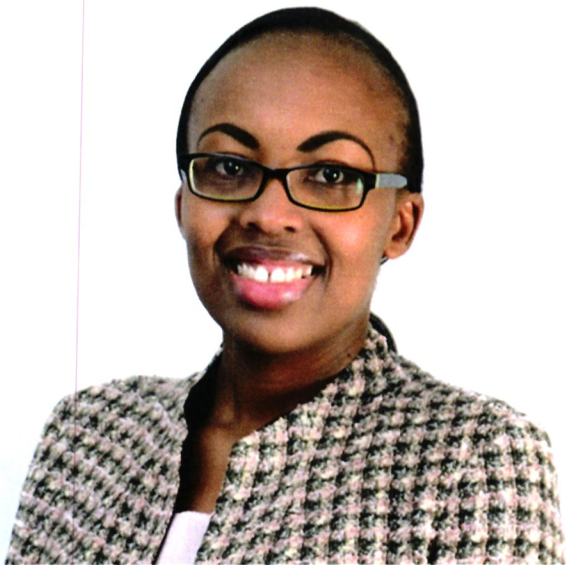
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**MRS. BERNADETTE N. MASINDE -
MANAGER, LEGAL SERVICES**



Bernadette is the Legal Services Manager. She holds an LLB (Hons) from the University of Nairobi, a Diploma in Law from the Kenya School of Law and is currently pursuing LLM (Commercial Law option). She is a Certified Public Secretary (K). She is a member of the Law Society of Kenya and the Law Society of East Africa. She has post qualification experience of over 20 years. Prior to joining HELB, she worked with FIDA and ICJ before joining private law practice. She joined HELB as a Legal officer and progressed to the current post of Legal Services Manager. She has spearheaded and manages the legal function of the Board.

**MRS. WAVINYA MUIGAI - MANAGER,
CORPORATE COMMUNICATION &
CUSTOMER EXPERIENCE**



Wavinya is the Board's Corporate Communication and Customer Experience Manager. She joined the Board from KCB where she worked as a Customer Service Manager, Brand Marketing Manager for differentiated products as well as the Retail Service Experience Manager focusing on customer experience in KCB Kenya Branches. She also worked as an Account Manager and Assistant General Manager with the Marriott hotels. She therefore joins the Board with solid experience in customer experience and communication. She holds a MSc. Management [Friends University, Wichita KS USA] and a BSc Hotel Management [USIU-A]. She is also an active member in the Institute of Customer Service [ICS] - Kenya

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MR. JUSTUS K MWANGI - HEAD OF INTERNAL AUDIT, RISK MANAGEMENT AND COMPLIANCE



Justus is the Board's Head of Internal Audit, Risk Management & Compliance. He joined the Board from the National Gender & Equality Commission where he was the Head of Internal Audit. He also worked as an Internal Auditor with the Ethics & Anti-Corruption Commission (EACC) and Financial and Information Systems Auditor with the Kenya National Audit Office (KENAO). He holds MBA Finance (UoN), BA AGBM [Egerton University], CPA (K) and CISA. Justus is an active member of ICPAK and ISACA.

MR. JAMES MAINA GACHARI - MANAGER, EXTERNAL RESOURCES & FUND MANAGEMENT



where he was Investment Manager specializing Investment Accounting and Management. He also worked as Accountant – Pensions & Life with Madison Insurance Company Limited and Investment Officer with Madison Asset Management Services Limited. He joins the board with a wealth of experience in Fund Management. He holds MBA Finance [USIU - Africa], BA Economics [UoN] and CPA (K). James is an active member of ICPAK and is currently pursuing post graduate degree in Entrepreneurship at Jomo Kenyatta University of Agriculture and Technology [JKUAT].

James is the Board's Fund Manager. He joined the Board from CPF (formally Local Authorities Pension Trust (LAPTRUST))

MRS. PHYLLIS J. KIPRUTO - ASST. MANAGER PROCUREMENT



Phyllis is the Assistant Manager Procurement. She joined HELB from the Postal Corporation of Kenya where she worked as Assistant Manager Procurement. She holds a Bachelor of Science degree from Egerton University and a Diploma in Purchasing & Supplies Management from the Kenya Institute of Management (KIM). She is a licensed supplies practitioner and a member in good standing of the Kenya Institute of Supplies Management (KISM). She has a post qualification experience of 27 years in Procurement, Stores and Disposal management and has spearheaded and manages the Procurement, Stores and Disposal functions.

IV CHAIRMAN'S STATEMENT



Gaining Momentum in Higher Education

According to Sustainable Development Goal (SDG) 4 there is need for holistic and lifelong approach in dealing with all levels of education from pre-school to higher education. This goal requires that the interrelations in these levels of education need to be considered when formulating and implementing the education policies and programmes. This is the reason why the Higher Education Loans Board (HELB) is always at the forefronts in ensuring increased access and equity to Post-secondary education by providing financial facilitation through Loans, Bursaries and Scholarships to Kenyans enrolled in institutions of higher learning.

At the same time, the African Union Agenda 2063 Aspiration 6, number 57 designates that youth unemployment will be eliminated, and Africa's youth guaranteed full access to education, training, skills and technology, health services, jobs and economic opportunities, recreational and cultural activities as well as financial means and all necessary resources to allow them to realize their full potential. In the Kenyan Vision 2030, education is prescribed as a key target and enabler under the Social Pillar which emphasizes on social protection and development. Subsequently, the Government continues to invest heavily in the education sector in line with these objectives. To enable the government achieve Vision 2030 there is need to have the right skills and this is the reason why the government continues to lay more emphasis on Technical and Vocational training (TVET) to enhance skill development for national human resource availability, job creation by preparing young entrepreneurs as well as ensuring that the middle level economy is sustained. HELB continues to facilitate this goal by providing financial facilitation in form of loans and bursaries to Kenyans enrolled in TVET institutions.

Higher Education in Kenya

The ongoing education sector reforms are aimed at improving quality and relevance in our education systems to ensure that the skills acquired by the graduate are value adding to the economy. These reforms are reflected in the ongoing streamlining of curriculum at all levels of education as well as improve the management of the examinations. The first fruits of these reforms were observed in the 2017 Kenya Certificate of Secondary Education (KSCE) results which saw a decline in the number of students who attained a mean grade of C+ and above from 165,766 in 2015 to 88,000 in 2017. All the qualifying students in 2017, were admitted into the public and private universities under the government sponsored programmes while the majority of those attaining a mean grade of C and below were expected to be admitted into the TVET institutions for diploma courses to enable them provide the much needed technical skills for the growth of the economy as stipulated under Vision **2030** objectives. Access to higher education is viewed as the key weapon of getting out of the poverty trap as well as improved individual standards of living

To ensure that the country does not lose the potential of the youth who are not admitted to the universities, the government has continued to allocate resources for TVET student loans and bursaries which are managed by HELB. This heavy investment in education is imperative so as to develop skilled and employable human capital. HELB, through the mandate assigned to it by the Government has remained focused for the last twenty two (22) years on providing financial interventions to an increasing number of youth pursuing higher education. Today, the country boasts of over **600,000** students enrolled in our public and private universities in addition to over **100,000** students enrolled in TVET colleges bringing the total number of students enrolled in

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institutions of higher learning to over 700,000. In 2016/2017, HELB financed a total of 227,399 students at a cost of Kshs.10.1 Billion compared to 197,436 students financed in 2015/2016 at a cost of Kshs.8.03 Billion. However, HELB is currently only able to finance a third of the students enrolled in institutions of higher learning due to financial constraints.

Board Performance

The financial year 2016/2017 marked the fourth year of implementing the 2013-2018 strategic plans. Despite the macro-economic challenges, the Board recorded an appreciable implementation level of 74% of the targeted activities for the period. Loan recoveries recorded a new high of Kshs.4.06 Billion.

Four years ago the government transferred the management of the TVET bursary to HELB due to the elaborate infrastructure that the Board has put in place in management of student financial aid. In 2016/2017 financial year, the government increased funding for TVET students to Kshs.900 Million up from Kshs.300 Million in 2015/2016 to be disbursed as loans to students in TVET institution that are under the Ministry of Education. HELB is committed to continuously create the awareness of the funding availability for students in TVET programmes in order to play the role of enhancing the completion rates in tertiary colleges. We as a Board will continue engaging the Government and development partners for more funding so that all needy students are adequately financially supported to enhance the enrollment and the completion rate from these TVET institutions.

To ensure that all critical skills required in our economy are available and taking into consideration the competing demand for exchequer funding from other basic necessity of our nation including and not limited to health, basic education and security, we have commenced discussing with players in various sectors to partner with us and establish a sustainable revolving fund key among them Accountancy, Medical, Oil & Gas, Aviation and Power sector. This is anchored on one of the pillars in our strategic plan on resource mobilization to supplement the exchequer allocation which has continued to grow at a lower rate than the growth of loan demand due to increase in the number of students enrolled in institutions of higher learning and the continued increase in fees charged by the institutions as well as increased cost of living. Other ongoing discussions have been with the County Governments, Constituency Development Funds, Corporate foundations, donors and individuals. These efforts are aimed at creating sustainability in higher education financing. The discussions are bearing positive fruits and remain a key focus area for the Board in the coming years.

Embedding Corporate Governance

The Higher Education Loans Board continues to play its role as a leader in financing higher education in Kenya and beyond. To this end, the Board has put in place committees of the Board of Directors and Management to spearhead effective delivery of its mandate. These committees are the Audit, Risk Management and Compliance, Loans Disbursement and Recovery, Finance, Staff and General Purpose committees. These committees are important to the Board as they ensure attention remains focused on critical aspects of its function in fulfillment of its mandate and thus ultimately contribute in meeting both our objectives and our customers' expectations without interfering with or impeding the operation of the organization.

Future Outlook

The HELB Act CAP213A which was enacted in 1995 has been found insufficient in the transformation journey of HELB to a Development Financial Institution (DFI) as recommended by

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the Presidential Taskforce on Parastatal reforms. To facilitate these reforms the Board is in the process of reviewing its Act.

In conclusion, I wish to take this opportunity to appreciate support from the Government of Kenya, fellow Directors, staff and management, customers, our funding partners and all stakeholders for their support during the year under review. The Board shall remain committed to transforming the lives of Kenyans by providing affordable loans to Kenyans who are pursuing higher education as a key weapon to confront the challenges of poverty.



D. Ndegwa Wachira
Chairman, Board of Directors

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V. REPORT OF THE CHIEF EXECUTIVE OFFICER



Macro-Economic Overview

Kenya's GDP growth is projected to decelerate to 5.5%, a 0.5 percentage point mark down from the 2016 forecast, according to the World Bank's Kenya Economic Update (KEU). Consistent with its robust performance and economic resilience in recent years, the economic growth in Kenya was solid in 2016, coming in at an estimated 5.9%—a five-year high. This has been supported by a stable macroeconomic environment, low oil prices, earlier favorable harvest, rebound in tourism, strong remittance inflows, and an ambitious public investment drive.

Nonetheless, Kenya is currently facing headwinds that are likely to dampen GDP growth in 2017. Firstly, the ongoing drought which has led to crop failure, dying herds of livestock, and increased food insecurity. Further, with hydropower being the cheapest source of energy in Kenya, poor rains increase energy costs, their effects spilling over to other sectors. The rise of in food and energy prices drove inflation to a five-year high of 10.3% in March 2017. Secondly, Kenya faces a marked slowdown in credit growth to the private sector. At 4.3%, this remains well below the ten-year average of 19% and is weighing on private investment and household consumption. Thirdly, as a net oil importer, the rise in global oil prices compared to the lows of 2016 has a dampening effect on economic activity. Fourthly the upcoming general election later in 2017 will continue to have an impact on direct foreign investment that will compromise the ability of the economy to create jobs which in effect will compromise HELB's efforts in loan recovery. However, in the medium term, economic growth is projected to rebound to 5.8% in 2018 and 6.1% in 2019, consistent with Kenya's underlying growth potential.

But while the medium- to long-term outlook appears favorable, Kenya's economy remains vulnerable to downside risks. These include potential for fiscal slippages, a more prolonged drought in 2017, and external risks from a weaker than expected growth amongst Kenya's trading partners, as well as uncertainties related to US interest rate hikes and the resultant stronger dollar.

in a New Year Corporate plan.

