



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
HIGHER EDUCATION LOANS BOARD

FOR THE YEAR ENDED
30 JUNE 2018





**HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**



Empowering Dreams

Contact: 0711052000, Email contactcentre@helb.co.ke Website: www.helb.co.ke

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

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Table of Contents	Page
KEY ENTITY INFORMATION AND MANAGEMENT.....	iv
THE BOARD OF DIRECTORS	ix
MANAGEMENT TEAM.....	xiii
CHAIRMAN'S STATEMENT	xviii
REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xxi
CORPORATE GOVERNANCE STATEMENT	xxviii
MANAGEMENT DISCUSSION AND ANALYSIS.....	xxxiii
CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	xxxvi
REPORT OF THE DIRECTORS	xli
STATEMENT OF DIRECTORS' RESPONSIBILITIES	xlii
REPORT OF THE INDEPENDENT AUDITORS ON THE ACCOUNTS OF HIGHER EDUCATION LOANS BOARD.....	xliii
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018	1
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018.....	2
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018.....	3
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018.....	5
NOTES TO THE FINANCIAL STATEMENTS.....	6
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	29
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY	31
APPENDIX III: INTER-ENTITY TRANSFERS.....	32
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES	33

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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 and the Secretary to the Board of Directors.

(b) Principal Activities

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

i. Our Mission

To provide affordable loans to Kenyans pursuing higher education through adequate mobilization and prudent management services

ii. Our Vision

A loan available for every deserving Kenyan enrolled in higher education

iii. Core values

- Professionalism
- Integrity
- Courtesy
- Equity

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

iv. Our Specific Mandates

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

a)	Formulate sound policies for regulating the management of the Fund;
b)	Solicit for funds and other assistance to promote the functions of the Board;
c)	Set the criteria and conditions governing the granting of loans including the rate of interest and recovery of loans;
d)	Receive any gift, donation, grants or endowments made to the Board, and to make legitimate disbursements there from;
e)	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 for which the Board is established;
f)	Enter into contract with financial institutions for the purpose of loan disbursement and recovery;
g)	Grant loans out of the Fund either with or without security, as the Board may deem fit, to any eligible person to enable him or assist any student, to meet the cost of higher education;
h)	Determine the maximum number of eligible persons or students to be granted loans in any one particular year;
i)	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;
j)	With the consent of the minister, to set up and expend such other funds as may from time to time be required;
k)	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 requests in accordance with the provisions of the Act;
l)	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;
m)	Take insurance cover for risky loans such as death, incapacity or inability to pay, as the Board deems fit;
n)	Establish and award bursaries and scholarships which it may consider necessary for promotion of the objectives and functions of the Board;
o)	Perform any other functions relating to the granting of students' loans in accordance with the provisions of the Act;
p)	Perform and exercise all other functions and powers conferred on the Board by this Act.

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(c) Key Management

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

1. Board of Directors
2. CEO and the Board Secretary
3. Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
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	Head of Human Resource & Administration	Mrs. Madrine Mburu
6	Manager, Finance	Ms. Kerin Lidoroh
7	Head of Debt management	Mr. Naftal Michira
8	Manager, Lending	Mr. Joseph Ndegwa
9	Ag. Chief Information Officer	Mr. Josphat K. Nzuki
10	Head of 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, Corporate Communication & Customer Experience	Mrs. Wavinya Mung'ala
14	Asst. Manager, Procurement & Logistics	Mrs. Phyllis Kipruto

(e) Fiduciary Oversight Arrangements

i. Board Committees

Chairman of the Board – Mr. David Ndegwa Wachira		
Loans Disbursement and Recovery Committee	Finance, Staff & General Purpose Committee	Audit, Risk Management and Compliance Committee
Members	Members	Members
Prof. Timothy Wachira - Chair	Mr. Charles Maranga - Chair	Dr. Habil Olaka - Chair
Mrs. Jacqueline Mugo	Mrs. Jacqueline Mugo	Prof. Timothy Wachira
Mr. Ezra Magati	Mr. Ezra Magati	Mr. George Gichuru
Mr. George Gichuru	Prof. Mwenda Ntarangwi	Prof. Mwenda Ntarangwi
Mr. Charles M. Ringera (CEO)	Mr. Charles M. Ringera (CEO)	Mr. Charles M. Ringera (CEO)

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

ii. Board Committee Functions




Loans Disbursement and Recovery Committee	Finance, Staff & General Purpose Committee	Audit, Risk Management and Compliance Committee
Functions	Functions	Functions
To formulate policies for sound management of loan disbursement and loan recovery processes;	To review and recommend approval of policies and conditions for sound management of the financial processes and operations;	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;
To formulate policies for sound management of the scholarship facility.	To review and report to the Board on the annual audited accounts;	Examine internal and external audit reports and recommendations after management response to ensure action is taken;
To formulate and recommend for approval the criteria to be used in loan allocation/award;	To review and recommend approval of policies and conditions for sound management of HELB's property and financial investments;	Follow up to ensure positive action is taken to resolve unsettled and unimplemented Public Accounts and Public Investment Committees' (PAC/PIC) recommendations.
To formulate policies and conditions to guide the process of loan waivers.	To formulate policies and conditions for sound management of the HELB Human Resources;	Provide oversight on HELB risk management processes;
To submit to the Board quarterly reports on the activities of the Committee with regard to disbursement and recovery performance;	To formulate policies and conditions for sound management of the HELB Funds;	Enhance communication between Management, Internal and External Audit and fostering an effective internal audit function;
To review the Credit management and scholarship policy on a regular basis;	To formulate policies and conditions for sound management of the HELB ICT systems;	Any other duties set out in the Audit committee charter.
To hold meetings on a quarterly basis or as may need demands;	To submit to the Board of Directors quarterly reports on the activities of the Committee	
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		

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(f) HELB Headquarters and Registered Office

19th Floor, Anniversary Towers, University Way
P.O. Box 69489-00400
NAIROBI – KENYA

(g) HELB Contacts

Telephone: (020) 2278000
Cell phone: 0711052000
Email: contactcentre@helb.co.ke
Website: www.helb.co.ke
 [Twitter.com/HELBpage](https://twitter.com/HELBpage)
 [Facebook.com/HELBpage](https://facebook.com/HELBpage)
 [Linkedin.com/higher-education-loans-board](https://linkedin.com/higher-education-loans-board)

(h) HELB Bankers

	BANK	BRANCH
1	Kenya Commercial Bank Limited	University Way Branch, Nairobi
2	Equity Bank Limited	Equity Centre Branch, Upperhill, Nairobi
3	Citibank Limited,	Upperhill Branch, Nairobi
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 (currently SBM Bank)	Delta Branch, Westlands, Nairobi
10	Jamii Bora Bank Limited,	Koinange Street Branch, Nairobi
11	NIC Bank Limited	Upperhill Branch, Nairobi
12	National Bank Limited	Harambee Branch, Nairobi

(i) Independent Auditors

Auditor General
Office of 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

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

THE BOARD OF DIRECTORS

Board Member	Key Qualifications and Experience
 <p>Hon. Senator Ekwee Ethuro Chairman of the Board</p>	<p>Hon. Senator Ekwee Ethuro holds an Msc. in Agriculture and Economics and a Bachelor of Science in Agriculture from the University of Nairobi. He is former Speaker of the Senate having been elected to this position on 28th March 2013. He served for three terms as a Member of Parliament for Turkana Central Constituency in 1997, 2002 and 2007. Sen. Ethuro was the Chairman of the Constituency Development Fund Committee. He also served as an Assistant Minister in the Ministry of Planning and National Development from 2005 to 2007 and an Assistant Minister in the Ministry of Labour and Human Resource Development from 1998 to 2002.</p> <p>Appointed on 20th September 2018</p>
 <p>Mr. 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>Term expired on 9th May 2018</p>
 <p>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 23 years' experience gained at the Central Bank of Kenya, Co-operative Bank and KCB Group PLC. He holds a BSc. degree in Applied Accounting and an MBA in Strategic Management. He is a professional accountant, holding CPA (K), and a Fellow of the Association of Certified Chartered Accountants (FCCA) with membership in both ICPAK and ACCA of good standing. He also holds an Advanced Diploma in Risk Management in Banking/Finance by KPMG Sweden.</p>

**HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**



**Prof. Timothy Wachira
Representing Private Universities**

Prof. Wachira is the Vice chancellor of Daystar University and he represents Private Universities. 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.

Resigned on 13th June 2018



**Mrs. Jacqueline A. Mugo
CEO Federation Of Kenya
Employers**

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, Labour Advisory Board, National Industrial Training Council and Productivity Centre of Kenya.



**Mr. Ezra Magati
Alternate to the PS State of
Department of University
Education & Research**

Mr. Magati is currently the Alternate PS State Department of Education. He 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.

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018



Mr. Charles Onami Maranga
Independent Member

Mr. Maranga holds 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)



Mr. George K. Gichuru
Alternate to the PS The National Treasury

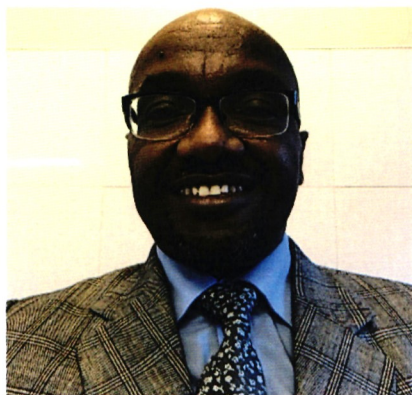
Mr. Gichuru is the current Head of Accounting Division at the National Treasury. He holds a Bachelor of Commerce (Accounting) and an MBA Finance from the University of Nairobi. He is also a CPA (K) and a member of the Institute of Public Accountants of Kenya (ICPAK). He is a career accountant having 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.



Dr. Habil O. Olaka
CEO Kenya Bankers Association

Dr. Olaka is the Chief Executive Officer of the Kenya Bankers Association since October 2010. He holds a first class honours BSc Degree in Electrical Engineering from University of Nairobi, an MBA in Finance from the Manchester Business School in the UK and a PhD from USIU (Kenya). He also CPA and is a member of ICPAK and a seasoned banker

**HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**



**Prof. Mwenda Ntarangwi
Chief Executive Officer, CUE**

Prof. Ntarangwi is the Chief Executive Officer of the Commission for University Education since September 2017. He holds a Bachelor of Education Degree B.Ed. (language) from Kenyatta University, MA in Swahili and Cultural Studies from Kenyatta University, MA in Cultural Anthropology from University of Illinois and a PhD in Cultural Anthropology from University of Illinois.

Appointed from September 2017

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

MANAGEMENT TEAM



Mr. Charles Ringera
Chief Executive Officer

Mr. Ringera is the Chief Executive Officer of Higher Education Loans Board. He is a seasoned banker with over 23 years' experience gained at the Central Bank of Kenya, Co-operative Bank and KCB Group PLC. He holds a BSc. degree in Applied Accounting and an MBA in Strategic Management. He is a professional accountant, holding CPA (K), and a Fellow of the Association of Certified Chartered Accountants (FCCA) with membership in both ICPAK and ACCA of good standing. He also holds an Advanced Diploma in Risk Management in Banking/Finance by KPMG Sweden.



Mr. Shem Andrew Gichimu
Chief Finance Officer

Mr. Gichimu 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

Mr. Monari 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 Documentation, Lending, Institutional Relations and Debt Management departments since December 2016.. 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 holds a B. Com degree and Master of Business Administration degree from Jomo Kenyatta University of Agriculture and Technology.

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018



Mrs. Mary Wachira-Muchee
Chief Strategy & Customer Experience Officer

Mrs. Muchee 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
Head of Human Resource & Administration

Mrs. Mburu 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. She is an active member of the Institute of Human Resources Management.

Retired on 12th December, 2018.



Mrs. Bernadette N. Masinde
Head of Legal Services & Corporation Secretary

Mrs. Masinde 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.

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018



Mr. Josphat Nzuki
Ag. Chief Information Officer

Mr. Nzuki has over 20 years' experience in Information 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.



Mr Justus K. Mwangi
Head of Internal Audit, Risk Management and Compliance

Mr. Mwangi 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

Mr. Gachari joined the Board from CPF (formally Local Authorities Pension Trust (LAPTRUST)) 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].

