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THE AUDITOR-GENERAL

ON

**SACCO SOCIETIES
REGULATORY AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2020**

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OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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SACCO SOCIETIES REGULATORY AUTHORITY (SASRA)

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020**

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



Annual Reports and Financial Statements For the year ended June 30, 2020

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Sacco Societies Regulatory Authority (**SASRA**) is established under section four (4) the **Sacco Societies Act 2008 (Cap 490B)** of the Laws of Kenya (the Act) and commenced its operations upon the gazettment of the Sacco Societies (Deposit-taking Sacco Business) Regulations, 2010 (the Regulations 2010) on 18th June 2010. SASRA is domiciled in Kenya with its head office located at UAP Old Mutual Towers in Nairobi and is under the Cabinet Secretary for Agriculture, Livestock, Fisheries and Co-operatives for policy and strategic direction in line with the overall Kenyan government financial services sector agenda.

(b) Principal Activities

Pursuant to Section five (5) of the Sacco Society's Act 2008, the Authority's mandate is to;

- i) License Sacco societies to carry out deposit-taking business in accordance with the Act;
- ii) Regulate and supervise Sacco societies;
- iii) Hold, manage and apply the General Fund of the Authority in accordance with the provisions of the Act;
- iv) Levy contributions in accordance with the Act;
- v) Do all such other things as may be lawfully directed by the Cabinet Secretary; and,
- vi) Perform such other functions as are conferred on it by the Act or by any other written law.

(c) Key Management

The entity's day-to-day management is under the Chief Executive Officer who is the Accounting Officer assisted by functional heads as per the Authority's human capital structure. He is responsible and answerable to the Board of Directors who have a duty to be held to account for all policies, decisions and actions to the Cabinet Secretary of Ministry of for Agriculture, Livestock, Fisheries and Co-operatives.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	John Mwaka
2.	Corporation Secretary & Head of Legal	Roselyne Ragama
3.	Chief Manager, Finance & Planning up to December 2019	Kenneth Opiyo
4.	Ag Chief Manager Finance and Planning from January - June 2020	Flora Kimari
4.	Chief Manager Sacco Supervision	Peter Njuguna
5.	Ag. Chief Manager HR &	Boniface Musumbi



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No.	Designation	Name
	Administration	
6.	Manager, Supply Chain Management	Julius Muraguri (W.e.f 01.03.2019)
7.	Manager Policy and Research	Jeremiah Were
8.	Senior officer ICT	David Sinei
9.	Head Corporate Communication	Anne Kago

(e) Fiduciary Oversight Arrangements.

The key fiduciary oversight arrangements and or structures in place include:

i) Board of Directors.

The board through various board committees is in charge of risk and quality assurance on all key Authority's operations.

ii) Inspector General- State Corporations.

Ensure compliance with relevant legal and procedural matters in ensuring the Authority delivers on its mandate;

iii) Auditor General.

Has the overall responsibility of ensuring an independent assessment of the Authority's financial and operational dealings issuing opinion to confirm the validity and compliance with laid down procedures and laws; and,

iv) Cabinet Secretary.

Responsible for Agriculture, Livestock, Fisheries and Co-operatives guide on policy direction in ensuring the Authority delivers on its mandate to support the wider government agenda.



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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Entity Headquarters

P.O. Box 25089-00100
UAP Old Mutual Towers,
Upper Hill Road – Upper hill
Nairobi, KENYA

Entity Contacts

Post Office Box 25089-00100
Telephone: 020-2935100
E-mail: info@sasra.go.ke
Website: www.sasra.go.ke

Entity Bankers

Co-operative Bank of Kenya
Upper hill Branch
P.O. Box 30415-00100
NAIROBI, Kenya

Independent Auditors

Auditor General
Office of Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
NAIROBI, Kenya

Principal Legal Adviser

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



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BOARD OF DIRECTORS



Hon. John M. Munuve

Hon. John Mati Munuve joins SASRA board as a member and non-executive Chairman. Prior to this appointment, Mr. Munuve served as a Member of the National Assembly for Mwingi North constituency from 2013 to 2017.

He is a graduate of the University of Dar es salaam, Tanzania where he obtained Bachelor of Arts degree in Social Development and Administration and an M.A in Sociology. He has served as a CEO of the NGO Council of Kenya, Chairman of the Water Services Trust Fund, and Senior advisor on Democracy, governance and conflict resolution within Greater Horn of Africa to various development agencies like UNDP, WHO, UNHCR, USAID, KHRC, UNESCO and IGAD in various African countries.

His key competencies are in governance, planning and conflict resolution, Programme Development, Objective Planning, Management and Evaluation (OPME), Proposal and grant writing, project management planning and Conflict Vulnerability Analysis and he is an accomplished published writer.



Ms. Eunice Nyambura

Ms. Mwangi is a PhD scholar at (UON), holds an MBA in Strategic Management (UoN), Institute of Banking and Business Communication (INDIA), Bachelor of Science in IT (JKUAT) and a Higher Diploma in IT from Inoorero University. She has served at Chase Bank in charge of account opening compliance and Family Bank Ltd as a Systems Administrator as well as Operations Manager at GIBMEC. She is a member of the committee in charge of women in business at the Kenya Chamber of Commerce and Industry, Nairobi and a member Steering Committee. Eunice brings to SASRA a wealth of over 10 years' experience in Banking, IT and Leadership.





Dr. Sammy Letema

He is currently a SASRA Board Member and Chair of the HR, Finance and ICT committee. Prior to this appointment, he has been serving as the Chairman of the Department of Environmental Planning and Management at the Kenyatta University and has previously served as Chairman of the Board at Kenya Forestry Research Institute (KEFRI) and Chairman of the Board of the National Irrigation Board.

He holds a PhD in Environmental Infrastructure provision from Wagenigen University, Netherlands, a Master of Environmental Planning and Management from Kenyatta University and a Bachelor of Environmental Studies (planning and management) from Kenyatta University.



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	<p>He is a member of Kenya Institute of Planners (KIP), the Environment Institute of Kenya, and a lead expert of the National Environment Management Authority. He is a published Author and has bagged a number of research and consultancy awards to his name, among them, the 2018 consultancy service for preparation of Water Towers Coordination Policy and Bill by the Kenya Water Towers Agency.</p>
 <p>Hon. Silas Muriuki Ruteere</p>	<p>He is currently a SASRA board Member and Chair of the Audit Committee. Before this appointment Hon. Silas served as the Member of Parliament for North Imenti – Buuri and North Imenti between 2008 and 2013. He has served as a Chairman of the Board at Local Authorities Trust Fund (LAPFUND) and a Board of Director for the Kenya Shipping Agency before privatization.</p> <p>A Teacher by profession, Mr. Silas has specialized training in Special Education, which he studied in the United Kingdom. On pro bono basis, he has seen growth of local tertiary and secondary schools in his home area through his stewardship by serving on the Board of Governors for these institutions. He also served KNUT in various capacities his last appointment being the Executive Secretary for Meru and Tharaka Nithi Branches respectively.</p>
 <p>Ms. Alice .N. Mwololo, Alternate, PS National Treasury</p>	<p>Ms. Mwololo has an academic background and wealth of experience in economic policy. She holds a Masters in Economics and BA in Economics from the University of Nairobi and a Post Graduate Diploma in Development Planning Techniques from the Institute of Social Studies in the Netherlands. She is currently pursuing a PhD in Economics at Kenyatta University.</p> <p>Ms. Mwololo serves as the Director, planning in the Directorate of Budget, Fiscal and Economic Affairs of the National Treasury. She has extensive experience in economic policy analysis, public finance, competition policy, project management and governance. She also has specialized experience in trade policy and regional integration matters; international and bilateral trade negotiations and has participated in negotiations and conclusion of various bilateral and regional economic and trade agreements.</p>



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**Mr. Gerald Nyaoma,
 Alternate to CBK Governor**

Mr. Nyaoma currently serves as the Director, Bank Supervision Department at the Central Bank of Kenya (CBK) and holds M. Phil. (Econ.) degree from the University of Cambridge and BA (first class honors degree in Economics) from University of Nairobi.