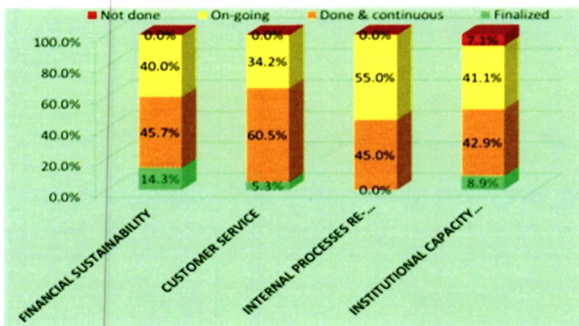
Finishing strong on implementation of the 5 Year Corporate Plan 2013 - 2018

The 5 year Corporate Plan comes to an end in years' time ie 2018. The HELB Strategic Plan 2013 - 2018 (Revised) is in the 4th (fourth) year 2016/17 of its implementation to attune to current micro and macroeconomic/education developments. 56.4% of the strategic plans had been achieved while 40.9% of the activities were ongoing and rolled into the final year. Overall 97.3% of the activities were completed and ongoing leaving only 2.7% of the strategies as un-done. We remain focused on completing the plan by the end of 2017/18 financial year to usher



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The table below shows the implementation status for activities as at 30th June 2017. The highlights being;

1. An overall finalization rate of 8.1% (12 out of 149) of the activities planned has been achieved as at 30th June 2017
2. Activities that are done and recur every financial year are 48.3% (72 out of 149)

3. Activities that should have been started, have passed their completion dates, but are yet to be concluded are 40.9% (61 out of 149)
4. Activities that have passed their completion dates and are yet to be started are 2.7% (4 out of 149)
5. Based on this premise, the cumulative achievement of the strategic plan in the last 4 years is rated at 56.4%.

The main activities not done are under Institutional Capacity & Corporate Governance

All other activities are one course and all efforts are being made to finalize the ongoing ones by end of plan period-June 2018

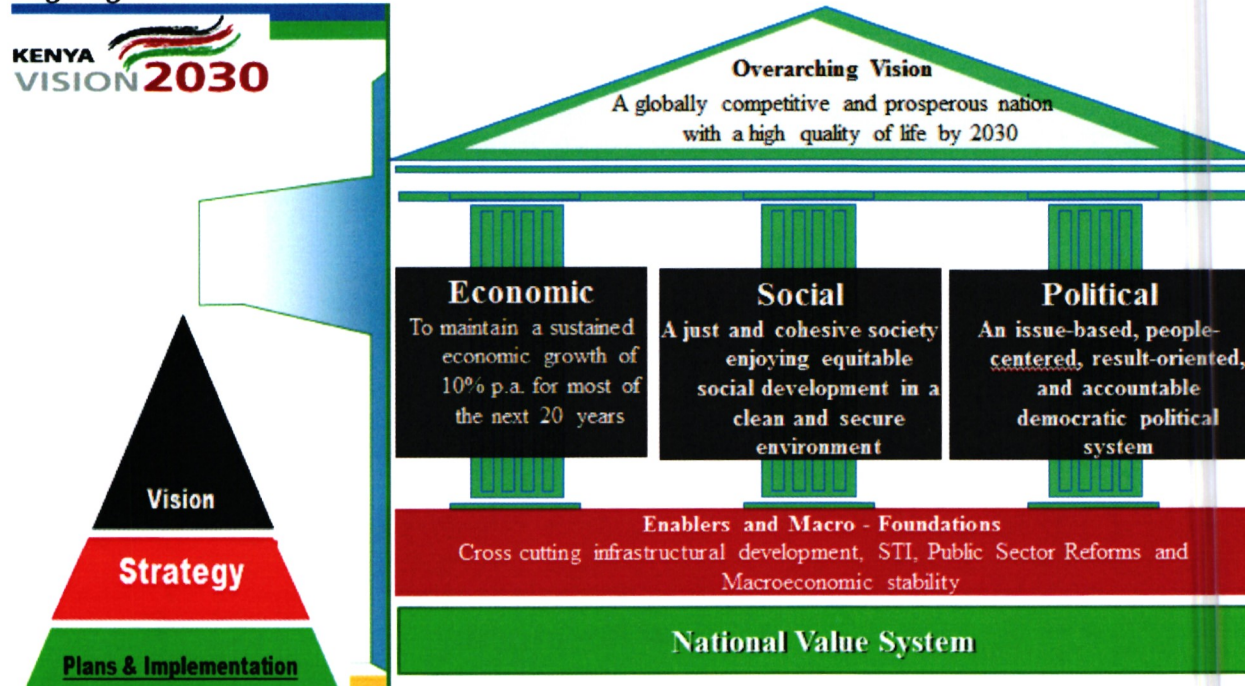
Performance highlights

HELB Funding has grown year on year from GoK allocation from Kshs 700M in the financial year 1999/2000 to Kshs. 6.6B during the financial year 2016/2017 in addition to significant growth in terms of loan recoveries from Kshs 391.9M in the financial year 1999/2000 to Kshs. 4.06 Billion during the financial year 2016/2017. The government continues to be stretched in financing higher education with more than 67,750 students joining university in 2016/2017 up from about 57,000 the previous year and another 35,000 were placed in Technical Vocational and Entrepreneurship Training (TVET) institutions, putting pressure on the Board finances. The Board projects that over the next three years, the population of students seeking its help will nearly double from 19 per cent to 36 per cent by 2018. Effectively, the financing budget is projected to increase nearly threefold from Kshs 5.4 Billion in 2013 to Kshs 19 Billion by 2018.

It is important to note that adequate financing of higher education can only be achieved if meaningful collaborations are established between all the major stake holders among them the government, through the Ministry of Education, Science and Technology, parents/guardians, students, employers and institutions of higher learning as well as other financiers of higher education. HELB therefore commits to playing a central leadership role in the provision of sophisticated hybrid funding models that ensure that access to educational opportunities is not hindered by economic circumstances.

The year under review saw an increase of 18% as HELB financed a total of 227,399 students at a cost of Kshs.10.1 Billion compared to 197,436 students financed in 2015/2016 at a cost of Kshs.8.03 Billion. 34,673 of total number of these students financed were assessed as being extremely needy, and in addition to the loan, they were awarded bursary totaling to Kshs.237 Million. The Board continues to focus on this segment from economically challenged background as a social intervention mechanism.

Aligning HELB to Vision 2030



Following the adoption of the SDGs, some informed opinions and concerns are emerging that by 2030, i.e. the timeline for the achievement of the SDGs, the performance of African Countries could be as wanting as were reported for the Millennium Development Goals. Governments have a crucial responsibility for driving the implementation of the post-2015 SDGs' in their respective countries; but other stakeholders must also champion the agenda to ensure the realization of the development objectives. In particular, it observed that virtually all the SDG'S 169 targets require practical accomplishments that are heavily dependent on adequate availability and application of *skilled technical manpower*.

Any country that intends to make a breakthrough in industrialization and technological development must begin by ensuring that it has a critical mass of well qualified technologists and engineers. The broad engineering profession is typically considered to be comprised of five cadres of staff, namely; engineer, technologist, technician, crafts-people and artisan. For the effective execution of the engineering function within an economy, it is important that each of these cadres is represented in appropriate proportions. For most developed countries the ideal ratio for the four categories of professional is 1:2:4:16.1. For a typical developing country however, it is considered that the more realistic ratios would be 1:3:12:60

As an implementation agent of Government of Kenya, HELB has made specific initiatives as contributions towards facilitating the production of the requisite technical manpower for successful implementation of the post-2015 development agenda in the member countries. The Board continues to offer loans and bursaries to TVET college students to ensure that they become institutions of choice and for them to gain practical skills that will enhance their chances of gainful employment. To this end a total of 21,060 students from over 100 TVET institutions under the Ministry of Education, Science and Technology were financed to the tune of Kshs.615 Million for loans and Kshs.100 Million for bursaries compared to 2013/2014 where 6,236 students with loans amounting to Kshs.110.6 Million and bursary amounting to Kshs. 51.9 Million were funded.

TVET – Healthcare Workers

On a TVET sector specific, a supply shortage was identified in the Health care workers. In the last four years through seed funding from USAID and other partners, the Board commissioned the *Afya Elimu* loan product

through a sophisticated funding mechanism structured around Public-Donor-Private Sector syndication. In conjunction with Intra health International (management arm of USAID) and Private Sector, HELB structured a revolving loan product to finance medical students at Kenya Medical Training Colleges and Faith Based health training institutions. This is aimed at addressing the urgent need of trained technical personnel to support the health sector.

In the year 2016/2017, 3,277 needy first time applicants, were awarded loans at a total cost of Kshs.285 Million financed jointly by Intra health, under FUNZO Kenya; HELB, Rattansi Education Trust, I &M Bank and Family Bank Group Foundation. To date a total of 13,400 health care graduates have been funded under the *Afya Elimu* Fund at a total cost of KShs.602 Million.

Skills Enhancement to Employed Human Resources

The continuing education loan programme that caters for salaried students in the undergraduate and post graduate recorded disbursement to 1,943 students at a total value of Kshs.219 Million. The Board is pursuing a Multi-pronged approach to share up this portfolio particularly with the coming on board the Government of Kenya Training Revolving Fund (Kshs. 162.5M) for Civil servants and also the Kenya Revenue Authority Staff Training Revolving Fund (Kshs. 20M) that HELB is now managing.

As part of a corporate social responsible organization, HELB awarded a total of 99 students' scholarships worth Kshs.28.3 Million with Sixty Five (65) beneficiaries from the Masters' programme and thirty four (34) from the PHD programme.

Funding HELB

The total budget for the year amounting to Kshs.11.6 Billion was financed from two major sources namely the Exchequer allocation – Kshs. 6.6 Billion and loan recoveries – Kshs4.0 Billion accounting for 60% and 37% respectively, while the balance of 3% was financed from other sources including interest from investment income, miscellaneous income and devolved funds mainly from the constituencies. Consequently with increase in student lending portfolio of Kshs 10.0 billion, the Balance Sheet grew from Kshs.50.9 Billion in 2015/2016 to Kshs.59.1 Billion by close of 2016/2017 representing a 16.1% growth.

Positioning Alternative Resource Mobilization as a key strategic driver

Despite the growth in HELB's performance witnessed over time, the increased demand for higher education and its corresponding funding has not been matched by availability of resources from the traditional source that is the national government. This funding gap has driven HELB to source for funds outside the National Treasury as well as seek partnerships that will ensure sustainability for the already available alternative sources of higher education financing outside of scholarships and bursary schemes. The Board in its five year corporate strategy then crafted a pillar on alternative resource mobilization to restructure the balance sheet and balance out the portfolios. This achievement entrenches the organization's posture as an able steward of managing public, devolved, institutional, donors and individual funds on a revolving basis given the experience and tenacity the Board has acquired over time. To this end the Board has received Kshs. 40M from

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Kakamega County Education Revolving Fund, Kshs.27Million from Busia and Kshs.20 Million, 15.3 Million, 3.4 Million, 9 Million, 10.8 Million, 2.5 Million, 2.8 Million and 2 Million from Taita Taveta, Digital Divide Data, St Kizito VTI, Igembe North, Karachuonyo, Awendo, Tigania West and Tinderet Constituencies' Education Revolving Funds respectively.

Driving Loan Repayment Culture

In its strategic posture, HELB realized from the onset that disbursements should be matched by energized and effective loan collection strategies and tactics for effective mandate delivery. Despite a challenging economic environment, HELB relationship building continues to transcend employers and loan beneficiaries of its products to honor their obligations through timely loan repayment. This is a major strategic focus within the strategic pillar which guarantees the future success and sustainability of the National Education Revolving Fund will be hinged on the ability and willingness of its loan recipients to repay their loans in order to effect the desired socio-economic dividend. The Board is building a strong emotional culture of Loanees caring for future generations through the establishment and consolidation of a consistent, reliable and dedicated loan repayment culture. To this end, the Board recorded another stellar performance on loan recovery from past beneficiaries growing at annual average of 5% year on year since 2010/2011. During the year under review a total of Kshs.4.06 Billion was recovered compared to Kshs.3.90 Billion recovered in the previous year being an increase of 4%.

Our ethos are based around a culture of caring for future generations higher educational needs through a loan repayment principle

The foundation of our strategic plan is based on working towards provision of a memorable and delightful experience for all our customers. The Board is keen to drive strategic focused activities as a road map to achieving the noble goal of transforming the lives of Kenyans.

Achieving a First Class Customer Experience

The foundation of our strategic plan is based on working towards provision of a memorable and delightful experience for all our customers. The Board is keen to drive strategic focused activities as a road map to achieving the noble goal of transforming the lives of Kenyans.

Investing in Technology

We live in a digital space. The Board has implemented an integrated Enterprise Resource Planning (ERP) system so as to improve ease of doing business, expand our service outreach by investing in technology infrastructure as well as enable Self Service compliance certificate processing for corporates (SAGAs)

Increasing Customer Touch points

In order to bring the convenience of HELB services closer to our customers spread across the country, through the Ministry of Devolution and Planning's Huduma centers across the country, HELB is represented offering comprehensive services in 25 Huduma Centres based on justifiable traffic.

In addition to the Customer Experience Centre on the Ground Floor at Anniversary Towers, the Board has a Student Service Centre on Mezzanine One [M1] at Anniversary Towers complete with Electronic Queue Management in order to serve students better thereby reducing lift traffic whilst decongesting customer access on 18th Floor.