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018



Ms. Kerin Lidoroh
Manager, Finance

Ms. Lidoroh has over 20 years' experience in the field of Finance and Accountancy. She is a Certified Public 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.



Mr. Naftal Michira
Head of Debt Management

Mr. Michira has served the Board in various capacities as an Assistant Loans Officer, Loans 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



Mrs. Phyllis J. Kipruto
Asst. Manager Procurement

Mrs. Kipruto 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

**HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**



**Ms. Wavinya Mung'ala
Manager, Corporate Communication
& Customer Experience**

Ms. Wavinya Mung'ala 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



**Mr . Joseph Kingori Ndegwa
Manager, Lending**

Mr. Ndegwa has over 20 years' experience in the field of credit administration and project management. He joined the Board from G4S Kenya where he was a District Manager. At the Board, he has risen through the ranks from a Loans Inspector, Senior Loans Inspector, Assistant Manager -Loan disbursement to Project Manager and currently Manager, lending. He has attended several professional courses in various fields locally and internationally. He holds a B.A degree from the Kenyatta University and currently pursuing an MSc in Entrepreneurship from the same university.

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 forefront 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 skills 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. All the qualifying students in 2018, 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 to provide the much needed technical skills for the growth of the economy as stipulated in the presidents' Big four Action Plan and 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 youths 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 institutions of higher

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

learning to over 700,000. In 2017/2018, HELB financed a total of 308,021 students at a cost of Kshs.11.3 Billion compared to 227,399 students financed in 2016/2017 at a cost of Kshs.10.1 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 2017/2018 marked the fifth year of implementing the 2013-2018 strategic plans. Despite the macro-economic challenges, the Board recorded an appreciable implementation level of 99% of the targeted activities for the period. Loan recoveries recorded a new high of Kshs.4.9 Billion.

Five 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 2017/2018 financial year, the government increased funding for TVET students to Kshs.1.3 Billion up from Kshs.900 Million in 2016/2017 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 enrolment 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 necessities of our nation including and not limited to health, basic education and security, we have commenced discussions 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 and 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 fulfilment 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 the Presidential Taskforce on Parastatal reforms. To facilitate these reforms the Board is in the process of reviewing its Act.

**HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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.



**EKWEE ETHURO
CHAIRMAN OF THE BOARD**

**HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

REPORT OF THE CHIEF EXECUTIVE OFFICER



Macro-Economic Overview

Kenya's GDP growth is projected to rebound to 5.6%, a 0.6 percentage point mark up from the 2018 forecast, according to the African Economic outlook (AEO) 2018. Consistent with its robust performance and economic resilience in recent years, the economic growth in Kenya was solid in 2017, coming in at an estimated 5%. This has been supported by a stable macroeconomic environment, low oil prices, earlier favourable 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 2018. Challenges still include poverty, inequality, climate change and the vulnerability of the economy to internal and external shocks.. Authorities pursued prudent monetary, fiscal, and exchange rate policies. The central bank retained the policy rate at

10% to anchor inflation at the single-digit level (6.3%). Fiscal policy was expansionary and focused on financing infrastructure mega-projects.

Kenya's economy remains resilient due to its diversity; services contributed the highest proportion to GDP growth. This is expected to continue as the country remains the leading regional hub for information and communication technology, financial, and transportation services..

The general election in 2018 had an impact on direct foreign investment that compromised the ability of the economy to create jobs which in effect compromised HELB's efforts in loan recovery. However, in the medium term, economic growth is projected to rebound to 5.6% in 2018 and 6.2% in 2019, consistent with Kenya's underlying growth potential.

But while the medium- to long-term outlook appears favourable, Kenya's economy remains vulnerable to downside risks. These include potential for fiscal slippages, subdued credit growth caused by caps on commercial banks' lending rates, 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.

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



The 5 year Corporate Plan came to an end this years, 2018. The HELB Strategic Plan 2013 - 2018 **(Revised)** has been implemented to attune to current micro and macroeconomic/education developments. 65.8% of the strategic plans had been achieved while 23.5% of the activities were ongoing. Overall 99.3% of the activities were completed and ongoing leaving only 0.7% of the strategies as un-done. The plan came to an end ushering in a New Year Corporate plan 2019-2023, HELB Agenda 2019-2023.

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The table below shows the implementation status for activities as at 30th June 2018. The highlights being;

S/NO.	STATUS OF ACTIVITIES	FINANCIAL SUSTAINABILITY	CUSTOMER SERVICE	INTERNAL PROCESSES RE-ENGINEERING	INSTITUTIONAL CAPACITY & CORPORATE GOVERNANCE	TOTAL	%
1	Finalized	5	2	1	9	17	11.4%
2	Done & continuous	21	30	14	31	96	64.4%
3	On-going	9	6	5	15	35	23.5%
4	Not done	0	0	0	1	1	0.7%
	TOTAL	35	38	20	56	149	100%

- i) An overall finalization rate of 11.4% (17 out of 149) of the activities planned has been achieved as at 30th June 2018
- ii) Activities that are done and recur every financial year are 64.4% (96 out of 149)
- iii) Activities that should have been started, have passed their completion dates, but are yet to be concluded are 23.5% (35 out of 149)
- iv) Activities that have passed their completion dates and are yet to be started are 0.7% (1 out of 149)
- v) Based on this premise, the cumulative achievement of the strategic plan in the last 4 years is rated at 99.7%.

The main activity not done is under Institutional Capacity & Corporate Governance. All other activities are on course and all efforts are being made to finalize the ongoing ones.

Performance highlights

HELB Funding has grown year on year from GoK allocation of Kshs 700M in the financial year 1999/2000 to Kshs. 7.6B during the financial year 2017/2018 in addition to significant growth in terms of loan recoveries from Kshs 391.9M in the financial year 1999/2000 to Kshs. 4.9 Billion during the financial year 2017/2018. The government continues to be stretched in financing higher education with more than 80,000 students joining university in 2017/2018 up from about 67,750 the previous year and another 35,000 were placed in Technical Vocational and Education 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 2019.

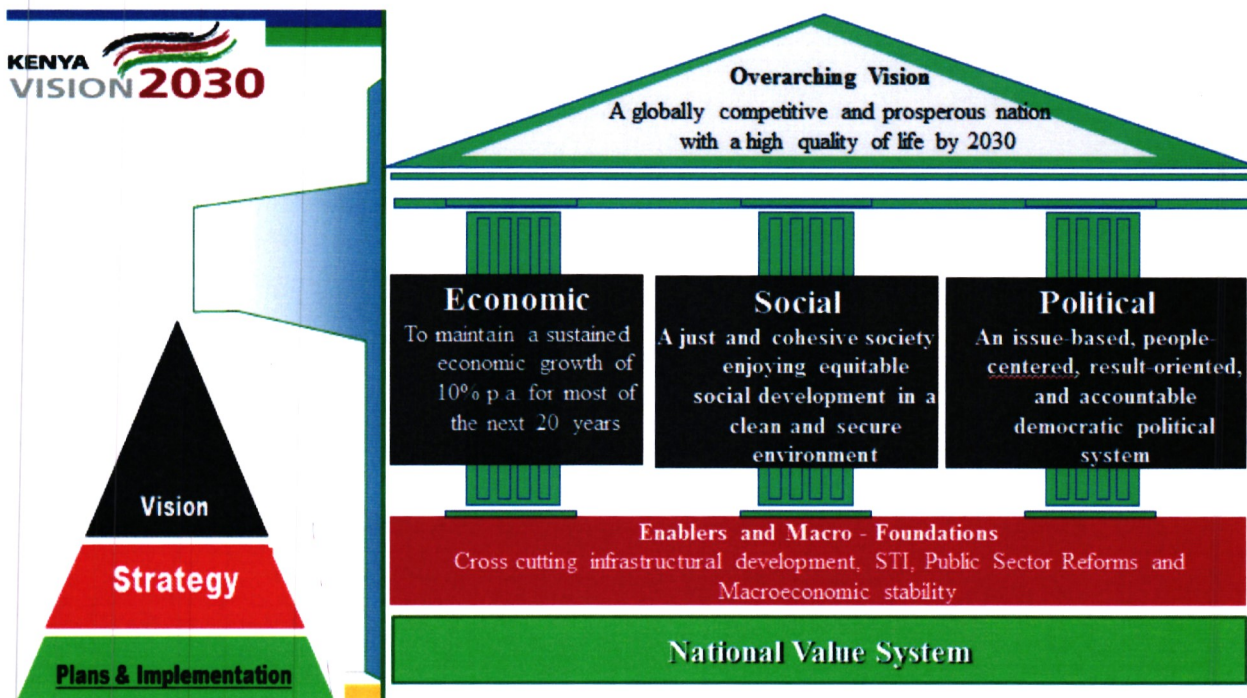
It is important to note that adequate financing of higher education can only be achieved if meaningful collaborations are established between all the major stake holders among them the government, through the Ministry of Education, Science and Technology, parents/guardians, students, employers and institutions 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

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

opportunities is not hindered by economic The year under review saw an increase of 35% as HELB financed a total of 308,021 students at a cost of Kshs.11.3 Billion compared to 227,399 students financed in 2016/2017 at a cost of Kshs.10.1 Billion and in addition to the loan, they were awarded

circumstances. bursary totalling 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 5 year Big 4 Action Plan by the Government and 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 Big 4 Action Plan and 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 professionals is 1:2:4:16.1. For a

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

typical developing country however, it is considered that the more realistic ratios would be 1:3:12:60

As an implementation agent of the 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 32,224 students from over 100 TVET institutions under the Ministry of Education, Science and Technology were financed to the tune of Kshs.831Million for loans and Kshs.85.7Million for bursaries compared to 2016/2017 where 21,060 students with loans amounting to Kshs.150 Million and bursary amounting to Kshs. 100 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 country's Big four action plan in the year 2017/2018, 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 1,841 students at a total value of Kshs.216 Million. The Board is pursuing a Multi-pronged approach to share up this portfolio particularly with the coming on board of the Government of Kenya Training Revolving Fund (Kshs. 237.6

Million) 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 91 students' scholarships worth Kshs.10.8 Million.

Funding HELB

The total budget for the year amounting to Kshs.13.1 Billion was financed from two major sources namely the Exchequer allocation – Kshs. 7.6 Billion and loan recoveries – Kshs4.9 Billion accounting for 58% and 37% respectively, while the balance of 5% 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 11.4 billion, the Balance Sheet grew from Kshs.59.1 Billion in 2017/2018 to Kshs.68.2 Billion by close of 2017/2018 representing a 15% growth.

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

In this year the Board has received from partnerships, funds as follows:

Afya Elimu Fund	102,413,608
Training Revolving Fund	73,957,500
HELB Education Fund	150,000
Students Loans - Digital Divide Data Fund	3,500,000
Students Loans - Community Health Promotion Fund	6,468,000
Students Loans - Tenwek Hospital Training Fund	800,000
Students Loans - Kakamega County Fund	20,000,000
Students Loans - St Kizito Vocational Training Institute	750,000
Students Loans - Simba Corporation	1,691,700
Students Loans - Taita Taveta	10,000,000
Student loan s- Strathmore university	1,320,300
Student loans- Barclays Bank Scholarship scheme	42,840,000
	263,891,108

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 honour 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.4.9 Billion was recovered compared to Kshs.4.06 Billion recovered in the

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

**HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

previous year being an increase of 20.6%.

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 24 Huduma Centers 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 to 18th Floor.

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

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 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.

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 M. RINGERA
CHIEF EXECUTIVE OFFICER

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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, management, employees and suppliers to act with honesty, integrity and fairness. Recognising that good corporate governance is key to enhancement of our business performance, the Board of Directors seeks to discharge its duties and responsibilities to 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 transforming 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 of the 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) A Chairman appointed by the President;
- (b) The Secretary to the Commission for Higher Education;
- (c) Permanent Secretary, Ministry of Education or his representative;
- (d) Permanent Secretary, Ministry of Finance or his representative;
- (e) The Chairman of the Vice-Chancellors Committee for Public Universities;
- (f) A representative of the Vice-Chancellors or Principals of the Private Universities;
- (g) The Executive Director of the Federation of Kenya Employers;
- (h) The Chairman of the Kenya Bankers Association;
- (i) Two other persons appointed by the Minister; and
- (j) Such other persons, not more than three, as the Board may co-opt from time to time.