He professionally qualified as CPA (K) in 1997, CPS (K) in 1999 and AKIB in 2001. Mr. Nyaoma joined the Central Bank of Kenya on August 10, 1988, worked in various offices, and has served as the Acting Director, Internal Audit Department, Director, Bank Supervision Department and Director, Financial Services Department.



**Mr. Geoffrey Njang'ombe
 Board Member**

He is currently serving as the Acting Commissioner for Co-operative Development and is a seasoned career civil servant who has served in various positions in public service for over 35 years notably as a District Auditor, Deputy Director of Audit, Senior Deputy Commissioner for Co-operatives.

He is also a serving Board member of Cooperative Bank of Kenya, Institute of Certified Public Secretaries and a Commissioner of Ethics Commission for Co-operative Societies (ECCOS). He brings on board wealth knowledge from the Co-operative sector as a whole having conducted several special audits, investigations, inquiries, compliance audits and liquidations of co-operative societies. He has participated in formulation of Key Policy Documents and Legislation Review Teams. Mr. Njang'ombe holds a Bachelors of Commerce from the University of Jalbpul (India) and a Masters in Business Administration (Strategic Management) from Kenyatta University.



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**Mr. John Mwaka
Chief Executive Officer
Ex- Officio
Upto 30th April 2021**

He is a management and leadership professional with extensive experience in policy analysis and cooperative development matters spanning over 25 years. He holds an MBA in Strategic Management, BSc in Business Administration (Finance) and a Diploma in Cooperative Management. He is a member of Kenya Institute of Management and Institute of Directors.






**Mrs. Roselyne A. Ragama
Corporation Secretary**

She holds an LLM from University of Nairobi specializing in Corporate Governance, LLB (Hons) Upon, and Post Graduate Diploma in Law from Kenya School of Law, CPS (K) and Diploma in Cooperative Management. She is an advocate of the High Court of Kenya, member Institute of Certified Public Secretaries of Kenya and Institute of Directors of Kenya.



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MANAGEMENT TEAM

	<p>Chief Executive Officer Mr. John Mwaka is a management and leadership professional with extensive experience in policy analysis and cooperative development matters spanning over 25 years. He holds an MBA in Strategic Management, BSc in Business Administration (Finance) and a Diploma in Cooperative Management. He's a qualified African Development Educator (ADE) of World Council of Credit Unions (WOCCU) and he's a board member at the International Credit Union Regulators Network (ICURN).</p> <p>He is a member of Kenya Institute of Management and Institute of Directors.</p>
	<p>Chief Manager - Sacco Supervision (Upto 30th April 2021) Chief Executive Officer (From 14th August 2021) Mr. Peter Njuguna holds a MSc. in Operations Research from the London School of Economics, UK, and a BSc in Mathematics. He is a holder of CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p>
	<p>Chief Manager - Finance and Planning Mr. Kenneth Opiyo holds an MBA from the University of Nairobi and a B.Com (Hons) and a PHD in Leadership & Governance at JKUAT. He is a Certified Public Accountant (CPA) and a member of ICPAK. He is also a Certified Information Systems Auditor (CISA) and a member of ISACA Kenya Chapter. Kenneth is also a Certified Expert in Financial Inclusion Policy (CEFI) from Frankfurt School of Finance & Management in collaboration with Alliance for Financial Inclusion (AFI) as well as an African Development Educator (ADE).</p>



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	<p>Ag Chief Manager – Finance and Planning – w.e.f January 2020</p> <p>Ms Flora Kimari holds an MBA from the University of Nairobi and a BA in Economics and Sociology from Egerton University. She is a certified Public Accountant (CPA) and a member of Institute of Public Accountants of Kenya (ICPAK).</p>
	<p>Corporation Secretary & Head of Legal Affairs</p> <p>Mrs. Roselyne Ragama holds an LLM from University of Nairobi specialising in Corporate Governance, LLB (Hons) Upon, and Post Graduate Diploma in Law from Kenya School of Law, CPS (K) and Diploma in Cooperative Management. She is an advocate of the High Court of Kenya, member Institute of Certified Public Secretaries of Kenya and Institute of Directors of Kenya.</p>
	<p>Manager - Human Resource and Administration</p> <p>Mr. Boniface Musumbi holds an MBA and BA in Economics from the University of Nairobi and Higher National Diploma in Human Resource Management from College of Human Resource Management. He is also a Certified Strategic Human Resources Professional (SHRP) and a full member of the Institute of Human Resource Management, Kenya (IHRMK). He is currently pursuing Certified Human Resource Professional Examinations.</p>
	<p>Head Corporate Communications</p> <p>Anne is a graduate of MBA in Corporate Management from KCA University, holds a Bachelor of Arts degree from the University of Nairobi, a Diploma in Public Relations from the Institute of Commercial Management (ICM), a diploma in Mass Communication from the Kenya Institute of Mass Communication. She is a member of the Public Relations Society of Kenya (PRSK), as well as Chartered Institute of Public Relations, UK and CAUX Roundtable - Kenyan Chapter. She is an accredited Chartered Institute of Public Relations (CIPR) in the United Kingdom</p>



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CHAIRMAN STATEMENT

An overview of the Global Economy and Financial Markets

The global financial services sector performed well with positive growth in the first half of the financial period to December 2019. However, the outbreak of Covid-19 which started in China in December 2019 and exploded globally caused a very sudden and severe contraction in economic activity across the world. The speed and scale with which it unfolded was unprecedented, posing an unparalleled challenge to the economy, governments and policymakers everywhere.

As the human and economic costs of the COVID-19 pandemic unfolded, the global financial system has been both a source of strength—with banks, SACCOs and fintechs helping distribute support to small businesses and households in need—and an area of potential risk, with record levels of market volatility and growing concern around credit losses. Governments, central banks, regulators, and international organizations have moved rapidly to address the economic collapse and financial fallout, but questions remain around how policy should continue to evolve to preserve financial stability. The outlook is very uncertain. The path ahead for the economy will depend on the future path of the virus, the degree to which containment measures need to remain in place or be re-introduced, and the immediate and longer-lasting effects on behaviour and economic activity. The expectation of this effect is not only loss of jobs and income, but also increased credit risks through increased Non Performing Loans (NPLs) among credit providers.

Sacco Sub-sector and regulatory activities

SACCOs are critical agents of economic growth and development by facilitating savings mobilization and access to credit towards an inclusive financial system. The SACCO sector in Kenya creates employment to a significant portion of the population and drives investment in the major sectors of the economy, including those under the “Big Four Agenda”. The Authority’s regulatory framework is premised on an institutional stability anchored on sound business and governance practices which exhibit high levels of integrity while protecting member’s deposits.

SASRA’s strategic focus during the year therefore was strengthening its regulatory role towards facilitating the Government “Big Four” Agenda as well as achieving targets mapped in the Financial Services Sector Medium Term Plan III 2018-2022 of the Vision 2030. This economic blue print emphasises on Long Term Savings for SACCOs in mobilizing savings for on lending towards SME’s development. SASRA also continues to implement strategies aimed at building public confidence in SACCOs as safe and secure financial institutions. Sustainable financial stability and soundness of licenced SACCOs remain at the centre of SASRA’s mandate. The Authority undertakes risk-based supervision of licensed SACCOs which require regular and monitoring of performance and compliance indicators and timely enforcement sanctions for non-compliance.

