

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
HIGHER EDUCATION LOANS BOARD

FOR THE YEAR
ENDED 30 JUNE 2016



*Paper laid by
LOM on 10/5/2017 (pm)*







OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 – 00100, NAIROBI

27 MAR 2017

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HIGHER EDUCATION LOANS BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2016

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 YEAR ENDED 30 JUNE 2016

TABLE OF CONTENTS

I. KEY BOARD INFORMATION AND MANAGEMENT.....	iii
II. THE BOARD OF DIRECTORS	viii
III. MANAGEMENT TEAM.....	xiv
IV. CHAIRMAN'S STATEMENT	xxi
V. REPORT OF THE CHIEF EXECUTIVE OFFICER	xxiii
VI. CORPORATE GOVERNANCE STATEMENT	xxix
VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xxxiv
VIII. REPORT OF THE DIRECTORS	xxxviii
IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxxix
X. REPORT OF THE INDEPENDENT AUDITORS ON THE ACCOUNTS OF HIGHER EDUCATION LOANS BOARD	xl
X. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016 1	
XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016	2
XIII. STATEMENT OF CHANGES IN NET ASSETS	3
XIV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016	4
XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS YEAR ENDED 30 JUNE, 2016.....	5
XVI. NOTES TO THE FINANCIAL STATEMENTS	6
XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	23

I. KEY BOARD INFORMATION AND MANAGEMENT**(a) Incorporation**

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

(b) Principal Activity

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

(c) Specific Mandates

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

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

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

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

(c) Key Management

- Chief Executive Officer & Board Secretary
- Head of Finance Division
- Head of Operations Division
- Head of Research, Planning & Strategy Division
- Manager, Human Resource & Administration Department
- Manager, Finance Department
- Manager, Loan Repayment & Recovery Department
- Manager, Lending Department
- Manager, Information Technology Department
- Manager, Legal Services Department
- Manager, Internal Audit Services Department
- Manager, Fund Management
- Manager, Corporate Communication & Customer Experience

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

- | | |
|---|--------------------------|
| 1. Chief Executive Officer & Board Secretary | Mr. Charles M. Ringera |
| 2. Head of Finance | Mr. Shem A. Gichimu |
| 3. Head of Operations | Mr. Victor K. Lomaria |
| 4. Head of Research, Planning & Strategy | Mrs. Mary Wachira-Muchee |
| 5. Manager, Human Resource & Administration | Mrs. Madrine Mburu |

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

6. Ag. Manager, Finance	Ms. Kerin Lidoroh
7. Manager, Loan Repayment & Recovery	Mr. Geoffrey O. Monari
8. Manager, Lending	Mrs. Esther N. Michieka
9. Ag. Manager, Information Technology	Mr. Josphat K. Nzuki
10. Manager, Legal Services	Mrs. Bernadette N. Masinde
11. Manager, Internal Audit	Mr. Phares K. Chege
12. Manager, Fund Management	Mr. James Gachari
13. Manager, CC & Customer Experience	Mrs. Wavinya Muigai

(e) Fiduciary Oversight Arrangements

The key fiduciary oversight committees of the board for the financial year 2015/2016 and their respective functions are outlined as below:

i) Loans Disbursement and Recovery Committee

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

ii) Finance Staff & General Purpose Committee.

- To review and recommend approval of policies and conditions for sound management of the financial processes and operations;
- To review and report to the Board on the annual audited accounts;

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

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

iii) Audit, Risk Management & Compliance Committee.

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

(f) Board Headquarters

19th Floor, Anniversary Towers, University Way,
P. O. Box 69489-00400,
Nairobi - Kenya.

(g) Board Contacts

Telephone: (020) 2278000


Cell phone: 0711052000

Email: ceo@helb.co.ke

Website: www.helb.co.ke

 twitter.com/HELBpage

 facebook.com/HELBpage

 LinkedIn.com/higher-education-loans-board

(h) HELB Bankers

1. Kenya Commercial Bank Limited,
University Way Branch, Nairobi.
2. Equity Bank Limited,
Equity Centre Branch, Upper hill, Nairobi
3. Citibank Limited,
Upperhill Branch, Nairobi.
4. Standard Chartered Bank Kenya Limited,
Koinange Street Branch, Nairobi.
5. Co-operative Bank of Kenya Limited,
University Way Branch, Nairobi
6. Barclays Bank of Kenya Limited,
Business Centre, Barclays Plaza, Nairobi
7. Housing Finance Limited,
Koinange Street Branch, Nairobi
8. Family Bank Limited
Family Bank Towers Branch, Nairobi.
9. Chase Bank Limited
Delta Branch, Westlands, Nairobi.
10. Jamii Bora Bank Limited
Koinange Street Branch, Nairobi
11. NIC Bank Limited
Upper hill Branch, Nairobi

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

II. THE BOARD OF DIRECTORS

The Board is governed by a team of eleven members headed by the Chairman. The Secretary to the Board is also the Chief Executive Officer. The current members are:

MR. D. NDEGWA WACHIRA – CHAIRMAN, BOARD OF DIRECTORS HELB



David Ndegwa Wachira is the Board Chairman of the Higher Education Loans Board. He 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. He has attended several courses and seminars in Finance, Human Resource Management, Corporate Governance, Audit and Risk Management, Performance Based Management, Business Rehabilitation, Alternative Dispute Resolutions, and several others as a resource person. Until recently, Mr. Wachira was the Chief Executive Officer at Consolidated Bank of Kenya and has also worked in other leading banks such as Cooperative Bank of Kenya, Barclays Bank of Kenya, among others both in Kenya and other African countries. During his time in the banking sector he served as the vice-chairman of Kenya Bankers Association for more than five years. He is the immediate past Chairman and Member of Dedan Kimathi University Council where he served for more than seven years. He is also a Board Member of a leading regional insurance company and a private hospital in Kenya in which he chairs Finance and Strategies committees of the two Boards.

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

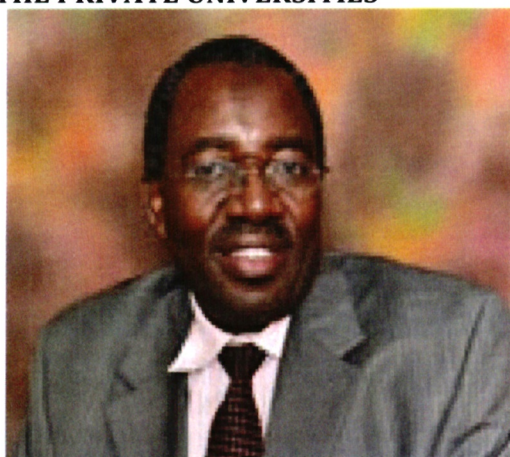


Charles M. Ringera is a seasoned banker with over 20 years' practical banking experience that cuts across all facets of central and commercial banking. He formerly worked as a regulator with the Central Bank of Kenya in various capacities, as a bank examiner, Kisumu Branch, Finance, Audit and National

Debt. He moved to Co-operative Bank in 2004 initially as Senior Credit Risk Analyst before being deployed to Enterprise-wide Risk Management as a senior manager to lay foundation for Risk management for the bank as per the Central Bank's Risk Management Guidelines and Basel II Accord. In 2006, he moved to KCB Group where he headed the Group Operational Risk and Compliance supporting - Kenya, Tanzania, Southern Sudan, Uganda, Rwanda and Burundi.

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

DR. TIMOTHY WACHIRA - REPRESENTATIVE OF VICE - CHANCELLORS AND PRINCIPALS OF THE PRIVATE UNIVERSITIES

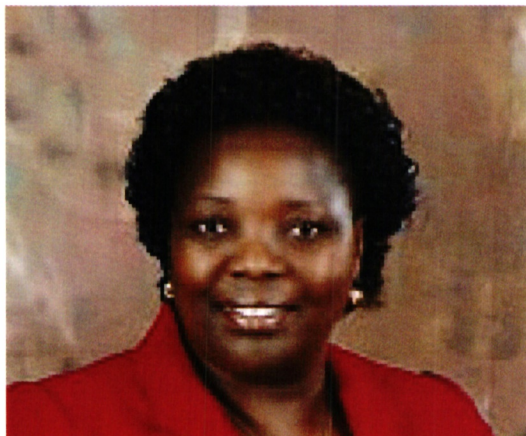


Dr. Wachira is the Vice chancellor of Daystar University. He has a doctoral degree in Public Health from University of Nairobi. He also served as the Vice Chancellor St Paul's University in 2004 to 2010. He has served as a General Secretary FOCUS, Senior Medical Research Scientist, AMREF, Lecturer University Nairobi and a Senior Research Scientist KARI. He serves as a Board Member in several boards in Kenya that include the Higher Education Loans Board, Biblica Kenya, Wycliffe Africa, Bible Society of Kenya and FOCUS.

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

MRS. JACQUELINE A. MUGO -REPRESENTATIVE, 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, Labor Advisory Board, National Industrial Training Council and Productivity Centre of Kenya.

MR. EZRA MAGATI - STATE DEPARTMENT OF EDUCATION



Ezra holds a Bachelor of Commerce, and Masters of Commerce Business Administration from Mohan Lal Sukhadia, India. He worked as a senior finance officer in the former Local Government Ministry for 15 years until 2006 and later in the EAC, Commerce and Tourism, Trade Ministries. He is currently in the Ministry of Education in the state department for university education.

CHARLES ONAMI MARANGA – MEMBER



Charles holds a BA (Hons) Sociology and Government (University of Nairobi) Kenya and a MSC Business Studies – HR Option (University of Salford) United Kingdom. Charles has over 25 years' experience in Human Resource Management. He has worked as Director HR in KCB and CBK; Head of Human Resources Barclays and Kenya Airways and is currently the CEO/Managing Partner-Human Capital Consultancy Ltd (HCMC)

PROFESSOR RICHARD KIPRONO MIBEY



of Nairobi. He has over 35 years teaching and scholarly experience. He has extensive knowledge and experience in the higher education system having grown from a Graduate Assistant, Research Assistant, lecturer, Senior lecturer, Associate Professor, Professor of Mycology, Chairman of Department, Dean, Campus Principal as well as Deputy Vice-Chancellor. He is currently the Vice-Chancellor of Moi University.