Enhancing Electronic Disbursements

The Board is deliberately pursuing efficiency in funds disbursement that also creates a higher financial discipline among our key customers. The Board in



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collaboration with various banks commenced implementation of student smart card. The card introduces sophisticated applications and utilization of funds and also acts as a University identification card. The card has 3 e-wallets, the tuition wallet will be swiped at the university cashier's POS while the upkeep wallet can be used at the student cafeteria, supermarket, cashed at the ATM and includes the possibility of transferring to other payment channels like M-PESA. This in turn translates to more efficient disbursement system and accountability. Over ten universities have implemented the Smart Card system.

Following our customers into digital space

Consistent communication and engagement with our stake holders remains a fundamental aspect that ensures feedback for service delivery improvement. The Board has therefore conceptualized a comprehensive digital media strategy with regards to our presence on social media platforms such as Twitter, Facebook, Linked in and Web chat. The Board has also partnered with Maisha Edu to introduce a financial literacy awareness program for loan applicants with the aim of imparting knowledge in the management of personal finance and making informed decisions especially with regard to student loans.

Sound Corporate Governance

In 2015, the government launched the Mwongozo Code of Conduct for State Corporation Boards. HELB remains committed to the Mwongozo Code of Conduct through excellent participation on Strategy, policy direction and general matters reserved for the Board of Directors. Additionally, HELB aims at improving the welfare of human capital through Balance Score card based performance evaluation as well as building resilient structures with appropriate staffing to support new business lines in the future.

Appreciation

In conclusion, I wish to take this opportunity to thank all the employees for their dedication as well as show appreciation to the Board of Directors and all our stakeholders who supported us throughout the year. It is my sincere hope that we continue working together to achieve the shared purpose of empowering the dreams of Kenyans through financing higher education. HELB therefore plays a very important role in ensuring that the funds available from all these stakeholders are allocated to the most deserving cases as we seek to establish a sustainable National Revolving Fund for financing higher education now and in the future.



Charles Ringera
Chief Executive Officer

Tailoring our service offering by leveraging on technology to provide transparent and near real-time communication based on customer preferences remain key in driving customer centricity for the Board

VI. CORPORATE GOVERNANCE STATEMENT

At HELB, the Board of Directors and Senior Management are committed to the highest standards of Corporate Governance and business ethics. We consider this to be critical to business integrity and to maintaining stakeholders trust. We foster a culture that values and rewards the highest ethical standards and personal and corporate integrity. HELB expects its directors, employees and suppliers to act with honesty, integrity and fairness. Recognising that good corporate governance is key to the enhancement of our business performance, the Board of Directors seeks to discharge its duties and responsibilities in the best interest of the organisation, its shareholders, stakeholders and the wider community. Our corporate values are entrenched in our strategic and business objectives and are focused on transformation and accelerating growth for the benefit of all stakeholders.

Ultimately, the Board determines strategic objectives, values, key policies and procedures in accordance with the law and best practice.

1. Ownership

The Higher Education Loans Board (HELB) was established in July 1995 by an Act of Parliament 'Higher Education Loans Board Act' Cap 213A. It is headed by the Chief Executive Officer and Board Secretary who is responsible for implementation of the Board policy decisions and the day to day operation of the organization.

2. Constitution, Appointment and Retirement Board of Directors

Boards of Directors are appointed by the Cabinet Secretary for Education except the Chairman who is appointed by the President. The membership of the board of directors is as follows:

- a) Chairman;
- b) Principal Secretary, Ministry of Education Science and Technology;
- c) Principal Secretary, The National Treasury;
- d) A Vice Chancellor of one public university to represent all the other public universities;
- e) A Vice Chancellor of one private university to represent all the other private universities;
- f) The Chairman, Kenya Bankers Association;
- g) The Chief Executive Officer, Federation of Kenya Employers;
- h) The Chief Executive Officer, Commission for University Education.
- i) Two Independent Members from the Public;
- j) The Chief Executive Officer, who is the Secretary to the Board;

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On appointment, the newly appointed member is facilitated to undergo induction process covering the business of the organization by availing relevant information. Structured training is also offered. The Board of Directors retire at the expiry of the appointment contract or when appointed to the other government offices that could conflict with interest.

Board of Directors in 2016/2017

Name	Role in the Board	Date of Appointment	Date of Retirement
Mr. David N. Wachira	Chairman Board of Directors	09/05/2016	09/05/2018
Mrs. Jacqueline Mugo		15/02/2016	15/02/2021
Dr. Timothy Wachira	Chairman, Loans Disbursement & Recovery Committee	15/02/2016	15/02/2021
Prof. David Some		15/02/2016	01/04/2017
Mr. Habil Olaka	Chairman, Audit, Risk Management & Compliance Committee	15/02/2016	15/02/2021
Prof. Richard Mibey		15/02/2016	20/11/2016
Ezra Magati		15/04/2016	15/04/2021
George Gichuru		15/02/2016	15/02/2021
Charles Maranga	Chairman, Finance, Staff & General Committee	15/02/2016	15/02/2021
Grace Kemei		15/02/2016	09/01/2017
Mr. Charles M. Ringera	Chief Executive Officer HELB		

3. Responsibility of Board of Directors

The Board is responsible for overall conduct of HELB's business and has the powers, authority and duties vested in it by and pursuant to the Higher Education Loans Board Act and other relevant Laws of Kenya. It provides strategic direction with focus on consistent business performance in an atmosphere of transparency and accountability whilst also reviewing and monitoring proper corporate governance. Without prejudice to the general responsibilities, the Board is ultimately responsible for providing policy guideline specifically on;

- a. The Mission and Vision of the Board;
- b. Promoting the aims and objectives of the Board;
- c. Setting strategic directions for the Board;
- d. Performance management of the CEO;

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- e. Oversight of management;
- f. Setting and monitoring broad budget and planning framework, ensuring that the Board's finances are sound and taking major financial decisions;
- g. Setting and critically monitoring Board policy and risk management;
- h. Fund raising and resource mobilization.

4. Remuneration of Board of Directors

The Board Directors, other than the Chief Executive Officer do not receive a salary. They are however paid attendance allowance for every meeting attended at the rate of **Kshs. 20,000** per meeting. In addition to the attendance allowance, the Chairman of the Board receives monthly honoraria of **Kshs. 80,000** per month.

5. Board of Directors Committees & Meetings

It is the responsibility of the Chairman and the Board Secretary to originate the annual programme and agenda for the meetings. The CEO is the Secretary to the Board but the Higher Education Loans Board Act grants authority for delegation. Mwongozo Code of Governance for State Corporations has provided guidance to the effect that there is need to separate the role of the Board Secretary from that of the CEO.

The meetings of the Board are held at least once every quarter in a calendar year. The meetings are structured to allow open discussions. All agenda items have comprehensive briefing papers which are circulated seven days before the meeting. This assists the Directors to maintain full and effective control over strategic, financial, operational, compliance and governance matters. In addition to the Board meetings, there are a number of other meetings that are held to address specific matters as and when need arises. In order to facilitate the smooth running of its affairs, the Board of Directors has established committees.

6. Committees of the Board

In order to facilitate the smooth running of its affairs the Board of Directors has established committees with a membership and terms of reference it deems fit. The following committees were in place during the year 2017

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- a. Finance Staff and General Purposes committee;
- b. Loans disbursement and recovery committee;
- c. Audit, Risk Management and Compliance committee

The Committees are provided with all necessary resources to enable them to undertake their duties in an effective manner.

7. Separation of role of Chairman from Chief Executive

The Chairman is responsible for managing the Board and providing strategic leadership to the organization. The Chief Executive is responsible to the Board for strategically overseeing and managing the business within instructions as guided by the Board

8. Conflict of Interest

The Directors are under a fiduciary duty to act honestly and in the best interest of the organization. Accordingly, directors ought to refrain from discussing or voting on a matter of real, perceived or potential conflict of interest.

9. Board Evaluation

In pursuit of promoting Board effectiveness, the Board undertook self-evaluation facilitated by State Corporations Advisory Committee (SCAC.) The recommendations from the evaluation are being considered with a view to implementing them to enhance Board effectiveness.

10. BOARD AND COMMITTEES MEETINGS ATTENDANCE 2016/2017

Loans Disbursement and Recovery Committee

Members	13 th Jul 2016	28 th Oct 2016	9 th Jan 2017	10 th Apr 2017	13 th Jun 2017
Dr. Timothy Wachira	√	√	√	√	√
Mrs. Jacqueline Mugo	√	A	√	√	A
Prof. Richard Mibey	A	A	**	**	**
Mr. Ezra Magati	√	√	√	A	√
Mr. Gichuru Kihara	**	√	√	√	√
Mr. Charles Ringera (CEO)	√	√	√	√	√

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Finance, Staff & General Purpose Committee

Members	12 th Jul 2016	28 th Oct 2016	10 th Jan 2017	11 th Apr 2017	19 th Jun 2017
Mr. Charles Maranga	√	√	√	√	√
Mrs. Jacqueline Mugo	√	A	√	√	√
Mr. Ezra Magati	√	√	√	√	√
Grace Kemei	√	A	**	**	**
Prof. Walter Oyawa	**	**	**	√	A
Mr. Charles Ringera (CEO)	√	√	√	√	√

Audit, Risk Management and Compliance Committee

Members	13 th Jul 2016	29 th Sept 2016	7 th Nov 2016	11 th Jan 2017	12 th Apr 2017	9 th Jun 2017
Mr. Habil Olaka	√	√	√	√	√	√
Mrs. Grace Kemei	√	√	A	**	**	**
Dr. Timothy Wachira	A	√	√	√	√	√
Prof. David Some	A	A	A	√	**	**
Mr. Gichuru Kihara	A	√	√	√	A	√
Prof. Walter Oyawa	**	**	**	**	√	√
Mr. Charles Ringera (CEO)	√	√	√	√	√	√

Full-Board Meetings Attendance

Members	14 th July 2016	15 th Nov 2016	5 th Dec 2016	12 th Jan 2017	13 th Apr 2017	22 nd Jun 2017
Mr. David N. Wachira, Chairman	√	√	√	√	√	√
Mrs. Jacqueline Mugo	√	A	A	A	√	√
Dr. Timothy Wachira	√	√	√	√	√	√
Prof. David Some	A	√	√	√	**	**
Prof. Richard Mibey	A	A	**	**	**	**
Mr. Ezra Magati	√	√	√	√	√	√
Prof. Walter Oyawa	**	**	**	**	√	√
Mr. George Kihara	A	A	√	A	√	A
Mrs. Grace Kemei	√	√	A	**	**	**
Mr. Charles Maranga	√	√	√	√	√	√
Mr. Habil Olaka	√	√	√	√	√	A
Mr. Charles Ringera -CEO-HELB	√	√	√	√	√	√

KEY - √ Present

A - Apology

****No Obligation to attend**

13. The Management Team

Members of the management team are appointed by the Board of Directors. The membership consists of the Chief Executive Officer and other members as per the Board's establishment. In the year 2017 the management team was as disclosed on page (xiv).

14. Risk Management

The Board of Directors is responsible for risk management. The Board conducts risk assessment on regular basis which informs the internal audit plan. The identification and management of risk is a continuous process linked to the achievement of the Board's objectives. Risk based audits are carried out by the internal audit departments and reports on internal control and risk forwarded to the Board of directors through the Audit, Risk Management and Compliance Committee.

15. Conduct of Business and Performance Reporting

Business is conducted in accordance with a carefully formulated strategy, annual business plans and approved budget that is aligned to clear objectives. Performance against the objectives is reviewed on a quarterly basis and reports filed with the respective authorities.

16. Compliance with Laws

As at the time of this statement, the Board is satisfied that to the best of its knowledge, the organization has complied with all applicable laws and that business was conducted in accordance with the law, no director or employee acted or committed any indictable offence under the Anti-Corruption laws nor has any director or employee been involved or been used as conduit for money laundering or any other activity incompatible with the relevant laws.

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

VII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The Board's operational and financial performance

HELB MANDATE AND STRATEGIC PLAN

HELB is mandated to give and recover loans to students pursuing higher education. The Board has a strategic plan 2013-2018 that contains four major strategic objectives that the board strives to achieve to live its vision and mission. These objectives are;

- Financial sustainability
- Customer Excellence and centricity organization
- Business processes re-engineering
- Institutional capacity building and Good governance.