Achievements

In line with the strategic objectives, the Authority achieved several milestones over the period under review. To strengthen the existing prudential regulatory framework, Sacco Societies Fraud Investigation Unit (SSFIU) was established and operationalized, this will go a long way



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in instilling integrity, accountability, transparency and good governance in the subsector. The sporadic incidences of fraud, outright theft and embezzlement of members' savings is therefore expected to be a thing of the past; while consumer confidence in SACCOs as trustworthy investment destination for member savings is also expected to improve.

During the same period, concrete steps were taken towards the establishment of a central liquidity facility for SACCOs in Kenya, which will have the effect of integrating DT-SACCOs into the national payment system infrastructure. The realization of a central liquidity facility for SACCOs, and associated infrastructural components such as a shared technological services and access to the national payments system, will greatly improve the capacity of DT-SACCOs to efficiently mobilize, retain and intermediate savings and deposits from their membership.

Additionally, the finalization, and the subsequent industry validation and ministerial approval of the National Co-operative Policy in 2019; and the draft Sacco Societies (Specified Non-Deposit taking Business) Regulations, marked other important defining moments for the Co-operative sector in Kenya, particularly the SACCO subsector 2019. The National Co-operative Policy, 2019, is premised on the theme of "Promoting Co-operatives for Socio-Economic Transformation" unpacks the functional responsibilities of the National and County Governments in line with the Constitution of Kenya, 2010.

The publication in the Kenya Gazette, the Sacco Societies (Non-Deposit taking Business) Regulations in May 2020, sets the stage for the supervision and regulation of the Non-DT-SACCO segment of the SACCO subsector, in accordance with Section 3(2) of the Sacco Societies Act. This will bring on board the "Specified Non-Deposit taking SACCOs" under the Authority's supervisory jurisdiction, in addition to the current DT-SACCOs. This is expected to weed out rogue citizens who register SACCOs with a view of fleecing the citizens their hard-earned savings and further spur public confidence in the sector.

The Authority concluded and released the SACCO subsector Demographic Study Report, in December 2019. The Demographic Study Report which can be accessed from the Authority's website www.sasra.go.ke, was the very first formal in-depth study on the demographic composition of the membership of SACCOs in Kenya, particularly with regard to age and gender. It therefore laid down a firm foundation and baseline for future studies on the subject; and revealed demographic insights hitherto unknown, or sometimes more generally assumed in the public-sphere. The revelation that almost a third of the membership of SACCOs are below 35 years, provides sufficient fodder for a total shift in the national policy trajectory and consciousness, that has for long associated membership in SACCOs with only old people.

Challenges

Despite the achievements, there still exists emerging global and domestic challenges that affects the stability, operations and growth of SACCOs, which must be continually addressed to build a lasting public confidence and trust in SACCOs as safe and secure investment alternative. The outbreak of COVID-19 pandemic poses a serious threat not only to the national economy but also more specific to SACCOs since their business revolves around income earned by members. Certain sectors of the economy such as transport, education, hotels and tourism, experienced complete or almost complete lock down since March 2020



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when the first case of COVID-19 was reported in Kenya. The impact is spreading fast to other economic sectors as the pandemic increases towards its peak. This has impacted negatively on household income and mass retrenchments are being experienced. It is still very uncertain and unpredictable how things will unfold.

The Authority continue to raise concerns over the perennial failure by various employer-institutions to promptly remit to SACCOs, the deductions made from the salaries and other income of members of SACCOs. The exponential increase of the non-remitted deductions due to SACCOs to Kshs.3.86 Billion in 2019 from Kshs.2.81 Billion in 2018 shows that the situation has worsened rather than improved over the period, despite the Authority's concerted effort which drew the attention of the President to issue an Executive Order, dated 11th November 2019. The order required governmental institutions and agencies to prioritize budgeting for, and settlement of, non-remitted SACCO deductions. This therefore calls for a more punitive legal framework against such perennial defaulters, particularly those within the public sector, which often than not hide under the veil of inadequate appropriation of funds by the Government. DT SACCO's have been advice to devise ways of convincing their members to pass salaries through FOSA's and hence deduct the monies directly rather than rely on third parties to make the deductions and remit to SACCOs.

To broaden the Authority's supervisory mandate and minimize regulatory arbitrage caused by dual regulation, whereby some SACCOs are supervised by the State Department of Co-operatives, and others by SASRA, the Cabinet Secretary and successfully drafted Regulations for Non-deposit taking SACCOs. Consequently the Regulations were gazzeted in May 2020 pending publication of the commencement date. The implementation of the Sacco Societies (Non-Deposit taking Business) Regulations, 2020 will impose resource constraint on the Authority's financial capacity, as the number of additional SACCOs to be on boarded are estimated at about two hundred and spread across the country. This will require financial support from the National Government and other donor agencies to provide initial capital for successful on boarding and supervision of these SACCOs.

Appreciation and Future outlook

I wish to extend my gratitude to His Excellency the President of the Republic of Kenya for being steadfast and quickly responding to the needs of the Sacco Industry in relation to the establishment of Sacco Societies Fraud Investigation Unit (SSFIU) and directive to establish the Central Liquidity Facility CLF. These policy directives were in line with the Governments concerted efforts to fight corruption and financial malpractices in both public and private sector.

These will go a long way not only in supporting the Authority to achieve its mandate, but also in building public confidence and laying ground for greater growth of the Sacco industry in Kenya.

Similarly, I wish to acknowledge the efforts by the Cabinet Secretary for Agriculture, Livestock, Fisheries and Co-operatives, together with the National Treasury & Planning for immense support given over the reporting period. The Authority is cognisant of the need to



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strengthen its core resource, people and systems through unlocking innovation and building the necessary capabilities guided by the changing needs. The immediate and medium term focus remains creating an enabling regulatory environment for the SACCOs to innovate and incubate new revolutionary market ideas that are responsive to the ever-changing needs of their market niche. A framework for operationalizing a shared services platform for SACCOs to address efficiencies and drive innovations, while warding-off competition is earnestly being pursued. The operationalization of a deposit insurance for depositors in the regulated SACCO's as well as opening up the payment systems infrastructure remains at the centre of national financial policy agenda to move SACCOs to the next level.

In conclusion, the Authority shall continue to engage industry players in driving the policy reforms for the sector towards actualizing its regulatory mandate and will always rise to the challenge in playing its central role in spearheading transformation of SACCOs as the most preferred financial service providers among Kenyans

Hon. Mr. John Munuve
Chairman, Board of Directors



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REPORT OF THE CHIEF EXECUTIVE OFFICER

Review of domestic economy and financial markets

In 2019, Kenya's economic growth averaged 5.7%, placing Kenya as one of the fastest growing economies in Sub-Saharan Africa. The economic expansion was boosted by a stable macroeconomic environment, positive investor confidence and a rebound in agricultural sector on favourable weather. In addition, the country's long-term development agenda to Vision 2030 and the President's outlined "Big Four" development priority areas for his final term prioritizing manufacturing, universal healthcare, affordable housing and food security.

The impressive growth rate was however, not sustained in the second half of the financial year to June 2020, as the effect of COVID-19 quickly spread across the globe. Kenya's economy is being hit hard through supply and demand shocks on external and domestic fronts, interrupting its recent broad-based growth path. Apart from the COVID-19 (coronavirus) pandemic, the locust attack which started early 2020, affected many parts of Kenya especially the North East and had a negative impact on the food security and growth of the agriculture sector in the country. Real gross domestic product (GDP) growth is projected to decelerate from an annual average of 5.7% (2018-2019) to 1.5% in 2020.

