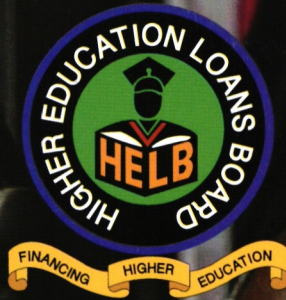




ANNUAL REPORT AND  
FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 30 JUNE 2020

**RISING TO THE CHALLENGE**





## #TwendeTulipeHELB!

Ni Muhimu Kujitambua!

I talked to HELB and now I pay my loan in manageable monthly instalments. You can also pay in lump sum.

Help Educate Tomorrow. Pay Today

**EMPOWERING DREAMS**

[www.helb.co.ke](http://www.helb.co.ke) 📍 Anniversary Towers University Way 📞 USSD \*642#  
📞 +254711052000 ✉ contactcentre@helb.co.ke 📱 @HELBPAGE




Functions	Functions	Functions
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;	Provide oversight on HELB risk management processes;
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;	Enhance communication between Management, Internal and External Audit and fostering an effective internal audit function;
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;	Any other duties set out in the Audit committee charter.
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;	Examine internal and external audit reports and recommendations after management response to ensure action is taken;
To hold meetings on a quarterly basis or as may need demands;	To submit to the Board 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		

#### f. HELB Headquarters and Registered Office \_\_\_\_\_

18th Floor, Anniversary Towers, University Way  
P.O. Box 69489-00400  
NAIROBI – KENYA

#### g. HELB Contacts \_\_\_\_\_

Telephone: (020) 2278000  
Cisco: 0711052000  
Email: [contactcentre@helb.co.ke](mailto:contactcentre@helb.co.ke)  
Website: [www.helb.co.ke](http://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 \_\_\_\_\_

1	Central Bank of Kenya	Haile Selassie Avenue
2	KCB Bank Limited	University Way Branch, Nairobi
3	Equity Bank Limited	Equity Centre Branch, Upperhill, Nairobi
4	Citi Bank N A Kenya Limited	Upperhill Branch, Nairobi
5	Standard Chartered Bank Kenya Limited	Koinange Street Branch, Nairobi
6	Co-operative Bank of Kenya Limited	University Way Branch, Nairobi
7	Barclays Bank of Kenya Limited	Business Centre, Barclays Plaza, Nairobi
8	Housing Finance Group	Koinange Street Branch, Nairobi
9	Family Bank Limited	Family Bank Towers Branch, Nairobi
10	SBM Bank (Kenya) Limited	Delta Branch, Westlands, Nairobi
11	Jamii Bora Bank Limited	Koinange Street Branch, Nairobi
12	NIC Bank Limited	Upperhill Branch, Nairobi
13	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

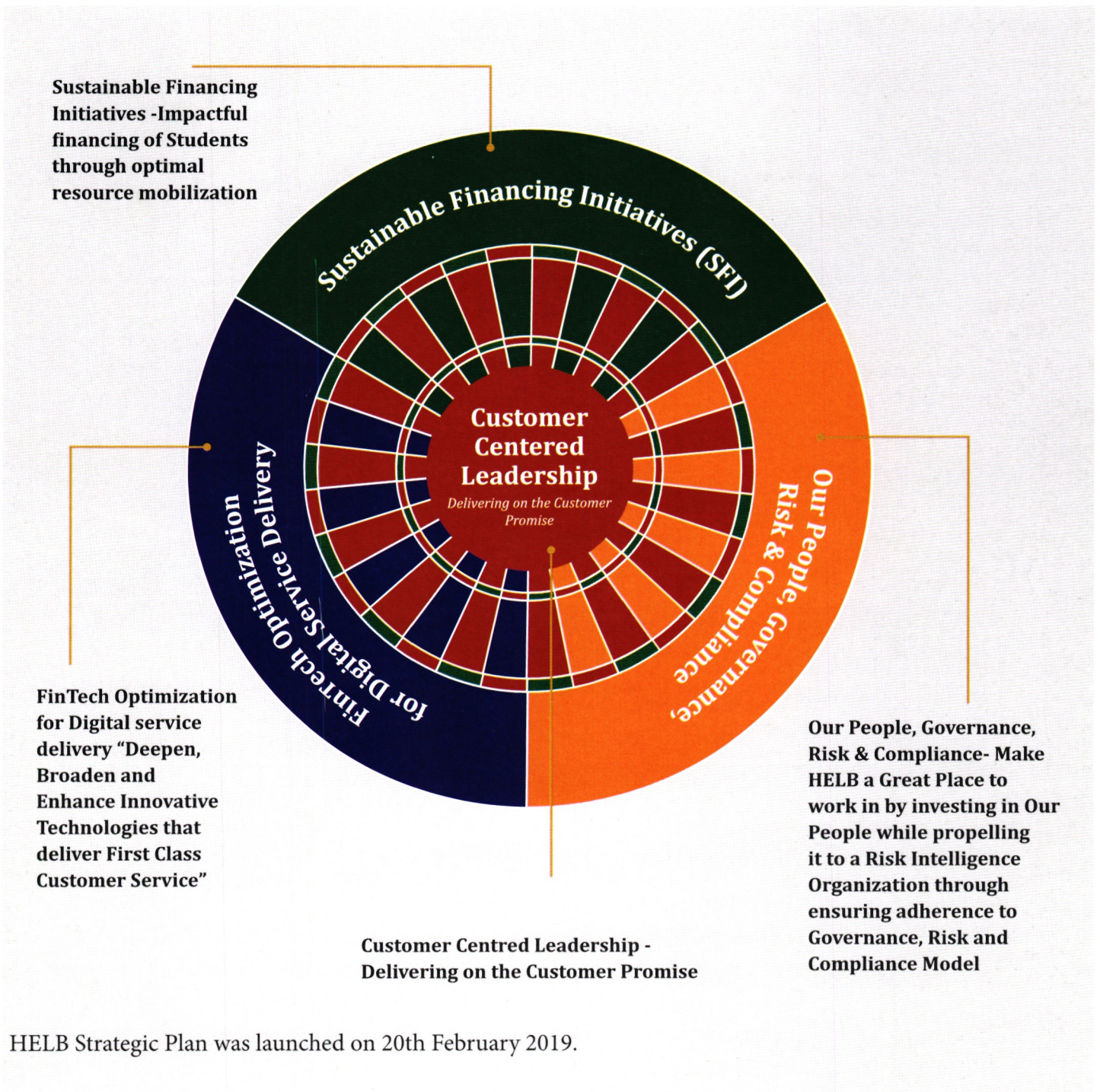


## SECTION A

### (a) HELB MANDATE AND STRATEGIC PLAN

The implementation of HELB Agenda 2019-2023 commenced on 1st July 2018 with a focus on creating a sustainable revolving fund through elaborate resource mobilisation including getting into partnerships with counties, constituencies, scholarships granting organizations, corporate foundations, developments partners, philanthropic individuals, and other higher education financiers.

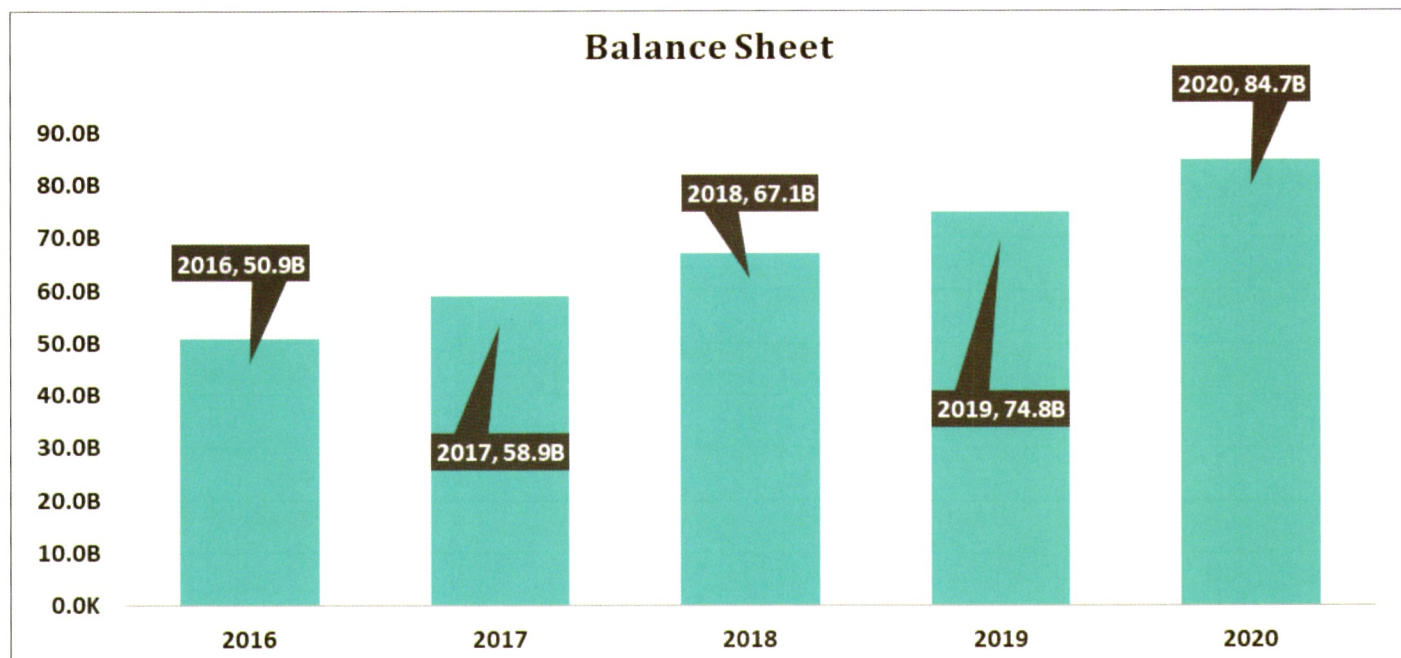
The four strategic objectives that the Board strives to achieve its vision and objectives are;