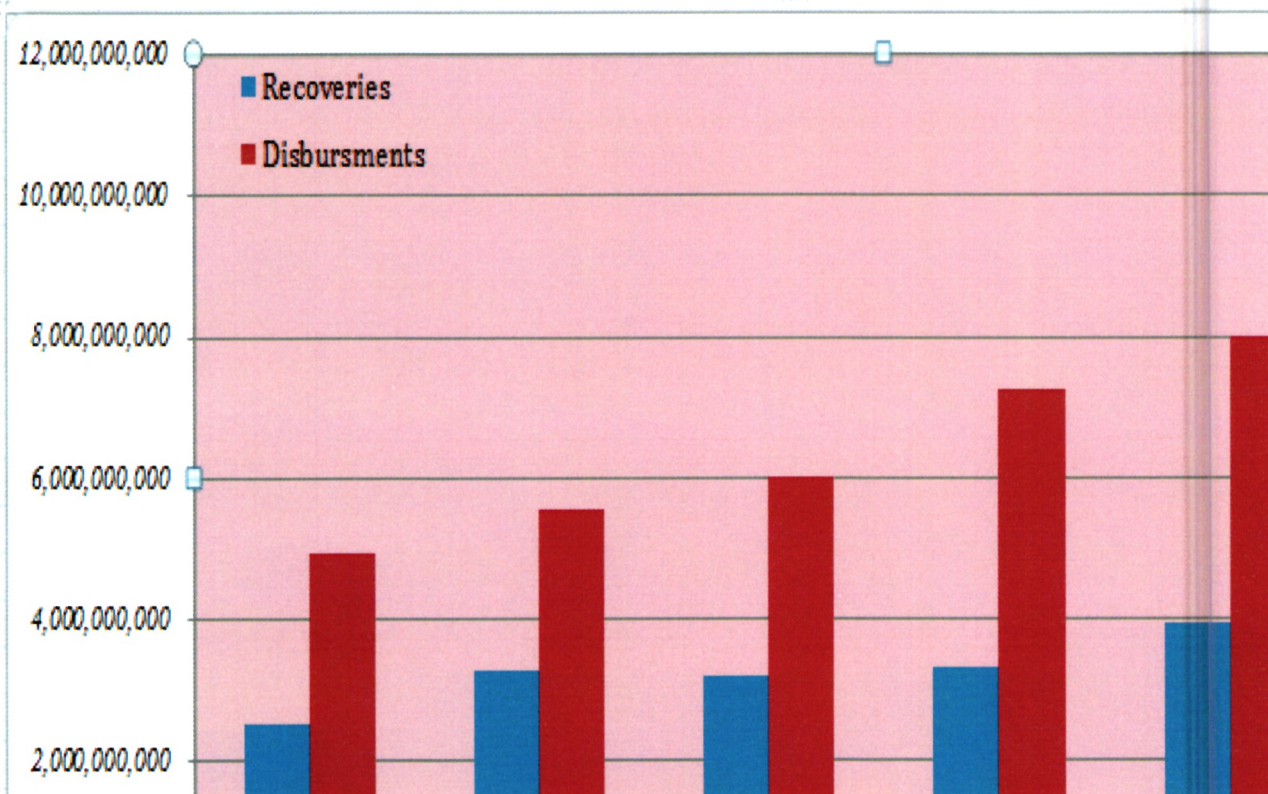
OPERATIONAL AND FINANCIAL PERFORMANCE OF THE ORGANISATION

As at the period ended 30 June 2017 in the Financial year 2016/2017, HELB awarded loans and bursaries amounting to Kshs. 10.1 Billion to students and recovered a total of Kshs. 4.06 Billion from loanees. HELB also received funds from the exchequer totaling Kshs. 6.64 Billion.

Disbursements to students and recoveries from past loanees have tremendously increased over the last five years as shown in the graph below.

Lending Sustainably

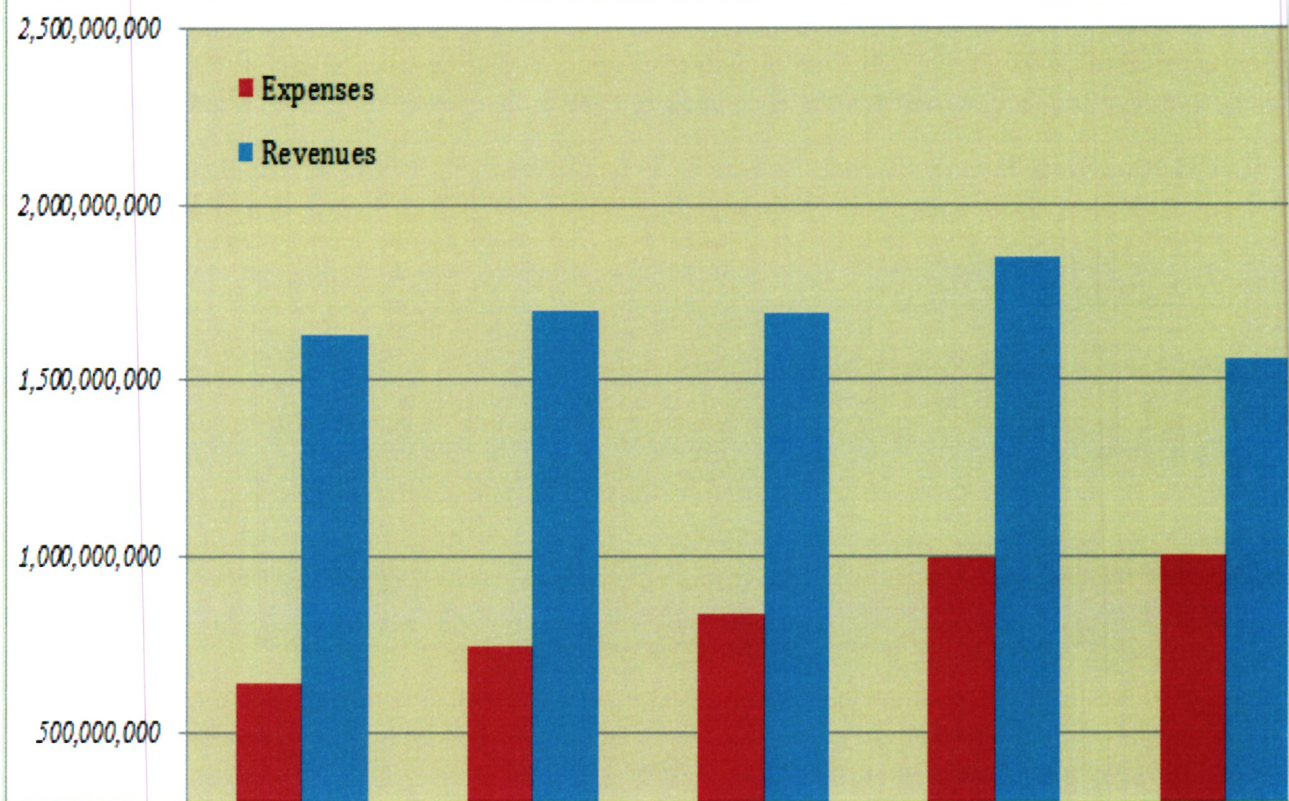
Loan Disbursements and Recoveries for the period 2013 to 2017



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Billion, thus achieving an accounting surplus of Kshs. 1.1 Billion.



SECTION B

Entity's compliance with statutory requirements

There is no non-compliance issue raised by the auditor. All statutory requirements have been complied with.

SECTION C

Key projects and investment decisions the entity is planning/implementing

HELB is currently implementing an Enterprise Resource Planning system which will lead to increased efficiency in service delivery to our customers.

SECTION D

Major risks facing the entity

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The Board is exposed to a variety of financial risks including credit risks and financial risks. Credit risk is primarily attributable to default on loans repayment. Measures to mitigate the credit risk have been put in place as per the strategic plan 2013-2018. The performing loans stands at 69%.

HELB is also exposed to operational risk which can be caused by processes or people failure.

SECTION E

Material arrears in statutory/financial obligations

The Board has no outstanding arrears and will continue planning its activities in a prudent manner to avoid this scenario.

SECTION F

The entity's financial probity and serious governance issues

The Board has no reported financial improbity reported by either the internal or external auditor. The governance structures put in place continue to be enhanced to ensure any area that may be prone to exposure is addressed promptly.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Introduction

The Higher Education Loans Board (HELB) was established by an Act of Parliament CAP 213A in 1995 to disburse loans to needy Kenyan students pursuing university education and thereafter recover the loans after completion of their studies. The aim is to create a revolving fund from which future generations can borrow to pursue higher education hence creating sustainability. The Board also participates in Corporate Social Responsibility (CSR) activities so as to integrate our core business values and operations within the communities we operate in.

Aligning to Vision 2030

Following the adoption of the SDGs, some informed opinions and concerns are emerging that by 2030, i.e. the timeline for the achievement of the SDGs, the performance of African Countries could be as wanting as were reported for the Millennium Development Goals. Governments have a crucial responsibility for driving the implementation of the post-2015 SDGs' in their respective countries; but other stakeholders must also champion the agenda to ensure the realization of the development objectives. In particular, it observed that virtually all the SDG'S 169 targets require practical accomplishments that are heavily dependent on adequate availability and application of *skilled technical manpower*.

Any country that intends to make a breakthrough in industrialization and technological development must begin by ensuring that it has a critical mass of well qualified technologists and engineers. The broad engineering profession is typically considered to be comprised of five cadres of staff, namely; engineer, technologist, technician, crafts-people and artisan. For the effective execution of the engineering function within an economy, it is important that each of these cadres is represented in appropriate proportions. For most developed countries the ideal ratio for the four categories of professional is 1:2:4:16.1. For a typical developing country however, it is considered that the more realistic ratios would be 1:3:12:60

As an implementation agent of Government of Kenya, HELB has made specific initiatives as contributions towards facilitating the production of the requisite technical manpower for successful implementation of the post-2015 development agenda in the member countries. The Board continues to offer loans and bursaries to TVET college students to ensure that they become institutions of choice and for them to gain practical skills that will enhance their chances of gainful employment. To this end a total of 21,060 students from over 100 TVET institutions under the Ministry of Education, Science and Technology were financed to the tune of Kshs.615 Million for loans and Kshs.100 Million for bursaries compared to 2013/2014 where 6,236 students with loans amounting to Kshs.110.6 Million and bursary amounting to Kshs. 51.9 Million were funded.

TVET - Healthcare Workers

On a TVET sector specific, a supply shortage was identified in the Health care workers. In the last three years through seed funding from USAID and other partners, the Board commissioned the *Afya Elimu* loan product through a sophisticated funding mechanism structured around Public-Donor-Private Sector syndication. In conjunction with Intra health International (management arm of USAID) and Private Sector, HELB structured a revolving loan product to finance medical students at Kenya Medical Training Colleges and Faith Based health training institutions. This is aimed at addressing the urgent need of trained technical personnel to support the health sector.

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In the year 2016/2017, 3277 needy first time applicants, were awarded loans at a total cost of Kshs.185 Million financed jointly by Intra health, under FUNZO Kenya; HELB, Rattansi Education Trust, I &M Bank and Family Bank Group Foundation. To date a total of 13,400 health care graduates have been funded under the Afya Elimu Fund at a total cost of KShs. 602 Million.

Skills Enhancement to Employed Human Resources

The continuing education loan program that caters for salaried students in the undergraduate and post graduate recorded disbursement to 1,943 students at a total value of Kshs.219 Million in 2016/2017. The Board is pursuing a Multi-pronged approach to shore up this portfolio particularly with the coming on board the Government of Kenya Training Revolving Fund (Kshs. 162.5M) for Civil servants and also the Kenya Revenue Authority Staff Training Revolving Fund (Kshs. 20M) that HELB is now managing.

As part of a corporate social responsible organization, HELB awarded a total of 99 students' scholarships worth Kshs.28.3 Million with Sixty Five (65) beneficiaries from the Masters' program and thirty four (34) from the PHD program.

The Main Areas of CSR focus areas are:

1. Education

Under the UN Sustainable Development Goals [SDGs], SDG number 4 introduces fundamental view of higher education learning that governments must undertake to ensure inclusive and equitable quality lifelong learning opportunities for all. On behalf of the Government of Kenya, HELB is well equipped to help Government achieve this goal by 2030. In addition to financing higher education, HELB supports the achievement of education for children in the areas where we operate. This may include helping to equip and rehabilitate educational institutions as well as any other activity deemed to support financing of higher education, managed funds or potential partners to come on boards

2. Environmental Management

Under the UN Sustainable Development Goals, SDG number 15 addresses the need to sustainably manage forests, combat desertification, halt & reverse land degradation and halt biodiversity loss. HELB will support efforts towards environmental stability, by engaging in conservation activities agreed upon from time to time as well as any other activity deemed to support financing of higher education, managed funds or potential partners to come on boards

3. Charity Work

In the spirit of participating in the communities we work and live in, HELB will also consider undertaking charity activities that include visiting children's homes, visiting the terminally sick and donating products that may be deemed needed at the time of the visit as well as sponsoring and participating in any other activity deemed to support financing of higher education, managed funds or potential partners to come on boards.

In the table below are the CSR activities the Board conducted in the 2016/2017 Financial Year



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No	CSR Activity	Pillar	Venue	Date	Newsflash
1.	Stanchart Marathon Kenya	Charity Work - Health	Nyayo Stadium, Nairobi	Sunday 30 th October, 2016	
					
2.	Kabete School: Approved Juvenile Detention Centre	Education	Lower Kabete, Nairobi	Friday 25 th Nov, 2016	
					
3.	Thika School for the Visually Impaired	Education	Thika	Friday Feb 10 th 2017	

HIGHER EDUCATION LOANS BOARD

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4.	Don Bosco Boys - Kuwinda	Education	Karen, Nairobi	Friday 5 th May 2017	
					
5.	Mater Heart Run	Charity Work - Health	Nyayo Stadium,	Saturday 20 th May 2017	

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Nairobi



HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the Board's affairs.