However, if it takes longer than expected to bring the COVID-19 pandemic under control, GDP could contract by 1.0% in 2020, and see a delay in the projected recovery to 5.2% growth in 2021. The downside risks include a protracted global recession undermining Kenya's export, tourism and remittance inflows, further tightening of COVID-19 health response measures that disrupt the domestic economic activity, fiscal slippages and weather-related shocks.

Financial performance of DT Saccos

The deposit taking SACCO segment of the SACCO subsector, represented by the 173 DT-SACCOs which had valid deposit-taking licenses as at December 2019, continued to register an impressive growth in all the key performance parameters of total assets, total deposits, and gross loans during the year 2019. The total assets portfolio crossed the half-trillion mark to reach Kshs 556.71 Billion in 2019 representing a 12.41% increase from Kshs.495.25 Billion recorded in 2018.

The gross loans portfolio grew by 12.09% to reach Kshs.419.55 Billion in 2019 from Kshs.374.29 recorded in 2018, while the net loans and other credit advances increased by 11.46% to reach Kshs.400.16 Billion in 2019 from Kshs.359.02 Billion recorded in 2018. The net loans and other credit advances constituted the highest proportion of total assets at 71.88% in 2019. However, this was a slight drop from the proportion of net loans and other credit advances to total assets reported in 2018 which was represented by 72.49%, and was explained by a spike in the proportion of total assets represented by investments in property and equipment which increased from 6.93% in 2018 to 8.49% in 2019. The total deposits on the other hand grew by 11.27% in 2019 to reach Kshs.380.44 Billion from Kshs.341.91 reported in 2018, and represents a marginal decline from a growth rate of 11.99% recorded in 2018.



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Financial Soundness and Stability

The Authority has over the years continued to place emphasis on the Capital adequacy, Asset quality, Earnings and Liquidity (CAEL) rating to monitor and report on the financial stability and general performance of DT-SACCOs which is in line with its Risk Based Supervisory (RBS) model. The capital adequacy requirements were fully complied with as the aggregate core capital grew from Kshs.74.36 Billion in 2018 to reach Kshs.79.20 Billion in 2019 against the prescribed minimum of Kshs.10 Million.

The core capital to total assets, and the core capital to total deposits ratios were maintained at 14.23% and 20.82% respectively against the prescribed minimum of 10% and 8% respectively. The institutional capital to total assets ratio, on the other hand was maintained at 10.63% against the prescribed minimum of 8%, which is a demonstration of increased retention of surpluses to build capital. The non-performing loans (NPLs) ratio also fell from 6.30% in 2018 to 6.15% in 2019 signifying improved loan collection practices, while the external borrowing ratio registered a marked reduction from a 4.11% recorded in 2018 to 3.11% in 2019. This is a demonstration that many DT-SACCOs are gradually reducing their external debt portfolio, and are relying on deposits and internally generated funds to finance business activities.

The Non-Remittance Question

The impressive growth and performance parameters of DT-SACCOs in 2019 were however greatly undermined by the continued failure by various employer-institutions to promptly remit deductions made from members' salaries to the respective SACCO Societies. As at September 2019, various employer-institutions owed SACCOs a total of Kshs 3.86 Billion in unremitted deductions, out of which Kshs 3.42 Billion were deductions meant for repayments of loans and other credit facilities issued to members by the SACCOs, with the balance being on account of non-withdrawable deposits.

The highest proportion of the total non-remitted deductions amounting to Kshs 2.86 Billion and representing 74.03% of the total non-remitted deductions was owed by the Public Universities and Tertiary Colleges. Cognizant of the fact that there are five (5) deposit-taking SACCO Societies whose membership are directly drawn from the Public Universities and Tertiary Colleges, it is apparent that the persistent failure by these institutions to promptly remit the deductions will continue to severely impair the ability of these SACCOs to meet their financial obligations to the members, as well as the financial soundness and stability. Although, the Authority has issued short-term administrative directives to SACCOs with a view to addressing the problem, long term policy and legal interventions are called for to reverse the situation.

The SACCO subsector Demographic Study Report, 2019

The year 2019, equally saw the Authority release the SACCO subsector Demographic Study Report, 2019, which principally documented the age and gender demographic composition and distribution of the membership in the DT-SACCOs in Kenya. The SACCO subsector Demographic Study Report revealed that there was a total population of slightly over 4.97 million as at December 2018, out of whom 4.78 Million members were natural persons (individuals) with the rest being legal persons. The gender composition of the membership



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was found to comprise 60.65% being male, 34.23% being female, while 5.12% did not disclose their gender. Also of note from the SACCO subsector Demographic Study Report was the revelation the population of membership aged below 35 years, constituting the youth was represented by a proportion of 30.86% of the entire membership. The SACCO subsector Demographic Study Report is available from the Authority's website www.sasra.go.ke.

During the year 2019/20, the Authority engaged in the following regulatory policy initiatives towards strengthening its position as a key entity within the sphere of financial services regulation;

Regulation of Non-Deposit taking SACCO Business

During the year under review, the Cabinet Secretary published in the Kenya Gazette, Sacco Societies (Non-Deposit taking Business) Regulations, thus sets the stage for the supervision and regulation of the Non-DT-SACCO segment of the SACCO subsector, in accordance with Section 3(2) of the Act. The Authority is therefore expected to implement the regulation of the "Specified Non-Deposit taking SACCOS", in addition to the current DT-SACCOS.

Consumer Protection and Market Conduct regulations specific to SACCOS

The Authority, in consultation with the State Department of Co-operatives shall in the course of the year 2020, introduce for public consultations and participation, a SACCO subsector specific market conduct and consumer protection regulatory framework, which is consistent with the key activities envisioned under the National Co-operative Policy, 2019. This will improve delivery of financial services to members, riding on ease of access and member convenience shall always be paramount. As such DT-SACCOS must be well prepared to incorporate principles of consumer protection and market conduct of business in their operations and relationship with members.

Shared Services Technological Platform

Studies have shown that a number of small and medium size SACCOS are struggling to meet the ever changing face of technology innovations and high costs of operational risks. Riding on the co-operative principle of co-operation among co-operators, economies of scale and the synergies of togetherness, the Authority shall continue to engage the industry players with a view to actualising the vision of establishing a shared services technological platform for the SACCO subsector, which will go a long way in improving their level of digitization and provision of services by SACCOS through technologically enabled platforms, devices and networks.

This conversation which commenced in December 2019, is indeed in line with the *World Council of Credit Unions (WOCCU) Policy Challenge 2025* which aims at digitising the global credit union system by 2025. It is also consistent with the National Government's *Digital Economy Blueprint* launched in May 2019, and its pursuit has received approval from the National Treasury through its Financial Sector Support Project.



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Future outlook and Appreciation

The Authority's overall strategic direction in line with its mandate focuses on facilitating financial stability of the Sacco sub-sector within the prudential supervisory framework; supporting the parent ministry towards sustained value addition as well as development of the Sacco sub-sector while ensuring its institutional sustainability remains resilient. The successes of these aspirations therefore depends on the board keeping driving policy and strategic direction that drives critical regulatory agenda and sustained value addition and management synthesizing the output of that process to practical solutions towards the vision of a financially inclusive and stable Sacco-subsector.

In the wake of COVID-19 global pandemic, the future of financial services and the supporting economy looks bleak and uncertain. However, the SACCO subsector must continuously engage in the development of comparatively competitive and responsive financial services and products. The pandemic has hastened the need for provision of financial services to be essentially digital and patronage is principally driven by convenience and ease of access.

The new culture of social distancing and work from home, require financial service providers fully embrace the usage of ICT and other technologically enabled mobile devices in their operations and service provision. For instance, core deposit-taking financial services such as recruitment of members, opening of accounts, application for and approval of loans, loan repayments, deposits and withdrawals, transfer of funds, payment of bills and account's statements, must at the minimum be available online and through the mobile platforms; otherwise this segment of the population will continue to be served by the plethora of other techno-savvy and digitally compliant financial institutions, which are already present in the Kenyan financial space.