Prof. Mibey is a Kenyan academic, research scientist and university administrator. He holds a BA, Biology from Warren Wilson College, Swannanoa, NC, USA; MSc Biology from Appalachian State University, Boone, NC USA; MSc in Plant Pathology and a D.Ed. in Agricultural Education and Extension (Speciality in Plant Pathology) from Oklahoma State University, Stillwater, OK USA; and a PhD in Mycology from University

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

**GEORGE KIHARA GICHURU – THE
NATIONAL TREASURY**



George holds a Bachelor of Commerce (Accounting) and an MBA Finance from the University of Nairobi. He is also a CPA (K) and a member of the Institute of Public Accountants of Kenya (ICPAK). He is a career accountant having worked in various District Treasuries for 17 years. He has also been Head of Accounting Division at the Ministry of Industrialization and Ministry of Public Works. He is the current Head of Accounting Division at the National Treasury.

**MR. HABIL O. OLAKA - REPRESENTATIVE,
KENYA BANKERS ASSOCIATION**



Habil Olaka is the Chief Executive Officer of the Kenya Bankers Association since October 2010. Previously, he was the Director of Operations of the East Africa Development Bank (EADB) and also member of the senior management team in charge of the credit operations and business development of the bank. Before joining the bank he had been with Banque Indesosuez now Bank of Africa for four years as the Internal Auditor, having started his career at the Price Water House Coopers Nairobi in the audit and business advisory division. He sits on a number of boards representing the KBA that include Kenya School of Monetary Studies, HELB among others. He holds a first class honors BSc Degree in Electrical Engineering from UoN and an MBA in Finance from the Manchester Business School in the UK. He is a member of ICPAK and CFA and an alumnus of Strathmore School of Accountancy.

**PROF DAVID K SOME - REPRESENTATIVE
COMMISSION FOR UNIVERSITY EDUCATION**



David is the Chief Executive Officer of the Commission for University Education. He holds a PhD from University of Newcastle –upon Tyne, U.K., M.Sc from Cranfield University and B.Sc. (Hons) University of Newcastle-upon Tyne, UK. A former Vice chancellor of Moi University, Prof Some is a member of a number of boards including the Higher Education Loans Board, and Family Bank Limited among others. He has also served as a member and founder chairman Board of Kenya Medical Training Colleges as well as ApproTEC, (Makers of Water pump) (Moneymaker) and oil presses. He is also the Collaborating Editor of the Journal of Agricultural Mechanization in Asia, Africa and Latin America.

MRS. GRACE KEMEI - MEMBER



Grace Kemei holds a Master of Business of Administration (MBA) – USIU; Master of Laws Degree - the University of Nairobi; Higher National Diploma in Human Resources Management (IHRM-K); Higher National Diploma in Legal Studies -Kenya School of Law and a Bachelor of Laws (LLB) from the University of Nairobi. She is an Advocate of

the High Court of Kenya, a Member, Law Society of Kenya, a Member, Certified Public Secretaries of Kenya CPS (K), a Full member, Institute of Human Resources Management (HRM), a Member of Commonwealth Lawyers Association (CLA) and a Member, Kenya Institute of Management (KIM)

She is also a Member of Executive Board – Alliance Girls High School, Kenya Hotel Properties Limited (Inter-Continental Hotel – Nairobi – international hotel brand. Sunshine School – a premier secondary boys school in the education sector and Fidelity Insurance & Liaison Insurance Group – Insurance sector. She was Group Chief Executive Officer of Sovereign Group Limited. She is currently running a private law practice J.G Kemei & Associates

III. MANAGEMENT TEAM

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



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

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

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

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

MR. SHEM ANDREW GICHIMU – HEAD OF FINANCE



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

MR. VICTOR KIPKEMBOI LOMARIA - HEAD OF OPERATIONS



Victor is the Head of Operation in charge of Lending and Recovery departments. He is the immediate Internal Audit Manager. He joined the Board from the Postal Corporation of Kenya where he was the Manager in charge

of the Audit and Investigations function. Prior to being elevated to this responsibility at the Postal Corporation of Kenya, he had served in both the Audit and Finance Departments rising to the positions of Acting Manager, Revenue & Credit Control, Audit and Treasury respectively before assuming the responsibilities of the new Department. Previously, he was also a Senior Internal Auditor with the then Kenya Posts & Telecommunication Corporation.

Mr. Lomaria holds a B.Com degree from the University of Nairobi and an MBA from the same university. He is a Certified Public Accountant (CPA-K). He has attended various professional courses in accountancy and auditing.

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

MRS. MARY WACHIRA-MUCHEE - HEAD OF RESEARCH, STRATEGY & PLANNING



Mary is the Head of Research Strategy and Planning. She has over 18 years of experience in the field of Finance. She joined HELB at

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

MRS. MADRINE MBURU - MANAGER, HUMAN RESOURCE & ADMINISTRATION



Madrine is the Human Resource Manager. She has over 16 years' experience in Human Resources. She joined the Board from the

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

MS. KERIN LIDOROH – AG. MANAGER, FINANCE



Kerin is the Acting Finance Manager. She 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. GEOFFREY MONARI - MANAGER, LOAN REPAYMENT & RECOVERY



Geoffrey has served the Board in various capacities as an Assistant Loans Officer, Loans Officer and Senior Loans Officer from 1997

when he joined the Board. He holds a B. Com degree and MBA from J.K.U.A.T. He is a member of the Institute of Economic Affairs with over 17 years working experience in various positions at HELB. Geoffrey has managed the loan repayment and recovery function since October 2009. He has attended several courses on Credit/Debt Management both locally and internationally, prosecution/investigation at the CID Training School among other trainings key to the delivery of his current position. Besides, he is an ISO 9001-2008 Internal Auditor and a Trustee of HELB Staff Retirement Scheme.

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

MRS. ESTHER NYABONYI MICHIEKA - MANAGER, LENDING



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

Education, where she served as Senior Curriculum Developer and monitoring and evaluating the same at national level. She conducted research and evaluation on curriculum in African regional level. At the Board, she has risen through the ranks from being Loans Inspector, Senior Loans Inspector, Senior Loans Recovery Inspector 11, and Recovery Manager.

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

MR. JOSPHAT NZUKI – AG. MANAGER, INFORMATION COMMUNICATION TECHNOLOGY



Josphat K. Nzuki is the Acting ICT Manager. He has over 16 years' experience in Information Technology practice spanning key areas of Data

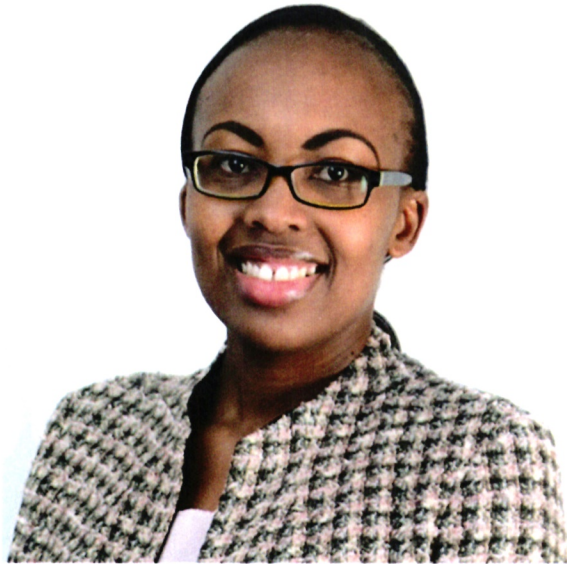
Analysis, Systems Analysis and design, Software Development, Database Administration, policy formulation, ICT infrastructure and security Management. He joined the Board from the Bidco (K) Ltd whereas the data and systems analyst he has been instrumental sustaining the growth of ICT agenda at HELB. He 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.

MRS. BERNADETTE N. MASINDE - MANAGER, LEGAL SERVICES



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

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



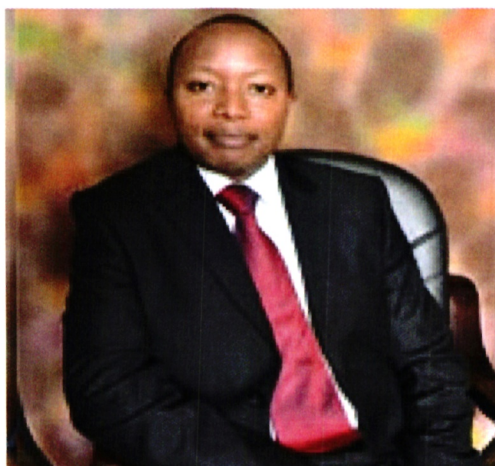
Manager. She joined the Board from KCB where she worked as a Customer Service Manager, Brand Marketing Manager for differentiated products as well as the Retail Service Experience Manager focusing on customer experience in KCB Kenya Branches. She also worked as an Account Manager and Assistant General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

Wavinya is the Board's Corporate Communication and Customer Experience

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

MR. PHARES CHEGE - MANAGER, INTERNAL AUDIT



Phares is the Board's Internal Audit Manager. He joined the Board from Klynveld Peat Marwick Goerdeler (KPMG) Kenya where he was Senior Advisor, Risk Consulting specializing in Information Systems Audit. He also worked as an Internal Auditor with Kenya National Highways Authority and Financial and Systems Auditor with Kenya National Audit Office. He joins the board with a wealth of experience in Auditing. He holds MBA Accounting [UoN], BA Economics [UoN], CPA (K) and CISA. Phares is an active member of ICPAK, ISACA and IIA.

MR. JAMES MAINA GACHARI - MANAGER, FUND MANAGEMENT



James is the Board's Fund Manager. He 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].