On appointment, the newly appointed member is facilitated to undergo induction process covering the business of the organization by availing relevant information and also 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 bring conflict with interest.

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Board of Directors 2017/2018

	Name	Role in the Board	Date of Appointment	Date of Retirement
1.	Mr. David N. Wachira	Chairman Board of Directors	09/05/2016	09/05/2018
2.	Mrs. Jacqueline Mugo	Member	15/02/2016	15/02/2021
3.	Prof. Timothy Wachira	Chairman, Loans Disbursement & Recovery Committee	15/02/2016	13/06/2018
4.	Dr. Habil Olaka	Chairman, Audit, Risk Management & Compliance Committee	15/02/2016	15/02/2021
5.	Mr. Ezra Magati	Member	15/04/2016	15/04/2021
6.	Mr. George Gichuru	Member	15/02/2016	15/02/2021
7.	Mr. Charles Maranga	Chairman, Finance, Staff & General Committee	15/02/2016	15/02/2021
8.	Prof. Mwenda Ntarangwi	Member	1/9/2017	1/10/2022
9.	Prof. Walter O. Oyawa	Member	1/04/2017	31/8/2017
9.	Mr. Charles M. Ringera	Chief Executive Officer	01/03/2013	28/02/2019

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 , Vision purpose and core values of the Board;
- b) Promoting the aims and objectives of the Board;
- c) Setting strategic directions and aligning them to the purpose and long-term goals for the Board to meet the interests and expectation of the stakeholders;
- d) Performance management of the CEO;
- e) Monitor the Boards performance and ensure sustainability
- f) Setting and monitoring board budget and planning framework, ensuring that the Board's finances are sound and taking major financial decisions;
- g) Setting and overseeing the overall strategy and approve significant policies of the Board;
- h) Ensure availability of adequate resources

4. Remuneration of Board of Directors

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

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The below is individual remuneration:-

BOARD MEMBER		REMUNERATION (KSHS)
1.	Mr. Davi N. Wachira	1,299,752
2.	Dr. Habil Olaka	383,700
3.	Mrs. Jaqueline Mugo	340,000
4.	Prof. Mwenda Ntaragwi	365,600
5.	Mr. Ezra Magati	818,905
6.	Prof. Timothy Wachira	481,900
7.	Mr. Charles Maranga	543,800
8.	Mr. George Gichuru	260,000
9.	Prof. Walter O. Oyawa	80,000

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 ten 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 2018

- 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.

**HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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 2017/2018

a) Full Board meetings

Members	3-Jul-17	19-Jul-17	30-Aug-17	11-Sep-17	8-Nov-17	27-Nov-17	24-Jan-18	30-Apr-18	31-May-18	20-Jun-18
Mr. David N. Wachira	√	√	√	√	√	√	√	√	A	A
Dr. Habil Olaka	√	√	√	√	√	√	√	√	√	√
Prof. Timothy Wachira	√	√	A	√	√	A	√	√	√	A
Mr. Ezra Magati	√	√	√	√	A	√	√	A	√	√
Mrs. Jaqueline Mugo	A	√	√	√	A	√	√	√	A	√
Mr. George Gichuru	A	√	√	√	A	√	√	√	A	A
Mr. Charles Maranga	√	A	√	√	√	√	√	√	√	√
Prof. Mwenda Ntaragwi	**	**	**	**	√	√	√	√	√	√
Prof. Walter O. Oyawa	√	**	**	**	**	**	**	**	**	**

b) Loans Disbursement and Recovery Committee

Members	10-Jul-17	10-Oct-17	16-Jan-18	10-Apr-18	12-Jun-18
Dr. Timothy Wachira	√	√	√	√	√
Mr. Ezra Magati	A	A	√	√	√
Mrs. Jacqueline Mugo	√	√	√	√	√
Mr. Gichuru Kihara	√	√	√	A	A

c) Finance, Staff & General Purpose Committee

Members	11-Jul-17	11-Oct-17	16-Jan-18	16-Apr-18	13-Jun-18
Mr. Ezra Magati	A	A	√	A	√
Mrs. Jacqueline Mugo	√	√	√	√	√
Mr. Charles Maranga	√	√	√	√	√
Mr. Walter Oyawa	√	**	**	**	**
Prof. Mwenda Ntarangwi	**	**	**	√	√
Prof. Walter O. Oyawa	√	**	**	**	**

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

d) Audit, Risk Management and Compliance Committee

Members	12-Jul-17	27-Sep-17	16-Oct-17	18-Jan-18	12-Apr-18
Dr. Habil Olaka	√	√	√	√	√
Dr. Timothy Wachira	√	√	A	√	√
Mr. Gichuru Kihara	√	√	√	√	A
Prof. Mwenda Ntarangwi	**	√	√	√	√
Prof. Walter O. Oyawa	√	**	**	**	**

e) Enterprise Resource Planning Board Committee

Members	27-Jan-18	13-Jun-18
Dr. Habil Olaka	√	√
Prof. Timothy Wachira	√	A
Mr. Ezra Magati	A	√
Mrs. Jaqueline Mugo	A	√
Mr. Georeg Gichuru	√	A
Mr. Charles Maranga	A	√
Prof. Mwenda Ntaragwi	√	√

Key: √ - Present

A - Apology

** - No Obligation to attend

11. 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 2018 the management team was as disclosed on page (xii-xix).

12. 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 department and reports on internal control and risk forwarded to the Board of directors through the Audit, Risk Management and Compliance Committee.

13. 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.

14. 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.

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;

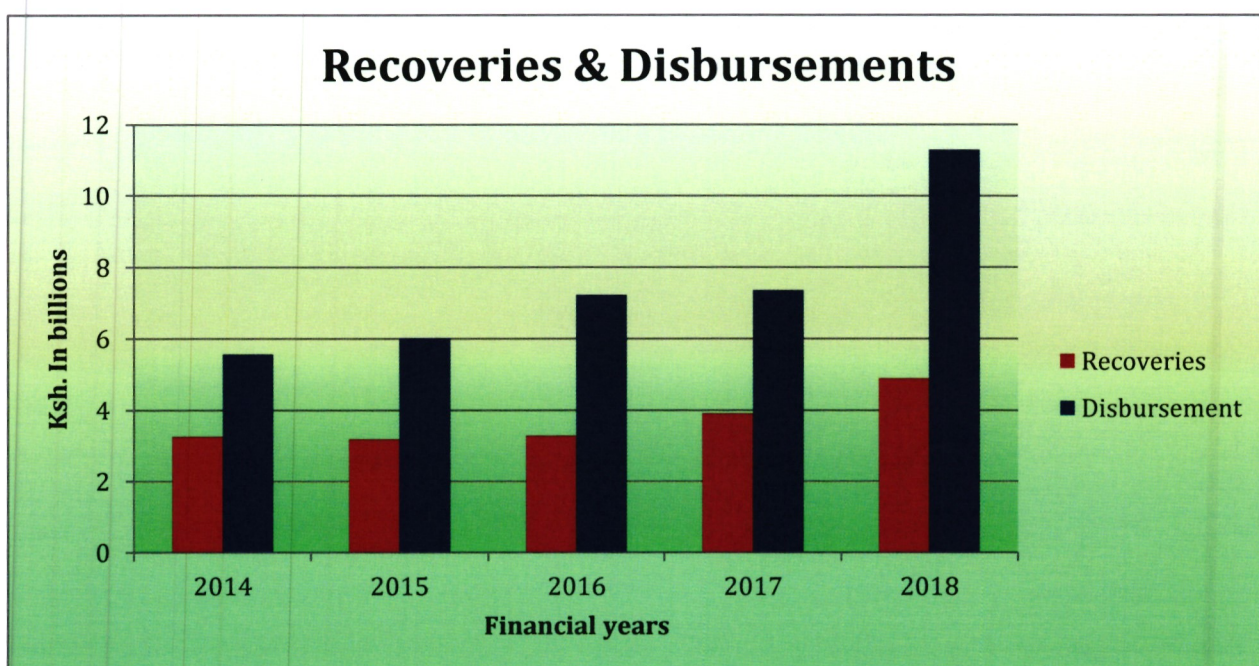
- Financial sustainability
- Customer Excellence and centricity organization
- Business processes re-engineering
- Institutional capacity building and Good governance.

OPERATIONAL AND FINANCIAL PERFORMANCE OF THE ORGANISATION

As at the period ended 30 June 2018 in the Financial year 2017/2018, HELB awarded loans and bursaries amounting to Kshs. 11.3 Billion to students and recovered a total of Kshs. 4.9 Billion from loanees. HELB also received funds from the exchequer totalling Kshs. 7.6 Billion.

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

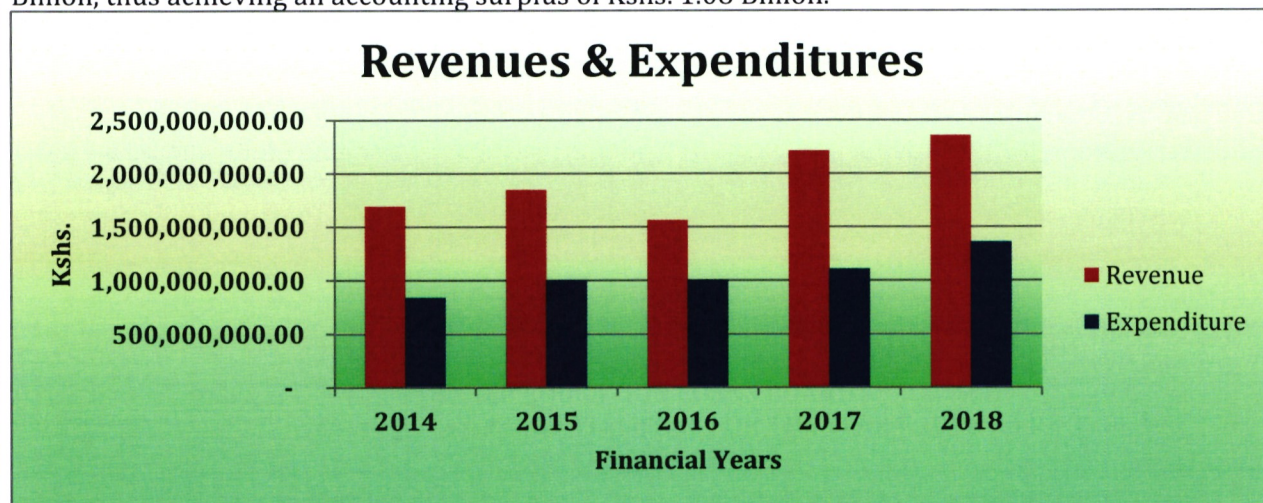
Loan Disbursements and Recoveries for the period 2014 to 2018



HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Income and Expenditure for the period 2014 to 2018

The revenue received for the FY 2017/2018 is Kshs. 2.39 Billion and the expenditure is Kshs.1.31 Billion, thus achieving an accounting surplus of Kshs. 1.08 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 has implemented an Enterprise Resource Planning system which has led to increased efficiency in service delivery to our customers.

SECTION D

Major risks facing the entity

Credit Risk	High portfolio at risk	Flexible repayment proposals discussed with loanees
Technology Risks	Emerging possible risk of cyber attacks	Enhance IT Security and Firewalls
	Slow connectivity to core IT system	Consistent monitoring and prompt responses to noted failure
Reputational	Delayed disbursement of student loans	Advance planning and budgeting
Operational Risks	Highlighted internal audit/regulatory issues	Full compliance to guidelines and timelines
	Inadequate skills and experienced staff in some critical areas	Recruitment to close gaps
Financial Risks	Student attrition due to lack of fees	Priority given to very needy cases through bursary and scholarships
Compliance/ Legal Risks	Litigation by stakeholders	Both judicial and out of court settlements pursued

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 pending bills.

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.

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.