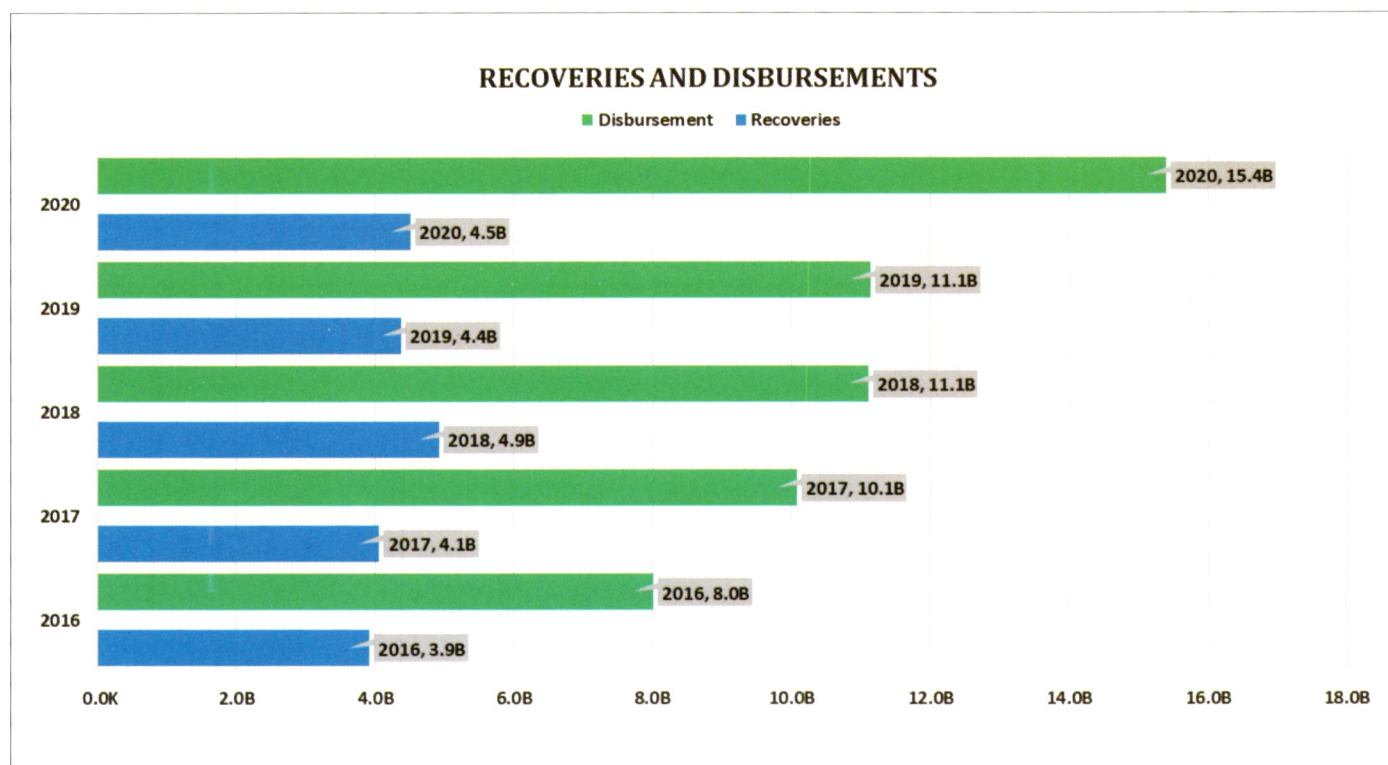
**(b) OPERATIONAL AND FINANCIAL PERFORMANCE OF THE ORGANISATION**

As at 30<sup>th</sup> June 2020 the Board’s assets had grown by 13% from Kshs.74.8Billion in June 2019 to Kshs.84.7Billion. In the same year HELB awarded students loans and bursaries amounting to Kshs.15.4Billion and recovered a total of Kshs.4.508Billion from past beneficiaries. HELB also received funds from the exchequer totalling Kshs.8.576Billion and Kshs.216.2Million from other higher education financing partners.