IV. CHAIRMAN'S STATEMENT

Growth in Education Sector



In the Kenyan Constitution, education is prescribed as a key pillar for social protection and development. Subsequently, the Government continues to invest heavily in the education sector. This heavy investment in education is imperative so as to develop skilled and employable human capital. 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. This has consequently translated into a rise in the demand for loans both in terms of volumes and value.

The Higher Education Loans Board, through the mandate assigned to it by the Government has therefore remained focused for the last 20 years on providing financial interventions to an increasing number of youth pursuing higher education. Today, the country boasts of over **520,000** students enrolled in our public and private universities in addition to over **80,000** students enrolled in TVET colleges bringing the total number of students enrolled in institutions of higher learning to about **600,000**. In 2015/2016 HELB financed a total of **197,436** students at a cost of **Kshs.8.03 billion** compared to **167,537** students financed in 2014/2015 at a cost of **Kshs. 6.8 billion**. However, HELB is currently only able to finance a third of these students enrolled in institutions of higher learning which is reflective of the growth in the education sector.

Board Performance

Three years ago the government transferred the management of the TVET bursary to HELB due to the elaborate structures that the Board has put in place in management of student financial aid. In the past financial year, the government allocated **Kshs.300 million** to be disbursed as loans to students in TVET institution that are under the Ministry of Education. The Board appreciates the importance of technical skills for the attainment of Vision 2030 delivery objectives and growing the economy. This then reflects the Board's commitment to create awareness that funding is available for students in TVET programs in order to play its role in increasing the completion and retention rates in tertiary colleges. We as a Board will continue engaging the Government and development partners for more funding using the successful USAID/Funzo Kenya model so that all needy students are adequately supported. Already we have lined up a huge pipeline of hybrid funding models in Accountancy, Oil & Gas, Aviation and Power sector to increase access and availability of funds to train students in these critical areas. 2015/2016 marks the third year that HELB is implementing the 2013-2018 strategic plan. Despite the macro-economic challenges, the Board recorded an appreciable implementation level of **74%** of the targeted activities for the period. During the year under review the Board financed a total of **197,436** students at a cost of **Kshs.8.03 billion** up from **167,537** students financed in 2014/2015 at a cost of **Kshs. 6.8 billion**. Loan recoveries recorded a new high level of **Kshs. 3.9 billion**.

In order to address the ever increasing demand for student loans both in number of applicants and in amount allocated; one of the key pillars in the Strategic Plan is resource mobilization from alternative sources to supplement exchequer allocation and loans recoveries. The Board remains cognizant that the priorities in exchequer financing have continued to shift towards provision of basic social requirements such as security, health and basic education. As a result, the exchequer flows to HELB did not grow in tandem with the increase in the number of students admitted to institutions of higher learning. Conversely, loan recovery which is the other source of this revolving fund cash flow, albeit growing at an average of 8% year on year does not completely compliment the total students' loan budget. The Board therefore continues to drive partnerships with various financiers of higher education for HELB to manage their scholarship funds on a revolving basis.

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Other ongoing discussions have been with the County Governments, Constituency Development Funds, corporate foundations, donors and individuals. These efforts are bearing positive fruits and remain a key focus area for the Board in the coming years.

Corporate Governance

The Higher Education Loans Board will continue to play its role as a leader in financing higher education in Kenya. Towards this end, the Board has put in place committees of the Board of Directors and Management to spearhead effective delivery of services. These committees include the Audit, Risk Management & Compliance Committee, Loans Disbursement and Recovery, Finance, staff and general purposes committees. These committees are important to the Board as they ensure attention remains focused on critical aspects of its function in fulfillment of its mandate and thus ultimately contribute in meeting both our objectives and our customers' expectations without interfering with or impeding the operation of the corporation. As Chairman, I maintain an overall responsibility for the leadership and effective performance of the Board with the express and unreserved support of my colleague Directors. During the year under review, the Board of Directors comprised of eleven (11) members with seven (7) being institutional representatives, two (2) independent, the Chief Executive officer, who is also the secretary to the Board and the Chairman. The Board members served in the following Committees:

Loans Disbursement & Recovery Committee	Finance Staff & General Purpose Committee	Audit Risk Management and Compliance Committee
1. Dr. Timothy Wachira - Chairman & Rep. Private Universities	1. Mr. Charles Maranga - Chairman	1. Mr. Habil Olaka - Chairman & CEO, Kenya Bankers Association
2. Prof. Richard Mibey - Rep. Public Universities	2. Prof. David Some – CEO, Commission of University Education	2. Dr. Timothy Wachira – VC, Daystar University & Rep. Private Universities
3. Mr. Ezra Magati - MOE	3. Mr. Ezra Magati - MOE	3. Mr. George K. Gichuru - The National Treasury
4. Mr. George K. Gichuru - The National Treasury	4. Mr. George K. Gichuru – The National Treasury	4. Mrs. Jacqueline A. Mugo – CEO, Federation of Kenya Employers
5. Ms. Grace Kemei - Member	5. Mr. Habil Olaka - CEO Kenya Bankers Association	5. Mr. Charles Ringera – CEO HELB
6. Mr. Charles Ringera – CEO HELB	6. Mr. Charles Ringera – CEO HELB	
Mr. D Ndegwa Wachira – Chairman of the Board		

To drive a high performance culture within the Board, this year under review is the 2nd year that the Board adopted the Balanced Scorecard performance management tool in order to realize the 2013 – 2018 Organizational Strategy. This tool forms the basis of staff performance appraisal and also within the Board. 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. The Board has therefore prioritized review of the Act as a key task in achieving Institutional Capacity and Corporate Governance, which are pillars of the Strategic Plan and to enable HELB to offer the market customer oriented products.

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 true committed to transforming the lives of Kenyans by providing affordable loans to Kenyans who are pursuing higher education as a key weapon to confront the challenges of poverty.


D. Ndegwa Wachira
 Chairman, Board of Directors

V. REPORT OF THE CHIEF EXECUTIVE OFFICER



The World Bank predicts Kenya's growth rising to 5.9% in 2016 and 6.1 % in 2017. The positive outlook is predicated on infrastructure investments. According to the October 2015 Kenya Economic Update, Kenya is poised to be among the fastest growing economies in Eastern Africa. Besides, the 2016 Country Economic Memorandum says that Kenya's growth prospects will depend a lot on Innovation, Oil, and Urbanization in the long term. Interventions and increased spending on health and education are paying dividends. On the flipside, the inflation rate as at June 2016 stood at 5.8% while the overall unemployment rate stood at 9.2% with the unemployment rate for the youth at 35%. During the year under review - the United Nations, in September 2015, approved the 2030 Global Agenda for Development that set 17 post-2015 Sustainable Development Goals (SDGs) as a unifying agenda for peace, prosperity and wellbeing of all people across the globe, and to preserve our planet. The SDGs endeavor to realize and build on what the Millennium Development Goals (MDGs) did not accomplish in the eight, anti-poverty targets that included slashing poverty, hunger, disease, gender inequality and promoting access to water and sanitation. The post-2015 global development agenda further addresses the root causes of poverty and the universal need for sustainable and inclusive development through its 169 specific targets. Education continues to face real challenges and hence the formulation of Sustainable Development Goal (SDG) number 4, which the Board, on behalf of the Government of Kenya, is deeply committed to attain.



The 5 Year Corporate Plan: 2013 - 2018



The five (5) year strategic plan for the period 2013-2018, which has a deliberate strategic posture on customer centricity and excellence, was launched in the 2013/2014 with four key strategic pillars. The Board is half way through the strategy implementation with an average achievement rate of **46.5%**. All efforts are being made to accelerate the implementation process so as to reach 100% completion rate.

HIGHER EDUCATION LOANS BOARD

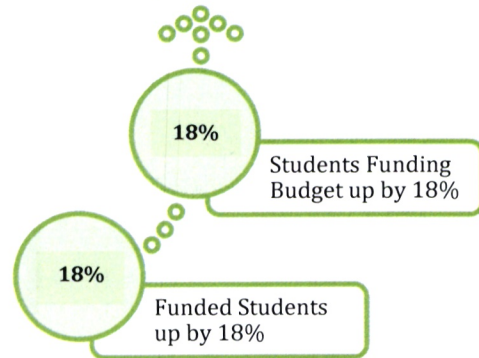
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Operational Performance

HELB Funding has grown year on year from GoK allocation from Kshs 700M in the financial year 1999/2000 to Kshs. 4.9B during the financial year 2015/2016 in addition to significant growth in terms of loan recoveries from Kshs 391.9M in the financial year 1999/2000 to Kshs. 3.9B during the financial year 2015/2016. The government continues to be stretched in financing higher education with more than 67,750 students joining university 2015/2016 up from about 57,000 the previous year and another 35,000 were placed in Technical Vocational and Entrepreneurship Training (TVET) institutions, putting pressure on the Board finances. The Board projects that over the next three years, the population of students seeking its help will nearly double from 19 per cent to 36 per cent by 2018. Effectively, the financing budget is projected to increase nearly threefold from Kshs 5.4 Billion in 2013 to Kshs19 Billion by 2018.

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

The year under review saw an increase of **18%** as HELB financed a total of **197,436** students at a cost of **Kshs.8.03 Billion** compared to **167,537** students financed in 2014/2015 at a cost of **Kshs. 6.8 Billion**. **27,319** of total number of these students financed were assessed as being extremely needy, and in addition to the loan, they were awarded bursary totaling **Kshs.183.8 Million**. The Board continues to focus on this segment from economically challenged background as a social intervention mechanism.