Principal activities

The principal activities of the Board are and continue to be financing higher education by providing affordable loans and bursaries and scholarships to Kenyans in institution of higher learning recognised by Commission for University Education (CUE) and Directorate of Technical Education, Ministry of Science and Technology. The Board also recovers matured loans from past loanees.

Results

The surplus for the year of Kshs. 1.1 Billion (2016: Kshs. 559 Million) has been added to accumulated surplus.

Directors

The members of the Board of Directors who served during the year are shown on page (xxx). During the year three directors resigned/retired and replacements are yet to be effected.

Auditors

The Auditor General is responsible for the statutory audit of the Board in accordance with the Article 229 of the Constitution of Kenya and the public audit Act 2015 the for the year ended June 30, 2017.

By Order of the Board,



**CHARLES M. RINGERA
CHIEF EXECUTIVE OFFICER
HIGHER EDUCATION LOANS BOARD
NAIROBI**

DATE: 27 September, 2017

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 14 of the state corporation's Act and section 13 of HELB Act, require the Directors to prepare financial statements in respect of that Board, which give a true and fair view of the state of affairs of the Board's at the end of the financial year and the operating results of the Board for that year. 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 for and as at the end of the financial year 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; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments 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 27th September, 2017 and signed on its behalf by:



D. NDEGWA WACHIRA
CHAIRMAN



CHARLES M. RINGERA
BOARD SECRETARY/CEO

REPUBLIC OF KENYA

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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 HIGHER EDUCATION LOANS BOARD FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Higher Education Loans Board set out on pages 1 to 32, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Higher Education Loans Board 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 Standards (Accrual Basis), and comply with the Higher Education Loans Board Act, Cap. 213 of the Laws of Kenya.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion and Emphasis of Matter sections of my report, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Land

As previously reported, the property, plant and equipment balance of Kshs.838,860,069 as at 30 June 2017, includes a parcel of land LR No. 209/13515 measuring 0.6 hectares situated at Upper Hill area, Nairobi, recorded at a cost of Kshs.44,588,742. Although the ownership documents indicate that the parcel of Land belongs to the Board, a discrepancy exists between the deed plan at the then Ministry of Land Housing and Urban Development and the actual position on the ground which shows that the Board's perimeter wall on one side was put up in a straight line while

Report of the Auditor-General on the Financial Statements of Higher Education Loans Board for the year ended 30 June 2017

the deed plan has a curve on that particular side. Further, the Kenya Railways Corporation claims that the plot was illegally exercised from the Corporation's Land, by the then Commissioner of Lands. Although the management has explained that the matter has since been taken up by the parent Ministry, and a case is pending before a court of law, no resolution or outcome had been attained as at the date of this report.

Consequently, it has not been possible to confirm the accuracy of the property, plant and equipment balance of Kshs.838,860,069 or ownership of Land LR No.209/13515 recorded at a cost of Kshs.44,588,742 as at 30 June 2017.

2. Cash and Bank Balance

As disclosed in note 17 to the financial statements, the cash and bank balances amounting to Kshs.1,003,793,930 include balance of Kshs.303,960,075 held in a financial institution placed under receivership in April 2016 and later taken over by another financial institution. Further Note 18 to the financial statements indicates that short term investments totalling Kshs.100,000,000 were also held in the same financial institution. As a result the Board could not access its own funds totalling Kshs.403,960,075 as at the date of this report.

In the circumstances, it has not been possible to ascertain the extent of impairment of the cash bank balance of Kshs.405,960,075 and to confirm that the cash and bank balances amounting to Kshs.1,003,793,930 and short term investment balance of Kshs.2,487,897,641 are fairly stated as at 30 June 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Higher Education Loans Board 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.

Emphasis of Matter

Matured Loans to Students

The statement of financial position as at 30 June 2017 reflects matured students loans balance of Kshs.24,178,564,333 which is net of matured loans balance of Kshs.25,451,120,350 and provision for bad and doubtful debts of Kshs.1,272,556,018. The balance of Kshs.24,176,564,333 includes loans totalling Kshs.8,274,381,332 which represents matured students loans which have been outstanding over the stipulated period of 10 years. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and do not provide a separate on these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except the matters described in

the Basis for Qualified Opinion and Emphasis of Matter sections of my report, there were no Key Audit Matters to report in the year under review

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 liquidate the Board or to cease operations, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Board's 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 of Kenya. 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 skepticism throughout the audit. I also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

PARTICULARS	NOTES	AS AT 30 JUNE 2017			AS AT 30 JUNE 2016			CHANGE %
		OPERATIONS KSHS	STUDENT FINANCING KSHS	TOTAL KSHS	OPERATIONS KSHS	STUDENT FINANCING KSHS	TOTAL KSHS	
INCOME								
Grants								
Income from Non -Exchange transactions-GOK	6	228,055,500	237,000,000	465,055,500	183,055,500	192,000,000	375,055,500	24.00%
Grants	7	1,747,767,995		1,747,767,995	1,187,706,324		1,187,706,324	47.15%
Income from Exchange transactions								
TOTAL INCOME		1,975,823,495	237,000,000	2,212,823,495	1,370,761,824	192,000,000	1,562,761,824	41.60%
LESS: EXPENSES								
Bursaries to Students	8		237,000,000	237,000,000		192,000,000	192,000,000	23.44%
Postgraduate Scholarships	9	28,300,000		28,300,000	24,100,000		24,100,000	17.43%
Employee Costs	10	385,412,172		385,412,172	352,051,995		352,051,995	9.48%
Operating Expenses	11	282,637,319		282,637,319	231,407,682		231,407,682	22.14%
Board Members Expenses	12	8,305,066		8,305,066	8,802,087		8,802,087	-5.65%
Bank Charges & Commissions	13	21,080,467		21,080,467	17,139,319		17,139,319	22.99%
Debt Collection Fees	14	53,521,405		53,521,405	45,490,594		45,490,594	17.65%
Provision for Bad & Doubtful Debts	15	0		0	87,939,291		87,939,291	100.00%
Audit Fees	16	1,160,000		1,160,000	1,160,000		1,160,000	0.00%
Depreciation provision for the year	2	44,914,361		44,914,361	30,094,453		30,094,453	49.24%
Amortisation provision for the year	3	43,481,804		43,481,804	7,179,959		7,179,959	505.60%
Asset Revaluation Loss	2				6,069,955		6,069,955	0.00%
TOTAL EXPENSES		868,812,594	237,000,000	1,105,812,594	811,435,335	192,000,000	1,003,435,335	10.20%
ACCOUNTING SURPLUS		1,107,010,900	0	1,107,010,900	559,326,490	0	559,326,490	97.92%

The notes on page 6 to 26 are an integral part to the financial statements.

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	NOTES	AS AT JUNE 30 2017 KSHS.	AS AT JUNE 30 2016 KSHS.
CURRENT ASSETS			
CASH AND BANK BALANCES	17	1,003,793,930	390,349,428
SHORT TERM INVESTMENTS	18	2,487,897,641	2,109,056,481
ACCOUNTS RECEIVABLES & PREPAYMENTS	19	46,777,075	18,675,583
INVENTORIES	20	3,091,175	3,463,058
PROJECT IN PROGRESS	5	0	109,583,433
		3,541,559,820	2,631,127,983
NON CURRENT ASSETS			
STAFF LOANS	21	169,410,386	166,592,095
MATURED STUDENT LOANS	22	24,178,564,333	26,449,800,171
UNMATURED STUDENTS LOANS	23	30,340,842,233	20,837,728,235
INTANGIBLE ASSETS	3	78,685,755	6,915,888
PROPERTY, PLANT & EQUIPMENT	2	838,860,069	809,614,174
		55,606,362,775	48,270,650,563
TOTAL ASSETS		59,147,922,595	50,901,778,547
FUNDS AND LIABILITIES			
CURRENT LIABILITIES			
LOANS, BURSARIES & SCHOLARSHIPS PAYABLE	24	1,739,377,029	898,099,233
ACCOUNTS PAYABLE & ACCRUALS	25	51,564,396	111,074,383
BANK OVERDRAFT	26	721,274	185,640
OVERPAID LOANS	27	505,895,636	507,964,679
TOTAL CURRENT LIABILITIES		2,297,558,335	1,517,323,935
REVOLVING FUNDS			
G.O.K. GRANTS	28	42,940,306,549	37,062,480,224
FUNDING PARTNERSHIPS	30	1,882,344,720	1,401,272,296
ACCUMULATED FUND	34	11,317,452,112	10,210,441,212
REVALUATION RESERVE	36	710,260,880	710,260,880
TOTAL NON CURRENT LIABILITIES		56,850,364,261	49,384,454,612
TOTAL FUNDS AND LIABILITIES		59,147,922,595	50,901,778,547

The notes on page 6 to 26 are an integral part to the Financial statements.

The Financial statements set out on page 1-4 were signed on behalf of Board of Directors by:


D. NDEGWA WACHIRA
BOARD CHAIRMAN


SHEM GICHIMU (ICPAK NO5878)
CHIEF FINANCE OFFICER


CHARLES M. RINGERA
BOARD SECRETARY/CEO

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

XIII. STATEMENT OF CHANGES IN NET ASSETS

Year ended 30 June 2016	ACCUMULATED FUND	REVALUATION RESERVE (ASSETS)	FUNDING PARTNERSHIPS	GOK GRANTS	TOTAL
	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.
Opening balance	9,651,114,722		911,669,036	31,204,480,224	41,767,263,982
Surplus/ Capital for the year	559,326,490	710,260,880	489,603,260	5,858,000,000	7,617,190,630
Balance at the end of the year	10,210,441,212	710,260,880	1,401,272,296	37,062,480,224	49,384,454,612

Year ended 30 June 2017	ACCUMULATED FUND	REVALUATION RESERVE	FUNDING PARTNERSHIPS	GOK GRANTS	TOTAL
	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.
Opening balance	10,210,441,212	710,260,880	1,401,272,296	37,062,480,224	49,384,454,612
Surplus/ Capital for the year	1,107,010,900	0	481,072,424	5,877,826,325	7,465,909,649
Balance at the end of the year	11,317,452,112	710,260,880	1,882,344,720	42,940,306,549	56,850,364,261

During the year 2016/2017 the net increase in Equity was **Kshs.7,465,909,649**. This was as a result of a realized surplus of **Kshs.1,107,010,900** and funding partnerships **Kshs.481,072,424** including Technical Vocational Education Training and government grants of **Kshs.5,877,826,325** for the year ended 30th June 2017.

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

XIV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	AS AT 30 JUNE 2017 KSHS.	AS AT 30 JUNE 2016 KSHS.
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
Recoveries from Loanees	22 & 25	3,226,769,211	(1,923,628,512)
Income from Non -Exchange transactions-GOK Grants	6	465,055,500	375,055,500
Income from Exchange transactions	7	1,634,991,445	1,187,358,324
Stores	20	371,884	471,578
		5,327,188,039	(360,743,110)
PAYMENTS			
Disbursements to Students	23	9,503,113,998	3,182,831,830
Bursaries& Postgraduate scholarships	8&9	265,300,000	216,100,000
Employee Costs	10	385,412,172	352,051,995
Rent Paid	11	45,660,731	43,287,620
Other operating exp[enses	11	246,441,654	198,082,148
Bank charges and commissions	13	74,601,872	62,629,913
Staff loans	21	2,818,291	1,936,295
Increased Accounts Receivables	19	29,580,518	(2,290,796)
Payments to Suppliers	25	59,509,987	(19,899,990)
Refunds to loanees	27	2,069,043	(98,859,991)
		10,614,508,265	3,935,869,024
NET CASH FROM OPERATING ACTIVITIES		(5,287,320,226)	(4,296,612,134)
CASH FLOWS FROM INVESTING ACTIVITIES			
Asset Disposol	4	0	2,593,313
Purchase/Capitalization of Intangible Assets	3	(115,251,671)	(5,553,922)
Work in Progress (capitalized in FY 2017)	5	109,583,433	(13,988,587)
Purchase of Property, Plant & Equipment	2	(74,160,256)	(15,410,659)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(79,828,494)	(32,359,855)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capitation received from G.O.K for Student Loans	28	6,177,826,325	6,158,000,000
Funds from Capitation transferred to TVET & Afya Elimu fund	29	(300,000,000)	(300,000,000)
Capitation received from Funding Partnerships	30	481,072,424	489,603,260
NET CASH FLOWS FROM FINANCING ACTIVITIES		6,358,898,749	6,347,603,260
Net Increase / (Decrease) in Cash		991,750,029	2,018,631,271
Cash and Cash Equivalents at the Beginning of the Period		2,499,220,269	622,117,623
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	31	3,490,970,298	2,499,220,269

The notes on page 6 to 26 are an integral part to the financial statements.