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 has also considered undertaking charitable 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 2017/2018 Financial Year

For the 2017-2018, the Board participated in seven CSR activities Out of the seven events, three focused on Education Pillar (Thika School for the Visually Impaired, Don Bosco Boys and Zabibu Education Centre), two on Health (StanChart Marathon and Mater Heart Run); and two on Environmental Pillar (Ngong' Tree Planting and Ndakaini Half Marathon)

**HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

The table below shows the details of the CSR activities executed in the 2017-2018 Financial Year.

**Don Bosco Boys
Technical Training**

29th Sept. 2017



HELB Chief strategy and Corporate Communication Officer, Mary Wachira hands over the donations during the visit

**Ndakaini Half
Marathon**

30th Sept. 2017



A group photo of some of the staff who participated in the Ndakaini Marathon

**StanChart
Marathon**

26th Nov 2017



A group photo of some of the staff who participated in the StanChart Marathon

**Thika School for
the Visually
Impaired**

9th March 2018



HELB CEO, Charles Ringera, officially hands over the donations from the Board to the school management

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

**Ngong' Tree
Planting**

26th April 2018



HELB Staff participating in the tree planting exercise at the Ngong' Forest

Mater Heart Run

26th May 2018



A group photo of the staff who represented the Board in the 2018 Mater Heart Run.

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

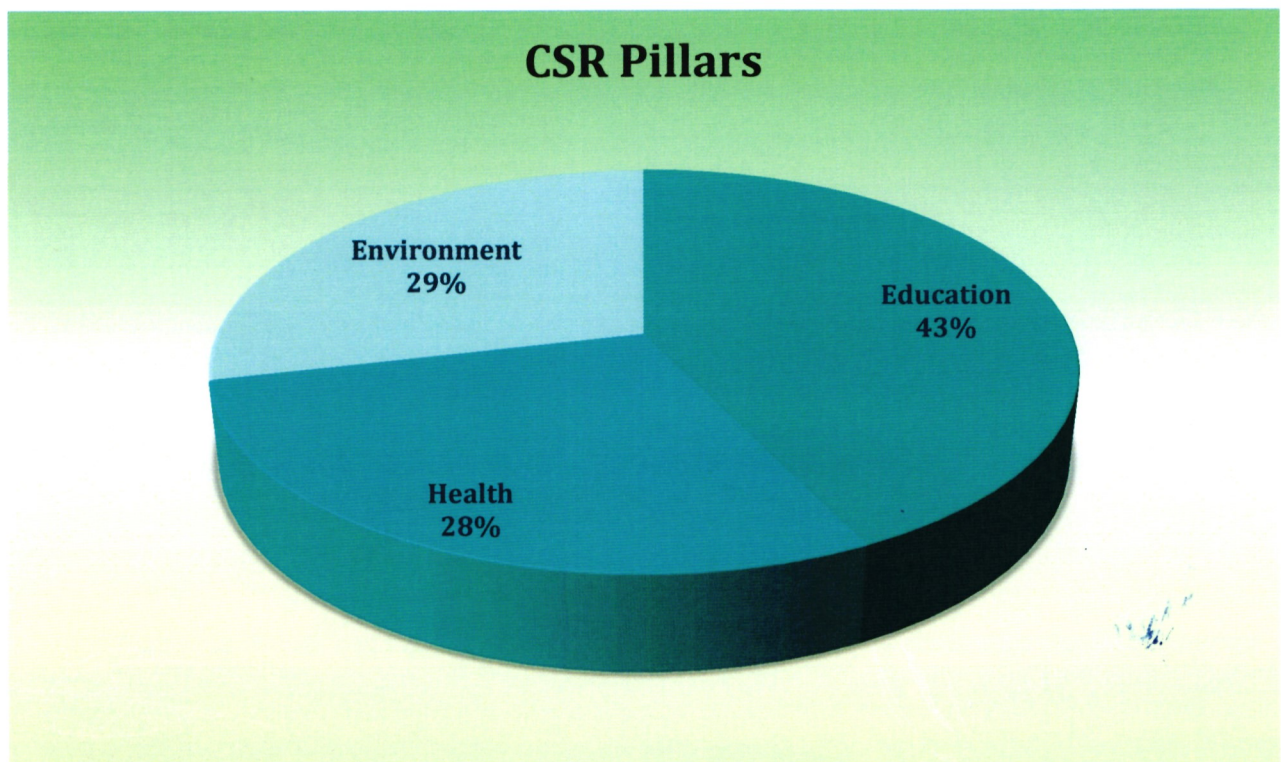
Zabibu Education
Centre

22nd June 2018



A group photo of the staff who represented the Board at the Zabibu Education Centre with the pupils and teachers of the school.

The board's CSR activities were leveraged on three pillars as shown below:



HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

REPORT OF THE DIRECTORS

We the Directors of HELB submit the Annual report together with the Audited financial statements for the year ended June 30, 2018 which show the state of the Board's affairs.

Principal activities

The principal activities of HELB are 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"

Our Mission

To provide sustainable and Impactful Finance to Kenyans pursuing Higher Education through mobilization and prudent management of resources

Our Vision

Universal Financing for eligible Kenyans enrolled in Higher Education

Results

The accounting surplus for the year 2017/2018 of Kshs. 1.08 Billion (2017: Kshs. 1.1 Billion) has been added to accumulated surplus. The Financial Performance is set out on page 1; the results of HELB for the year ended June 30, 2018 are set out on pages 1-5

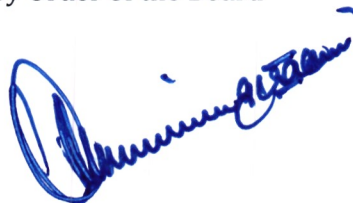
Directors

The Board of Directors who served during the year are shown on page vii-x. During the year, Director David N. Wachira retired on 9th May 2018, Dr. Timothy Wachira resigned on 13th June 2018, and Prof. Mwenda Ntarangwi was appointed with effect from September 2017.

Auditors

The Auditor General is responsible for the statutory audit of the HELB in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2018.

By Order of the Board



CHARLES M. RINGERA
CHIEF EXECUTIVE OFFICER

HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The financial statements of Higher Education Loans Board has been prepared in accordance to Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, which give a true and fair view of the state of affairs of the Board at the end of the financial year and the operating results of the Board for that year ending 30th June 2018.

The Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the board and the Boards' assets are properly safeguarded. The Boards' Financial Statement gives 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, 2018.

The Boards' responsibility includes: -

- i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board;
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) Safeguarding the assets of the Board;
- v) Selecting and applying appropriate accounting policies; and
- vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and 'Higher Education Loans Board Act' Cap 213A.

The Directors are of the opinion that the Boards financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2018, 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 22nd October 2018 and signed on its behalf by:



EKWEE ETHURO
CHAIRMAN OF THE BOARD



CHARLES M. RINGERA
CHIEF EXECUTIVE OFFICER

REPUBLIC OF KENYA

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NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON HIGHER EDUCATION LOANS BOARD FOR THE YEAR ENDED 30 JUNE 2018

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 34 which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amount for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with 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, 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and the Higher Education Loans Board Act, 2012.

Basis for Qualified Opinion

1. Land

As previously reported, the property, plant and equipment balance of Kshs.860,011,385 as at 30 June 2018, 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 Lands 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 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 Ministries of the parties involved in the dispute and a case is pending before a court of law, no resolution had been attained as at the date of this report.

Report of the Auditor-General on the Financial Statements of Higher Education Loans Board for the year ended 30 June 2018

Consequently, it has not been possible to confirm the accuracy of the property, plant and equipment balance of Kshs.860,011,385 or ownership status of Land LR No.209/13515 recorded at a cost of Kshs.44,588,742 as at 30 June 2018.

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 2018 reflects matured students loans balance of Kshs.26,299,042,777 which is net of matured loans balance of Kshs.27,683,202,923 and provision for bad and doubtful debts of Kshs.1,384,160,146. The balance of Kshs.26,299,042,777 includes loans totalling Kshs.6,430,538,499 which represents matured students loans which have been outstanding over the stipulated period of 10 years. Management has however indicated that various measures have been put in place to ensure that all matured loans are fully recovered. 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 opinion on the matter.

2. Cash and Bank Balances

As disclosed in Note 18c to the financial statements, the cash and bank balances amounting to Kshs.1,002,176,037 include a balance of Kshs.304,321,705 held in Chase bank which was placed under receivership in April 2016 and later taken over by State Bank of Mauritius holdings of Mauritius on 20 August 2018. Subsequently Chase Bank (in receivership) name was changed to State Bank of Mauritius Bank. Further Note 19 to the financial statements indicates that short term investments totalling Kshs.100,000,000 were also held in Chase Bank (in receivership) As a result, the Board had not accessed its own funds totalling Kshs.404,321,705 as at 30 June 2018.

The management has however, indicated in note 18c that Chase Bank Limited (in Receivership) was taken over by State Bank of Mauritius. The Board has been able to access Kshs.75 million by October 2018. Further, State Bank of Mauritius in a letter dated 17 September 2018 indicated that the Board would access all the outstanding balances by August 2021. 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 opinion on the matter.

Key Audit Matters

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

the Basis for Qualified Opinion section of my report, I have determined that there are no Key Audit Matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Qualified Opinion section of my report, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

REPORT ON INTERNAL CONTROLS, EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed except for the matter described in the Basis for Qualified Opinion section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

The audit was conducted in accordance with ISSA1 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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 maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the applicable 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.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness 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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Project's policies and procedures may deteriorate.

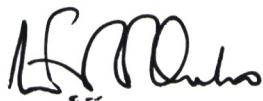
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.
- 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 ability to continue as a going concern or 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 to cease to continue as a going concern or 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's 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

28 February 2019

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

PARTICULARS	NOTES	AS AT 30 JUNE 2018			AS AT 30 JUNE 2017			CHANGE %
		OPERATIONS KSHS	STUDENT KSHS	TOTAL KSHS	OPERATIONS KSHS	STUDENT KSHS	TOTAL KSHS	
Revenue from non-exchange								
Income from Non -Exchange	6	228,055,500	237,000,000	465,055,500	228,055,500	237,000,000	465,055,500	0%
Revenue from exchange								
Income from Exchange transactions	10	1,751,176,193		1,751,176,193	1,607,932,151		1,607,932,151	9%
Finance income - Short term	9	175,684,043		175,684,043	139,835,844		139,835,844	
TOTAL INCOME		2,154,915,736	237,000,000	2,391,915,736	1,975,823,495	237,000,000	2,212,823,495	8%
LESS: EXPENSES								
Use of goods and services	11	7,394,418		7,394,418				
Bursaries to Students	35		237,000,000	237,000,000		237,000,000	237,000,000	0%
Postgraduate Scholarships	35	28,250,000		28,250,000	28,300,000		28,300,000	0%
Employee Costs	12	422,780,398		422,780,398	385,412,172		385,412,172	10%
General Expenses	17	196,088,878		196,088,878	247,203,820		247,203,820	-31%
Board Members Expenses	13	6,851,543		6,851,543	8,305,066		8,305,066	-18%
Bank Charges & Commissions	36	22,601,274		22,601,274	21,080,467		21,080,467	7%
Contracted services	16	28,113,409		28,113,409	18,275,694		18,275,694	35%
Repairs and maintenance	15	48,888,586		48,888,586	17,157,805		17,157,805	65%
Debt Collection Fees	37	91,468,057		91,468,057	53,521,406		53,521,406	71%
Provision for Bad & Doubtful Debts	45a&b	111,604,128		111,604,128	-		-	201%
Audit Fees	47	1,160,000		1,160,000	1,160,000		1,160,000	0%
Depreciation provision for the year	14	65,761,290		65,761,290	44,914,361		44,914,361	46%
Amortization provision for the year	14	43,487,131		43,487,131	43,481,804		43,481,804	0%
TOTAL EXPENSES		1,074,449,113	237,000,000	1,311,449,113	868,812,594	237,000,000	1,105,812,594	19%
ACCOUNTING SURPLUS		1,080,466,624	-	1,080,466,624	1,107,010,900	-	1,107,010,900	-2%

The notes set out on pages 6 to 31 form an integral part of these Financial Statement