**Balance Sheet growth for the past 5 years**

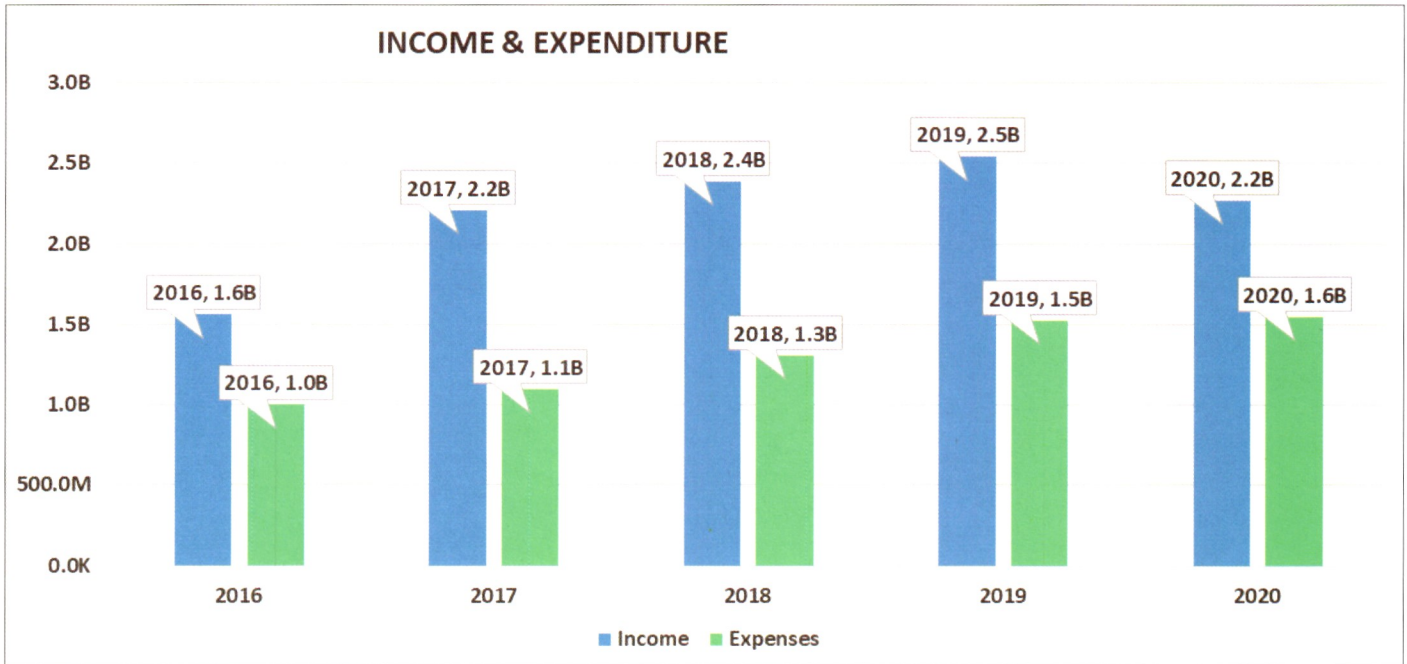


**Loan Disbursements and Recoveries for the period 2016 to 2020**



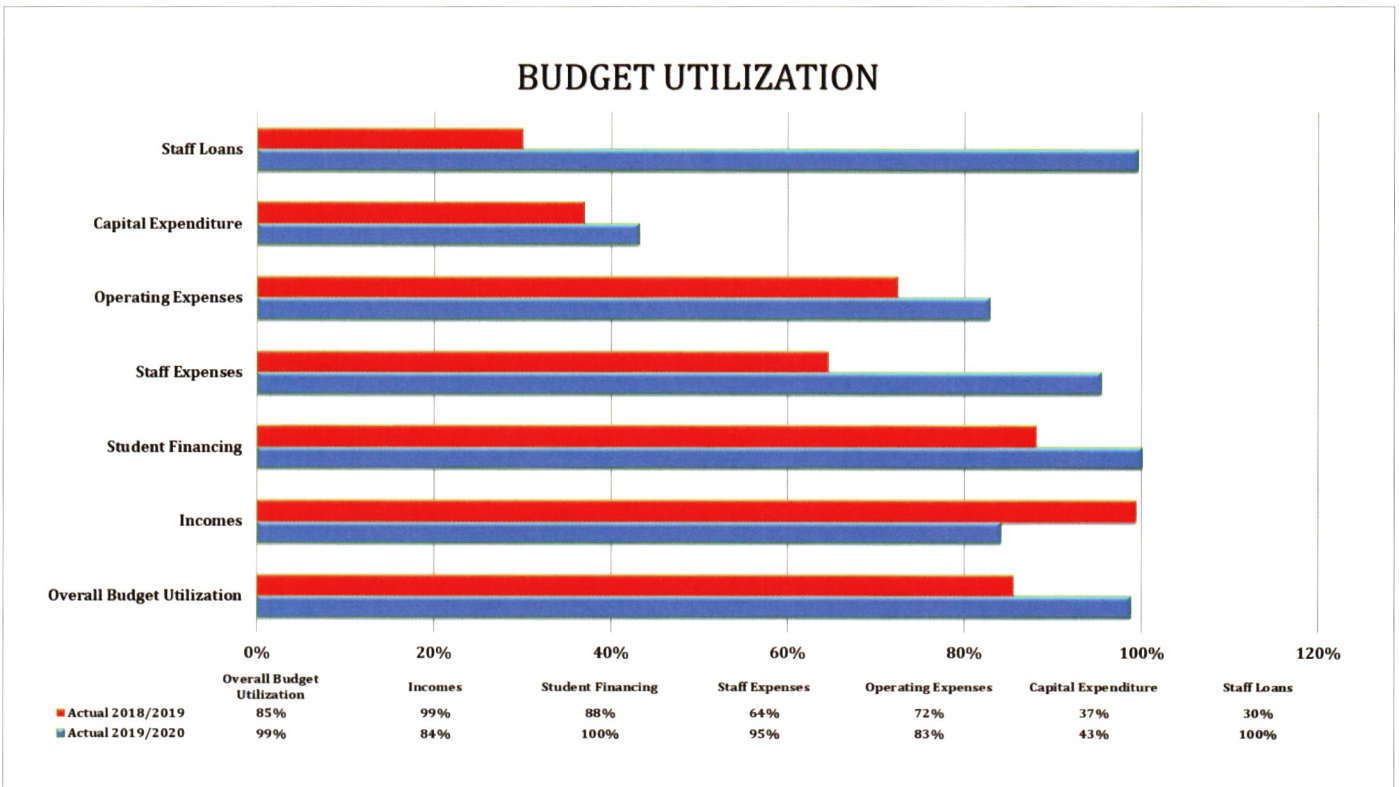
**Incomes and Expenditure for the period 2019 / 2020**

The income received for the FY 2019/2020 is Kshs.2.2Billion and the expenditure is Kshs.1.6Billion, thus achieving an accounting surplus of Kshs.672.9Million.



**Budget Utilization**

The incomes received during the period was Kshs.13.551Billion while the expenditure incurred was Kshs.16.400Billion resulting into a budget deficit of Kshs.2.848Billion. The budget deficit is due to student loans committed but yet to be disbursed. This was a result of failure to receive quarter 4 capitation from the National Treasury. The budget utilization was at 99%. There has been an upward growth in all the activities of the Board.



**Students Loans, Bursary and Scholarship Awards Accountability Statement**

County	Scholarship		Bursary		Loans		Total Number of Records	Total Amount Awarded
Name	Awards	Amount	Awards	Amount	Awards	Amount	Total Awards	Total Amount
BARINGO	15	1,738,808	580	3,252,000	4,965	272,723,930	5,560	277,714,738
BOMET	12	1,540,450	1,422	7,628,000	14,962	571,928,880	16,396	581,097,330
BUNGOMA	13	1,589,150	2,001	10,717,000	15,313	731,859,753	17,327	744,165,903
BUSIA	39	3,219,712	1,230	6,801,000	8,269	399,797,700	9,538	409,818,412
ELGEYO/MARAKWET	9	1,497,350	355	2,026,000	4,914	226,856,823	5,278	230,380,173
EMBU	20	1,937,546	485	2,849,000	4,732	222,930,688	5,237	227,717,234
GARISSA	11	1,750,000	16	104,000	77	3,738,433	104	5,592,433
HOMA BAY	15	1,398,470	2,700	16,280,000	12,816	701,693,190	15,531	719,371,660
ISIOLO	7	1,078,445	83	568,000	308	13,845,523	398	15,491,968
KAJIADO	15	1,935,964	227	1,397,000	2,652	137,271,325	2,894	140,604,289
KAKAMEGA	12	951,068	2,549	13,892,000	17,882	883,335,428	20,443	898,178,496
KERICHO	11	1,391,478	1,092	5,961,000	10,427	480,471,501	11,530	487,823,979
KIAMBU	18	2,305,529	830	5,025,000	10,246	479,321,952	11,094	486,652,481
KILIFI	11	1,596,000	1,086	7,850,000	3,493	179,457,800	4,590	188,903,800
KIRINYAGA	11	951,289	382	2,203,000	3,696	219,688,300	4,089	222,842,589
KISII	19	2,162,478	1,668	9,609,000	12,442	707,521,100	14,129	719,292,578
KISUMU	17	2,050,400	1,875	11,542,000	11,320	540,995,445	13,212	554,587,845
KITUI	18	1,734,417	894	5,475,000	9,496	429,523,128	10,408	436,732,545
KWALE	1	98,000	315	2,266,000	1,424	63,905,993	1,740	66,269,993
LAIKIPIA	11	933,051	395	2,334,000	3,389	165,908,340	3,795	169,175,391
LAMU	6	537,510	69	462,000	307	13,627,627	382	14,627,137
MACHAKOS	16	1,649,500	677	4,139,000	8,183	376,458,902	8,876	382,247,402
MAKUENI	15	2,073,546	935	5,592,000	10,060	460,671,061	11,010	468,336,607
MANDERA	7	841,550	7	39,000	77	3,460,493	91	4,341,043
MARSABIT	13	1,694,950	129	905,000	630	28,967,154	772	31,567,104
MERU	20	2,762,705	1,239	6,758,000	10,599	490,340,261	11,858	499,860,966
MIGORI	14	1,463,920	1,459	8,576,000	7,667	418,248,140	9,140	428,288,060
MOMBASA	15	1,729,155	182	1,062,000	3,747	222,040,129	3,944	224,831,284
MURANGA	12	1,687,650	778	4,745,000	8,605	391,673,018	9,395	398,105,668