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS YEAR ENDED 30 JUNE, 2017

Description	Original Budget Kshs.	Adjustments Kshs.	Final Budget Kshs.	Actual Kshs.	Variance Kshs.	% Achieved	Explanation of Variance
Sources of Finance							
Government grants	6,642,881,825	0	6,642,881,825	6,642,881,825	0	100%	OK
Loan Recoveries	4,121,600,000		4,121,600,000	4,057,154,812	64,445,188	98%	OK
Investments	65,000,000		65,000,000	139,835,844	(74,835,844)	215%	Funds from GOK received Early hence income from short-term placements
Other Incomes	29,460,000		29,460,000	91,386,937	(61,926,937)	310%	Accrued Income from penalties
Alternative Funding	251,000,000		251,000,000	180,974,498	70,025,502	72%	Fund mobilization affected by political dynamics due to election year
Total	11,109,941,825	0	11,109,941,825	11,112,233,917	(2,292,092)	100%	OK
Expenses							
Staff Expenses	635,354,880		635,354,880	385,412,172	249,942,708	61%	Freeze on employment hence no new staff
Operating Expenses	519,971,014		519,971,014	313,182,852	206,788,162	60%	Reduced activities due to freeze on employment
Student Loans and Bursaries	10,359,054,500		10,359,054,500	10,075,793,466	283,261,034	97%	OK
Capital Expenditure	342,839,540		342,839,540	189,411,927	153,427,613	55%	Delay in implementation of the ERP project
Staff loans	80,000,000		80,000,000	30,000,000	50,000,000	38%	Freeze on employment hence no new staff
Total	11,937,219,934	0	11,937,219,934	10,993,800,417	943,419,517	92%	OK
Surplus/(Deficit)	(827,278,109)	0	(827,278,109)	118,433,500	941,127,426	-14%	

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Reconciliation of the Budget and the actuals in the financial statements

Description	Amount in Kshs.
Add: Surplus as per budget expenditure 2016/2017	118,433,499.75
Provision for bad debt in the year	112,776,549.87
Assets acquisitioned in the year	189,412,427.26
Staff loans given in the year	30,000,000.00
Interest /ledgers fees accrued on loans	1,350,247,258.00
Loans disbursed to students in the year	9,810,493,466.00
Less: Provision for depreciation & amortization in the year	(88,396,165.36)
GOK funds/Recoveries/Alternative funds in the year	(10,415,956,135.30)
Reconciled Budget surplus	1,107,010,900.22
Accounting surplus	1,107,010,900.23

XVI. NOTES TO THE FINANCIAL STATEMENTS**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a) Statement of compliance and basis of preparation**

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 (**Kshs.**), which is the functional and reporting currency of the Board. They are rounded off to the nearest shilling. 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.

b) The Public Sector Accounting Board (PSAB) Declaration

The Public Finance Management (PFM) Act 2012 section 192 provided the setting up of the Public Sector Accounting standards Board (PSASB). The Cabinet Secretary National treasury, gazette members of the board through Gazette notice no.1199 of 28th February 2014, following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as commercial Business entities and the International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the entity has adopted the pronouncements made by the IPSAS board in preparation of its current year financial statements. The Board has adopted the International Public Sector Accounting Standards (IPSAS) for non-commercial entities.

c) Summary of Significant Accounting Policies**i. Revenue recognition**

1. **Revenue from non-exchange transactions -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 entity and can be measured reliably. Fees are recognized as revenues when the event occurs and the asset recognition criteria are met.

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. **Revenue from exchange transactions** - Interest income on all loans advanced is recognized on the accruals basis.
- ii. **Budget information** - 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.
- iii. **Taxes** -The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date by the Kenya Revenue Authority.
- iv. **Property, plant and equipment** - All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is on straight line basis. 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 annual rates for this purpose are: -

<u>Category</u>	<u>Depreciation rate</u>
Buildings	2.50%
Motor Vehicles	25.00%
Furniture	12.50%
Fixtures & Fittings	12.50%
Computers	33.33%
Office Equipment	12.50%

NOTES TO THE FINANCIAL STATEMENTS (continued)

- v. **Leases** - The Board has an operating lease. The payments are recognized as an operating expense in statement of financial performance.
- vi. **Intangible assets - Intangible** assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as finite.
- vii. **Inventories** - Inventory is measured at cost upon initial recognition. Inventory received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are on raw materials and are accounted for using the weighted average cost method. After initial recognition, inventory is measured at the lower of cost and net replacement cost. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Board
- viii. **Provisions: Contingent liabilities** - The Board do not recognize contingent liabilities, 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.
- ix. **Changes in accounting policies and estimates** - The Board recognize the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.
- x. **Employee benefits - Retirement benefit plans** - The Board operates a defined benefit staff retirement scheme for its employees. The scheme is administered by trustees and is funded from contributions from both the Board and employees at the rate of 20% and 10% of the basic salary respectively. The Board's contributions to the defined contribution retirement scheme are charged to the statement of financial performance in the year to which they relate. The Board and its employees also contribute to a statutory defined contribution pension scheme, the National Social Security Fund. The Board's contributions to the defined contribution scheme are charged to the statement of financial performance in the year to which they relate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

xi. Related parties –

The Board regards a related party as a person or a Board with the ability to exert control individually or jointly, or to exercise significant influence over the Board, or vice versa.

a) Nature of related party relationships

The entity is related to

- i) The National Government
- ii) State Department Of University Education-Ministry of Education
- iii) Board of Directors
- iv) Key Management

Key Management

They are:

- | | |
|---|----------------------------|
| 1. Chief Executive Officer & Board Secretary | Mr. Charles M. Ringera |
| 2. Chief Finance Officer | Mr. Shem A. Gichimu |
| 3. Chief Operations Officer | Mr. Geoffrey Monari |
| 4. Chief Strategy & Customer Experience Officer | Mrs. Mary Wachira-Muchee |
| 5. Manager, Human Resource & Administration | Mrs. Madrine Mburu |
| 6. Manager, Finance | Ms. Kerin Lidoroh |
| 7. Ag. Manager, Loan Repayment & Recovery | Mr. Naftal Michira |
| 8. Manager, Lending | Mrs. Esther N. Michieka |
| 9. Ag. Chief Information Officer | Mr. Josphat K. Nzuki |
| 10. Manager, Legal Services | Mrs. Bernadette N. Masinde |
| 11. Head, Audit Risk Management and Compliance | Mr. Justus K. Mwangi |
| 12. Manager, External Resources & Fund Management | Mr. James Gachari |
| 13. Manager, CC & Customer Experience | Mrs. Wavinya Muigai |
| 14. Ass. Manager, Procurement and Logistics | Mrs. Phyllis Kipruto |

NOTES TO THE FINANCIAL STATEMENTS (continued)

Board of Directors

1. D. Ndegwa Wachira – Chairman of the Board
2. Prof. Timothy Wachira – Representing Private Universities
3. Prof. David Some - Chief Executive Officer, CUE
4. Jacqueline A. Mugo – CEO Federation Of Kenya Employers
5. Ezra Magati – Alternate PS State Department of Education
6. Charles Onami Maranga – Member
7. Prof. Richard Mibey – Representing Public Universities
8. George K. Gichuru – The National Treasury
9. Dr Habil O. Olaka – CEO Kenya Bankers Association
10. Grace Kemei - Member
11. Charles Ringera - Chief Executive Officer

C) Key management remuneration and Board Allowances

Description	2017	2016
Board of Directors	8,305,066	8,802,087
Key Management	94,216,567	90,116,116

- xii. 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 various commercial banks at the end of the financial year.
- xiii. Comparative Figures** - Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.
- xiv. ADOPTION OF NEW AND REVISED STANDARDS**
Relevant new standards and amendments to published standards effective for the year ended 30 June 2017.

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	(Effective for annual periods beginning on or January 1, 2017) HELB adopted IPSAS in the year ended 30 June 2017 and therefore provisions of first time adoption of accrual basis does not apply to HELB
IPSAS 34: Separate Financial Statements	(Effective for annual periods beginning on or January 1, 2017) HELB does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Standard	Impact
IPSAS 35: Consolidated Financial Statements	Effective for annual periods beginning on or January 1, 2017) HELB does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply
IPSAS 36: Investments in Associates and Joint Ventures	HELB does not have investments in associates or joint ventures, therefore the standard does not apply
IPSAS 37: Joint Arrangements	(Effective for annual periods beginning on or January 1, 2017) HELB does not have an interest in a joint arrangement and therefore the standard does not apply
IPSAS 38: Disclosure of Interests in Other Entities	(Effective for annual periods beginning on or January 1, 2017) HELB does not have an interests in other entities and therefore the standard does not apply

xv. Significant judgments and sources of estimation uncertainty –

1. **Estimates and assumptions** -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.
2. **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
3. **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 2.

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

xvi. Detailed analysis of the cash and cash equivalents

Detailed analysis of the cash and cash equivalents		2016-2017	2015-2016
a) Current Account			
Financial institution	Account number	KShs	KShs
KCB Operation	1104823047	12,464,281.51	6,770,750.15
KCB Student Loans	1104823225	102,359,587.11	3,310,292.36
KCB Revolving Account	1103266314	3,107,168.03	10,823,276.43
Citibank Collection Account	300040004	6,362,321.90	13,277,145.18
Citibank Disbursement Account	300040012	(721273.63)	(185,640)
Citibank Direct Debit Account	300040047	2,832,894.30	1,888,782.60
Co-Operative Bank	01129061222800	15,385,715.09	4,241,505.00
Barclays Bank	5018216	6,720,789.83	2,980,365.00
Equity Bank	0550293573408	465,638,337.48	7,866,044.00
Standard Chartered Bank	108018264700	29,135,537.60	8,736,466.00
Family Collection Account	035000024971	10,447,173.85	6,454,459.00
National Bank	1001060391100	3,670,031.12	4,654,317.00
Chase Bank	0332084215001	303,960,075.38	305,122,323.00
NIC Bank	1002247638	19,560,989.29	10,665,635.00
Jamiibora Bank	0011748527001	200,722.72	1,985,456.00
Sub- Total		981,124,351.58	388,591,716.72
b) On - Call Deposits			
National Bank		200,000,000.00	-
Chase Bank		100,000,000.00	100,000,000.00
Sub- Total		300,000,000.00	100,000,000.00
c) Fixed Deposits Account			
National Bank of Kenya		765,217,149.00	500,000,000.00
Co-operative Bank		708,434,196.00	300,000,000.00
Equity bank		0	-
KCB Bank		706,584,346.00	300,000,000.00
Family		-	200,000,000.00
Housing Finance		-	500,000,000.00
KCB Savings And Loans		7,661,949.00	9,056,480.00
Jamii Bora		-	200,000,001.00
Sub- total		2,187,897,641.00	2,009,056,481.00
d) Staff Car Loan/ Mortgage			
Housing Finance Staff Mortgage	TD 300-0008013	20,000,000.00	-

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

KCB Staff Loans	1104722682	1,822,205.29	1,350,625.84
KCB Savings And Loans Account		95,094.50	131,986.00
Sub- Total		21,917,299.79	1,482,611.84
e) Others(specify)			
Cash in hand		31,005.00	90,000.00
Sub- Total		31,005.00	90,000.00
Grand total		3,490,970,297	2,499,220,269

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

AT 30 JUNE 2016

DETAILS	LAND	BUILDING	MOTOR VEHICLES	EQUIPMENT	FURNITURE	FIXTURES & FITTINGS	COMPUTER EQUIPMENT	TOTAL
	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.
COST/VALUATION AT 1 JULY 2015	44,588,742	3,318,686	43,590,448	33,583,019	21,770,437	64,845,516	115,638,892	327,335,740
ADDITIONS	-	-	-	2,036,695	1,371,830	116,000	11,886,134	15,410,659
LESS: DISPOSALS/WRITE OFF	-	-	(1,850,000)	(180,780)	(368,700)	-	(185,500)	(2,584,980)
LESS: ACCUMULATED DEPRECIATION ON REVALUATION	-	(884,829)	(23,246,591)	(24,905,688)	(14,514,609)	(47,293,608)	(94,138,060)	(204,983,384)
REVALUATION LOSS						6,069,955		(6,069,955)
REVALUATION RESERVE	672,911,258	66,144	3,921,142	3,321,668	4,633,170		25,747,165	710,600,547
AT 30 JUNE 2016	717,500,000	2,500,001	22,414,999	13,854,914	12,892,128	11,597,953	58,948,631	839,708,627
AT 1 JULY 2015	-	884,829	23,246,591	24,905,688	14,514,608	47,293,608	94,138,060	204,983,383
LESS: ACCUMULATED DEPRECIATION ON REVALUATION	-	(884,829)	(23,246,591)	(24,905,688)	(14,514,609)	(47,293,608)	(94,138,060)	(204,983,384)
CHARGE FOR THE YEAR	-	50,000	5,603,750	1,731,864	1,611,516	1,449,744	19,647,579	30,094,453
AT 30 JUNE 2016	-	50,000	5,603,750	1,731,864	1,611,516	1,449,744	19,647,578	30,094,453
NET BOOK VALUE								
AT 30 JUNE 2016	717,500,000	2,450,001	16,811,249	12,123,050	11,280,613	10,148,209	39,301,053	809,614,174
AT 30 JUNE 2015	44,588,742	2,516,823	13,886,379	7,903,562	7,958,880	16,657,289	24,728,690	118,240,366