Aligning to Vision 2030

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

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

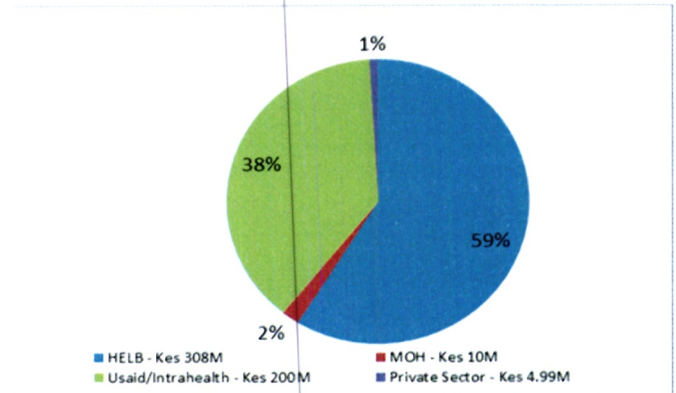
HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

As an implementation agent of Government of Kenya, HELB has made specific initiatives as contributions towards facilitating the production of the requisite technical manpower for successful implementation of the post-2015 development agenda in the member countries. The Board continues to offer loans and bursaries to TVET college students to ensure that they become institutions of choice and for them to gain practical skills that will enhance their chances of gainful employment. To this end a total of **12,781 students** from over 70 TVET institutions under the Ministry of Education, Science and Technology were financed to the tune of **Kshs. 396.2 Million** for loans and **Kshs. 91.8 Million** for bursaries compared to 2013/2014 where **6,236 students** with loans amounting to **Kshs.110.6 Million** and bursary amounting to **Kshs. 51.9 Million** were funded.

TVET – Healthcare Workers

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



In the year 2015/2016, **4,575** needy first time applicants, were awarded loans at a total cost of **Kshs.185 Million** financed jointly by Intra health, under FUNZO Kenya; HELB, Rattansi Education Trust, I & M Bank and Family Bank Group Foundation. To date a total of **9,515** health care graduates have been funded under the *Afya Elimu* Fund at a total cost of **KShs.523 Million**.

Skills Enhancement to Employed Human Resources

The continuing education loan program that caters for salaried students in the undergraduate and post graduate recorded disbursement to **2,082** students at a total value of **Kshs.254.7 Million**. The Board is pursuing a Multi-pronged approach to shore up this portfolio particularly with the coming on board the Government of Kenya Training Revolving Fund (**Kshs. 125.5M**) for Civil servants and also the Kenya Revenue Authority Staff Training Revolving Fund (**Kshs. 20M**) that HELB is now managing.

As part of a corporate social responsible organization, HELB awarded a total of **83** students' scholarships worth **Kshs.24.1 Million** with fifty three (53) beneficiaries from the Masters' program and thirty (30) from the PHD program.

Funding HELB

The total budget for the year amounting to **Kshs.10.854 Billion** was financed from two major sources namely the Exchequer allocation – Kshs. 6.533 Billion and loan recoveries – Kshs. 3.9 Billion accounting for 60% and 37% respectively, while the balance of 3% was financed from other sources including interest from investment income, miscellaneous income and devolved funds mainly from the constituencies. Consequently with increase in student lending portfolio of Kshs 8.03 billion, the Balance Sheet grew from **Kshs.43.53 Billion** in 2014/2015 to **Kshs.50.9 Billion** by close of 2015/2016 representing a **17.5%** growth.

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Positioning Alternative Resource Mobilization as a key strategic driver

Despite the growth in HELB's performance witnessed over time, the increased demand for higher education and its corresponding funding has not been matched by availability of resources from the traditional source that is the national government. This funding gap has driven HELB to source for funds outside the National Treasury as well as seek partnerships that will ensure sustainability for the already available alternative sources of higher education financing outside of scholarships and bursary schemes. The Board in its five year corporate strategy then crafted a pillar on alternative resource mobilization to restructure the balance sheet and balance out the portfolios. This achievement entrenches the organization's posture as an able steward of managing public, devolved, institutional, donors and individual funds on a revolving basis given the experience and tenacity the Board has acquired over time. To this end the Board received Kshs. 20M from Kakamega County Education Revolving Fund, Kshs. 27Million from Busia and Kshs. 9 Million, 10.8 Million, 2.5 Million, 1 Million and 2 Million from Igembe North, Karachuonyo, Awendo, Tigania West and Tinderet Constituencies' Education Revolving Funds respectively.

Driving Loan Repayment Culture

In its strategic posture, HELB realized from the onset that disbursements should be matched by energized and effective loan collection strategies and tactics for effective mandate delivery. Despite a challenging economic environment, HELB relationship building continues to transcend employers and loan beneficiaries of its products to honor their obligations

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

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.3.9 Billion** was recovered compared to **Kshs.3.36 Billion** recovered in the previous year being an increase of 18.5%.



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. In 2014/2015, the Board commissioned implementation of 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 Ministry of Devolution and Planning's Huduma centers across the country, HELB is represented offering comprehensive services in 19 Huduma Centres based on justifiable traffic.

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

Enhancing Electronic Disbursements

The Board is deliberately pursuing efficiency in funds disbursement that also creates a higher financial discipline among our key customers. The Board in collaboration with various banks commenced implementation of student smart card. The card introduces sophisticated applications and utilization of funds and also acts 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. Six universities have implemented the Smart Card system namely KEMU, Egerton, African Nazarene, Masai Mara and Co-operative University College



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. This will be followed by revamping of the website to include a digital fund raising element in the 2016/2017 financial year.

The Board has also partnered with Maisha Edu to introduce a financial literacy awareness program for loan applicants in 2015/2016 with the aim of imparting knowledge in the management of personal finance and making informed decisions especially with regard to student loans.

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

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Sound Corporate Governance

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

Appreciation

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



Charles Ringera
Chief Executive Officer

VI. CORPORATE GOVERNANCE STATEMENT

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. Current Constitution and Appointment of Board of Directors

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

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

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Board of Directors in 2015/2016

Name	Role in the Board	Date of Appointment	Date of Retirement
Mr. David N. Wachira	Chairman Board of Directors	09/05/2016	09/05/2018
Mrs. Jacqueline Mugo		15/02/2016	15/02/2021
Dr. Timothy Wachira	Chairman, Loans Disbursement & Recovery Committee	15/02/2016	15/02/2021
Prof. David Some		15/02/2016	15/02/2021
Mr. Habil Olaka	Chairman, Audit Committee	15/02/2016	15/02/2021
Prof. Richard Mibey		15/02/2016	15/02/2021
Ezra Magati		15/04/2016	15/04/2021
George Kihuru		15/02/2016	15/02/2021
Charles Maranga	Chairman, Finance, Staff & General Committee	15/02/2016	15/02/2021
Grace Kemei		15/02/2016	15/02/2021
Mwenda Thiribi		28/12/2010	28/12/2015
Victoria Chepseba		02/10/2012	28/12/2015
Sammy Murei		28/12/2015	20/02/2016
James Waweru		28/12/2015	20/02/2016
Kenneth Waithiru		28/12/2010	27/12/2015
Fenny Mwakisha		28/12/2010	27/12/2015
Mr. Charles M. Ringera	Chief Executive Officer HELB		
<i>In Attendance:</i> B. N. Masinde	Legal Services Manager (Recording)		

3. Responsibility of Board of Directors

The Board of Directors is ultimately responsible for providing policy guideline specifically on;

- a. The Mission and Vision of the Board;
- b. Promoting the aims and objectives of the Board;
- c. Setting strategic directions for the Board;
- d. Performance management of the CEO;
- e. Oversight of management;
- f. Setting and monitoring broad budget and planning framework, ensuring that the Board's finances are sound and taking major financial decisions
- g. Setting and critically monitoring Board policy and risk management;
- h. Fund raising and resource mobilization.

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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 a sitting allowance for every meeting attended at the rate of **Kshs. 20,000** per meeting. The Chairman of the Board receives monthly honoraria of **Kshs. 80,000** per month.

5. Board of Directors meetings

The meetings of the Board of directors are held at least once every quarter in a calendar year. In order to facilitate the smooth running of its affairs, the Board of Directors has established committees.

6. Board of Directors Committees

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 2014.

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

BOARD OF DIRECTORS MEETING ATTENDANCE 2015/2016

Loans Disbursement and Recovery Committee

Name	July 2015	October 2015	June 2016	Count
Timothy Wachira	√	√	√	3/3
Victoria Chepseba	√	**	**	1/1
Dominic Makawiti	√	**	**	1/1
Kenneth Waithiru	√	√	**	2/2
Fenny Mwakisha	√	**	**	1/1
Sammy Murei	**	√	**	1/1
James Waweru	**	√	**	1/1
Richard Mibey	**	**	√	1/1
Ezra Magati	**	**	√	1/1
Gichuru Kihara	**	**	A	0/1

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Finance, Staff & General Purpose Committee

Name	July 2015	October 2015	May 2016	June 2016	Count
Mwenda Thiribi	√	**	**	**	1
Charles Maranga	**	**	√	√	2
Fenny Mwakisha	√	√	**	**	2
Sammy Murei	**	√	**	**	1
James Waweru	**	√	**	**	1
Habil Olaka	√	√	**	**	2
Grace Kemei	**	**	√	√	2
David Some	A	A	√	√	2
Ezra Magati	**	**	**	√	1
Jacqueline Mugo	**	**	√	A	1
Judith Nyakawa	**	**	√	**	1
Kenneth Waithiru	√	A	**	**	1

Audit, Risk Management & Compliance Committee

Name	July 2015	October 2015	May 2016	June 2016	Count
Habil Olaka	√	√	√	√	4/4
Timothy Wachira	√	√	√	A	3/4
Jacqueline Mugo	√	A	A	A	1/4
Kenneth Waithiru	√	√	**	**	2/4
Sammy Murei	**	√	**	**	1/1
James Waweru	**	√	**	**	1/1
Grace Kemei	**	**	√	√	2/2
David Some	**	**	√	A	1/2
Gichuru Kihara	**	**	A	√	1/2

Board of Directors meeting

Name	July 2015	October 2015	April 2016	May 2016	June 2016	Count
David Ndegwa	√	√	√	√	√	5/5
Habil Olaka	√	√	√	A	√	4/5
James Waweru	**	√	**	**	**	1/1
David Some	√	√	√	√	√	5/5
Sammy Murei	**	√	**	**	**	1/1

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Dominic Makawiti	√	√	**	**	**	2/2
Timothy Wachira	√	√	A	√	√	4/5
Victoria Chepseba	√	**	**	**	**	1/1
Mwenda Thiribi	√	**	**	**	**	1/1
Jacqueline Mugo	√	A	√	A	√	3/5
Fenny Mwakisha	√	**	**	**	**	1/1
Judith Nyakawa	**	√	√	**	**	2/2
Charles Maranga	**	**	√	√	√	3/3
Grace Kemei	**	**	√	√	A	2/2
Ezra Magati	**	**	**	√	√	2/2
Gichuru Kihara	**	**	A	√	A	1/3

**** - Not a member**

7. 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 2014 the management team was as disclosed on page (xv).