County	Scholarship		Bursary		Loans		Total Number of Records	Total Amount Awarded
NAIROBI	32	3,256,018	1,061	6,695,000	12,984	655,977,754	14,077	665,928,772
NAKURU	16	1,780,310	1,375	8,099,000	13,428	696,206,365	14,819	706,085,675
NANDI	13	1,787,150	1,009	5,514,000	9,272	431,837,980	10,294	439,139,130
NAROK	10	1,256,774	1,291	8,966,000	4,220	209,748,853	5,521	219,971,627
NYAMIRA	13	1,510,495	884	4,980,000	6,914	382,982,530	7,811	389,473,025
NYANDARUA	13	1,638,922	532	3,207,000	4,834	268,102,839	5,379	272,948,761
NYERI	14	1,995,707	768	4,540,000	7,423	354,690,461	8,205	361,226,168
SAMBURU	10	883,696	293	2,063,000	877	40,417,923	1,180	43,364,619
SIAYA	18	2,035,904	2,256	13,724,000	11,945	563,684,500	14,219	579,444,404
TAITA TAVETA	11	1,251,430	463	3,159,000	1,726	78,353,623	2,200	82,764,053
TANA RIVER	9	1,134,937	56	394,000	235	10,292,093	300	11,821,030
THARAKA - NITHI	9	1,283,300	511	2,770,000	4,023	188,779,753	4,543	192,833,053
TRANS NZOIA	15	1,965,606	903	5,162,000	7,320	396,464,040	8,238	403,591,646
TURKANA	13	1,451,780	207	1,389,000	883	39,225,821	1,103	42,066,601
UASIN GISHU	12	1,801,700	833	4,696,000	9,853	458,368,850	10,698	464,866,550
VIHIGA	11	1,309,004	721	4,098,000	4,487	268,202,177	5,219	273,609,181
WAJIR	4	350,000	634	3,193,000	71	3,202,593	709	6,745,593
WEST POKOT	9	777,619	606	4,294,000	3,140	159,678,528	3,755	164,750,147
<b>Grand Total</b>	<b>635</b>	<b>73,770,443</b>	<b>40,063</b>	<b>237,000,000</b>	<b>306,333</b>	<b>15,044,478,701</b>	<b>347,031</b>	<b>15,355,360,844</b>

## SECTION B

### Compliance with statutory requirements

HELB had no non-compliance issue raised by either internal or external audits, all statutory compliance and requirements have been complied with. HELB was able to meet its statutory obligations during the year under review remitting Kshs.95.504Million to the Kenya Revenue Authority in tax payments, Kshs.4.825Million to the NHIF and Kshs.1.488Million to the NSSF.

## SECTION C

### Key projects and investment decisions being planned/implemented.

HELB commenced the digitization of all its records in the current financial year and is working towards the adoption of Electronic Data Management System (EDMS) which will be financed through Appropriation in Aid (AIA). In the year under review, HELB relaunched the employer portal which is expected to improve efficiency and convenience for employer in remitting loan deduction. The portal is integrated to our ERP AX system and it is expected that it will minimize the time taken to update loanee records.

The imperative today in the society as result of the Corona Virus Pandemic demands that ICT be alive to the

greater call for the facilitation of remote working. The following are the key technology drivers adopted to mitigate on service delivery; Virtual desktop, Virtual Private Networks (VPN), Video conferencing (Skype, Teams, Zoom), USSD/Mobility/Web portal and Soft phones/ social media for customer interactions.

## SECTION D

### Enterprise Risk Management

Risk is the potentiality that expected and unexpected events may have an adverse impact on the achievement of the Board’s objectives. Risk management is an integral part of the Board’s Strategic management. The Board Audit, Risk Management & Compliance Committee is responsible for monitoring compliance with the policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Board. This Committee is assisted in these functions by the Internal Audit, Risk Management & Compliance Function who undertakes reviews of risk management controls and procedures, the results of which are reported to the Committee.

HELB recognizes the centrality of risk management and has continuously advocated for an overarching risk management culture in strategy implementation. The Board has developed a robust risk management framework in line with the International Organization for Standardization (ISO) requirements. Through the review of the risk management policy & framework, risk assessments are all mapped on a risk profile. Each strategic business unit head is responsible for identifying, monitoring, managing and reporting on the effectiveness and risks of their business’ strategic objectives, and the progress they have made towards achieving these. They oversee the direction and trends of significant current and emerging risks related to their business units and that mitigating actions are taken where appropriate.

#### Key risks facing HELB.

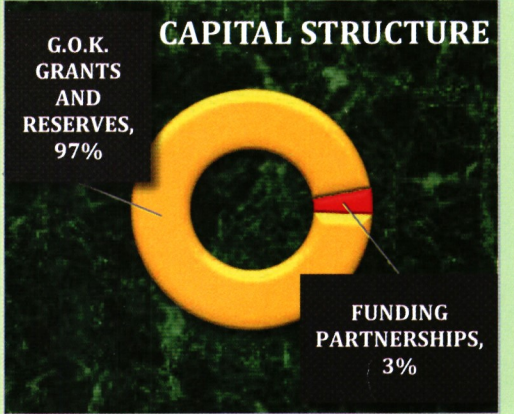
HELB identified several key risks that were likely to impede the implementation of its objectives. Strategies to mitigate the identified risks were mapped out and appropriate risk responses have been applied the risks followed up on regularly. Below is HELB’s Heat-Map.



**a) Credit Risk:**

This is the risk of financial loss to the Board if a borrower of a student loan instrument fails to meet its contractual obligations. Credit risk is the single largest risk for the Board's business and management carefully manages its exposure to credit risk. For risk management reporting purposes, the Board considers and consolidates all elements of credit risk exposure.

CAPITAL STRUCTURE	AMOUNT(KSHS)	%
G.O.K. GRANTS AND RESERVES	80,537,863,695	97%
FUNDING PARTNERSHIPS	2,830,257,250	3%
	<b>83,368,120,944</b>	<b>100%</b>



The donut chart visualizes the capital structure data from the table. It shows a large yellow segment representing G.O.K. GRANTS AND RESERVES at 97%, and a small red segment representing FUNDING PARTNERSHIPS at 3%.

**b) Pandemic Risk:**

The country and indeed the whole world during the last quarter of the year was faced with the spread of COVID-19 pandemic that affected the normal working environment forcing staff to adjust and work from home. The clients were not able to receive service on a face-to-face interaction. This impeded on the timely achievement of the Board's strategic objectives. The mitigation measures that have been put in place involve; Re-engineering of workflow processes, enhanced automation of core business operations, Review of Human Resources Policies and procedures, maintaining a clean and conducive working environment, strengthening the safety & security for staff, clients and service providers, staff training on safety and security matters and implementation of both the corporate safety and security policy and Occupational Safety & Health Act (OSHA). All these enabled staff to seamlessly work from home albeit with some element of culture shift.

**c) Operational Risks.**

The Board receives volumes of records, documents and information from the students, universities and Technical and Vocational institutions as well as other stakeholders during its operations. Clients' records and information need to always be maintained with utmost care. The mitigation measures that have been put in place to safeguard these records, documents and information under the custody of the board include; IT innovations to implement a more effective enterprise electronic data and document management system for improved archiving, storage and retrieval, acquisition of adequate secure and convenient storage facilities and office space, and consistent adherence to the records management policy.

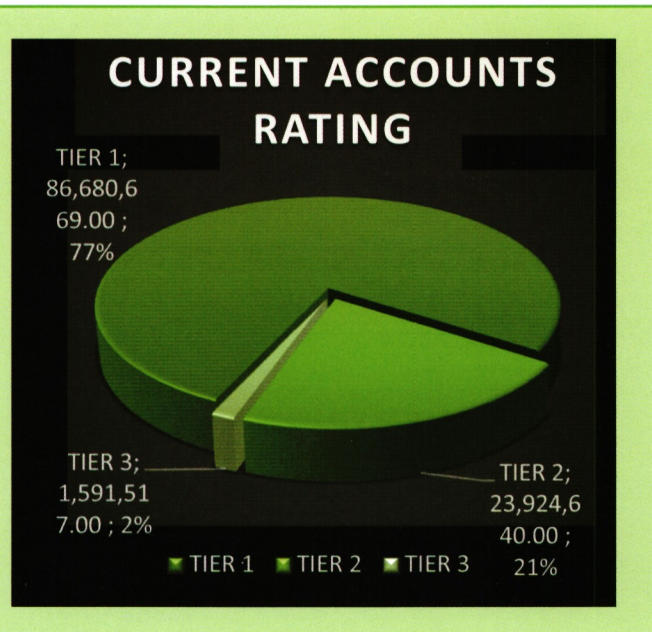
**d) Technology Risk:**

The increased leveraging on technology exposes the Board to increased cyber risk. Cybercrime is one of the risks which is expected to increase in sophistication and frequency as more staff work from home with myriad network links and the use of personal laptops which are not being controlled for viruses and an unauthorized access. To mitigate on the risks, the staff working from home are connected through secure channels such as VPN and VDI. Also, the personal computers are configured, and HELB security features installed.

**e) Liquidity Risk:**

The Board's main source of funds is the Exchequer. The allocation that the Board has been receiving from the Exchequer is not adequate to achieve universal funding of needy students pursuing higher education as envisaged in the HELB Agenda 2019-2023. The mitigation measures that the Board has put in place include; prudent financial management, implementing cost management strategies, collaboration with funding partners, enhancement of the internal revenue generation strategies, and working with other government arms for additional government funding. Below is the cash and cash equivalent risk factor.