The Authority appreciates the unwavering support obtained from the Cabinet Secretary, Ministry of Agriculture, Livestock, Fisheries and Co-operatives and the Principal Secretary, State Department for Co-operatives, which enabled it and the SACCO subsector to achieve the milestones reported herein. I also wish to thank the Board of Directors of the Authority for their cooperation, provision of resources, and general policy guidance and oversight provided to the management in the execution of the Authority's mandate.

Special appreciation also goes to the management and staff of the Authority who have been instrumental in implementing the legal and regulatory framework thereby resulting in these great achievements for the sub-sector. The unwavering support and cooperation received during the year 2019 from the leadership of DT-SACCOs, as well as the entire co-operative movement also deserves a mention, even as the Authority looks forward to a fruitful year 2020/2021.

A handwritten signature in black ink, appearing to read 'Peter Njuguna'.

Peter Njuguna
Chief Executive Officer



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REVIEW OF SACCO SOCIETIES REGULATORY AUTHORITY PERFORMANCE FOR THE FY 2019/2020

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Sacco Societies Regulatory Authority has three (3) strategic pillars and objectives within its Strategic Plan 2018 - 2022. These strategic pillars are as follows:

Pillar 1: Financial Stability of the Sacco Subsector

This is in line with SASRA's mandate as stated in the Sacco Societies Act 2008 of regulation and supervision of Saccos with the aim of ensuring financial stability in the regulated Saccos and by extension the Financial sector.

Pillar 2: Value addition and development of the Sacco Sector

SASRA is one of the key implementation agencies identified under MTP III Financial Services Sector. The Authority plays a critical role in establishment of financial service sector architecture, supervision of financial services and securing long term savings. All these three elements of the FSS master plan will be executed by SASRA in such a way as to deliver added benefits and value to the sector. The Authority is poised to create an enabling environment for the SACCOs to innovate and incubate new market bound ideas that will revolutionize the SACCO sector over the next 5 years through enhanced collaborative initiatives and engagements with the SACCO sector stakeholders.

Pillar 3: Organizational Sustainability

For SASRA to discharge its mandate effectively internal organizational processes and systems need to operate and function effectively. Structural and financial stability is key to efficient and effective functioning of the authority. SASRA's institutional stability is anchored on internal good governance, efficient processes and financial sustainability.

The Authority develops its annual work plans based on the above three pillars. Assessment of the performance against annual work plan is done on a quarterly basis. The Authority's annual objectives are aligned to performance contracts and are closely monitored on a quarterly basis, with reports shared with Government Agencies in charge of monitoring performance.



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REVIEW OF SASRA'S REGULATORY PERFORMANCE FOR FINANCIAL YEAR 2019/2020

Strategic Pillar	Objectives	Key Performance Indicators	Activities	Achievements
Pillar I: Financial Stability of the Sacco SACCO sub-Sector	1.1 To fully implement an integrated risk-based supervision framework in line with the ICURN Guidelines by 2021	<ul style="list-style-type: none"> Strengthened Supervision procedures Enhanced supervision capacity Automated RBSS Enhance collaboration and compliance Knowledge exchange 	<ul style="list-style-type: none"> Review of existing RBS framework Building staff capacity on revised RBS Automate supervision processes Enhance collaboration with ICURN through peer learning and exchange programs 	<ul style="list-style-type: none"> Risk based supervision policy manual reviewed in line with ICURN Principles RBSS acquired and is being implemented Participated in ICURN activities and programs during the period
	1.2 To enhance compliance with prudential standards to above satisfactory level by all Licensed SACCOs	<ul style="list-style-type: none"> Improved financial stability of the SACCO Sub-sector based on prudential standards 	<ul style="list-style-type: none"> Undertake annual risk-based supervision programs Provide licensed SACCOs with regular feedback on performance and compliance status Undertake timely enforcement actions 	<ul style="list-style-type: none"> Up to date annual supervision activities i.e licensing, inspections, approvals and enforcement actions Regular quarterly feedback on compliance status
	1.3 To develop a functional legal framework for a deposit protection	<ul style="list-style-type: none"> Revised strategy developed and implemented 	<ul style="list-style-type: none"> Develop guidelines for selection and nomination of trustees 	<ul style="list-style-type: none"> Guidelines for selection and nomination of trustees approved by SASRA Board and submitted



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	scheme by 2022			to the Cabinet Secretary for concurrence before dissemination to the SACCOs.
	1.4 To Establish a functional legal framework for central liquidity facility by 2021	Draft Policy and Legal framework	Engage stakeholders on the proposed legal framework	Draft Policy and legal framework for Central Liquidity Facility (CLF) for SACCOs approved by SASRA Board and presented to the Cabinet Secretary. Next is invitation of industry comments and validation.
Pillar 2: Organizational Sustainability	2.1 To ensure continuous full compliance with relevant provisions of Mwongozo Code by 2022	<ul style="list-style-type: none"> • Improved governance practices • Enhanced ethical leadership • Improved Transparency, Accountability and Risk management • Beneficial stakeholder relationships • Compliance with laws and regulations 	<ul style="list-style-type: none"> • To undertake governance and legal audit • Continuous capacity building for Board and Management • Sensitize staff on core values of Authority and Mwongozo Code • Prepare quarterly financial reports 	



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	2.2 To attain a minimum "B" brand perception rating by 2020 and annually	<ul style="list-style-type: none"> Enhanced brand perception Continuous brand perception improvement 	<ul style="list-style-type: none"> Develop brand perception rating system Conduct baseline survey to determine current rating 	
	2.4 To increase internally generated financing of the recurrent expenditure by 5% annually	<ul style="list-style-type: none"> Increased internally generated funds 	<ul style="list-style-type: none"> Gazettment of new levy order 	<ul style="list-style-type: none"> Gazette notice released and implemented
Pillar 3: Value Addition and Development of the SACCO Sub-sector	3.1 To conduct research on thematic areas and disseminate findings to the industry every two years	<ul style="list-style-type: none"> Availability of research study reports 	<ul style="list-style-type: none"> Conduct Demographic survey on the membership of Saccos 	<ul style="list-style-type: none"> Released Sacco Societies Demographic Survey Report in December 2019.
	3.2 To continuously create awareness on market performance and emerging issues over the planning period	<ul style="list-style-type: none"> Availability of performance statistics to stakeholders 	<ul style="list-style-type: none"> Publication of Annual Sacco Supervision report within four months from the end of the financial year 	<ul style="list-style-type: none"> Sacco Supervision report for 2019 released in time
	3.3 To develop and implement a market conduct framework	<ul style="list-style-type: none"> Functional market conduct regulations 	<ul style="list-style-type: none"> Conduct a feasibility study Develop draft regulations 	<ul style="list-style-type: none"> Concluded a study on the Market conduct



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	by 2020			regulations.
	3.4 To facilitate increased opportunities for access to financial services by 2022	<ul style="list-style-type: none"> • Draft Guidelines • Feasibility study findings and recommendations 	<ul style="list-style-type: none"> • Develop guidelines to govern SACCO Agencies • Engage a consultant to undertake a study on SACCO Shared services Legal Framework • Automation of regulatory applications and approval requests from SACCOs 	<ul style="list-style-type: none"> • Rolled out the guidelines on SACCO Agency services • Concluded a study on the feasibility of Shared services platform.
	3.5 Review and improve the policy, legal and regulatory framework for SACCO Societies bi-annually.	<ul style="list-style-type: none"> • Budget Policy Statement 	<ul style="list-style-type: none"> • Submit Budget Policy memorandum and contribute to National Budget Policy Statement 	



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	<p>3.6 To facilitate capacity building on governance and management of SACCOs over the plan period.</p>	<ul style="list-style-type: none"> • Developed guidelines on areas of regulatory concerns. • Reviewed guideline on registration of Auditors • Trainings of Sacco Officers on emergent issues. 	<ul style="list-style-type: none"> • Develop and implement regulatory guidelines/Circulars • Review and implement guidelines on Registration of Auditors for SACCOs • Enlighten officers of SACCOs on emergent issues. 	<ul style="list-style-type: none"> • The Authority identified and is in the process of finalizing the review of governance guidelines issued in 2015 to advise on appropriate inter-relationships between SACCOs and subsidiaries, related party transactions and compensation to Board members. • The Authority has continued to provide a list of approved auditors for SACCOs every year. • The Authority has conducted trainings on governance for specific Saccos upon request and on identified needs.
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From the above Summary, the Authority is pleased to report that the overall objects of the prudential regulatory framework for DT-SACCOs as embedded in the Sacco Societies Act, has also been attained as evidenced by the aggregate stability and financial soundness of DT-SACCOs reported herein.