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017

AT 30 JUNE 2017

DETAILS	LAND KSHS	BUILDING KSHS.	MOTOR VEHICLES KSHS.	EQUIPMENT KSHS.	FURNITURE KSHS.	FIXTURES & FITTINGS KSHS.	COMPUTER EQUIPMENT KSHS.	TOTAL KSHS.
COST/VALUATION AT 1 JULY 2016	717,500,000	2,500,001	22,414,999	13,854,914	12,892,128	11,597,953	58,948,631	839,708,627
ADDITIONS	-	-	19,855,000	6,854,731.74	2,980,265	29,741,497	14,728,761.98	74,160,256
AT 30 JUNE 2017	717,500,000	2,500,001	42,269,999	20,709,646	15,872,393	41,339,450	73,677,393	913,868,883
AT 1 JULY 2016	-	50,000	5,603,750	1,731,864	1,611,516	1,449,744	19,647,578	30,094,453
CHARGE FOR THE YEAR	-	50,000	10,567,500	2,588,706	1,984,049	5,167,431	24,556,675	44,914,361
AT 30 JUNE 2017	-	100,000	16,171,250	4,320,570	3,595,565	6,617,175	44,204,253	75,008,814
NET BOOK VALUE								
AT 30 JUNE 2017	717,500,000	2,400,001	26,098,750	16,389,076	12,276,829	34,722,275	29,473,140	838,860,069
AT 30 JUNE 2016	717,500,000	2,450,001	16,811,249	12,123,050	11,280,613	10,148,209	39,301,053	809,614,174

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

3	INTANGIBLE ASSETS	30 June 2017	30 June 2016
		Kshs	Kshs
	Cost at July 01, 2016	54,571,582	49,017,659
	Additions	115,251,671	5,553,922
	Total Cost as at June 30, 2017	169,823,253	54,571,582
	Amortization		
	At July 01, 2016	47,655,693	40,475,734
	Amortization Charge for the year	43,481,804	7,179,959
	At June 30 2017	91,137,498	47,655,693
	NBV as at 30 June,2017	78,685,755	6,915,888
4	DISPOSAL OF ASSETS	30 June 2017	30 June 2016
		Kshs	Kshs
	Cash proceeds -Motor Vehicles & Fixtures & Fittings	-	2,593,313
	Book value of Assets disposed	-	(2,584,980)
	Revaluation Loss on assets disposed	-	339,667
	Disposal Profit/(Loss)	-	348,000
5	PROJECT	30 June 2017	30 June 2016
		Kshs	Kshs
	ERP Project (Commissioned 27.01.2014)	109,583,433	95,594,846
	Refurbishment of Offices (Commissioned FY 2016)	-	13,988,587
	Transfer to PPE & Intangible assets	(109,583,433)	-
		-	109,583,433
6	INCOME FROM NON-EXCHANGE TRANSACTIONS	30 June 2017	30 June 2016
		Kshs	Kshs
	GOK - Operations	228,055,500	183,055,500
	GOK - Bursaries (University students)	137,000,000	92,000,000
	GOK - Bursaries (TVET students)	100,000,000	100,000,000
		465,055,500	375,055,500

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

7	INCOME FROM EXCHANGE TRANSACTIONS	30 June 2017	30 June 2016
		Kshs	Kshs
	Interest Income Student Loans	1,122,522,758	734,939,518
	Income from Administrative Fees - Mature loans	129,345,000	138,022,000
	Income from Administrative Fees - Unmature loans	98,379,500	103,225,000
	Interest Income Investments	139,835,844	123,127,929
	Interest Income Staff Loans	1,309,501	1,717,861
	Debt collection fees	53,521,406	45,490,594
	Miscellaneous Income	-	1,628,087
	Miscellaneous Income Loan Forms	3,548,000	4,427,035
	Miscellaneous Income Scholarship Forms	1,107,000	1,157,000
	Miscellaneous Income Penalties Loanee Default	54,848,168	8,455,683
	Miscellaneous Income SMS	-	7,902
	Miscellaneous Income Clearance Certificates	30,574,268	25,159,715
	Profit on Asset Disposal	-	348,000
	Decrease in Provision for Bad debts	112,776,550	-
		1,747,767,995	1,187,706,324
8	BURSARIES TO STUDENTS	30 June 2017	30 June 2016
		Kshs	Kshs
	Bursaries to Undergraduate University Students	137,000,000	92,000,000
	Bursaries to TVET Students	100,000,000	100,000,000
		237,000,000	192,000,000
9	POST GRADUATE SCHOLARSHIPS TO STUDENTS	30 June 2017	30 June 2016
		Kshs	Kshs
	Post graduate scholarships to students	28,300,000	24,100,000
		28,300,000	24,100,000
10	STAFF COSTS	30 June 2017	30 June 2016
		Kshs	Kshs
	Staff Emoluments	310,115,091	289,115,643
	Gratuity and Pension	33,638,399	31,121,912
	Staff Welfare Expenses	11,204,376	4,307,965
	Medical Expenses	25,852,924	17,538,311
	Performance Contract Dynamics	3,580,007	2,911,294
	Temporary Contract Staff	1,021,374	7,056,870
		385,412,172	352,051,995

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

11 OTHER OPERATING EXPENSES

	30 June 2017	30 June 2016
	Kshs	Kshs
Telecommunication Expenses	17,912,221	15,732,776
Travelling Expenses	8,036,415	11,457,503
Fuel Consumption	1,773,665	1,696,133
Office Rent, Warehouse & Parking Charges	45,660,731	43,287,620
Insurance Expenses	2,282,591	1,836,732
Staff Training	24,251,072	20,728,900
Seminars and Conferences	20,734,813	10,507,217
Repair and Maintenance	2,323,853	2,186,379
Computer Hardware & Software Maintenance	51,797,904	23,723,211
Office Cleaning and Maintenance	1,441,792	962,053
Office Security Expenses	5,320,608	4,397,652
Office Tea	3,034,205	2,455,872
Office Flowers & Decorations	536,000	477,760
Official Entertainment	1,758,723	1,685,081
Subsistence Expenses	19,065,360	13,836,797
Contracted Professional Services	18,275,694	6,119,893
Staff Uniforms	529,347	147,392
Subscriptions to Professional Bodies	2,010,412	1,745,651
Newspapers, Journals, Periodicals & Library Books	780,320	858,870
Advertising, Publicity & Printing	43,515,775	51,670,695
Office Stationery & Accessories	9,179,969	7,903,895
Research & Fundraising	-	2,613,510
Disposal Consumables Stock items	-	261,237
Huduma Centre Costs	2,415,850	5,114,853
	282,637,319	231,407,682

12 BOARD MEMBERS EXPENSES

	30 June 2017	30 June 2016
	Kshs	Kshs
Telephone Expenses	84,000	79,133
Chairman's Honoraria	960,000	778,667
Sitting Allowance	2,070,000	2,800,000
Subsistence & Travelling Allowances	4,049,257	3,321,860
Bonus	-	500,000
Training	803,437	786,600
Insurance	338,372	535,827
	8,305,066	8,802,087

13 BANK CHARGES & COMMISSIONS

	30 June 2017	30 June 2016
	Kshs	Kshs
Bank Charges & Commissions	21,080,467	17,139,319
	21,080,467	17,139,319

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

14 DEBT COLLECTION FEES	30 June 2017	30 June 2016
	Kshs	Kshs
Debt Collection fees	53,521,405	45,490,594
	53,521,405	45,490,594
15 PROVISIONS FOR BAD AND DOUBTFUL DEBTS	30 June 2017	30 June 2016
	Kshs	Kshs
Provisions for the year	(112,776,550)	87,572,957
Bad Debts Waived	-	366,334
	(112,776,550)	87,939,291
16 AUDIT FEES	30 June 2017	30 June 2016
	Kshs	Kshs
Audit Fees	1,160,000	1,160,000
	1,160,000	1,160,000
17 CASH AND BANK BALANCES	30 June 2017	30 June 2016
	Kshs	Kshs
Kenya Commercial Bank	119,753,242	22,254,945
Citibank	9,195,216	15,165,928
Cooperative Bank	15,385,715	4,241,505
Barclays Bank	6,720,790	2,980,365
Equity Bank	465,638,337	7,866,044
Standard Chartered	29,135,538	8,736,466
National Bank of Kenya	3,670,031	4,654,317
Family Bank	10,447,174	6,454,459
Chase Bank	303,960,075	305,122,323
KCB Savings & Loans	95,095	131,986
Jamii Bora Bank	200,723	1,985,456
NIC Bank	19,560,989	10,665,635
Housing Finance	20,000,000	-
Cash in Hand	31,005	90,000
	1,003,793,930	390,349,428

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

18	SHORT TERM PLACEMENTS	30 June 2017	30 June 2016
		Kshs	Kshs
	Family Bank	-	200,000,000
	Chase Bank	100,000,000	100,000,000
	KCB LTD	706,584,346	300,000,000
	Cooperative Bank	708,434,196	300,000,000
	National Bank	965,217,149	500,000,000
	KCB Savings and Loans	7,661,949	9,056,480
	Equity Bank	-	-
	Housing Finance	-	500,000,000
	Jamii Bora Bank	-	200,000,001
		2,487,897,641	2,109,056,481
19	ACCOUNTS RECEIVABLE AND PREPAYMENTS	30 June 2017	30 June 2016
		Kshs	Kshs
	PREPAYMENTS & DEPOSITS		
	Hospital Deposit	725,000	725,000
	Utilities & Rent Deposit	9,654,848	2,701,303
	Prepayments	-	10,027
	Sub - Total	10,379,848	3,436,330
	OTHER ACCOUNTS RECEIVABLE		
	Staff Imprest	142,855	331,850
	Staff Salary Advances	218,836	166,765
	Medical Over expenditure	2,561,089	3,129,370
	Accrued Interest on Investment	17,816,939	6,324,799
	Other Accounts Receivable	18,119,459	6,269,394
		49,239,026	19,658,508
	Less: Provision for Bad & Doubtful Debt	(2,461,951)	(982,925)
		46,777,075	18,675,583
20	INVENTORIES	30 June 2017	30 June 2016
		Kshs	Kshs
	Consumable Stores	3,091,175	3,463,058
		3,091,175	3,463,058
21	STAFF LOANS	30 June 2017	30 June 2016
		Kshs	Kshs
	Staff Car Loans	9,985,949	10,227,838
	Staff House Loan	159,424,437	156,364,256
		169,410,386	166,592,095

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

22 MATURED LOANS TO STUDENTS	30 June 2017	30 June 2016
	Kshs	Kshs
Balance brought forward	27,836,611,765	25,912,983,253
Add: Mature loans during the year -Partnership Funds	4,922,299,387	4,820,680,072
Transfer to Unmatured Loans (See Note 37)	(4,614,919,919)	-
	28,143,991,233	30,733,663,325
Add: Accrued interest in the year	1,122,522,758	734,939,518
User Charges on mature loans	129,345,000	138,022,000
Penalties on matured Loans	54,848,168	-
	29,450,707,159	31,606,624,843
Less: Loan recovery during the year - GOK	(4,057,154,812)	(3,917,191,051)
	25,393,552,347	27,689,433,792
Add: Overpaid Loans movement	27,749,480	98,859,991
Refunds during the year	29,818,523	48,317,982
	25,451,120,350	27,836,611,765
Less: Provision for bad & doubtful debts	(1,272,556,018)	(1,386,811,594)
	24,178,564,333	26,449,800,171
<p>The movement of loans from matured to Unmatured of Ksh 4.6 Billion was done after data was moved to the new ERP System and the difference noted at the time of reports extraction. However the movement did not affect the financial position of the board as at 30/06/2017 as both belong to non-current assets</p>		
23 LOANS TO STUDENTS NOT YET MATURED	30 June 2017	30 June 2016
	Kshs	Kshs
Balance brought forward-Unmatured loans	20,837,728,235	17,656,832,700
Add: Loans awarded during the year - GOK	9,408,683,300	7,363,654,600
Loans awarded during the year - Partnership Funds	401,810,166	637,921,007
Transferred from Matured Loans (See Note 37)	4,614,919,919	-
	35,263,141,620	25,658,408,307
Less: Mature loans during the year	(4,922,299,387)	(4,820,680,072)
	30,340,842,233	20,837,728,235
24 LOANS, BURSARIES & SCHOLARSHIPS PAYABLE	30 June 2017	30 June 2016
	Kshs	Kshs
Universities returned payments	18,210,500	-
Loans Payable	1,658,766,529	825,499,233
Postgraduate Scholarships Payable	34,150,000	34,350,000
Bursaries Payable	28,250,000	38,250,000
	1,739,377,029	898,099,233