CURRENT ACCOUNTS RATING	KSH	%
<b>TIER 1</b>		
KCB Bank Kenya	62,738,870	56%
Equity Bank of Kenya	9,033,924	8%
Co-operative Bank	6,864,264	6%
Standard Chartered Bank	3,090,435	3%
ABSA Bank	4,953,176	4%
	<b>86,680,669</b>	
<b>TIER 2</b>		
NCBA Bank	1,505,593	1%
Citibank N.A Kenya	13,241,555	12%
National Bank of Kenya	7,796,618	7%
Family Bank Ltd	1,380,874	1%
	<b>23,924,640</b>	
<b>TIER 3</b>		
Kingdom Bank Limited	742,592	1%
SBM Bank Kenya Limited	848,925	1%
	1,591,517	
	<b>112,196,826</b>	



SHORT-TERM RATING	PLACEMENT	KSH	%
<b>TIER 1</b>			
KCB bank Ltd		405,000,000	57%
Co-operative Bank		134,000,000	19%
KCB Savings & Loans- mortgages		30,381,416	4%
Equity Bank of Kenya-SLSPS		33,268,667	5%
		602,650,083	
<b>TIER 2</b>			
HFC Bank		10,037,930	1%
		10,037,930	
<b>TIER 3</b>			
SBM Bank Kenya Limited		100,439,564	14%
		100,439,564	



**f) Reputational Risk:**

The Board’s reputation is an invaluable and fragile asset that is broad and far reaching and includes image, goodwill, and brand equity. Reputational risk management supports value creation and seeks to deal effectively with potential future events that create uncertainty. The mitigation strategies that have been put in place include; an endeavour by the Board to have a clear understanding of the its mandate amongst the internal & external stakeholders, regular review of service charter and sharing it with all the stakeholders, rebranding, implementation of customer feedback, signing of MOU’s with strategic stakeholders, communicating and enforcing the Board’s code of conduct and ethics, and, developing and implementing the anti- corruption and whistle blowing policy.

**g) Strategic Risk:**

This is the current and prospective impact on revenues arising from adverse business decisions, or improper implementation of decisions. This risk is a function of the compatibility of Board’s strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation.

The Board faces several strategic risks from its environment which include: macro-economic changes, technological changes, key legislative and regulatory changes, major political events, human capital or social/demographic trends and changes.

The Board of Directors, with support of the Chief Executive Officer and Senior Management team, develops and implements a new strategic plan every 5 years to cater for the next growth phase of the Board. Currently, the implementation of the *HELB Agenda 2019-2023* is constantly reviewed on a quarterly basis.

***h) Governance Risks:***

The Board has an established governance framework, which includes policies, procedures, and other steering documentation. The scope of the governance framework, including the controls implemented, is based on business requirements and risk exposure. This framework enable accountability at all levels from the board to senior management and the entire staff community. The risk mitigation measures on this risk include; introduction of risk based decision making and reporting, strategic leadership and management training programs, Professional trainings for various professionals within the Board; and, Board of Directors training on Corporate Governance and Risk Management.

***i) Sustainability Risks***

Responsible and sustainable practices have always been, and will remain, an integral part of our strategy. And with the economic environment rapidly changing, it represents both a challenge and an opportunity. It is in this regard that sustainability related risks are now an emerging focus. To enable HELB actively consider sustainability related challenges and risks, a Sustainability Policy has been developed and will be operationalized in accordance with the Global Reporting Standards (GRI) effective FY 2020-2021.

## **SECTION E**

***Material arrears in statutory/financial obligations***

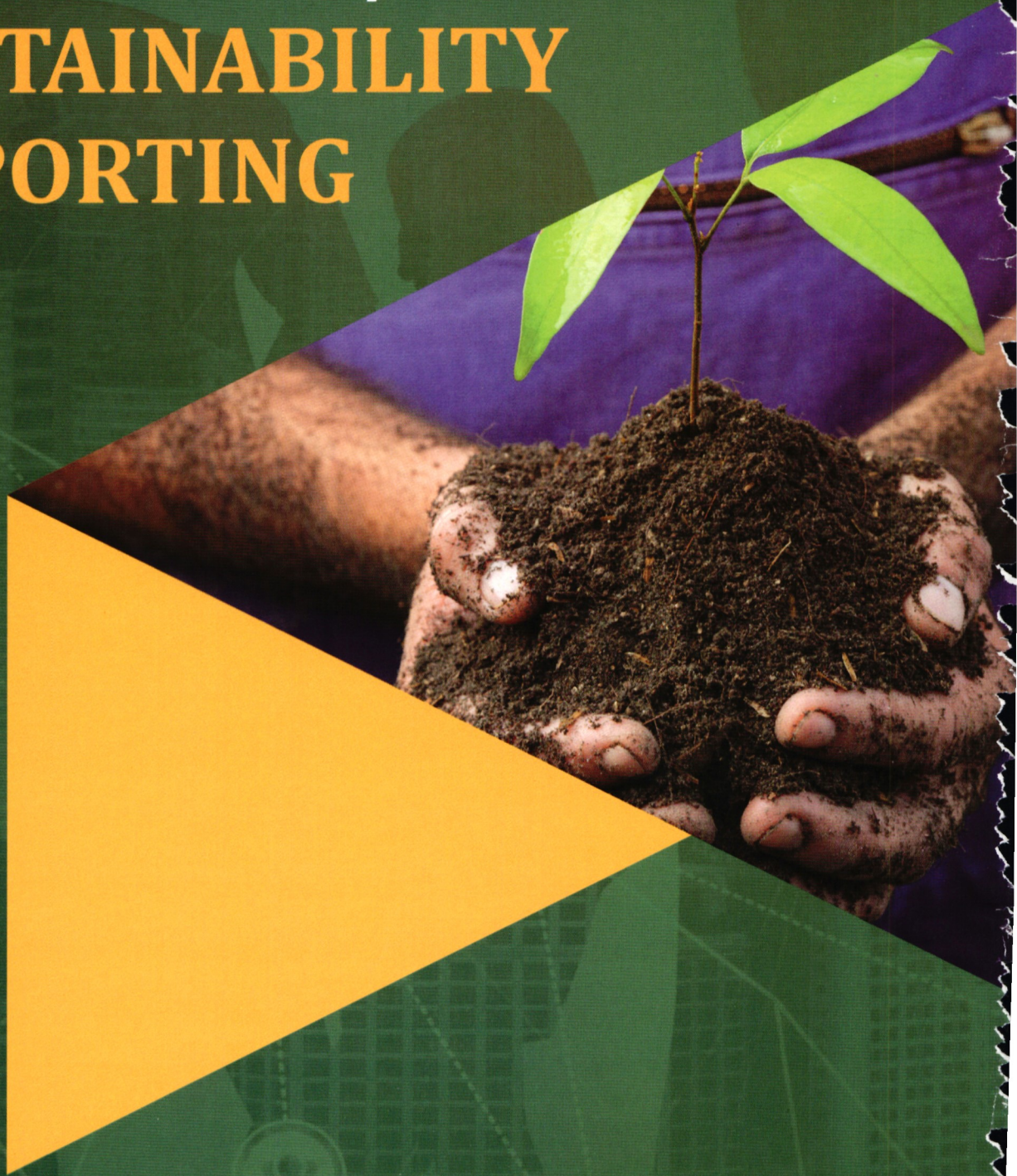
The Board has no outstanding arrears and will continue planning its activities in a prudent manner to avoid pending bills.

## **SECTION F**

***The entity's financial probity and serious governance issues***

The Board has no financial impropriety 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  
INVESTMENT  
STATEMENT/  
SUSTAINABILITY  
REPORTING**



## Introduction

As the leading financier of higher education in Kenya, the Higher Education Loans Board (HELB) remains committed to empowering the dreams of Young Kenyans by financing their higher education. In addition, HELB takes part in the Corporate Social Investment (CSI) activities as well as the Environmental Conservation and Forest Restoration. By engaging in Environmental Conservation, HELB seeks to protect, preserve, manage, and restore natural environments and the ecological communities that inhabit them. The breakdown below shows the activities for the year 2019-2020.