8. Risk Management

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

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Board recognises that we must integrate our core business values and operations to meet the expectations of our stakeholders. They include customers, employees, investors, suppliers, the community and the environment.

- a. We recognise that our social, economic and environmental responsibilities to these stakeholders are integral to our business. We aim to demonstrate these responsibilities through our actions and within our corporate policies.
- b. We take seriously all feedback that we receive from our stakeholders and, where possible, maintain open dialogue to ensure that we fulfil the requirements outlined within this policy.
- c. We shall be open and honest in communicating our strategies, targets, performance and governance to our stakeholders in our continual commitment to sustainable development.
- d. We will ensure to align to the National Values and Principles of Governance as outlined in Article 10(2) of the Constitution
- e. The Chief Executive Officer is responsible for the implementation of this policy and will make the necessary resources available to realise our corporate responsibilities. The responsibility for our performance on this policy rests with all employees throughout the company.

HELB will either organize CSR activities internally or participate in CSR activities organized by other institutions/groups. Activities organized by other institution/ groups shall require a proposal with details of the organization, project details and requested sponsorship amount. All CSR activities will be done under the guidance of the Corporate Communications & Customer Experience Department.

The main areas of focus will be:

- a. Education related matters,
- b. Environmental conservation,
- c. Charitable works
- d. Extraneous circumstances such as government directives and matters of national concern
e.g. natural disasters

1.1. 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

1.2. 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

1.3 Charity Work

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

In 2015/16 HELB organized Six [6] CSR activities internally or participated in CSR activities organized by other institutions or groups under the guidance of the Corporate Communications & Customer Experience Department.

The following events took place:

Date	Activity	CSR Pillar
2015/2016	Postgraduate Scholarships	Education
September 2015	Chemususu Dam Half Marathon & Tree Planting	Environmental Conservation
February 2016	KNH Paediatric Oncology Ward Visit	Charitable Works
March 2016	First Lady Half Marathon	Charitable Works
June 2016	Ngong Forest Tree Planting	Environmental Conservation
June 2016	Thika School for the Visually Impaired Visit	Education

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016



Chemusus Dam Half Marathon & Tree planting



KNH Oncology Ward Visit



First Lady Half Marathon

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016



Ngong Hills Tree Planting



Thika School for the Visually Impaired visit

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Board's affairs.

Principal activities

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

Results

The surplus for the year of **Kshs.559 Million (2015: Kshs. 849 Million)** has been added to accumulated surplus.

Directors

The members of the Board of Directors who served during the year are shown on pages (ix).

Auditors

The Auditor General is responsible for the statutory audit of the Board in accordance with the Section 81 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf. Office of the Auditor was nominated by the Auditor General to carry out the audit of the Board for the year ended June 30, 2016.

By Order of the Board



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

DATE: *23rd December, 2016*

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 68 of the Public Finance Management Act, 2012 and section HELB Act, require the Directors to prepare financial statements in respect of that Board, which give a true and fair view of the state of affairs of the Board's at the end of the financial year and the operating results of the Board for that year. The Directors are also required to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the Board. The Directors are also responsible for safeguarding the assets of the Board.

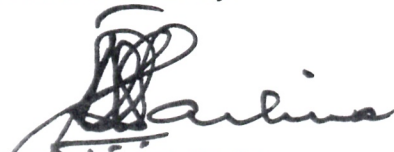
The Directors are responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2016, 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 *23rd December, 2016* and signed on its behalf by:



D. NDEGWÄ WACHIRA
CHAIRMAN



CHARLES M. RINGERA
BOARD SECRETARY/CEO

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON HIGHER EDUCATION LOANS BOARD FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Higher Education Loans Board set out on pages 1 to 23, which comprise the statement of financial position as at 30 June, 2016 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution and Section 48 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Report of the Auditor-General on the Financial Statements of Higher Education Loans Board for the year ended 30 June 2016

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

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

Basis for Qualified Opinion

1. Land

As previously reported, the property, plant and equipment balance of Kshs.809,614,174 as at 30 June 2016, 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 Ministry of Land, Housing and Urban Development and the actual position on the ground which shows that the Board's perimeter wall on one side was put up in a straight line while the deed plan has a curve on that particular side. Further, the Kenya Railways Corporation claims that the plot was illegally excised from the Corporation's land by the then Commissioner of Lands. Although the management has explained that the matter has since been taken up by the parent Ministry for resolution, no positive outcome had been attained as at the date of this report.

Consequently, it has not been possible to confirm the accuracy of the property, plant and equipment balance of Kshs.809,614,174 and ownership by the Board of parcel of land No. LR No.209/13515 recorded at a cost of Kshs.44,588,742 as at 30 June 2016.

2. Matured Loans to Students

The statement of financial position as at 30 June 2016 reflects matured students' loans balance of Kshs.26,449,800,171 which is net of matured loan balance of Kshs.27,836,611,765 and provision of bad and doubtful debts of Kshs.1,386,811,594. The balance of Kshs.26,449,800,171 includes loans totalling Kshs.8,859,371,482 which represent matured students' loans outstanding over the stipulated period of 10 years. In the circumstance, full recoverability of Kshs.8,859,371,482 is doubtful.

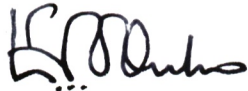
3. Cash and Bank balances

As disclosed in Note 17 to the financial statements, the cash and bank balances amounting to Kshs.390,349,428 include a balance of Kshs.305,122,323 held in a financial institution placed under receivership in April 2016 and later taken over by another financial institution. Further Note 18, to the financial statements indicates that short term investments totalling Kshs.100,000,000 were held in the same financial

institution. As a result the Board could not access its own funds totalling Kshs.405,122,323 as at the date of this report. In the circumstance, it has not been possible to confirm that the cash and bank balances amounting to Kshs.390,349,428 and short-term investments balance of Kshs.2,109,056,481 as at 30 June 2016 are fairly stated.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Higher Education Loans Board as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Higher Education Loans Board Act, Cap.213 of the Laws of Kenya.



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

Nairobi

30 March 2017

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

X. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

PARTICULARS	NOTES	AS AT 30 JUNE 2016			AS AT 30 JUNE 2015			CHANGE %
		OPERATIONS KSHS	STUDENTS' LOANS KSHS	TOTAL KSHS	OPERATIONS KSHS	STUDENTS' LOANS KSHS	TOTAL KSHS	
INCOME								
Grants								
Income from Non -Exchange transactions-GOK Grants	6	183,055,500	192,000,000	375,055,500	183,055,500	192,000,000	375,055,500	0.00%
Income from Exchange transactions	7	1,187,706,324		1,187,706,324	1,472,485,730		1,472,485,730	-19.34%
TOTAL INCOME		1,370,761,824	192,000,000	1,562,761,824	1,655,541,230	192,000,000	1,847,541,230	-15.41%
LESS: EXPENSES								
Bursaries to Students	8		192,000,000	192,000,000		192,000,000	192,000,000	0.00%
Postgraduate Scholarships	9	24,100,000		24,100,000	24,750,000		24,750,000	-2.63%
Staff Costs	10	352,051,995		352,051,995	337,207,255		337,207,255	4.40%
Operating Expenses	11	231,407,682		231,407,682	199,043,446		199,043,446	16.26%
Board Members Expenses	12	8,802,087		8,802,087	11,270,596		11,270,596	-21.90%
Bank Charges & Commissions	13	17,139,319		17,139,319	13,942,524		13,942,524	22.93%
Debt Collection Fees	14	45,490,594		45,490,594	32,452,043		32,452,043	40.18%
Provision for Bad & Doubtful Debts	15	87,939,291		87,939,291	146,817,808		146,817,808	-40.10%
Audit Fees	16	1,160,000		1,160,000	1,000,000		1,000,000	16.00%
Depreciation provision for the year	2	30,094,453		30,094,453	30,907,374		30,907,374	-2.63%
Amortisation provision for the year	3	7,179,959		7,179,959	8,261,827		8,261,827	-13.09%
Loss on Asset Disposal	4	0		0	6,890		6,890	-100.00%
Asset Revaluation Loss	2	6,069,955		6,069,955	-		-	0.00%
TOTAL EXPENSES		811,435,335	192,000,000	1,003,435,335	805,659,763	192,000,000	997,659,763	0.58%
SURPLUS		559,326,490	0	559,326,490	849,881,467	0	849,881,467	-34.19%

The notes on page 6 to 22 are an integral part to the financial statements.