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CORPORATE GOVERNANCE STATEMENT

The Authority recognizes the importance of the Board in providing a sound base for good corporate governance in the operations of the Authority, hence the Board has adopted practices that promotes good governance to enhance its strategic and oversight role. The Board regularly reviews its practices to ensure the same reflects current developments and best market practices. Some of the key governance practices by the Board are highlighted here below:

1. BOARD MEMBERS ATTENDANCE TO BOARD MEETINGS

Type of Meeting		Full Board	Supervision, Research, Legal & ICT Committee	Finance, Strategy, Human Resource & Administration Committee	Audit, Risk Management & Corporate Governance Committee
Total Number of Meetings		10	7	6	5
Name of Board Member & Meetings attended	Hon. John Munuve	10	-	-	-
	Hon. Silas Muriuki	10	4	4	5
	Ms. Eunice Nyambura	10	7	6	-
	Dr. Sammy Letema	9	7	6	-
	Ms. Alice Mwololo	9	-	5	5
	Mr. Gerald Nyaoma	5	5	-	4
	Mr. Geoffrey Njang'ombe	5	2	2	3
	Mr. John Mwaka (CEO)	10	7	6	-



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2. BOARD CHARTER

The Board has a Board Charter first developed in 2011 and revised in 2016 to align with the Code of Governance for State Corporations “Mwongozo” and emerging best practices. The same was approved by the Board on 11th May, 2016. The Charter sets out the roles and responsibilities of the board and its Committees, functions, powers, membership and structures which support Board members in carrying out its strategic oversight function. It further sets out matters reserved for the board.

The Board has established Committees to which it delegates some of its responsibilities to assist and give detailed consideration to key issue. The members are appointed to Committees based on skills possessed and sign an undertaking on appointment to comply with the charter.

3. ROLES AND FUNCTIONS OF THE BOARD

The roles and functions of the Board are stated in the Sacco Societies Act and the Board Charter which include:

- a) Determining the Authority’s mission, vision, purpose and core values;
- b) Setting and overseeing the overall strategy and approving significant policies of the Authority;
- c) Ensuring that the strategy of the Authority is aligned with the purpose of the Authority and the legitimate interests and expectations of its stakeholders;
- d) Ensuring that the strategy of the Authority is aligned to the long term goals of the Authority on sustainability;
- e) Reviewing, monitoring and ensuring that the Authority is effectively and consistently delivering on its mandate;
- f) Reviewing periodically the Authority’s strategic objectives and policies relating to sustainability and social responsibility;
- g) Reviewing, evaluating and approving the Authority’s budget and financial forecast;
- h) Monitoring the Authority’s performance and ensuring sustainability;
- i) Reviewing, evaluating and approving major resource allocations and capital investment;
- j) Ensuring availability of adequate resources for the achievement of the Authority’s objectives;
- k) Ensuring that the procurement process is cost-effective and delivers value for money;
- l) Ensuring effective, accurate, timely and transparent disclosure to stakeholders of pertinent information on the organization’s operations and performance;
- m) Hiring the Chief Executive Officer on such terms and conditions of service as may be approved and approving the appointment of senior management staff;
- n) Ensuring effective communication with stakeholders;
- o) Adopting, implementing and monitoring compliance with the Authority’s Board Charter and Code of Conduct and Ethics and related policies;
- p) Reviewing, evaluating and approving the overall organizational structure;



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- q) Reviewing, evaluating and approving the remuneration structure of the Authority;
- r) Reviewing on a quarterly basis the attainment of targets and objectives set out in the agreed performance measurement framework with the Government of Kenya;
- s) Enhancing the Authority's public image;
- t) Monitoring compliance with the Constitution, all applicable laws, regulations and standards;
- u) Developing a succession plan for itself and the Chief Executive Officer;
- v) Ensuring adequate systems and processes of accountability, risk management and internal controls are implemented;
- w) Determining the appropriate committee structure, reviewing the same periodically and determining the Terms of Reference for Board committees; and
- x) Making appointments and changes in the composition and leadership of such Committees.

4. BOARD INDUCTION AND TRAINING OF BOARD MEMBERS

a) Board Induction

The Authority has a policy in place that ensures all newly appointed members participate in an induction programme. The Chairman was appointed in September, 2018 and inducted the same month, three other independent members were appointed in December, 2018 all inducted from 29th – 30th January, 2019. The last appointment of current Board members was done in August, 2019 with induction following immediately thereafter.

The induction process includes meetings with other board members, Management and all staff. It involves being taken through the mandate of the Authority, their responsibilities as Board members, general principles of governance and Board practices.

b) Board Development

The Board Members are appointed to the Board based on the skills they hold and are expected to maintain the skills required to effectively carry out their mandate. The Board carries out skills gap analysis upon which trainings are identified in specific areas lacking in the Board. A continuous Board development program is prepared and implemented each year to ensure the Board is kept up to date with emerging industry and governance trends both locally and internationally. The Board attended the following trainings and workshops during 2019/2020 financial year which enhanced their knowledge in the industry and roles:



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NO.	NAME OF TRAINING	DATES	ATTENDEES
1.	International Credit Union Network Conference (ICURN) USA	24 th – 26 th July, 2019	Hon. John Munuve Dr. Sammy Letema Ms. Eunice Nyambura Mr. Gerald Nyaoma
2.	World Credit Union Conference (WOCCU) Bahamas	28 th – 31 st July, 2019	Hon. John Munuve Hon. Silas Muriuki Ms. Alice Mwololo
3.	Audit Committee Workshop	20 th – 22 nd November, 2019	Hon. Silas Muriuki Mr. Gerald Nyaoma Ms. Alice Mwololo

5. BOARD PERFORMANCE EVALUATION

The 2018/2019 Board Performance Evaluation was carried out on 25th September, 2019 in Malindi facilitated by SCAC. The 2019/2020 Board Performance Evaluation was carried out on 21st August, 2020 virtually facilitated by SCAC as is required by Mwongozo, Code of Governance.

6. CONFLICT OF INTEREST REGISTER

The Board maintains a conflict of interest register where Board members are required during each meeting to declare and record any interest one may have on any agenda items for Board Meetings. The Board members further declare any interests if it exists at the time of appointment and commit not to be in a position where personal interest conflict with those of official duty of the Authority. No interests were declared during the 2019/2020 financial year.

7. REMUNERATION OF BOARD MEMBERS

The Board of the Authority is remunerated in accordance to the Guidelines on Terms and Conditions of Service for State Corporations CEOs, Chairmen, Board Members Management and Unionisable Staff issued on 23rd November, 2004 and further guidance issued vide circular Ref. No. OP/CAB.17/34A by the Chief of Staff and Head of Public Service on payment of allowance to Chairmen and Board Members of State Corporations. All payments to the Board are done in accordance to existing government policies related to Boards.