*The Board's CSR activities carried out during the period were leveraged on two pillars.*

CSR ACTIVITIES FOR THE YEAR 2019-2020					
Date	CSR Activity	Venue	No. Of Attendees	Pillar	COST Kshs.
27th October 2019	Standard Chartered Marathon (CSR)	Nairobi	60	The Health Pillar	202,750
9th November 2019	Ndakaini Marathon (CSR)	Murang'a	65	Environment Pillar	213,100
March-June-2020	COVID-19 ERF Contributions	Nairobi	54	The Health Pillar	386,715
Total cost					<b>802,565</b>

## Sustainable Financing

The HELB Sustainability report presents the progress made toward fulfilling our mandate. We hold onto our promise of Empowering the Dreams of Kenyan students by financing their education as well as establishing an educated and skillful nation. We believe in holding ourselves accountable to our stakeholders by sharing our achievements and our challenges in a transparent manner.

There have been notable challenges namely; unemployment of loan beneficiaries, retrenchment and downsizing by employers in various sectors due to the impact of COVID-19 pandemic, under employment of loan beneficiaries, changing employment trends from long term to short term contracts, slow economic growth and escalated cost of living and migration of loanees to other countries.

However, HELB implementation of the various strategies has mitigated the adverse effects of the macro-economic dynamics making the Board defy all odds and post an upward trajectory in operations. This has been actualised through aggressive external resource mobilization other than from the Government and loan recovery, operationalisation of self-protection scheme and implementation of smart card. These interventions are aligned to the Government development blueprint, The Big 4 Agenda comprising of Universal Health Care, Food Security, Manufacturing, and Affordable Housing, Sustainable Development Goals and GRI applicable standards.

## Environmental Performance

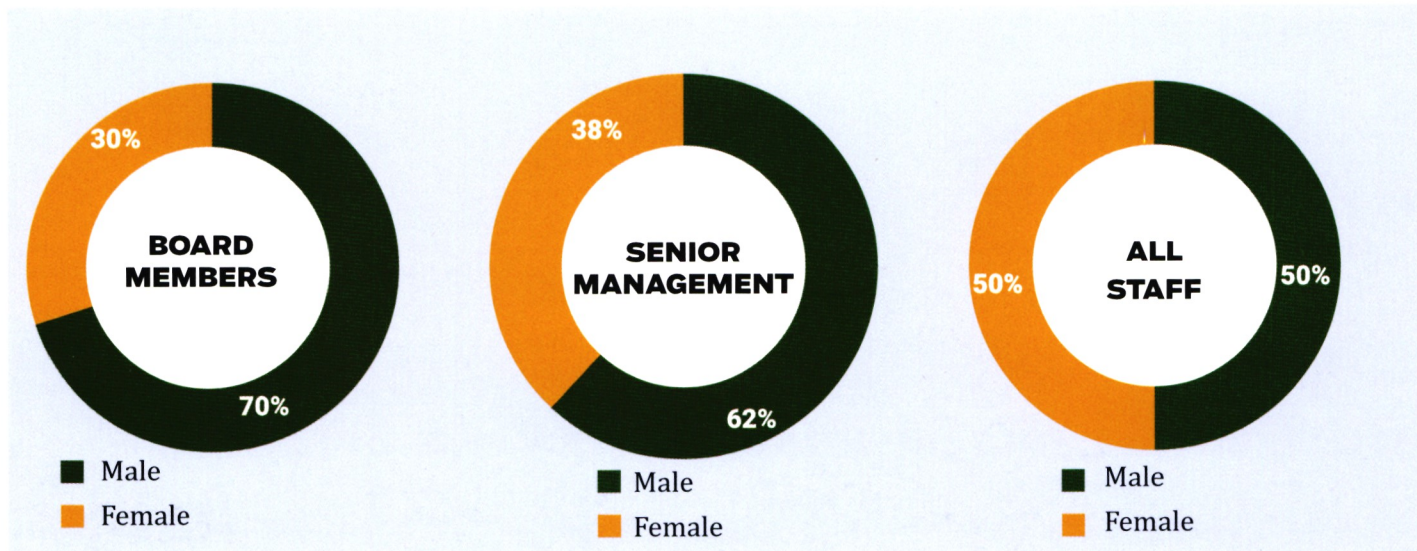
Climate change has become a major cause of concern in the country due to its far reaching effect on the country's economic performance of the country. It affects the food security, investment especially in agriculture, trade and countries stability. His excellency, President Uhuru Kenyatta noted that "Environment is the foundation of development, and it can no longer continue being taken for granted", as he presided over a national tree planting campaign to plant 1.8 Billion trees targeting a 10% forest cover from the current 7% by 2022. This is in tandem with the UN Sustainable Development Goals, SDG number 15, which addresses the need to sustainably manage forests, combat desertification, halt & reverse land degradation and halt biodiversity loss.

HELB is engaged in activities that support efforts towards environmental sustainability, by engaging in conservation activities as well as any other activity deemed to support financing of higher education, managed funds or potential partners to come on board.