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	NOTES	AS AT JUNE 30 2016 KSHS.	AS AT JUNE 30 2015 KSHS.
CURRENT ASSETS			
CASH AND BANK BALANCES	17	390,349,428	94,987,933
SHORT TERM INVESTMENTS	18	2,109,056,481	527,402,461
ACCOUNTS RECEIVABLES & PREPAYMENTS	19	18,675,583	16,507,255
INVENTORIES	20	3,463,058	3,934,636
PROJECT IN PROGRESS	5	109,583,433	95,594,846
		2,631,127,983	738,427,131
NON CURRENT ASSETS			
STAFF LOANS	21	166,592,095	164,655,800
MATURED STUDENT LOANS	22	26,449,800,171	24,613,622,148
UNMATURED STUDENTS LOANS	23	20,837,728,235	17,656,832,700
INTANGIBLE ASSETS	3	6,915,888	8,541,925
PROPERTY, PLANT & EQUIPMENT	2	809,614,174	122,352,357
		48,270,650,563	42,566,004,930
TOTAL ASSETS		50,901,778,547	43,304,432,060
FUNDS AND LIABILITIES			
CURRENT LIABILITIES			
LOANS, BURSARIES & SCHOLARSHIPS PAYABLE	24	898,099,233	1,036,616,225
ACCOUNTS PAYABLE & ACCRUALS	25	111,074,383	91,174,393
BANK OVERDRAFT	26	185,640	272,772
OVERPAID LOANS	27	507,964,679	409,104,688
TOTAL CURRENT LIABILITIES		1,517,323,935	1,537,168,078
REVOLVING FUNDS			
G.O.K. GRANTS	28	37,062,480,224	31,204,480,224
FUNDING PARTNERSHIPS	30	1,401,272,296	911,669,036
ACCUMULATED FUND	32	10,210,441,212	9,651,114,722
REVALUATION RESERVE	36	710,260,880	0
TOTAL NON CURRENT LIABILITIES		49,384,454,612	41,767,263,982
TOTAL FUNDS AND LIABILITIES		50,901,778,547	43,304,432,060

The notes on page 6 to 22 are an integral part to the Financial statements.

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


D. NDEGWA WACHIRA
BOARD CHAIRMAN


CHARLES M. RINGERA
BOARD SECRETARY/CEO

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

XIII. STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

Year ended 30 June 2015	ACCUMULATED FUND	REVALUATION RESERVE	FUNDING PARTNERSHIPS	GOK GRANTS	TOTAL
	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.
Opening balance	8,801,233,255		489,526,434	26,990,480,224	36,281,239,912
Surplus/ Capital for the year	849,881,467		422,142,602	4,214,000,000	5,486,024,070
Balance at the end of the year	9,651,114,722		911,669,036	31,204,480,224	41,767,263,982

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

During the year 2015/2016 the net increase in Equity was **KShs.7,617,190,630**. This was as a result of a realized surplus of **KShs.559,326,490**, Revaluation reserve **Kshs.710,260,880** and funding partnerships **Kshs.489,603,260** including Technical Vocational Education Training and Government grants of **Kshs.5,858,000,000** for the year ended 30th June 2016.

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

XIV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	<i>Notes</i>	AS AT 30 JUNE 2016 KSHS.	AS AT 30 JUNE 2015 KSHS.
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the Year		559,326,490	849,881,467
Adjustments for:			
Depreciation	2	30,094,453	30,907,374
Amortization	3	7,179,959	8,261,827
Provisions for Bad Debts	15	87,572,957	146,773,479
Loss on Revaluation	2	6,069,955	-
Asset Disposal (Profit)/ Loss	4	(348,000)	6,890
Operating Surplus before Working Capital Changes		689,895,814	1,035,831,038
Decrease / (Increase) in Loans Advanced	21 & 23	(3,182,831,830)	(3,183,755,377)
(Increase) in Accounts Receivable (Matured Loans)	22	(1,923,628,512)	(2,822,964,764)
Decrease/(Increase) in Other Accounts Receivable	19	(2,290,796)	(1,964,886)
(Increase)/Decrease in Inventories	20	471,578	(723,657)
Increase / (Decrease) in Accounts Payable	24 & 25	(118,617,003)	210,208,193
Increase / (Decrease) in Loan Refundable	27	98,859,991	409,104,688
NET CASH ABSORBED BY OPERATING ACTIVITIES		(4,438,140,758)	(4,354,264,765)
CASH FLOWS FROM INVESTING ACTIVITIES			
Asset Disposal	4	2,593,313	157,150
Purchase of Intangible Asset	3	(5,553,922)	(9,639,820)
Work in Progress	5	(13,988,587)	0
Purchase of Property, Plant & Equipment	2	(15,410,659)	(35,183,405)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(32,359,855)	(44,666,075)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capitation received from G.O.K for Student Loans	28	6,158,000,000	4,514,000,000
Funds from Capitaion transferred to TVET & Afya Elimu fund	29	(300,000,000)	(300,000,000)
Capitation received from Funding Partnerships	30	489,603,260	422,142,602
NET CASH FLOWS FROM FINANCING ACTIVITIES		6,347,603,260	4,636,142,602
Net Increase / (Decrease) in Cash		1,877,102,646	237,211,763
Cash and Cash Equivalents at the Beginning of the Period		622,117,623	384,905,860
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	31	2,499,220,269	622,117,623

The notes on page 6 to 22 are an integral part to the financial statements.

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS YEAR ENDED 30 JUNE, 2016

Description	Original Budget Kshs.	Adjustments Kshs.	Final Budget Kshs.	Actual Kshs.	Variance Kshs.	% Achieved	Explanation of Variance
Sources of Finance							
Government grants	4,990,055,500	1,543,000,000	6,533,055,500	6,533,055,500	0	100%	Additional Funding from GOK
Loan Recoveries	3,680,000,000		3,680,000,000	3,917,191,051	237,191,051	106%	
Investments	60,000,000		60,000,000	123,127,929	63,127,929	205%	High interest rates in the market
Other Incomes	15,860,000		15,860,000	42,553,283	26,693,283	268%	
Alternative Funding	330,000,000						
Total	9,075,915,500	1,543,000,000	10,288,915,500	10,615,927,763	327,012,263	103%	
Expenses							
Staff Expenses	611,027,166		611,027,166	352,051,995	258,975,171	58%	Freeze on employment hence no new staff
Operating Expenses	553,626,098		553,626,098	258,509,088	295,117,010	47%	Reduced activities due to freeze on employment
Student Loans and Bursaries	9,235,999,500		9,235,999,500	8,217,675,607	1,018,323,893	89%	
Capital Expenditure	235,263,500		235,263,500	20,964,581	214,298,919	9%	Delay in implementation of the ERP project
Staff loans	70,000,000		70,000,000	30,000,000	40,000,000	43%	Freeze on employment hence no new staff
Total	10,705,916,263	0	10,705,916,263	8,879,201,271	1,826,714,992	83%	
Surplus/(Deficit)	(1,630,000,763)	1,543,000,000	(417,000,763)	1,736,726,493	2,153,727,256	416%	

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) **Statement of compliance and basis of preparation**

The Board's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings (**Kshs.**), which is the functional and reporting currency of the Board. They are rounded off to the nearest shilling. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

b) **The Public Sector Accounting Board (PSAB) Declaration**

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

c) **Summary of Significant Accounting Policies**

i. **Revenue recognition**

1. **Revenue from non-exchange transactions -Transfers from other government entities** - Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Fees are recognized as revenues when the event occurs and the asset recognition criteria are met.

NOTES TO THE FINANCIAL STATEMENTS (continued)

- 2. Revenue from exchange transactions** - Interest income on all loans advanced is recognized on the accruals basis.
- ii. Budget information** - Annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Board. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Board differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.
- iii. Taxes** -The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date by the Kenya Revenue Authority.
- iv. Property, plant and equipment** - All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is on straight line basis. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Board recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The annual rates for this purpose are: -

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

xi. Related parties - The Board regards a related party as a person or a Board with the ability to exert control individually or jointly, or to exercise significant influence over the Board, or vice versa. The Ministry of Education, Ministry of Finance, Universities, Funding partnerships, Board of Directors and Members of key management are regarded as related parties and comprise Chief Executive Officer and senior managers.

They are:

1. Chief Executive Officer & Board Secretary	Mr. Charles M. Ringera
2. Head of Finance	Mr. Shem A. Gichimu
3. Head of Operations	Mr. Victor K. Lomaria
4. Head of Research, Planning & Strategy	Mrs. Mary Wachira-Muchee
5. Manager, Human Resource & Administration	Mrs. Madrine Mburu
6. Ag. Manager, Finance	Ms. Kerin Lidoroh
7. Manager, Loan Repayment & Recovery	Mr. Geoffrey O. Monari
8. Manager, Lending	Mrs. Esther N. Michieka
9. Ag. Manager, Information Technology	Mr. Josphat K. Nzuki
10. Manager, Legal Services	Mrs. Bernadette N. Masinde
11. Manager, Internal Audit	Mr. Phares K. Chege
12. Manager, Fund Management	Mr. James Gachari
13. Manager, CC & Customer Experience	Mrs. Wavinya Muigai

xii. Cash and cash equivalents - Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

xiii. Comparative Figures - Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

xiv. Significant judgments and sources of estimation uncertainty -

1. Estimates and assumptions -The Board based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

Circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Board.

2. Useful lives and residual values - The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Board
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset

3. Provisions - Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 17.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

AT 30 JUNE 2015

Details	Land	Building	Motor Vehicles	Equipment	Furniture	Fixtures & Fittings	Computer Equipment	Total
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
Cost/Valuation At 1 July 2014	44,588,742	3,318,686	31,573,349	30,272,766	21,093,399	59,182,843	102,411,090	292,440,875
Additions	0	0	12,017,099	3,310,253	677,038	5,662,673	13,516,342	35,183,405
Less: Disposals/Write Off	0	0	0	0	0	0	(288,540)	(288,540)
At 30 June 2015	44,588,742	3,318,686	43,590,448	33,583,019	21,770,437	64,845,516	115,638,892	327,335,740
At 1 July 2014	0	801,862	17,686,970	22,369,204	13,134,519	42,525,554	77,682,401	174,200,509
Charge For The Year	0	82,967	5,559,621	2,536,484	1,380,089	4,768,054	16,580,159	30,907,374
Less: On disposal	0	0	0	0	0	0	(124,500)	(124,500)
At 30 June 2015	0	884,829	23,246,591	24,905,688	14,514,608	47,293,608	94,138,060	204,983,383
Net Book Value								
At 30 June 2015	44,588,742	2,433,857	20,343,857	8,677,331	7,255,829	17,551,908	21,500,832	122,352,356
At 30 June 2014	44,588,742	2,516,823	13,886,379	7,903,562	7,958,880	16,657,289	24,728,690	118,240,366

NOTES TO THE FINANCIAL STATEMENTS (continued)

PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

AT 30 JUNE 2016

Details	Land	Building	Motor Vehicles	Equipment	Furniture	Fixtures & Fittings	Computer Equipment	Total
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
Cost/Valuation At 1 July 2015	44,588,742	3,318,686	43,590,448	33,583,019	21,770,437	64,845,516	115,638,892	327,335,740
Additions	-	-	-	2,036,695	1,371,830	116,000	11,886,134	15,410,659
Less: Disposals/Write Off	-	-	(1,850,000)	(180,780)	(368,700)	-	(185,500)	(2,584,980)
Less: Accumulated Depreciation On Revaluation		(884,829)	(23,246,591)	(24,905,688)	(14,514,609)	(47,293,608)	(94,138,060)	(204,983,384)
Revaluation Loss						(6,069,955)		(6,069,955)
Revaluation Reserve	672,911,258	66,144	3,921,142	3,321,668	4,633,170		25,747,165	710,600,547
At 30 June 2016	717,500,000	2,500,001	22,414,999	13,854,914	12,892,128	11,597,953	58,948,631	839,708,627
At 1 July 2015	-	884,829	23,246,591	24,905,688	14,514,608	47,293,608	94,138,060	204,983,383
Less: Accumulated Depreciation On Revaluation	-	(884,829)	(23,246,591)	(24,905,688)	(14,514,609)	(47,293,608)	(94,138,060)	(204,983,384)
Charge For The Year		50,000	5,603,750	1,731,864	1,611,516	1,449,744	19,647,579	30,094,453
At 30 June 2016	-	50,000	5,603,750	1,731,864	1,611,516	1,449,744	19,647,578	30,094,453
Net Book Value								
At 30 June 2016	717,500,000	2,450,001	16,811,249	12,123,050	11,280,613	10,148,209	39,301,053	809,614,174
At 30 June 2015	44,588,742	2,516,823	13,886,379	7,903,562	7,958,880	16,657,289	24,728,690	118,240,366

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 INTANGIBLE ASSETS	30 June 2016	30 June 2015
	Kshs	Kshs
Cost at July 01, 2015	49,017,659	39,377,839
Additions	5,553,922	9,639,820
Total Cost as at June 30, 2016	54,571,582	49,017,659
Amortization		
At July 01, 2015	40,475,734	32,213,907
Amortization Charge for the year	7,179,959	8,261,827
At June 30 2016	47,655,693	40,475,734
NBV as at 30 June,2016	6,915,888	8,541,925
4 DISPOSAL OF ASSETS	30 June 2016	30 June 2015
	Kshs	Kshs
Cash proceeds -Motor Vehicles & Fixtures & Fittings	2,593,313	157,150
Book value of Assets disposed	(2,584,980)	(288,540)
Revaluation Loss on assets disposed	339,667	-
Accumulated Depreciation	-	124,500
Disposal Profit/(Loss)	348,000	(6,890)
5 WORK IN PROGRESS	30 June 2016	30 June 2015
	Kshs	Kshs
ERP Project (Commissioned 27.01.2014)	95,594,846	95,594,846
Refurbishment of Offices (Started April 2016)	13,988,587	-
	109,583,433	95,594,846
6 INCOME FROM NON-EXCHANGE TRANSACTIONS	30 June 2016	30 June 2015
	Kshs	Kshs
GOK - Operations	183,055,500	183,055,500
GOK - Bursaries (University students)	92,000,000	92,000,000
GOK - Bursaries (TVET students)	100,000,000	100,000,000
	375,055,500	375,055,500
7 INCOME FROM EXCHANGE TRANSACTIONS	30 June 2016	30 June 2015
	Kshs	Kshs
Interest Income Student Loans	734,939,518	1,146,274,346
Income from User Charges - GOK funds	138,022,000	112,452,000
Income from User Charges - Partnership Funds	-	188,000
Income from Administrative Fees - GOK funds	98,178,000	83,768,500
Income from Administrative Fees - Partnership Funds	5,047,000	1,646,500
Interest Income Investments	123,127,929	64,238,982

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Interest Income Staff Loans	1,717,861	1,714,921
Debt collection fees	45,490,594	32,452,043
Miscellaneous Income	1,628,087	3,094,517
Miscellaneous Income Loan Forms	4,427,035	7,415,050
Miscellaneous Income Scholarship Forms	1,157,000	42,000
Miscellaneous Income Penalties Loanee Default	8,455,683	3,769,191
Miscellaneous Income SMS	7,902	131,680
Miscellaneous Income Clearance Certificates	25,159,715	15,298,000
Profit on Asset Disposal	348,000	-
	1,187,706,324	1,472,485,730
8 BURSARIES TO STUDENTS	30 June 2016	30 June 2015
	Kshs	Kshs
Bursaries to Undergraduate University Students	92,000,000	92,000,000
Bursaries to TVET Students	100,000,000	100,000,000
	192,000,000	192,000,000
9 POST GRADUATE SCHOLARSHIPS TO STUDENTS	30 June 2016	30 June 2015
	Kshs	Kshs
Post graduate scholarships to students	24,100,000	24,750,000
	24,100,000	24,750,000
10 STAFF COSTS	30 June 2016	30 June 2015
	Kshs	Kshs
Staff Emoluments	289,115,643	251,772,827
Gratuity and Pension	31,121,912	29,249,086
Staff Welfare Expenses	4,307,965	5,601,594
Medical Expenses	17,538,311	23,039,384
Performance Contract Dynamics	2,911,294	943,287
Temporary Contract Staff	7,056,870	26,601,078
	352,051,995	337,207,255
NOTES TO THE FINANCIAL STATEMENTS (continued)		
11 OTHER OPERATING EXPENSES	30 June 2016	30 June 2015
	Kshs	Kshs
Telecommunication Expenses	15,732,776	14,491,538
Travelling Expenses	11,457,503	7,637,290
Fuel Consumption	1,696,133	1,847,747
Office Rent, Warehouse & Parking Charges	43,287,620	38,806,684
Insurance Expenses	1,836,732	2,817,843
Staff Training	20,728,900	19,560,742
Seminars and Conferences	10,507,217	7,393,690
Repair and Maintenance	2,186,379	2,162,210
Computer Hardware & Software Maintenance	23,723,211	23,952,625
Office Cleaning and Maintenance	962,053	494,092

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Office Security Expenses	4,397,652	3,947,218
Office Tea	2,455,872	2,358,440
Office Flowers & Decorations	477,760	503,680
Official Entertainment	1,685,081	1,327,732
Subsistence Expenses	13,836,797	7,911,293
Contracted Professional Services	6,119,893	11,731,228
Staff Uniforms	147,392	153,402
Subscriptions to Professional Bodies	1,745,651	1,816,256
Newspapers, Journals, Periodicals & Library Books	858,870	648,741
Advertising, Publicity & Printing	51,670,695	27,426,600
Office Stationery & Accessories	7,903,895	7,186,681
Research & Fundraising	2,613,510	-
Disposal Consumables Stock items	261,237	-
Devolution Costs	5,114,853	14,867,716
	231,407,682	199,043,446
12 BOARD MEMBERS EXPENSES	30 June 2016	30 June 2015
	Kshs	Kshs
Telephone Expenses	79,133	84,000
Official entertainment	-	35,834
Chairman's Honoraria	778,667	960,000
Sitting Allowance	2,800,000	3,440,000
Subsistence Allowances	2,499,815	320,000
Bonus	500,000	3,000,000
Training	786,600	2,297,118
Travelling Expenses	822,045	360,739
Insurance	535,827	772,905
	8,802,087	11,270,596
13 BANK CHARGES & COMMISSIONS	30 June 2016	30 June 2015
	Kshs	Kshs
Bank Charges & Commissions	17,139,319	13,942,524
	17,139,319	13,942,524
14 DEBT COLLECTION FEES	30 June 2016	30 June 2015
	Kshs	Kshs
Debt Collection fees	45,490,594	32,452,043
	45,490,594	32,452,043
15 PROVISIONS FOR BAD AND DOUBTFUL DEBTS	30 June 2016	30 June 2015
	Kshs	Kshs
Provisions for the year	87,572,957	146,773,479
Bad Debts Written - Off	366,334	44,329
	87,939,291	146,817,808

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

16	AUDIT FEES	30 June 2016 Kshs	30 June 2015 Kshs
	Audit Fees	1,160,000	1,000,000
		1,160,000	1,000,000
17	CASH AND BANK BALANCES	30 June 2016 Kshs	30 June 2015 Kshs
	Kenya Commercial Bank	22,254,945	22,300,772
	Citibank	15,165,928	23,119,360
	Cooperative Bank	4,241,505	11,638,129
	Barclays Bank	2,980,365	9,845,635
	Equity Bank	7,866,044	11,470,714
	Standard Chartered	8,736,466	3,008,252
	National Bank of Kenya	4,654,317	184,613
	Family Bank	6,454,459	3,277,173
	Chase Bank	305,122,323	3,308,251
	KCB Savings & Loans	131,986	134,734
	Jamii Bora Bank	1,985,456	1,684,010
	NIC Bank	10,665,635	4,926,290
	Cash in Hand	90,000	90,000
		390,349,428	94,987,933
18	SHORT TERM PLACEMENTS	30 June 2016 Kshs	30 June 2015 Kshs
	Family Bank	200,000,000	-
	Chase Bank	100,000,000	200,000,000
	KCB LTD	300,000,000	-
	Cooperative Bank	300,000,000	-
	National Bank	500,000,000	-
	KCB Savings and Loans	9,056,480	1,593,327
	Housing Finance	500,000,000	23,978,723
	Jamii Bora Bank	200,000,001	301,830,411
		2,109,056,481	527,402,461
19	ACCOUNTS RECEIVABLE AND PREPAYMENTS	30 June 2016 Kshs	30 June 2015 Kshs
	PREPAYMENTS & DEPOSITS		
	Hospital Deposit	725,000	725,000
	Utilities & Rent Deposit	2,701,303	1,697,684
	Prepayments	10,027	319,255
	Sub - Total	3,436,330	2,741,939
	OTHER ACCOUNTS RECEIVABLE		