8. INTERNAL ETHICS AND GOVERNANCE ASSESSMENT

The Authority has in place a code of conduct and Ethics for its Board members where each board member on appointment signs commitment to abide by during their tenure. The Authority carried out an internal Governance Assessment for the year 2018/2019 which was presented and approved by the Board of the Authority on 8th August, 2019.



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9. PROCESS OF APPOINTMENT AND REMOVAL OF DIRECTORS

a) Appointment of Board Members

The Board of the Authority are appointed pursuant to Section 6 of the Saccos Societies Act by Gazette notice. The President appoints the Chairman of the Board while the Cabinet Secretary appointed three (3) independent Board members. The Board three institutional representatives one each from Central Bank of Kenya, The National Treasury and the Commissioner of Cooperatives.

b) Tenure of Board Members

The Board members hold office for a term of three years and are eligible for re-appointment for one more term.

c) Removal of Board Members

The Sacco Societies Act provides for removal process and circumstances under which a board member may be removed from office. Which include: if member accepts any office the holding of which, if he were not a member of the Board, would make him ineligible for appointment to the office of a member of the Board; fails to discharge the functions of his office whether arising from infirmity of body or mind or any other cause; conducts himself in a manner not befitting a member of the Board; and becomes subject to any disqualification as they are prohibited from being a director or to take part in the management of a cooperative or financial institution by the Commissioner under the Co-operative Societies Act. A member of the Board may also on his/her own accord resign from office by giving a fourteen days' notice to the Cabinet Secretary.

10. SUCCESSION PLAN-

Board members of the Authority are appointed at different times pursuant to Section 6(3) of the Sacco Societies Act, so that the respective expiry dates of their terms shall fall at different times. The Chairman was appointed at a different from the other independent Board Members as illustrated below:

NAME	DATE OF APPOINTMENT
Hon. John Munuve	W.e.f 20 th September, 2018
Hon. Silas Muriuki	W.e.f 14 th December, 2018
Ms. Eunice Nyambura	W.e.f 14 th December, 2018
Dr. Sammy Letema	W.e.f 14 th December, 2018
Mrs. Alice Mwololo	W.e.f 14 th October, 2015
Mr. Gerald Nyaoma	W.e.f 6 th April, 2016
Mr. Geoffrey Njang'ombe	W.e.f 2 nd August, 2019



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MANAGEMENT DISCUSSION AND ANALYSIS

Operational Performance of Deposit Taking Saccos

The Authority licensed 173 Deposit Taking Saccos to carry out the deposit taking business in Kenya during the financial year 2019/2020.

Financial Performance of Deposit Taking Sacco Societies

The licensed DT Saccos registered an impressive growth in all the key performance parameters of total assets, total deposits and gross loans. Total assets portfolio crossed the half-trillion mark to reach Kshs 556.7 Billion representing a 12.41% growth from Kshs 495.25 Billion registered in the previous year. Gross loans portfolio grew by 12.09% to reach Kshs 419.55 Billion in 2019 from Kshs 374.29 Billion recorded in the year 2018, while the net loans and other credit advances which increased by 11.46 to reach Kshs 400.16 Billion in 2019 from 359.02 Billion recorded in the year 2018 represented 71.88% of the total assets. The largest chunk of market share in terms of total assets comprising of 70.11% was controlled by 31 Deposit taking saccos with deposits above Kshs 5 Billion

The total deposits grew by 11.27% in 2019 to reach Kshs 380.44 Billion from Kshs 341.91 Billion reported in the year 2018. A proportion of 59.08% of the total deposits portfolio was controlled by 20 DT saccos with deposits above 5 Billion in 2019.

The Government based and Teachers based Deposit taking Saccos continue to control the largest proportion of the market share, with 74.27% of total assets and 73.89% of total deposits within the DT segment concentrated among just 79 Deposit taking Saccos directly drawn from these two categories of institution. This therefore means Government and Teachers based institutions play a key role in the growth of SACCO subsector in Kenya.

Financial Soundness and Stability of Deposit taking Saccos

DT-Saccos remained financially safe and sound by maintaining the prescribed minimum core capital and capital adequacy ratios. The aggregate core capital stood at Kshs 79.20 Billion in the year 2019. The core capital to total assets, core capital to total deposits and institutional capital to total assets were maintained at 14.23%, 20.82% and 10.63% respectively against a prescribed minimum of 10%, 20% and 8%. Non-performing Loans ratio reduced from 6.30% in 2018 to 6.15% in 2019 signifying improved loan collection practices. External borrowing ratio registered a reduction from 4.11% in 2018 to 3.11% in 2019 meaning most Saccos reduced their external debt portfolio and relied on internal funds to fund their assets. On Statutory liquidity front, the DT Saccos were fully compliant with the liquidity ratio which was maintained at 50.92% well above the prescribed minimum of 15%.

The Sacco Subsector Demographic Study Report.

According to the Survey report conducted by the Authority in the year 2019, out of a total membership of 4.78 Million natural persons (individuals) 60.65% are male, 34.23% comprises of female, whereas 5.12% did not disclose. The survey also revealed that the



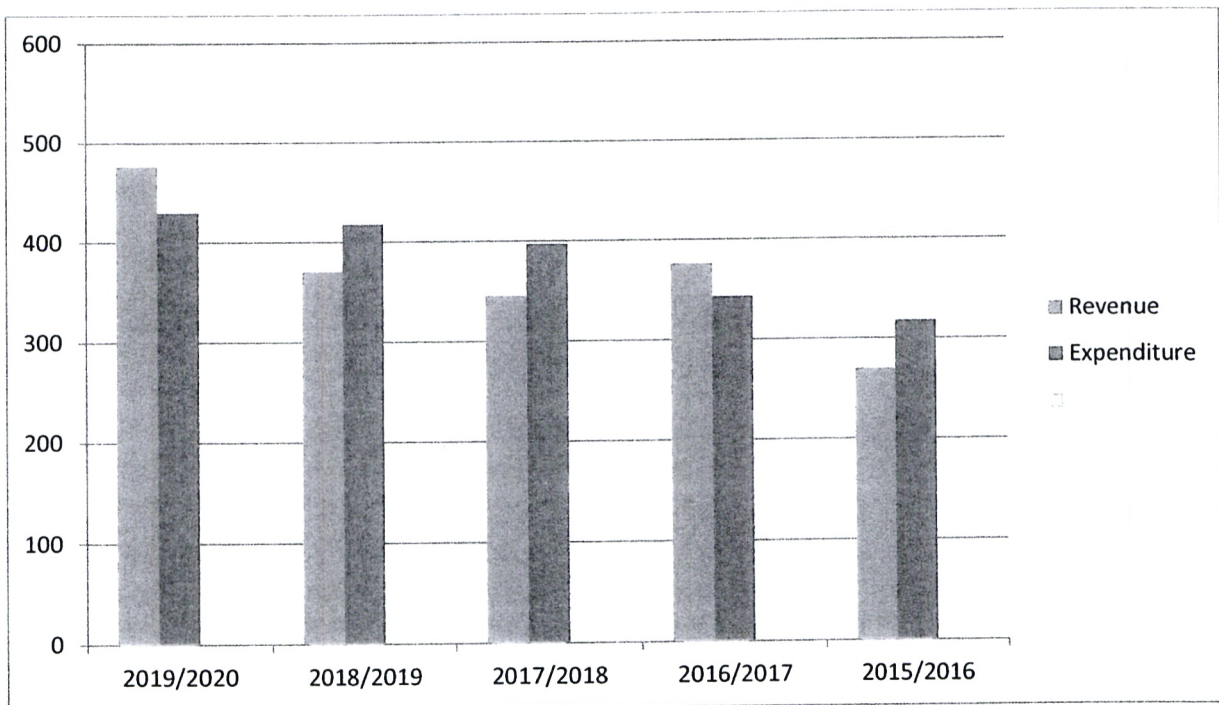
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population of membership aged below 35 years, constituting the youth, was represented by a proportion of 30.86% of entire membership.