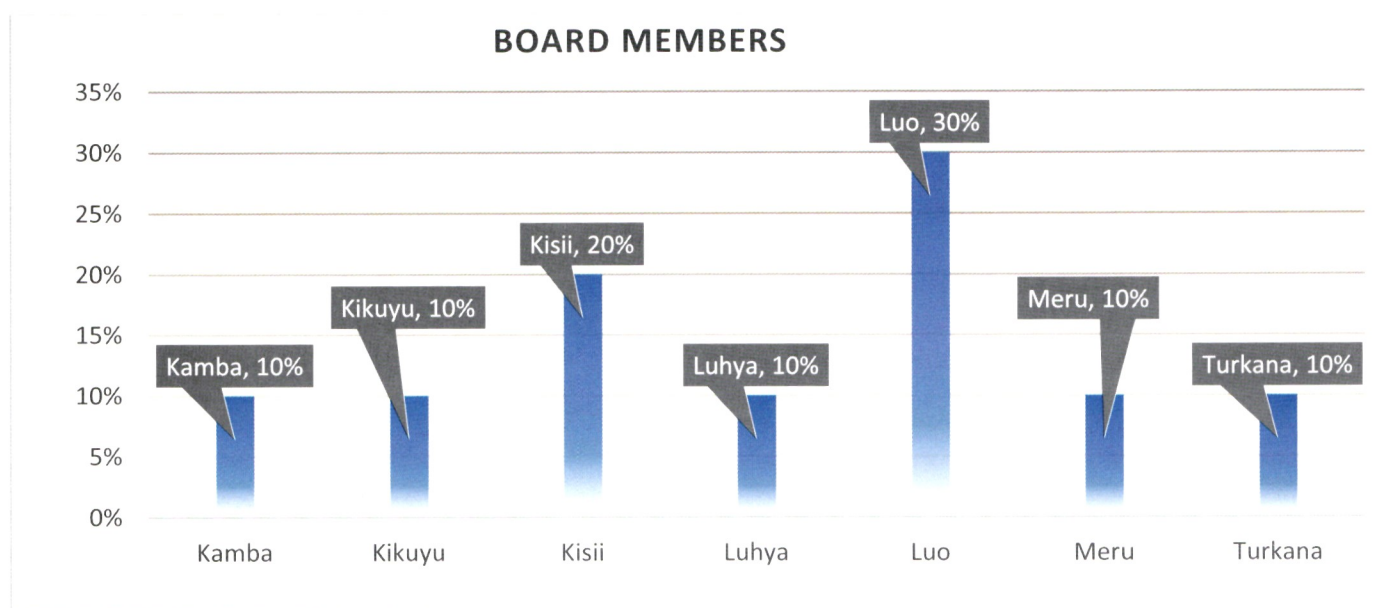
### Employee Welfare

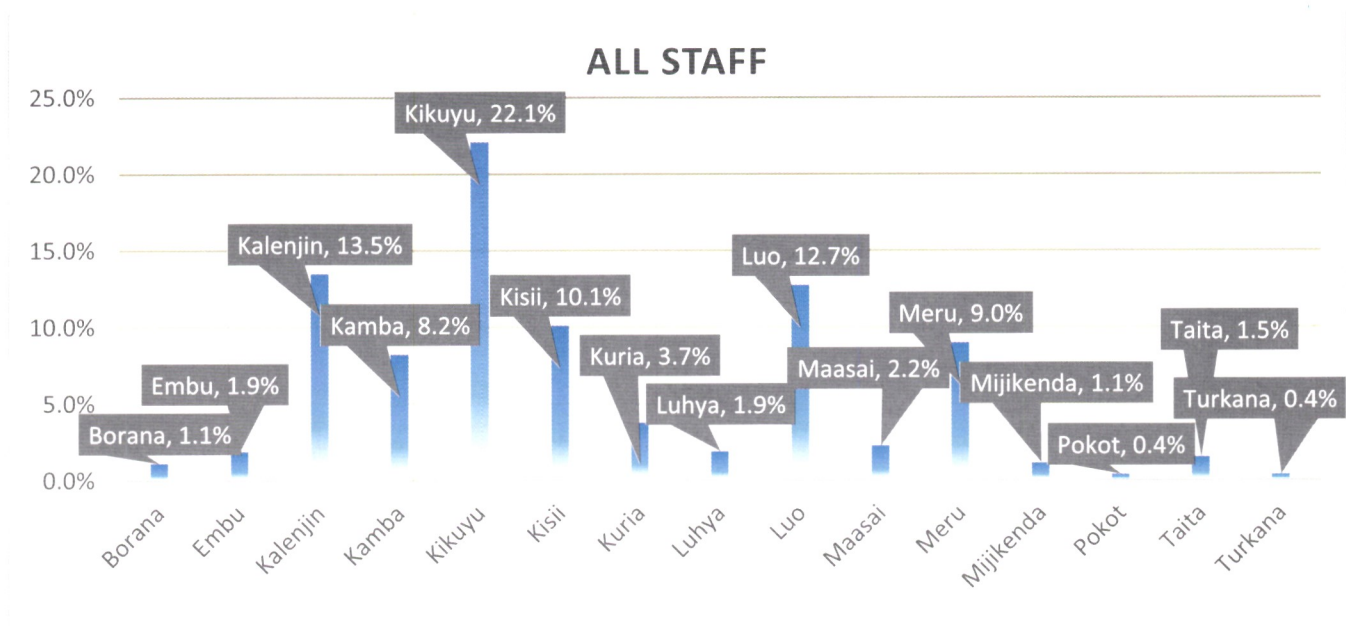
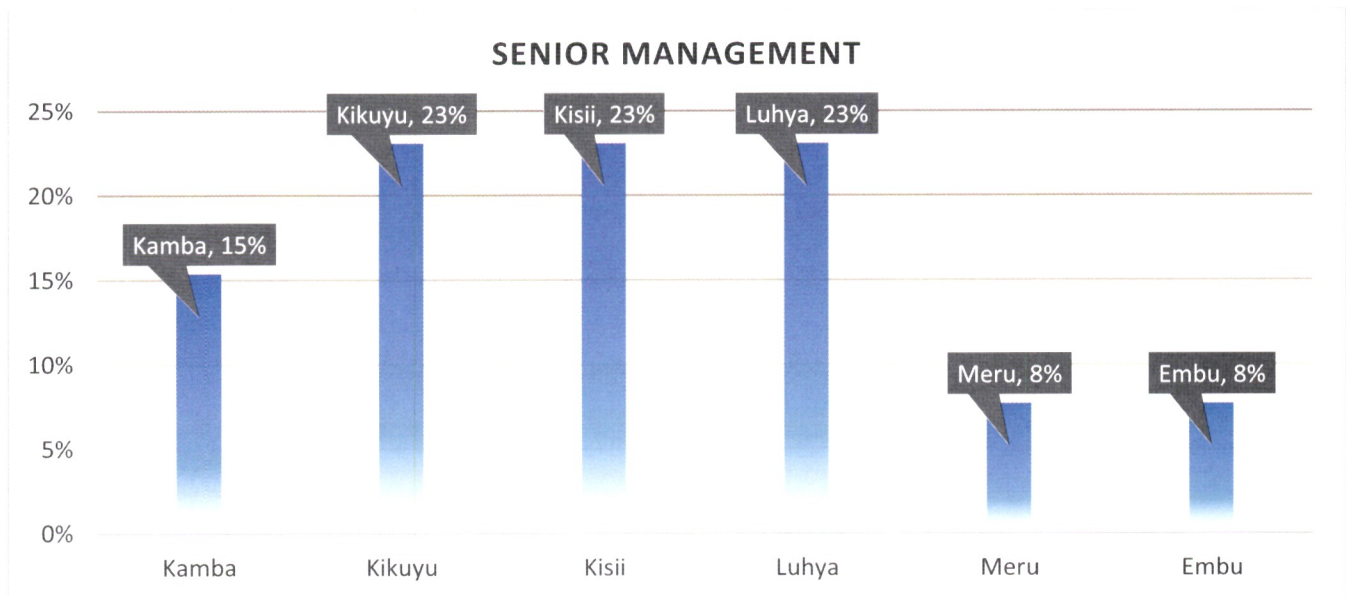
As at 30 June 2020, there were ten (10) Non- executive Board members, fourteen (14) senior management and two hundred and fifty-three (253) staff members. Out of the 267 staff of the board i.e. is both senior management and other staff members, 81% were on permanent and pensionable terms and 19% were on fixed term contract, three staff were persons living with disabilities.

### Gender Composition



### Diversity of Board, Senior Management and All Staff





HELB recognizes the need to create a conducive work environment that enables all employees to experience the best work life balance and reach their maximum potential. As a way of enhancing employee’s engagement, HELB conducts several programs such as employee funfair activities (gaming), CEO round table deliberations with staff to drive involvement and participation. To enable staff, share their views and suggestion, the Board has put in place an online voice of employee platform.

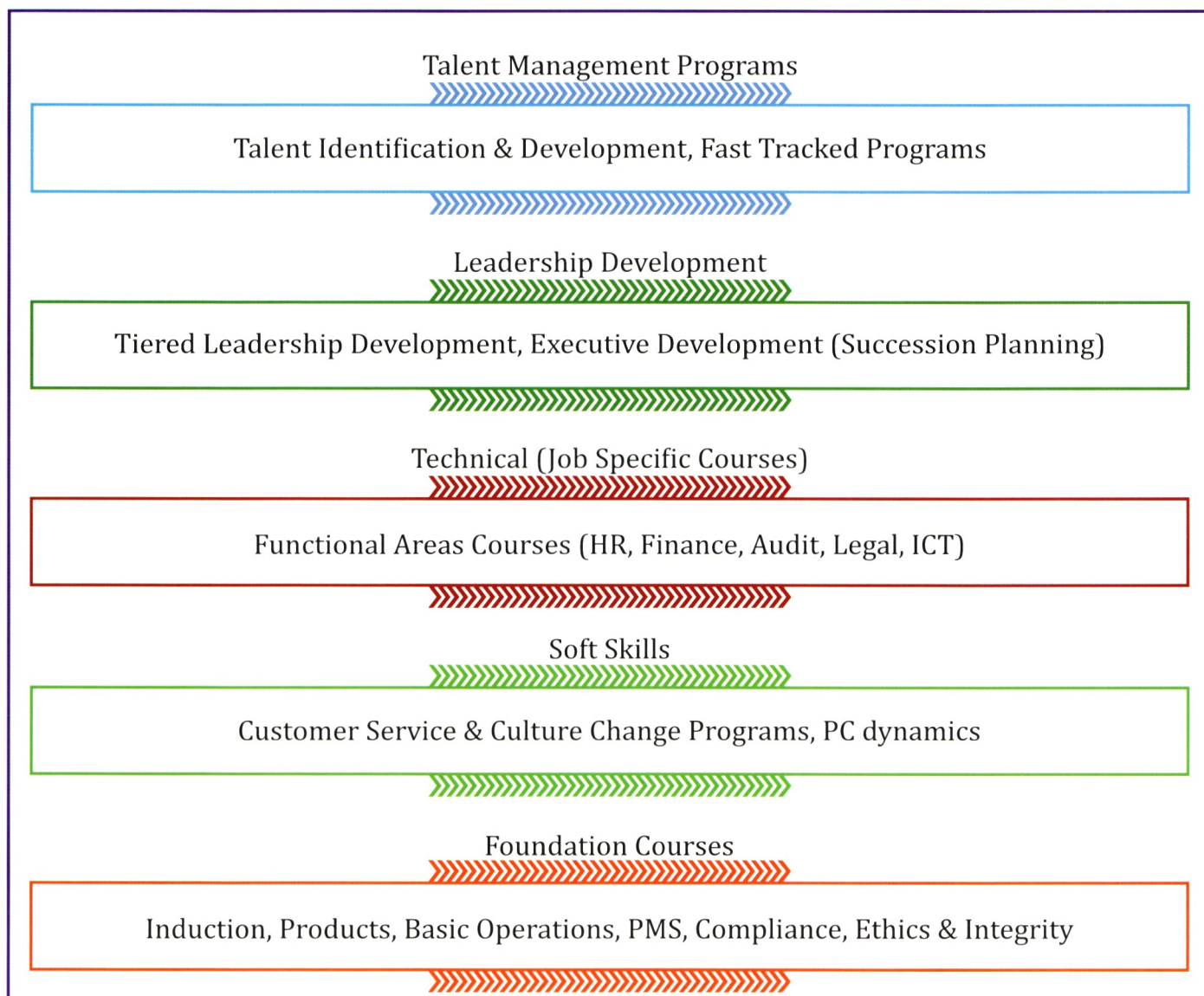
## Talent Management

HELB maintains a strong talent bench by attracting and retaining staff with the right talent and motivation to drive the successful delivery of its mandate. In this regard, the Board has put in place several talent management programs among them Training & Development.