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	NOTES	AS AT 2017-2018 KSHS.	AS AT 2016-2017 KSHS.	CHANGE %
CURRENT ASSETS				
Cash and Bank Balances	18c	1,002,176,036	1,003,793,930	2%
Short Term Placements	19	2,796,271,642	2,487,897,641	12%
Accounts Receivables & Prepayments	21	38,326,679	46,777,075	-18%
Inventories	22	3,784,113	3,091,175	22%
Work in Progress	34	21,997,003	-	
		3,862,555,473	3,541,559,820	10%
NON-CURRENT ASSETS				
Staff Loans	20	182,590,124	169,410,386	8%
Matured Student Loans	38	26,299,042,777	24,178,564,333	9%
Unmatured Students Loans	39	35,871,357,665	30,340,842,233	18%
Intangible Assets	23	44,854,423	78,685,755	-43%
Property, Plant & Equipment	24	860,011,385	838,860,069	3%
		63,257,856,374	55,606,362,775	14%
TOTAL ASSETS		67,120,411,847	59,147,922,595	14%
FUNDS AND LIABILITIES				
CURRENT LIABILITIES				
Loans, Bursaries & Scholarships Payable	40	1,190,695,779	1,739,377,029	-32%
Accounts Payable & Accruals	25	77,566,981	51,564,396	50%
Overdrawn Account	18a		721,274	3108%
Loanee Deposit	26	465,221,670	505,895,636	-8%
TOTAL CURRENT LIABILITIES		1,733,484,430	2,297,558,335	-24%
REVOLVING FUNDS				
G.O.K. Grants	8	49,832,511,973	42,940,306,549	16%
Funding Partnerships	42	2,446,235,828	1,882,344,720	30%
Accumulated Fund	31c	12,397,918,736	11,317,452,112	10%
Revaluation Reserve	31c	710,260,880	710,260,880	0%
TOTAL NON-CURRENT LIABILITIES		65,386,927,417	56,850,364,261	15%
TOTAL FUNDS AND LIABILITIES		67,120,411,847	59,147,922,595	14%

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



EKWEETHURO
CHAIRMAN OF THE BOARD



CHARLES M. RINGERA
CHIEF EXECUTIVE OFFICER



SHEM GICHIMU
CHIEF FINANCE OFFICER
ICPAK NO.5878

DATE...5th February 2019

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

Year ended 30 June 2017	ACCUMULATED FUND KSHS.	REVALUATION RESERVE KSHS.	FUNDING PARTNERSHIPS KSHS.	GOK GRANTS KSHS.	TOTAL 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	-	481,072,424	5,877,826,325	7,465,909,649
Balance at the end of the period	11,317,452,112	710,260,880	1,882,344,720	42,940,306,549	56,850,364,261
Year ended 30 June 2018	ACCUMULATED FUND KSHS.	REVALUATION RESERVE KSHS.	FUNDING PARTNERSHIPS KSHS.	GOK GRANTS KSHS.	TOTAL KSHS.
Opening balance	11,317,452,112	710,260,880	1,882,344,720	42,940,306,549	56,850,364,261
Surplus/ Capital for the year	1,080,466,624	-	563,891,108	6,892,205,424	8,536,563,156
Balance at the end of the period	12,397,918,735	710,260,880	2,446,235,828	49,832,511,973	65,386,927,416

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

		2017-2018	2016-2017
	Notes	KSHS.	KSHS.
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS			
Matured Loans Adjustment(Refer to Note 39 FY 2017)	38&40	(2,780,763,823)	3,226,769,211
Income from Non -Exchange transactions-GOK Grants	6	465,055,500	465,055,500
Income from Exchange transactions	9&10	1,926,415,478	1,634,991,445
Stores	22	(692,939)	371,884
		(389,985,783)	5,327,188,040
PAYMENTS			
Disbursements to Students	39	5,530,515,432	9,503,113,998
Bursaries& Postgraduate scholarships	35	265,250,000	265,300,000
Employee Costs	12&13	499,782,393	385,412,172
Other operating expenses	11,15,16&17	211,494,840	292,102,385
Bank charges and commissions	36&37	114,069,331	74,601,872
Staff loans	20	13,179,738	2,818,291
Accounts Receivables	21	(8,895,153)	29,580,518
Accounts Payables	25	(26,002,584)	59,509,987
Loans Refund	38	40,673,966	2,069,043
		6,640,067,962	10,614,508,266
NET CASH FROM OPERATING ACTIVITIES		(7,030,053,745)	(5,287,320,227)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase/Capitalization of Intangible Assets	23	(9,655,800)	(115,251,671)
Work in Progress (capitalized in FY 2018)	34	(21,997,003)	109,583,433
Purchase of Property, Plant & Equipment	24	(86,912,606)	(74,160,256)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(118,565,408)	(79,828,494)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capitation received from G.O.K for Student Loans	6	7,192,205,424	6,177,826,325
Funds from Capitation transferred to TVET fund	43	(300,000,000)	(300,000,000)
Capitation received from Funding Partnerships	44	563,891,108	481,072,424
NET CASH FLOWS FROM FINANCING ACTIVITIES		7,456,096,532	6,358,898,749
Net Increase / (Decrease) in Cash		307,477,379	991,750,028
Cash and Cash Equivalents at the Beginning of the		3,490,970,298	2,499,220,269
CASH AND CASH EQUIVALENTS AT THE END OF THE		3,798,447,677	3,490,970,298

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

Sources of finance	Original budget	Adjustments	Final budget	Actual Year to date	Performance Variance	Variance %	Remarks
GOK capitation	7,657,260,924	-	7,657,260,924	7,657,260,924	-	0%	
Alternative funds	220,000,000	-	220,000,000	263,891,108	-43,891,108.00	-20%	Prudent mobilization of funds
Loan Recovery	4,498,000,000	-	4,498,000,000	4,917,689,067	-419,689,067.00	-9%	Increased awareness and waivers
Interest income	80,000,000	-	80,000,000	175,684,042	-95,684,042.00	-120%	Favorable rates from Central bank and other banks
Miscellaneous Income	33,202,000	-	33,202,000	34,631,827	-1,429,827.00	-4%	
Total finances	12,488,462,924	0	12,488,462,924	13,049,156,968	-560,694,044.00	-4%	
Recurrent expenses							
Student financing	13,532,633,000	-2,071,677,480	11,460,955,520	11,366,079,122	94,876,398.00	1%	Freeze on the planned staff recruitment
Staff expenses	917,924,449	-375,793,672	542,130,776	422,780,398	119,350,378.00	22%	Re-alignment of planned activities
Operating expenses	635,928,119	-87,844,600	548,083,519	667,816,165	-119,732,646	-22%	
Total recurrent exp.	15,086,485,568	-2,535,315,752	12,551,169,815	12,456,675,685	94,494,130.00	1%	
Capital & staff loans							
Capital expenditure	398,367,540	-70,404,951	327,962,589	86,912,606	241,049,983.00	73%	Re-alignment of planned activities
Staff loans	90,000,000	-35,000,000	55,000,000	10,470,929	44,529,071	81%	Freeze on the planned staff recruitment
Total Cap. & Staff loan	488,367,540	-105,404,951	382,962,589	97,383,535	285,579,054.00	75%	
Total expenditure	15,574,853,108	-2,640,720,703	12,934,132,404	12,554,059,220	380,073,184.00	3%	
Surplus / (Deficit)	-3,086,390,184	2,640,720,703	-445,669,480	495,097,748	-940,767,228		

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS

1) GENERAL INFORMATION

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.

Principal Activity

As stipulated in the Higher Education Loans Act of 1995 Cap 213A, 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

2) STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Board's financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment at fair value, liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. The Board's management exercised judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the HELB.

The financial statements have been prepared in accordance with the PFM Act, Higher Education Loans Board Act' Cap 213A), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented

3) ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. The Board operates a defined contribution scheme and not affected the changes
IFRS 9: Financial Instruments (amendment)	1st January 2018 The board does not have Financial instruments hence the amendment does not affect our reporting

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

IFRS 15: Revenue from contracts from customers	1st January 2018 The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Board did not have any contract to receive revenue at for the financial year ended 30 June 2018
IAS 37: Provisions, contingent liabilities and assets	HELB does not provide for contingent liabilities or assets, we only disclose in the notes to financial statement.
IAS 40: Investment Property (Amendment)	1st January 2018 The board does not have investment properties hence the amendment does not affect our reporting

- ii. There was no new and amended standard and interpretation in issue not yet effective in the year ended 30 June 2018
- iii. **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2018.

4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Revenue recognition

a. Revenue from non-exchange transactions

- **Fees**

Fees are recognized as revenues when the event occurs and the asset recognition criteria are met.

- **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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

b. Revenue from exchange transactions

Interest income

The Board receives interest from student loans, short term placements and 90 days fixed deposit treasury bills. Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

B. Budget information

The original budget for FY 2017-2018 was approved by the National Assembly on 9th August 2016. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The Board's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of comparison of budget and actuals presented under financial statements.

C. 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.

D. 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, full depreciation at the year of purchase and none at the year of disposal. 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.

Category	Depreciation rate
Buildings	2.5 %
Motor Vehicles	25 %
Furniture	12.5 %
Fixtures & Fittings	12.5 %
Computers	33.33 %
Office Equipment	12.5 %

E. Leases

The Board has an operating lease. The payments are recognized as an operating expense in statement of financial performance

F. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The intangible assets in the statement of financial position are made up of software developed in-house and other software's purchased by the Board. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 and is amortized yearly at a straight line amortization at 33.33%

G. Inventories

Inventory is measured at cost upon initial recognition. After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

H. Provisions

Provisions are recognized when the board has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the board expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

- ***Contingent liabilities***

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.

- ***Contingent assets***

The Board does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements.

I. Nature and purpose of reserves

The Boards' reserve is made up of revaluation reserve as per IPSAS 17 requirements.

J. Changes in accounting policies and estimates

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

K. Employee benefits - Retirement benefit plans

The Board operates a defined benefit and define contribution 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.

L. Related parties

The Board regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

M. Cash and cash equivalents

The Board's cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments that is Central Bank Treasury Bills with an original maturity of three months, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term petty cash.

N. Comparative figures

The board has where necessary adjusted the comparative figures to conform to changes in presentation in the current year.

O. Subsequent events

There have been no events after the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

5) SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the HELB's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made: e.g. estimation of provisions of doubtful debts

i. 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.

ii. 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 Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

iii. 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 39.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Provisions include, provision for bad debt mature loans and account receivables

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6) TRANSFERS FROM OTHER GOVERNMENTS			
Description	2017-2018	2016-2017	
	KShs	KShs	
Operational grant	228,055,500	228,055,500	
Student Financing			
Bursaries to Undergraduate University Students and TVET Students	237,000,000	237,000,000	
Student loans	7,192,205,424	6,177,826,325	
Total government grants and subsidies	7,657,260,924	6,642,881,825	

7) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES						
Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund	Total grant income during the year	2017-2018	
	KShs	KShs	KShs	KShs	KShs	
Ministry of Education	7,657,260,924	-	7,657,260,924	7,657,260,924	7,657,260,924	
Ministry of Public Service, Youth & Gender Affairs	73,957,500	-	73,957,500	73,957,500	73,957,500	
Total	7,731,218,424	-	7,731,218,424	7,731,218,424	7,731,218,424	

8) CUMMULATIVE GOVERNMENT GRANT		2017-2018	2016-2017
		Kshs	Kshs
Balance B/Forward (GOK Funds)		44,140,306,549	37,962,480,224
Capitation received in the year for Students Loans		7,192,205,424	6,177,826,325
		51,332,511,973	44,140,306,549
Capitation for TVET Fund		(1,192,000,000)	(892,000,000)
Partnership with Afya Elimu Fund		(308,000,000)	(308,000,000)
		49,832,511,973	42,940,306,549

9) FINANCE INCOME - SHORT TERM PLACEMENTS			
Description	2017-2018	2016-2017	
	KShs	KShs	
Short-term placements and Treasury bills	175,684,042	139,835,844	
Total finance income - external investments	175,684,042	139,835,844	