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Staff Imprest	331,850	291,344
Staff Salary Advances	166,765	158,582
Medical Over expenditure	3,129,370	5,044,921
Accrued Interest on Investment	6,324,799	974,762
Other Accounts Receivable	6,269,394	8,156,164
	19,658,508	17,367,712
Less: Provision for Bad & Doubtful Debt	(982,925)	(860,457)
	18,675,583	16,507,255
20 INVENTORIES	30 June 2016	30 June 2015
	Kshs	Kshs
Consumable Stores	3,463,058	3,934,636
	3,463,058	3,934,636
21 STAFF LOANS	30 June 2016	30 June 2015
	Kshs	Kshs
Staff Car Loans	10,227,838	10,743,261
Staff House Loan	156,364,256	153,912,539
	166,592,095	164,655,800
22 MATURED LOANS TO STUDENTS	30 June 2016	30 June 2015
	Kshs	Kshs
Balance brought forward	25,912,983,253	23,090,018,489
Add: Mature loans during the year - Partnership Funds	160,735,900	1,420,725
Mature loans during the year - GOK	4,659,944,172	4,404,656,241
	30,733,663,325	27,496,095,455
Add: Accrued interest in the year	734,939,518	1,146,274,346
User Charges on mature loans	138,022,000	112,452,000
	31,606,624,843	28,754,821,801
Less: Loan recovery during the year - GOK	(3,917,191,051)	(3,304,063,898)
	27,689,433,792	25,450,757,903
Add: Overpaid Loans	98,859,991	409,104,688
Refunds	48,317,982	53,120,661
	27,836,611,765	25,912,983,253
Less: Provision for bad & doubtful debts	(1,386,811,594)	(1,299,361,105)
	26,449,800,171	24,613,622,148
23 LOANS TO STUDENTS NOT YET MATURED	30 June 2016	30 June 2015
	Kshs	Kshs
Balance brought forward - Unmatured loans	17,656,832,700	14,529,530,742
Add: Loans awarded during the year - GOK	7,363,654,600	7,233,353,399
Loans awarded during the year - Partnership Funds	637,921,007	298,604,800
	25,658,408,307	22,061,488,941
Less: Mature loans during the year	(4,820,680,072)	(4,404,656,241)

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	20,837,728,235	17,656,832,700
24 LOANS, BURSARIES & SCHOLARSHIPS PAYABLE	30 June 2016	30 June 2015
	Kshs	Kshs
Loans Payable	825,499,233	841,847,975
Postgraduate Scholarships Payable	34,350,000	36,550,000
Bursaries Payable	38,250,000	158,218,250
	898,099,233	1,036,616,225
25 ACCOUNTS PAYABLE AND ACCRUALS	30 June 2016	30 June 2015
	Kshs	Kshs
Staff Expenses	11,743,383	10,228,687
Staff Gratuity Payable	10,526,703	4,947,600
Staff Loans Deposits	118,200	546,740
Operating Expenses	4,581,172	4,033,638
Trade Creditors & Accruals	80,577,684	68,748,015
Land Rent & Rates	-	140,000
Withholding Tax	2,367,241	1,369,713
Audit Fees	1,160,000	1,160,000
	111,074,383	91,174,393
26 OVERDRAWN ACCOUNTS	30 June 2016	30 June 2015
	Kshs	Kshs
Family Bank	-	150,210
Citibank	185,640	122,562
	185,640	272,772
27 OVER PAID LOANS	30 June 2016	30 June 2015
	Kshs	Kshs
Overpaid Loans	507,964,679	409,104,688
	507,964,679	409,104,688
28 GOVERNMENT GRANTS (CAPITATION)	30 June 2016	30 June 2015
	Kshs	Kshs
Balance B/Forward (GOK Funds)	31,804,480,224	27,290,480,224
Capitation received in the year for Students Loans	6,158,000,000	4,514,000,000
Total Funds from GOK	37,962,480,224	31,804,480,224
Capitation for TVET Fund	(592,000,000)	(500,000,000)
Partnership with Afya Elimu Fund	(308,000,000)	(100,000,000)
	37,062,480,224	31,204,480,224

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

29 TRANSFERS FROM GOVT GRANTS TO FUNDS	30 June 2016 Kshs	30 June 2015 Kshs
Capitation for TVET Fund	592,000,000	500,000,000
Partnership with Afya Elimu Fund	308,000,000	100,000,000
	900,000,000	600,000,000
30 PARTNERSHIP FUNDS AS AT 30/06/2016	30 June 2016 Kshs	30 June 2015 Kshs
Capitation for TVET Fund	592,000,000	500,000,000
Afya Elimu Fund	522,460,000	233,115,000
Training Revolving Fund	125,500,000	125,500,000
HELB Education Fund	1,649,409	554,036
Students Loans - Kenya Revenue Authority Revolving Fund	20,000,000	20,000,000
Students Loans - Tinderet Education Fund	2,000,000	2,000,000
Students Loans - MOEST Foreign Universities Fund	58,624,887	-
Students Loans - Digital Divide Data Fund	6,700,000	-
Students Loans - Community Health Promotion Fund	1,758,000	-
Students Loans - Tenwek Hospital Training Fund	280,000	-
Students Loans - Busia County Fund	27,000,000	-
Students Loans - Tigania West Fund	1,000,000	-
Students Loans - Kakamega County Fund	20,000,000	20,000,000
Students Loans - Igembe North Education Fund	9,000,000	5,000,000
Students Loans - Karachuonyo Education Fund	10,800,000	4,000,000
Students Loans - Awendo Education Fund	2,500,000	1,500,000
	1,401,272,296	911,669,036
31 CASH AND CASH EQUIVALENTS	30 June 2016 Kshs	30 June 2015 Kshs
Cash and Bank Balances	390,349,428	94,987,933
Short Term Investments	2,109,056,481	527,402,461
Overdrawn Accounts	(185,640)	(272,772)
	2,499,220,269	622,117,622
32 ACCUMULATED FUND	30 June 2016 Kshs	30 June 2015 Kshs
Balance as at July 01	9,651,114,722	8,801,233,255
Surplus for the Year	559,326,490	849,881,467
Balance as at June 30	10,210,441,212	9,651,114,722
33 ACCUMULATED PROVISIONS FOR DOUBTFUL DEBTS	30 June 2016 Kshs	30 June 2015 Kshs

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Balance B/Forward	1,300,177,231	1,153,448,081
Add: Provisions for the year	87,572,957	146,773,479
Less: Loans Waived/Bad Debts Written - Off	(366,334)	(44,329)
	1,387,383,854	1,300,177,231
34 TRANSFERS FROM GOK GRANTS TO FUNDS IN THE YEAR	30 June 2016	30 June 2015
	Kshs	Kshs
Capitation for TVET Fund	92,000,000	250,000,000
Partnership with Afya Elimu Fund	208,000,000	50,000,000
	300,000,000	300,000,000
35 PARTNERSHIP FUNDS RECEIVED IN THE YEAR	30 June 2016	30 June 2015
	Kshs	Kshs
Capitation for TVET Fund	92,000,000	250,000,000
Afya Elimu Fund	289,345,000	121,245,000
HELB Education Fund	1,095,373	397,602
Students Loans - MOEST Foreign Universities Fund	58,624,887	-
Students Loans - Digital Divide Data Fund	6,700,000	-
Students Loans - Community Health Promotion Fund	1,758,000	-
Students Loans - Tenwek Hospital Training Fund	280,000	-
Students Loans - Busia County Fund	27,000,000	-
Students Loans - Kakamega County Fund	-	20,000,000
Students Loans - Tigania West Fund	1,000,000	-
Students Loans - Kenya Revenue Authority	-	20,000,000
Students Loans - Igembe North Education Fund	4,000,000	5,000,000
Students Loans - Karachuonyo Education Fund	6,800,000	4,000,000
Students Loans - Awendo Education Fund	1,000,000	1,500,000
	489,603,260	422,142,602
36 REVALUATION RESERVE	30 June 2016	30 June 2015
	Kshs	Kshs
Revaluation reserve on revalued assets	710,600,547	-
Revaluation on disposed assets	(339,667)	-
	710,260,880	-

NOTES TO THE FINANCIAL STATEMENTS (continued)**37 CONTINGENT LIABILITY**

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

38 INTERNATIONAL RELATIONS

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

39 LEGAL STATUS

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

40 NUMBER OF STAFF

The Board had Two hundred and Twenty Six (226) members of staff as at 30th June 2016. 114 staff on permanent and pensionable terms and 112 on contract.

Ethnicity	Board Members	%	Senior Management	%	Other staff	%
Borana					1	0.47%
Embu			1	7.69%	9	4.21%
Giriama					1	0.47%
Kalenjin	3	30%	1	7.69%	36	16.82%
Kamba			2	15.38%	15	7.01%
Kisii	2	20%	2	15.38%	20	9.34%
Kikuyu	3	30%	4	30.77%	43	20.09%
Kuria					9	4.21%
Luhya	1	10%	2	15.38%	26	12.15%
Luo	1	10%			28	13.55%
Meru			1	7.69%	16	7.48%
Masaai					3	1.40%
Pokot					1	0.47%
Samburu					3	1.40%
Taita					2	0.93%
Total	10	100%	13	100%	213	100%

HIGHER EDUCATION LOANS BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

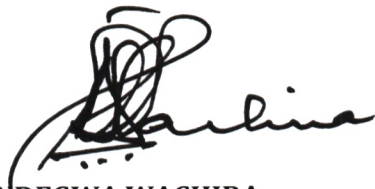
41 Financial Risk Management

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

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
1	Ownership of land LR No.209/13515	Matter taken up by parent Ministry	Chief Executive Officer	Not resolved	Not defined
2	Recoverability of mature loans amounting to Kshs. 25,912,983,253	Measures put in place to recover outstanding loans.	Chief Executive Officer	Not resolved	Not defined



D. NDEGWA WACHIRA
CHAIRMAN



CHARLES M. RINGERA
BOARD SECRETARY/CEO