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

25	ACCOUNTS PAYABLE AND ACCRUALS	30 June 2017	30 June 2016
		Kshs	Kshs
	Staff Expenses	17,682,192	11,743,383
	Staff Gratuity Payable	15,051,436	10,526,703
	Staff Loans Deposits	118,200	118,200
	Operating expenses	-	4,581,172
	Trade Creditors & Accruals	4,450,776	80,577,684
	Withholding Tax	13,101,792	2,367,241
	Audit Fees	1,160,000	1,160,000
		51,564,396	111,074,383
26	OVERDRAWN ACCOUNTS	30 June 2017	30 June 2016
		Kshs	Kshs
	Citibank	721,274	185,640
		721,274	185,640
27	OVER PAID LOANS	30 June 2017	30 June 2016
		Kshs	Kshs
	Balance B/Forward	507,964,679	409,104,688
	Overpayments in the year	27,749,480	147,177,973
	Refunds in the year	(29,818,523)	(48,317,982)
		505,895,636	507,964,679
28	GOVERNMENT GRANTS	30 June 2017	30 June 2016
		Kshs	Kshs
	Balance B/Forward (GOK Funds)	37,962,480,224	31,804,480,224
	Capitation received in the year for Students Loans	6,177,826,325	6,158,000,000
		44,140,306,549	37,962,480,224
	Capitation for TVET Fund	(892,000,000)	(592,000,000)
	Partnership with Afya Elimu Fund	(308,000,000)	(308,000,000)
		42,940,306,549	37,062,480,224
29	CUMULATIVE TRANSFERS FROM GOK GRANTS TO FUNDS	30 June 2017	30 June 2016
		Kshs	Kshs
	Capitation for TVET Fund	892,000,000	592,000,000
	Partnership with Afya Elimu Fund	308,000,000	308,000,000
		1,200,000,000	900,000,000

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

30 CUMULATIVE PARTNERSHIP FUNDS AS AT 30/06/2017	30 June 2017	30 June 2016
	Kshs	Kshs
Capitation for TVET Fund	892,000,000	592,000,000
Afya Elimu Fund	602,080,000	522,460,000
Training Revolving Fund	162,478,750	125,500,000
HELB Education Fund	3,028,345	1,649,409
Students Loans - Kenya Revenue Authority Revolving Fund	20,000,000	20,000,000
Students Loans - Tinderet Education Fund	2,000,000	2,000,000
Students Loans - MOEST Foreign Universities Fund	58,624,887	58,624,887
Students Loans - Digital Divide Data Fund	15,300,000	6,700,000
Students Loans - Community Health Promotion Fund	5,748,500	1,758,000
Students Loans - Tenwek Hospital Training Fund	1,080,000	280,000
Students Loans - Busia County Fund	27,000,000	27,000,000
Students Loans - Tigania West Fund	2,800,000	1,000,000
Students Loans - Kakamega County Fund	40,000,000	20,000,000
Students Loans - Igembe North Education Fund	9,000,000	9,000,000
Students Loans - Karachuonyo Education Fund	10,800,000	10,800,000
Students Loans - Tharaka Nithi Constituency Fund	3,384,000	-
Students Loans - St Kizito Vocational Training Institute	732,838	-
Students Loans - Simba Corporation	1,787,400	-
Students Loans - Taita Taveta	20,000,000	-
Students Loans - AIC Kijabe	2,000,000	-
Students Loans - Awendo Education Fund	2,500,000	2,500,000
	1,882,344,720	1,401,272,296
31 TRANSFERS FROM GOK GRANTS TO FUNDS IN THE YEAR	30 June 2017	30 June 2016
	Kshs	Kshs
Capitation for TVET Fund	300,000,000	92,000,000
Partnership with Afya Elimu Fund	-	208,000,000
	300,000,000	300,000,000

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

32 PARTNERSHIP FUNDS RECEIVED IN THE YEAR

	30 June 2017	30 June 2016
	Kshs	Kshs
Capitation for TVET Fund	300,000,000	92,000,000
Afya Elimu Fund	79,620,000	289,345,000
Training Revolving Fund	36,978,750	-
HELB Education Fund	1,378,936	1,095,373
Students Loans - MOEST Foreign Universities Fund	-	58,624,887
Students Loans - Digital Divide Data Fund	8,600,000	6,700,000
Students Loans - Community Health Promotion Fund	3,990,500	1,758,000
Students Loans - Tenwek Hospital Training Fund	800,000	280,000
Students Loans - Busia County Fund	-	27,000,000
Students Loans - Kakamega County Fund	20,000,000	-
Students Loans - Tigania West Fund	1,800,000	1,000,000
Students Loans - Igembe North Education Fund	-	4,000,000
Students Loans - Karachuonyo Education Fund	-	6,800,000
Students Loans - Tharaka Nithi Constituency Fund	3,384,000	-
Students Loans - St Kizito Vocational Training Institute	732,838	-
Students Loans - Simba Corporation	1,787,400	-
Students Loans - Taita Taveta	20,000,000	-
Students Loans - AIC Kijabe	2,000,000	-
Students Loans - Awendo Education Fund	-	1,000,000
	481,072,424	489,603,260

33 CASH AND CASH EQUIVALENTS

	30 June 2017	30 June 2016
	Kshs	Kshs
Cash and Bank Balances	1,003,793,930	390,349,428
Short Term Investments	2,487,897,641	2,109,056,481
Overdrawn Accounts	(721,274)	(185,640)
	3,490,970,297	2,499,220,269

34 ACCUMULATED FUND

	30 June 2017	30 June 2016
	Kshs	Kshs
Balance as at July 01	10,210,441,212	9,651,114,722
Surplus for the Year	1,107,010,900	559,326,490
Balance as at June 30	11,317,452,112	10,210,441,212

35 ACCUMULATED PROVISIONS FOR DOUBTFUL DEBTS

	30 June 2017	30 June 2016
	Kshs	Kshs
Balance B/Forward	1,387,383,854	1,300,177,231
Add: Provisions for the year	(112,776,550)	87,572,957
Less: Loans Waived	0	(366,334)
	1,274,607,304	1,387,383,854

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

36 REVALUATION RESERVE ON ASSETS

	30 June 2017	30 June 2016
	Kshs	Kshs
Revaluation reserve b/f	710,260,880	-
Revaluation reserve on revalued assets	-	710,600,547
Revaluation on disposed assets	-	(339,667)
	<u>710,260,880</u>	<u>710,260,880</u>

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

37 CONTINGENT LIABILITY

Litigation is in process against the Board relating to a dispute with a company that alleges that the Board has encroached on its land. The information usually required by IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets, is not disclosed, on the grounds that it can be expected to prejudice seriously the outcome of the litigation. The Board is of the opinion that the claim can be successfully defended by Higher Education Loans Board.

38 INTERNATIONAL RELATIONS

The Board is a member of the Association of African Higher Education Financing Agencies (AAHEFA).

39 LEGAL STATUS

The Board is a state corporation domiciled and established in Kenya under the Higher Education Loan Board Act Cap213A of 1995 and administered under the state Corporation Act of 1986 under the Ministry of Education in the Government of the Kenya.

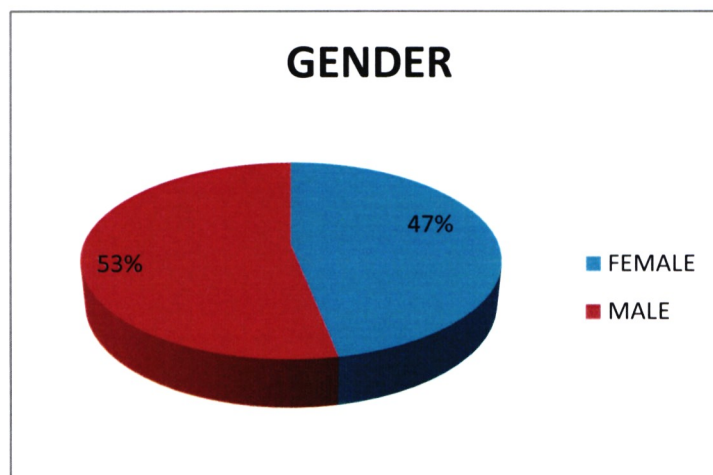
NOTES TO THE FINANCIAL STATEMENTS (Continued)

40 NUMBER OF STAFF

The Board had two hundred and nine (209) members of staff as at 30th June 2017. 114 staff were on permanent and pensionable terms and 95 on contract

Ethnicity	Board Members	%	Senior Management	%	Other staff	%
Borana					1	0.51%
Embu			1	7.14%	5	2.55%
Giriama					1	0.51%
Kalenjin	3	27.3%	1	7.14%	32	16.33%
Kamba			2	14.29%	16	8.16%
Kisii	2	18.2%	3	21.43%	17	8.67%
Kikuyu	3	27.3%	4	28.57%	35	17.86%
Kuria					8	4.08%
Luhya	1	9.1%	2	14.29%	25	12.76%
Luo	1	9.1%			29	14.80%
Meru	1	9.1%	1	7.14%	18	9.18%
Masaai					3	1.53%
Pokot					1	0.51%
Samburu					2	1.02%
Taita					1	0.51%
Somali					1	0.51%
Turkana					1	0.51%
Total	11	100.00%	14	100.00%	196	100.00%

GENDER	
FEMALE	98
MALE	111
TOTAL	209



Financial Risk Management

- i. Market Risk – HELB does not own any financial instruments in foreign currency hence it is not exposed to market risk.
- ii. Price Risk – HELB does not hold any financial instruments subject to price risk.
- iii. Cash flow and fair value interest rate risk – HELB collects banks and place funds in twelve banks that have all been approved by The National Treasury. This spreads the risk.
- iv. Credit Risk – This arises from cash and cash equivalents and short-term placements with banks and financial institutions as well as credit exposures from outstanding receivables, students' loans, and committed transactions. Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Board. Credit risk relating to students' loans is managed by Head of Operations and the others are managed by Head of Finance. Non performing student loans are forwarded to debt collectors for recovery and to Credit Reference Bureaus for listing. In regard to banks and financial institutions, HELB operates with banks and financial institution approved by The National Treasury.

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

VII. 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	Status	Timeframe
1	Ownership of land LR No.209/13515	Matter taken up by our parent Ministry.	Chief Executive Officer	Not resolved	Not defined
2	Recoverability of mature loans amounting to Kshs.8,859,371,482 as at 30/6/2016	Measures put in place to recover outstanding loans. The loans are progressively decreasing.	Chief Executive Officer	Not resolved	Not defined
3	Access to Funds held at Chase Bank which is under statutory management.	Central bank is working towards the bank becoming fully operational by 30/9/2017.	Chief Executive Officer	Not resolved	Not defined



D. NDEGWA WACHIRA
CHAIRMAN



CHARLES M. RINGERA
CHIEF EXECUTIVE OFFICER

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	NIL	NIL	NIL	NIL	NIL	NIL

Appendix 2: INTER-ENTITY TRANSFERS

ENTITY NAME:		HIGHER EDUCATION LOANS BOARD			
Break down of Transfers from the State Department of Education					
FY 16/17					
a.	Recurrent Grants	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate	
1	Operations grant	8/26/2016	228,055,500.00	2016/2017	
2	Bursary to Students	8/26/2016	237,000,000.00	2016/2017	
3	Capitation	8/26/2016	159,944,500.00	2016/2017	
4	Capitation	9/30/2016	1,035,720,456.25	2016/2017	
5	Capitation	12/16/2016	1,660,720,456.00	2016/2017	
6	Capitation	02/13/2017	1,660,720,456.00	2016/2017	
7	Capitation	03/29/2017	1,660,720,456.00	2016/2017	
		Total	6,642,881,824.25		

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Appendix 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent /Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - Revolving Fund	
Ministry of Public Service, Youth & Gender Affairs	11/22/2016	Others- Revolving fund	36,978,750.00	-	-	-	-	36,978,750.00	36,978,750.00
County government of Kakamega	3/15/2017	Others- Revolving fund	20,000,000.00	-	-	-	-	20,000,000.00	20,000,000.00
County government of Taita Taveta	6/6/2017	Others- Revolving fund	20,000,000.00	--	-	-	-	20,000,000.00	20,000,000.00
Tigania west constituency Fund	10/14/2016	Others- Revolving fund	1,800,000.00	-	-	-	-	1,800,000.00	1,800,000.00
Tharaka Nithi constituency Fund	26/01/2017	Others- Revolving fund	3,384,000.00					3,384,000.00	3,384,000.00
Total			82,162,750.00	-	-	-	-	82,162,750.00	82,162,750.00