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10) OTHER INCOME			
	Description	2017-2018	2016-2017
		KShs	KShs
	Interest Income Student Loans	1,198,657,078	1,122,522,758
	Income from User Charges - Matured loans	138,066,000	129,345,000
	Income from Administrative Fees - Unmatured loans	139,286,500	98,379,500
	Interest Income Staff Loans	1,458,221	1,309,501
	Debt collection fees	91,468,057	53,521,406
	Miscellaneous Income	332,226	54,848,168
	Miscellaneous Income Loan Forms	3,082,000	3,547,000
	Miscellaneous Income Scholarship Forms	1,332,000	1,108,000
	Miscellaneous Income Penalties Loanee Default	148,621,975	-
	Miscellaneous Income Clearance Certificates	28,427,379	30,574,268
	Decrease in provision for Bad Debts	444,757	112,776,550
	Total other income	1,751,176,193	1,607,932,150

11) USE OF GOODS AND SERVICES			
	Description	2017-2018	2016-2017
		KShs	KShs
	Security	5,400,000	5,320,608
	Subscriptions	1,994,417	2,010,412
	Total good and services	7,394,417	7,331,020

12) EMPLOYEE COSTS			
		2017-2018	2016-2017
		KShs	KShs
	Salaries and wages	330,532,753	311,136,465
	Employee related costs - contributions to pensions and medical	65,060,855	33,638,399
	Travelling and subsistence	27,186,790	27,076,775
	Employee costs	422,780,398	375,431,646

13) REMUNERATION OF DIRECTORS			
	Description	2017-2018	2016-2017
		KShs	KShs
	Chairman's Honoraria	820,645	960,000
	Board members' emoluments and other allowances	6,030,898	7,345,066
	Total director emoluments	6,851,543	8,305,066

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14) DEPRECIATION AND AMORTIZATION EXPENSE			
Description	2017-2018		2016-2017
	KShs		KShs
Property, plant and equipment	65,761,290		44,347,188
Intangible assets	43,487,131		43,481,804
Total depreciation and amortization	109,248,421		87,828,992

15) REPAIRS AND MAINTENANCE			
Description	2017-2018		2016-2017
	KShs		KShs
Property	15,000		-
Equipment and machinery	1,015,874		1,017,981
Vehicles	2,257,220		1,187,242
Furniture and fittings	348,655		56,670
Computers and accessories	45,248,837		14,895,912
Total repairs and maintenance	48,888,586		17,157,805

16) CONTRACTED SERVICES			
Description	2017-2018		2016-2017
	KShs		KShs
Provision of digital media	28,113,409		18,275,694
Total contracted services	28,113,409		18,275,694

17) GENERAL EXPENSES			
Description	2017-2018		2016-2017
	KShs		KShs
Telecommunication Expenses	12,868,601		17,937,221
Fuel Consumption	1,998,546		1,773,665
Office Rent, Warehouse & Parking Charges	61,131,680		45,660,731
Insurance Expenses	2,668,185		2,282,591
Staff Training	23,931,197		24,251,072
Seminars and Conferences	16,374,491		20,734,813
Office Cleaning and Maintenance	1,151,074		1,441,792
Office Tea	3,092,746		3,034,205
Office Flowers & Decorations	615,600		536,000
Official Entertainment	1,246,048		1,758,723
Staff Uniforms	18,750		529,347
Newspapers, Journals, Periodicals & Library Books	595,920		780,320
Advertising, Publicity & Printing	48,273,113		43,515,775
Office Stationery & Accessories	12,544,262		9,179,969
Performance Contract Dynamics	4,945,254		3,580,007
Legal fee	929,360		-
Devolution Costs	3,704,053		2,415,850
Total general expenses	196,088,879		179,412,081

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18) a	CASH AND CASH EQUIVALENTS		
	Description	2017-2018	2016-2017
		KShs	KShs
	Current account	1,002,106,036	1,005,616,135
	On - call deposits	1,812,770,141	2,487,897,640
	Fixed deposits account	983,501,500	-
	Overdrawn accounts	-	(721,274)
	Total cash and cash equivalents	3,798,447,677	3,492,792,501

18b	DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS		
			2017-2018
	Financial institution	Account number	KShs
	a) Current account		
	KCB- Operations	1104823047	18,653,465
	KCB- Student Loans	1104823225	195,434,649
	KCB- Revolving	1103266314	86,116,688
	Citibank - Collection	300040012	79,566,189
	Citibank - Disbursement	300040004	(23,135,601)
	Citibank- Direct debit	300040047	3,357,196
	Cooperative Bank	1129061222800	132,106,935
	Barclays Bank	5018216	19,700,003
	Equity Bank	550293573408	92,660,878
	Standard Chartered	108018264700	32,599,378
	National Bank of Kenya	1001060391100	9,798,216
	Family Bank	35000024971	17,242,185
	Chase Bank **	332084215001	304,321,705
	Jamii Bora Bank	11748527001	896,618
	NIC Bank	1002247638	9,464,153
	Sub- total		978,782,657
	b) On - call deposits		
	Chase Bank **		100,000,000
	KCB LTD		100,000,000
	Cooperative Bank		600,000,000
	National Bank		700,000,000
	KCB Savings and Loans	1109565216	12,770,142
	Equity Bank		300,000,000
	Sub- total		1,812,770,141
	c) Fixed deposits account		
	Central Bank		983,501,500
	Sub- total		983,501,500
	d) Staff car loan/ mortgage		
	KCB Staff Loan	1104722682	3,413,511
	Housing Finance	TD 300-0008013	19,793,403
	KCB Savings and Loans	1109565216	116,464
	Sub- total		23,323,379
	e) Others(specify)		

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

cash in hand		70,000
Sub- total		70,000
Grand total		3,798,447,677

** Chase Bank was taken over by SBM Holdings Bank of Mauritius, an international financial institution, on 20th August 2018. Modalities of payment have been agreed upon.

18c CASH AND BANK BALANCES			
		2017-2018	2016-2017
		Kshs	Kshs
Kenya Commercial Bank		303,618,314	119,753,242
Citibank		59,787,784	9,195,216
Cooperative Bank		132,106,935	15,385,715
Barclays Bank		19,700,003	6,720,790
Equity Bank		92,660,878	465,638,337
Standard Chartered		32,599,378	29,135,538
National Bank of Kenya		9,798,216	3,670,031
Family Bank		17,242,185	10,447,174
Chase Bank (SBM Bank)		304,321,705	303,960,075
Jamii Bora Bank		896,618	200,723
NIC Bank		9,464,154	19,560,989
Housing Finance		19,793,403	20,000,000
KCB Savings & Loan		116,464	95,095
Cash in Hand		70,000	31,005
Grand total		1,002,176,037	1,003,793,930

19) SHORTTERM PLACEMENTS			
Description		2017-2018	2016-2017
		KShs	KShs
a) Short term placement in Treasury bills			
Financial institution			
CBK		983,501,500	-
Sub- total		983,501,500	-
b) Short-term placement in Banks			
KCB LTD		100,000,000	706,584,346
Cooperative Bank		600,000,000	708,434,196
National Bank		700,000,000	965,217,149
KCB Savings and Loans		12,770,142	7,661,949
Equity Bank		300,000,000	-
Chase Bank (SBM Bank)		100,000,000	100,000,000
Sub- total		1,812,770,142	2,487,897,640
Grand total		2,796,271,642	2,487,897,640

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20) STAFF LOANS			
		2017-2018	2016-2017
		KShs	KShs
Staff Car Loans		10,470,929	9,985,949
Staff House Loan -HFC		43,980,093	26,178,758
Staff House Loan KCB S&L		128,139,102	133,245,679
Total		182,590,124	169,410,386

21) ACCOUNT RECEIVABLES FROM EXCHANGE TRANSACTIONS			
Description		2017-2018	2016-2017
		KShs	KShs
PREPAYMENTS & DEPOSITS			
Hospital Deposit		725,000	725,000
Utilities, Rent Deposit & Prepayments		10,364,575	9,654,848
Sub - Total		11,089,575	10,379,848
OTHER ACCOUNTS RECEIVABLE			
Staff Imprest		253,400	142,855
Staff Salary Advances		275,508	218,836
Medical Over expenditure		2,491,538	2,561,089
Accrued Interest on Investment		18,941,075	17,816,939
Other Accounts Receivable		7,292,777	18,119,459
		40,343,873	49,239,026
Less: impairment allowance		(2,017,194)	(2,461,951)
Total		38,326,679	46,777,075

22) INVENTORIES			
Description		2017-2018	2016-2017
		KShs	KShs
Consumable stores		3,784,113	3,091,175
Total inventories at the lower of cost and net realizable value		3,784,113	3,091,175

23) INTANGIBLE ASSETS-SOFTWARE			
Description		2017-2018	2016-2017
		KShs	KShs
Cost			
At the beginning of the year		169,823,253	54,571,582
Additions		9,655,800	115,251,671
At end of the year		179,479,052	169,823,253
Additions-internal development		-	-
At end of the year		179,479,052	169,823,253
Amortization and impairment			
At the beginning of the year		91,137,497	47,655,693
Amortization		43,487,130.69	43,481,804
At end of the year		134,624,628	91,137,497
Impairment loss		-	-
At end of the year		134,624,628	91,137,497
NBV		44,854,424	78,685,755

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24) PROPERTY PLANT AND EQUIPMENT	Land	Building	Motor vehicles	Equipment	Furniture and fittings	Computers	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost							
At 1 July 2016	717,500,000	2,500,001	22,414,999	13,854,914	24,490,081	58,948,631	839,708,627
Additions in the year	-	-	19,855,000	6,854,732	32,721,762	14,728,762	74,160,256
Disposals in the year	-	-	-	-	-	-	-
Revaluation / adjustments	-	-	-	-	-	-	-
At 1 July 2017	717,500,000	2,500,001	42,269,999	20,709,646	57,211,843	73,677,393	913,868,883
Additions in the year	-	-	-	710,119	38,457,153	47,745,334	86,912,606
Disposals in the year	-	-	-	-	-	-	-
Revaluation / adjustments	-	-	-	-	-	-	-
At 30 June 2018	717,500,000	2,500,001	42,269,999	21,419,765	95,668,996	121,422,727	1,000,781,489
Depreciation and impairment							
At 1 July 2016							
Accumulated	-	(50,000)	(5,603,750)	(1,731,864)	(3,595,565)	(19,647,579)	(30,628,758)
Depreciation for the year	-	(50,000)	(10,567,500)	(2,588,706)	(6,617,175)	(24,556,675.08)	(44,380,057)
Impairment	-	-	-	-	-	-	-
At 1 July 2017	-	(100,000)	(16,171,250)	(4,320,571)	(10,212,740)	(44,204,254)	(75,008,814)
Depreciation in the year	-	(87,500)	(10,567,500)	(2,677,471)	(11,958,625)	(40,470,195)	(65,761,290)
At 30 June 2018	-	(187,500)	(26,738,749)	(6,998,041)	(22,171,365)	(84,674,449)	(140,770,104)
Impairment							
Net book values							
At 30th June 2018	717,500,000	2,312,501	15,531,250	14,421,724	73,497,632	36,748,278	860,011,385
At 30th June 2017	717,500,000	2,400,001	26,098,750	16,389,076	46,999,103	30,033,750	838,860,069

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25) ACCOUNT PAYABLES AND ACCRUALS			
	Description	2017-2018	2016-2017
		KShs	KShs
	Accounts payables and accruals	53,039,480	4,450,776
	Employee expenses	19,038,779	32,851,828
	Third-party payments	5,488,721	14,261,792
	Total accounts payables and accruals	77,566,981	51,564,396

26) LOANEE DEPOSITS			
	Description	2017-2018	2016-2017
		KShs	KShs
	Loanee Deposits b/f	505,895,636	507,964,679
	Loanee deposits in the year	26,719,466	27,749,480
	Refunds in the year	(67,393,432)	(29,818,523)
	Total deposits	465,221,670	505,895,636

27) NON-CURRENT PROVISIONS FOR BAD DEBTS - MATURED STUDENT LOANS			
Description	Gratuity	Provision for bad debt on student loans	Total
	KShs	KShs	KShs
Balance at the beginning of the year	15,051,436	1,274,607,304	1,289,658,740
Additional Provisions	(3,742,636)	111,604,129	107,861,493
Total	11,308,800	1,429,924,483	1,441,233,283