The Board implements learning and development through Infosys model that harness all forms of learning in order to align the skills to the changing market need and grow staff for the opportunities. HELB has put in place

a robust performance management framework that enables employees to take charge of their performance in order to drive delivery of the Board’s Mandate. The Board has been on balance scorecard since 2014. HELB has put in place a competitive remuneration comprising of salary and allowances and benefit package that include house loans, car loans, enhanced medical cover.

## Learning and Development Model



## Market Place Practices

HELB has established and operationalized a Customer Excellence Council to conduct regular review of adherence to HELB Service Charter and has streamlined service efficiency at the various Customer touchpoints through reduction of Turn-Around-Time [TAT] in customer service delivery. It has also improved First Contact Resolution [FCR], decentralized most of its services to the Huduma Centres and online self-service portals.

HELB adheres to compliance expectation by the Commission for Administrative Justice [Ombudsman’s Office] by ensuring that all complaints are satisfactorily resolved and communicated to the customer.

To enhance management of all incoming and outgoing audio calls, Social Media interactions, Email communication as well as Bulk Messaging for ease of communication with customers as well as report generation and management

an integrated Customer Relationship Management [CRM] System has been implemented. It also leverages on digital media to enhance business growth such as Landing Pages for Business Leads, as well as leveraging on Data Analytics to drive mass personalization in bulk messaging.

### Community Engagements

Good health and well-being of every citizen is fundamental for any country to achieve any development. Sustainable Development Goal no. 3 is geared at achieving universal health coverage and provide access to safe and affordable medicines and vaccines for all. Supporting research and development for vaccines is an essential part of this process as well.

HELB has been engaged in partnership with other development partners in helping the government to achieve Agenda 4 goal of achieving Universal healthcare in accordance with vision 2030 by facilitating health care workers to achieve the required training through one of the most successful partnership products -The Afya Elimu loan.

### Environmental Conservation

#### Ndakaini Dam Half Marathon



HELB participated in the 16th edition of the annual Ndakaini Half Marathon on 9th November 2019 in Gatanga and Murang'a. The marathon aims at raising funds towards conserving Ndakaini Dam's catchment area.

Environmental Management is one HELB's CSR pillars and supports efforts towards environmental sustainability, in line with SDG 7 which commits to Ensure environmental sustainability. It further states that the natural resources base and ecosystems must be managed sustainably to meet people's food requirements and other environmental, social and economic needs.

## Health

### Standard Chartered Nairobi marathon held on 27th October 2019

Standard chartered Nairobi marathon aimed at tackling avoidable blindness and visual impairment to Kenyan communities.

*"seeing is believing"*



## REPORT OF THE BOARD

We the Board of HELB submit the Annual report together with the Audited financial statements for the year ended June 30, 2020 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 Finance to Kenyans pursuing Higher Education through mobilization and prudent management of resources*

### Our Vision

*Universal Financing for Kenyans pursuing Higher Education.*

### Results

The accounting surplus for the year 2019/2020 of Kshs.672.940 Million (2019: Kshs.1.017Billion) has been added to accumulated surplus. HELB awarded loans, bursaries and scholarships, worth Kshs.15.355bn to 347,031 students. The Financial results of HELB for the year ended June 30, 2020 are set out on pages 1-5.

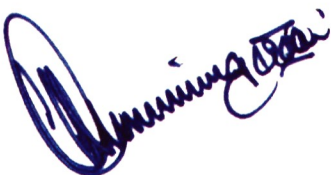
### Board Members

The Board Members who served during the year are shown on page x-xv. During the year there was no renewed contracts for the members of the board.

### 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, 2020.

By Order of the Board



**CHARLES M. RINGERA**  
**CHIEF EXECUTIVE OFFICER**

## STATEMENT OF RESPONSIBILITIES OF THE BOARD

The financial statements of Higher Education Loans Board have been prepared in accordance to Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act and HELB Act CAP 213A 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 30 June 2020.

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, 2020.

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 members of the Board 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 members of the Board 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, 2020, and of the Board's financial position as at that date.

The members of the Board 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 Board Members 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 **22<sup>nd</sup> September 2020** and signed on its behalf by:



**HON. EKWEE ETHURO**  
**CHAIRMAN OF THE BOARD**

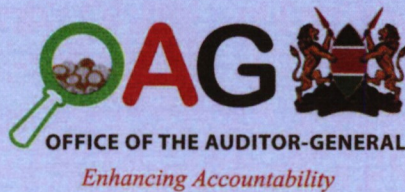


**CHARLES M. RINGERA**  
**CHIEF EXECUTIVE OFFICER**

# REPORT OF THE INDEPENDENT AUDITORS ON THE ACCOUNTS OF HIGHER EDUCATION LOANS BOARD

## REPUBLIC OF KENYA

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**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
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NAIROBI

### REPORT OF THE AUDITOR-GENERAL ON HIGHER EDUCATION LOANS BOARD FOR THE YEAR ENDED 30 JUNE, 2020

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#### REPORT ON THE FINANCIAL STATEMENTS

##### Opinion

I have audited the accompanying financial statements of Higher Education Loans Board set out on pages 1 to 22, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amount for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with 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, the financial statements present fairly, in all material respects, the financial position of the Higher Education Loans Board as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), the Higher Education Loans Board Act, 2012 and the Public Finance Management Act, 2012.

##### Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Higher Education Loans Board Management in accordance with ISSAI 130 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 opinion.

##### Emphasis of Matter

###### Land in Dispute

As disclosed in Note 39 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.859,175,265 as at 30 June, 2020, which constitutes an amount of Kshs.717,500,000 in respect of land. Included under land

is a parcel of land measuring 0.6 hectares situated at Upper Hill area, Nairobi, recorded at a historical cost of Kshs.44,588,742.

However, 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 land's perimeter wall on one side was put up in a straight line while the deed plan reflects a curve. Further, the Kenya Railways Corporation claims that the plot was illegally exercised from the Corporation's Land, by the then Commissioner of Lands. Management had indicated in a letter dated 27 March, 2020 to the Principal Secretary, Ministry of Lands and Physical Planning, that a tripartite meeting was held between the Board, Kenya Railways Staff Retirement Benefits Scheme and Kenya Railways Corporation following a circular reference DGIPE/A/1/10 dated 10 February, 2020 from Cabinet Secretary, The National Treasury which directed that all court cases where all parties involved are public institutions should withdraw the cases and have such matters resolved amicably. However, no resolution had been attained at the date of my report. The actual shape and size of the land and the alleged excision of the same land could not therefore be confirmed.

My opinion is not modified in respect of the effects of the above 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. There are no key audit matters to report in the year under review.

#### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.16,108,565,275 and Kshs.13,598,102,160 respectively resulting to an under-funding of Kshs.2,510,463,115 or 16% of the budget. Similarly, the Board expended Kshs.16,400,436,006 against an approved budget of Kshs.16,645,314,872 resulting to an under-expenditure of Kshs.244,878,866 or 1.2% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on issuance of loans to students and service delivery to the stake holders.

#### **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, 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.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

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

### Outstanding Matured Loans to Students

As disclosed in Note 25 to the financial statements, the statement of financial position reflects matured students' loans balance of Kshs.34,606,683,080 (2019: Kshs.29,478,131,466) which is net of provision for bad and doubtful debts of Kshs.1,821,404,373. Examination of records indicate that the balance includes loans amounting to Kshs.8,555,136,317 or 25% representing matured students' loans which have been outstanding beyond the stipulated period of 10 years. Further, a balance of Kshs.168,566,013 has outstanding for over 35 years and due from loanees who are likely to have retired and may not currently be in any payroll. Management has however indicated that various measures have been put in place to ensure that all matured loans are fully recovered.

In the circumstances, it has not been possible to determine whether there exist an effective and efficient internal control system to manage the loan issued to students over the years.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. 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 overall 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Board's ability to continue as a going concern disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless Management is aware of the intention to terminate the Board or cease operations.

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 overall 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 non-compliance. 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 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 applicable 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. 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
Nancy Gathungu  
AUDITOR-GENERAL

Nairobi

27 October, 2021