28)			
Description	Provision for bad debt receivable		Total
	KShs		KShs
Balance at the beginning of the year	2,461,951		2,461,951
Decrease in Provision	(444,758)		(444,758)
Total provisions	2,017,194		2,017,194

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29) CASH GENERATED FROM OPERATIONS	2017-2018	2016-2017
Surplus for the year before tax	KShs	KShs
Receipts		
Matured Loans adjustment	(2,780,763,822)	3,226,769,211
Income from Non -Exchange transactions-GOK Grants	465,055,500	465,055,500
Income from Exchange transactions	1,926,415,478	1,634,991,445
	(389,292,844)	5,326,816,156
Payments		
Disbursements to Students	5,530,515,432	9,503,113,998
Bursaries& Postgraduate scholarships	265,250,000	265,300,000
Employee Costs	499,782,393	385,412,172
Other operating expenses	211,494,840	292,102,385
Bank charges and commissions	114,069,331	74,601,872
Staff loans	13,179,738	2,818,291
Refunds to loanees	40,673,964	2,069,043
	(7,064,258,542)	10,525,417,761
Working Capital adjustments		
Increase in inventory	(692,938)	(371,884)
Increase in receivables	8,895,153	29,580,518
Increase in payables	26,002,584	59,509,987
	34,204,799	88,718,621
Net cash flow from operating activities	(7,030,053,743)	(5,287,320,227)

30) FINANCIAL RISK MANAGEMENT

The Board's activities expose it to a variety of financial risks including credit and liquidity risks. The Board's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Boards' financial risk management objectives and policies are detailed below:

a) Credit risk

Credit risk arises from cash and cash equivalents, deposits 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 Chief Operations officer and the others are managed by Chief Finance Officer. 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. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

a) Receivables-Credit risk				
	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Receivables from exchange transactions	40,343,873	38,326,679		(2,017,194)
Receivables from non-exchange transactions		-	-	
Bank balances	3,798,447,677	3,496,211,966	302,235,711	-
Total	3,838,791,550	3,534,538,645	302,235,711	(2,017,194)
At 30 June 2017				
Receivables from exchange transactions	49,239,026	46,777,075		(2,461,951)
Receivables from non-exchange transactions				
Bank balances	3,491,691,570	3,189,455,859	302,235,711	-
Total	3,540,930,596	3,236,232,934	302,235,711	(2,461,951)

31) FINANCIAL RISK MANAGEMENT

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from Chase bank (currently SBM Bank)

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

$$\text{Quick ratio} = ((3,862,555,473 - 3,784,113) / 1,733,484,430) = 1:2$$

$$\text{Current ratio} = (3,885,691,075 / 1,756,620,032) = 1:2$$

The above ratios mean the board has Kshs. 2.2 of current assets for every Kshs. 1 of current liabilities or Kshs 1.2 for every Kshs 1 respectively, it indicates that the Board is able to repay short-term debts as and when they fall due.

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Accounts payable- Liquidity risk management				
	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Accounts payables	77,566,981	914,090	285,569	78,766,640
Other payables	33,363,401			33,363,401
Employee benefit obligation	26,836,920			26,836,920
Total	137,767,302	914,090	285,569	138,966,961
At 30 June 2017				
Accounts payables	4,450,776			4,450,776
Other payables	14,261,792			14,261,792
Employee benefit obligation	32,851,828			32,851,828
Total	51,564,396	0	0	51,564,396

c) Capital risk management

The objective of the HELB's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

c) ACCUMULATED FUNDS		
	2017-2018	2016-2017
	Kshs	Kshs
Accumulated Fund- B/F	11,317,452,112	10,210,441,212
Surplus for the Year	1,080,466,624	1,107,010,900
Balance as at 30 June 2018	12,397,918,736	11,317,452,112
Revaluation reserve- B/F	710,260,880	710,260,880
For the year	-	-
Total funds	13,108,179,616	12,027,712,992
Less: cash and bank balances	(3,798,447,677)	(3,490,970,298)
Net debt/(excess cash and cash equivalents)	9,309,731,939	11,023,919,062
Gearing	1.71	1.09

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31) FINANCIAL RISK MANAGEMENT (Continued)

d) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate fluctuations, which will affect the Board's income especially on short-term placements. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

HELB Finance Department is responsible for the development of detailed risk management policies and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

e) Foreign currency risk

HELB does not transact in foreign currency hence has no transactional currency exposures

32) RELATED PARTY BALANCES

Nature of related party relationships

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. Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the Board, holding 100% of the Board's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

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

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33) RELATED PARTY BALANCES			
		2017-2018	2016-2017
		Kshs	Kshs
Transactions with related parties			
a) Grants from the Government			
Grants from National Government			
		7,657,260,924	6,642,881,825
Partnerships with the County Government and constituency funds			
		30,000,000	47,184,000
Other partners			
		233,891,108	132,509,488
	Total	7,924,688,424	6,822,575,313
b) Expenses incurred on behalf of related party			
Payments for students			
		10,687,095,607	9,408,683,300
Payments of salaries and wages for 231 employees			
		314,798,695	309,397,064
	Total	11,001,894,302	9,718,080,364
c) Key management compensation			
Board members' emoluments			
		6,851,543	8,305,066
Compensation to the CEO			
		14,822,400	14,822,400
Compensation to 13 key management			
		70,917,767	61,192,708
	Total	92,591,710	84,320,174

34) CAPITAL COMMITMENTS-WORK IN PROGRESS			
Capital commitments		2017-2018	2016-2017
		Kshs	Kshs
Provision of construction services (main works) for the interior fit out for North Wing offices 18th floor by Zedka Technical Services		21,997,003	-
	Total	21,997,003	-

35) POST GRADUATE SCHOLARSHIPS AND BURSARIES TO STUDENTS			
		2017-2018	2016-2017
		Kshs	Kshs
Post graduate scholarships to students		28,250,000	28,300,000
Bursaries to students		237,000,000	237,000,000
	Total	265,250,000	265,300,000

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36)	BANK CHARGES & COMMISSIONS	2017-2018	2016-2017
		Kshs	Kshs
	Bank Charges & Commissions	22,601,274	21,080,467
	Total	22,601,274	21,080,467

37)	DEBT COLLECTION FEES	2017-2018	2016-2017
		Kshs	Kshs
	Debt Collection fees	91,468,057	53,521,406
	Total	91,468,057	53,521,406

38)	MATURED LOANS TO STUDENTS	2017-2018	2016-2017
		Kshs	Kshs
	Balance brought forward	25,451,120,350	27,836,611,765
	Add: Mature loans during the year	5,570,313,690	4,922,299,387
	Transfer to Un-matured Loans	-	(4,614,919,919)
		31,021,434,040	28,143,991,233
	Add: Accrued interest in the year	1,198,657,078	1,122,522,758
	User Charges on mature loans	138,066,000	129,345,000
	Penalties on matured Loans	148,621,975	54,848,168
		32,506,779,093	29,450,707,159
	Less: Loan recovery during the year - GOK	(4,917,689,067)	(4,057,154,812)
		27,589,090,026	25,393,552,347
	Add: Overpaid Loans movement	26,719,466	27,749,480
	Refunds during the year	67,393,432	29,818,523
		27,683,202,923	25,451,120,350
	Less: Provision for bad & doubtful debts	(1,384,160,146)	(1,272,556,018)
		26,299,042,777	24,178,564,333

39)	LOANS TO STUDENTS NOT YET MATURED	2017-2018	2016-2017
		Kshs	Kshs
	Balance brought forward - Unmatured loans	30,340,842,233	20,837,728,235
	Add: Loans awarded during the year - GOK	10,687,095,607	9,408,683,300
	Loans awarded during the year - Partnership Funds	413,733,515	401,810,166
	Transferred from Matured Loans	-	4,614,919,919
		41,441,671,355	35,263,141,620
	Less: Mature loans during the year	(5,570,313,690)	(4,922,299,387)
		35,871,357,665	30,340,842,233

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40)	LOANS, BURSARIES & SCHOLARSHIPS PAYABLE	2017-2018	2016-2017
		Kshs	Kshs
	Universities returned payments		18,210,500
	Loans Payable	1,184,315,780	1,658,766,529
	Postgraduate Scholarships Payable	5,850,000	34,150,000
	Bursaries Payable	530,000	28,250,000
		1,190,695,780	1,739,377,029

41)	CUMULATIVE TRANSFERS FROM GOK GRANTS TO FUNDS	2017-2018	2016-2017
		Kshs	Kshs
	Capitation for TVET Fund	1,192,000,000	892,000,000
	Partnership with Afya Elimu Fund	308,000,000	308,000,000
		1,500,000,000	1,200,000,000

42)	CUMULATIVE PARTNERSHIP FUNDS	2017-2018	2016-2017
		Kshs	Kshs
	Capitation for TVET Fund	1,192,000,000	892,000,000
	Afya Elimu Fund	704,493,608	602,080,000
	Training Revolving Fund	237,690,719	163,733,219
	HELB Education Fund	1,923,876	1,773,876
	Students Loans - Kenya Revenue Authority Revolving	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	18,800,000	15,300,000
	Students Loans - Community Health Promotion Fund	12,216,500	5,748,500
	Students Loans - Tenwek Hospital Training Fund	1,880,000	1,080,000
	Students Loans - Busia County Fund	27,000,000	27,000,000
	Students Loans - Tigania West Fund	2,800,000	2,800,000
	Students Loans - Kakamega County Fund	60,000,000	40,000,000
	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	3,384,000
	Students Loans - St Kizito Vocational Training Institute	1,482,838	732,838
	Students Loans - Simba Corporation	3,479,100	1,787,400
	Students Loans - Taita Taveta	30,000,000	20,000,000
	Students Loans - AIC Kijabe	2,000,000	2,000,000
	Students Loans - Awendo Education Fund	2,500,000	2,500,000
	Student loans - Strathmore university	1,320,300	-
	Student loans - Barclays Bank Scholarship scheme	42,840,000	-
		2,446,235,828	1,882,344,720

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

43) TRANSFERS FROM GOK GRANTS TO FUNDS IN THE YEAR			
		2017-2018	2016-2017
		Kshs	Kshs
	Capitation for TVET Fund	300,000,000	300,000,000
	Partnership with Afya Elimu Fund	308,000,000	-
		608,000,000	300,000,000

44) PARTNERSHIP FUNDS RECEIVED IN THE YEAR			
		2017-2018	2016-2017
		Kshs	Kshs
	Capitation for TVET Fund	300,000,000	300,000,000
	Afya Elimu Fund	102,413,608	79,620,000
	Training Revolving Fund	73,957,500	36,978,750
	HELB Education Fund	150,000	1,378,936
	Students Loans - MOEST Foreign Universities Fund	-	-
	Students Loans - Digital Divide Data Fund	3,500,000	8,600,000
	Students Loans - Community Health Promotion Fund	6,468,000	3,990,500
	Students Loans - Tenwek Hospital Training Fund	800,000	800,000
	Students Loans - Busia County Fund	-	-
	Students Loans - Kakamega County Fund	20,000,000	20,000,000
	Students Loans - Tigania West Fund	-	1,800,000
	Students Loans - Igembe North Education Fund	-	-
	Students Loans - Karachuonyo Education Fund	-	-
	Students Loans - Tharaka Nithi Constituency Fund	-	3,384,000
	Students Loans - St Kizito Vocational Training Institute	750,000	732,838
	Students Loans - Simba Corporation	1,691,700	1,787,400
	Students Loans - Taita Taveta	10,000,000	20,000,000
	Students Loans - AIC Kijabe	-	2,000,000
	Students Loans - Awendo Education Fund	-	-
	Student loan s- Strathmore university	1,320,300	-
	Student loans- Barclays Bank Scholarship scheme	42,840,000	-
		563,891,108	481,072,424

45)a PROVISIONS FOR BAD DEBTS - ACCOUNTS RECEIVABLE			
		2017-2018	2016-2017
		Kshs	Kshs
	Provisions as at 1st July 2017	2,461,951	982,925
	Add: Provisions for the year	(444,757)	1,479,026
	Provisions as at 30th June 2018	2,017,194	2,461,951

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45)b PROVISIONS FOR BAD DEBTS - MATURE STUDENT LOANS			
		2017-2018	2016-2017
		Kshs	Kshs
Provisions as at 1st July 2017		1,272,556,018	1,386,811,594
Add: Provisions for the year		111,604,128	(114,255,576)
Provisions as at 30 th June 2018		1,384,160,146	1,272,556,018

46) ACCUMULATED PROVISIONS FOR BAD DEBTS			
		2017-2018	2016-2017
		Kshs	Kshs
Balance B/Forward		1,274,607,304	1,387,383,854
Add: Provisions for the year – mature loan		111,604,128	1,479,026
Provisions for the year- Accounts receivable		(444,757)	(114,255,576)
		1,385,766,675	1,274,607,304

47) AUDIT FEES			
		2017-2018	2016-2017
		Kshs	Kshs
Audit Fees		1,160,000	1,160,000
		1,160,000	1,160,000

48) CSR ACTIVITIES FOR THE YEAR 2017-2018					
	Date	CSR Activity	Venue	No. Of Attendees	TOTAL COST
1	29-Sep-17	Don Bosco Boys	Karen	62	394,950
2	30-Sep-17	Ndakaini Half Marathon	Murang'a	33	220,650
3	26-Nov-17	Stanchart Marathon Kenya 2017	Nairobi	59	145,500
4	9-Mar-18	Thika School for Visually Impaired	Thika	48	321,650
5	26-Apr-18	Ngong tree planting	Ngong'	57	143,500
6	26-May-18	Mater Heart Run	Nyayo Stadium	62	159,700
7	22-Jun-18	Zabibu Children Centre	Ruiru	59	186,300
		Total			1,572,250

49) EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

50) ULTIMATE AND HOLDING ENTITY

Higher Education Loans Board is a State Corporation under the Ministry of Education, Science and Technology. Its ultimate parent is the Government of Kenya

51) CURRENCY

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest one shilling.

HIGHER EDUCATION LOANS BOARD

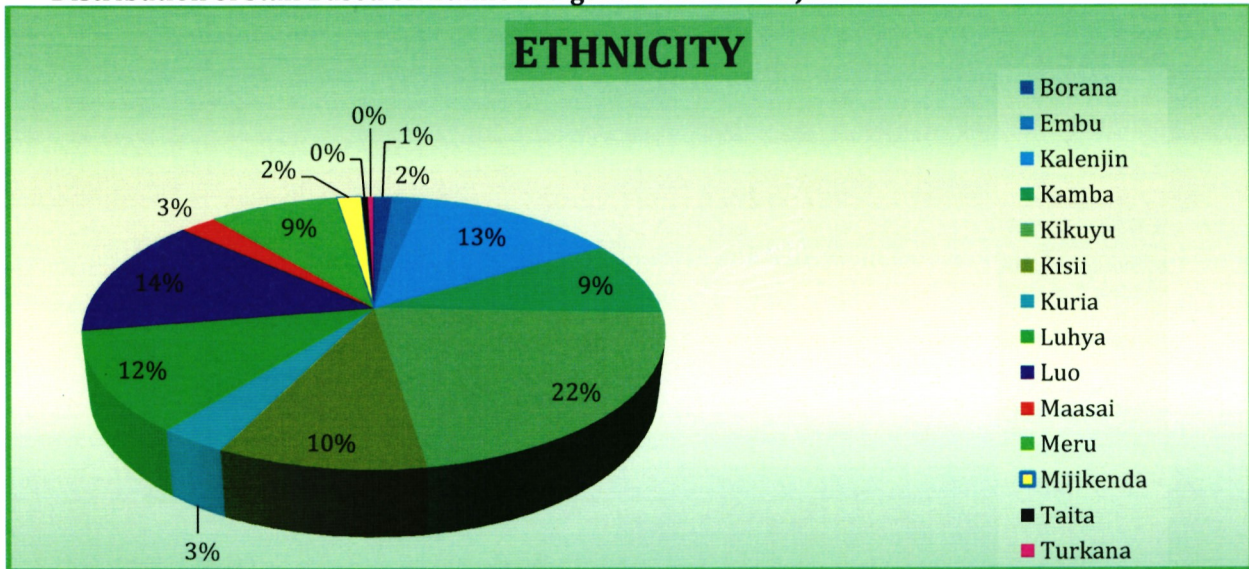
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

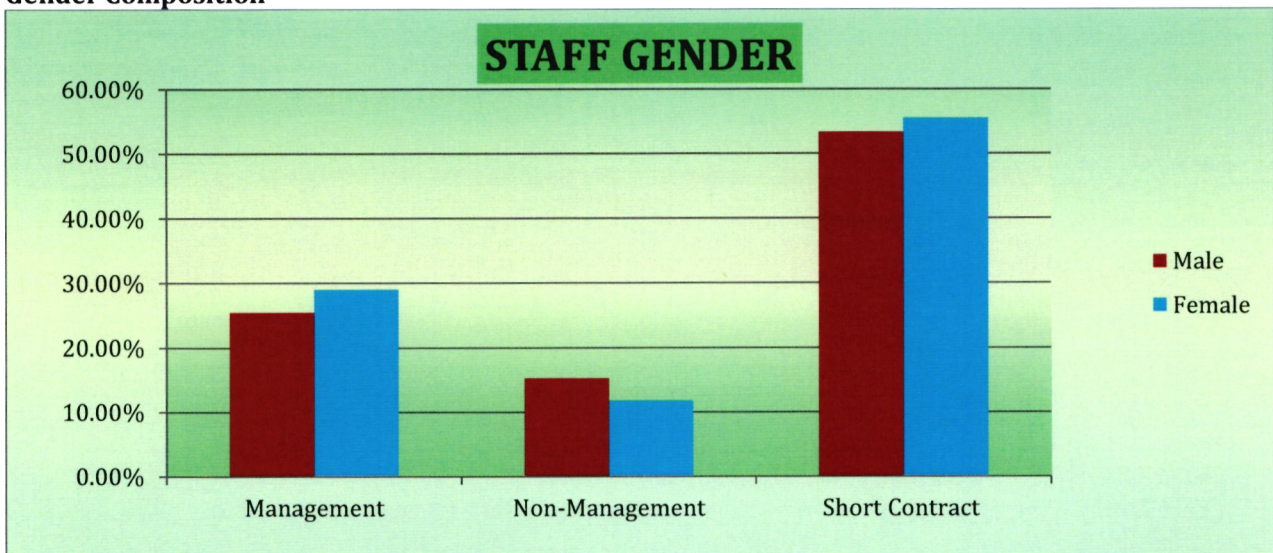
52) BOARDS STAFF

The Board had 246 staff members as at 30th June 2018, 112 were on permanent and pensionable terms and 134 were on fixed contract term. The pie chart is a representation of the staff composition;

Distribution of Staff Based on Ethnic and gender as at 30th June 2018



Gender Composition



HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

APPENDIX I: 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: (Put a date when you expect the issue to be resolved)
1.	Ownership of land LR No.209/13515	Matter is in court	Chief Executive Officer	Work in Progress	Continuous
2.	Recoverability of mature loans amounting to Kshs.8,274,381,32 as at 30/6/2018	Measures put in place to recover outstanding loans. These loans are progressively decreasing.	Chief Executive Officer	Work in Progress	Continuous
3.	Access to Funds held at Chase Bank which is under statutory management.	State Bank of Mauritius (SBM) took over Chase Bank on 20 th August 2018. The status of HELB deposits is as below <ul style="list-style-type: none"> • 18.75% - Funds accessed • 56.25% held on placement • 25% deposited to Kenya deposit Insurance Corporation. 	Chief Executive Officer	Work in Progress	Continuous

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The table below is the breakdown of SBM Bank (formerly Chase bank) deposit of which the Kshs. 75,329,672 which the maturity period was 15th August 2018 was fully accessible to HELB

Account type	Date of Placement	ACCOUNT NUMBER: 0332084215001				ACCOUNT NUMBER: 0333084215025				
		15-Aug-18	15-Aug-19	15-Aug-20	15-Aug-21	15-Aug-18	15-Aug-19	15-Aug-20	15-Aug-21	
Fixed deposit	15-Aug-18		37,779,664	37,779,664	37,779,664	18,660,476	12,440,318	12,440,318	12,440,318	169,320,422
Savings	15-Aug-18		56,669,196				18,660,476			75,329,672
Current	15-Aug-18	56,669,196								56,669,196
Kenya Depositors Insurance Corporation	15-Aug-18			75,558,927			24,880,634			100,439,561
Total		56,669,196	94,448,860	113,338,591	37,779,664	18,660,476	55,981,428	12,440,318	12,440,318	401,758,851



EKWEETHURO
CHAIRMAN OF THE BOARD



CHARLES M. RINGERA
CHIEF EXECUTIVE OFFICER

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

i. Projects implemented by the HELB 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

i. Ten top contracts implemented by the HELB

CONTRACT NAME	COMPANY/FIRM PROVIDING	CONTRACT PRICE	COMMENCEMENT DATE	COMPLETION DATE
Provision of construction services (main works) for the interior fit out M2 floor and floor NW offices	Zedka Technical Services.	49,876,265	22-12-2017	20-07-2018
Provision of Microsoft products licensing.	Computer Revolution Africa Ltd.	39,739,784	16-03-2018	28-06-2018
Supply of branded laptops qty 52 pcs, A10 desktop computers qty. 90 pcs and technical laptops for technical team qty 18 pc.	Com Twenty One Ltd.	22,011,513	19-01-2018	3-05-2018
Supply, installation, configuration and commissioning of blade server with extended storage compatible with complement technologies.	Computer Revolution Africa.	12,206,140	15-06-2018	29-07-2018
Hire of accommodation and conference facilities for the HELB-TVET consultative forum workshop for 250 participants to be held from 29 th -30 th May 2018	Kenya School of Monetary Studies.	7,964,998	28-05-2018	31-05-2018
Provision of electrical installations for the interior fit out of mezzanine 2 floor and 18 th floor north wing offices.	Odd Mac Engineering Ltd.	6,271,650	22-12-2017	20-07-2018
Upgrade of appliance based systems management tool.	Telenet Solutions Ltd.	5,808,015	18-01-2018	15-01-2021
Provision of SMS-USSD gateway, bulk SMS and mobile survey	Sky World Ltd.	4,982,400	20-11-2017	17-11-2020
Designing, development, implementation and support of a new corporate intranet.	Technopro Solutions Ltd.	4,679,777	24-04-2018	21-04-2021
Redesigning of HELB website.	Compland Company Ltd.	4,582,000	15-02-2018	12-02-2021

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

APPENDIX III: INTER-ENTITY TRANSFERS

HIGHER EDUCATION LOANS BOARD				
Break down of Transfers from the State Department of Education, Science and Technology				
FY 17-18				
Recurrent Grants				
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	Operations grant	29-08-2017	228,055,500	2017-2018
	Bursary to students	29-08-2017	237,000,000	2017-2018
	Capitation	29-08-2017	1,449,259,731	2017-2018
	Capitation	24-10-2017	1,914,315,231	2017-2018
	Capitation	01-02-2018	1,914,315,231	2017-2018
	Capitation	07-05-2018	1,914,315,231	2017-2018
	Total		7,657,260,924	

The above amounts have been communicated to and reconciled with the parent Ministry



CHARLES M. RINGERA
CHIEF EXECUTIVE OFFICER

ROBERT ASUMANI SAMUEL
ASSISTANT ACCOUNTANT GENERAL

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA Transferring the funds	Date received as per bank statement	Nature: Recurrent - Development- Others	Amount Kshs	Statement of Financial Performance	Receivables	Others- Revolving fund	Total Transfers during the Year
Ministry of Public Service, Youth & Gender Affairs	20-06-2018	Others- Revolving fund	73,957,500	73,957,500	-	73,957,500	73,957,500
County government of Kakamega	15-05-2018	Others- Revolving fund	20,000,000	20,000,000	-	20,000,000	20,000,000
County government of Taita Taveta	13-06-2018	Others- Revolving fund	10,000,000	10,000,000	-	10,000,000	10,000,000
Total			103,957,500	103,957,500			103,957,500