Financial Performance of the Authority

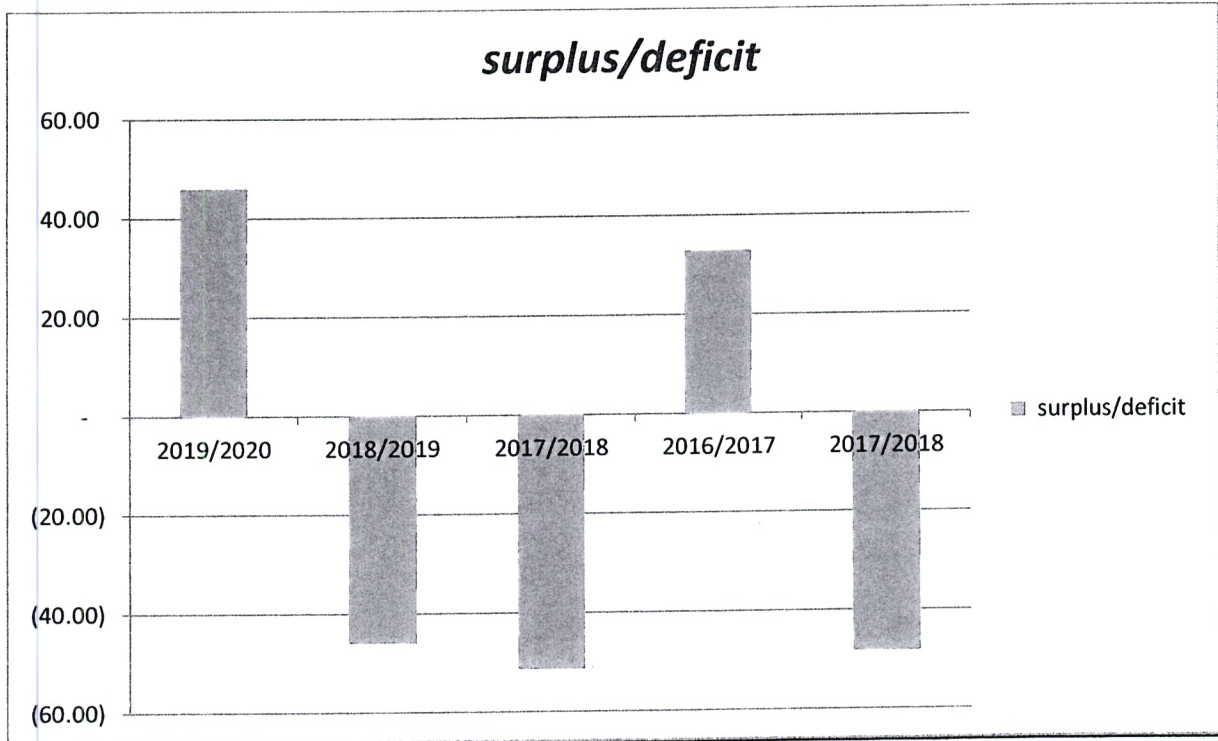
Total revenue improved from Kshs 371 Million in the previous financial year to Kshs 477 Million during the year under review. This was driven by increase in levies from Saccos as a result of revision of deposit levy rates through the amendment of 2011 levy order, which was aimed at making the Authority financially self-reliant and effectively carry out its supervisory and regulatory work. Total expenditure increased from 418 Million in the previous financial year to Kshs 430 Million during the financial year 2019/2020. Most of the activities that had been planned for implementation during the half year of Fy 2019/2020 did not kick off as a result of the effects of COVID - 19 pandemic.

The graphical highlights below summarize the Authority performance for the five year period from the year 2015/2016 to the year 2019/2020.





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Key projects and Investment Decisions

Risk Based Supervision (RBS)

The Authority is at the final stages of implementation of a Risk Based System that will result into effective and efficient supervision of Licensed Saccos as well as online application and integration of supervisory activities.

Central Liquidity Fund (CLF)

The Authority together with a multi-agency team comprised of State Department of Cooperatives, Central Bank of Kenya, the National Treasury, Kenya Law Reform Commission and SASRA technical staff developed policy and legal framework on the central liquidity facility. The facility is aimed at improving the financial stability of licensed saccos by serving as a lender of last resort to the saccos experiencing un usual or unexpected liquidity shortfalls.

Market conduct policy

The policy envisages protection of Sacco members. This will be achieved by setting standards of conduct, regulation of products and services provided by regulated Saccos, ensure compliance through oversight and taking remedial action on poor conduct among the regulated Saccos. Draft regulations of the market conduct policy were developed for consideration by the stakeholders.



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Sacco shared services

Sacco shared services system will enable Saccos to pool their resources together and form an independent legal entity which will specialize in provision of various business services to the qualifying saccos. Such services would then include shared branching, shared technology, mobile based financial services, disaster recover sites, audit services, marketing services among others. The concept once implemented will significantly reduce the cost of operations for the qualifying saccos thus making them more competitive and efficient in their operations. The legal and regulatory framework for Sacco shared services framework was finalized awaiting input from the stakeholders.

Authority financial probity and serious governance issues

There was no financial probity reported during the period under review. The Authority adhered to financial regulations and is continuously reviewing its Internal Risk Management framework that will monitor risks faced by the Authority and provide for mitigation strategies for the identified risks. There was no conflict of interest among the members of the board and top management.

Compliance with Legal and statutory requirements

Legal compliance

The Authority had no non-compliance matters reported as at end of the financial year.

Material arrears in statutory and or financial obligations

The Authority was able to meet most of its financial obligations save for an outstanding short term liability of Kshs. 78 million which is expected to be settled in the first quarter of the financial year 2020/21 subject to delivery of goods, services and works as per contract terms. All statutory payments were paid within the stipulated time to the respective Government agencies.



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**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
 REPORTING**

Policies

The Sacco Societies Regulatory Authority (SASRA) is determined to conduct our business with strong dedication to ethical and responsible practices. In all our operations, we are aware of the impact we have on the environment and society, both positive and negative. Therefore, every day we try to enhance the positive impact in terms of employee benefits, social welfare and local communities' engagement. Towards compliance, the Authority recently revised our policies to align them to the Constitution of Kenya and the Mwongozo code of conduct.

Actions

Our actions comply with our policies and international commitments set out in our corporate citizenry policy. Externally, we constantly try to encourage adherence to laid down government and international business practices. At the same time, we collaborate with sector partners to nurture and implement best practices for dispensation of services to the public. Internally, we strive to create the ultimate working environment for our employees and encourage their commitment to our CSR strategies through training and workshops. Their input and motivation are vital to the success of our CSR initiatives.

Results

In FY 2019/20, the Authority undertook the following:-

No.	Initiative	Cause supported	Costs
1.	Fire Awards sponsorship	Our regulatees are involved in the event and our presence in the event is an added visibility milestone.	150,000.00
2.	Cooperative University prize giving award support	Recognition of best performers at the university. The CUCK requested we assist in the purchase of trophies and we gave a cash donation towards this.	100,000.00
3.	Sacco sector Covid 19 initiative support	The State Department of Cooperatives created the Cooperative Coronavirus Response Committee (CCRC) to strengthen government action	100,000.00



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		combating COVID-19 in April 2020	
4.	Ushirika Day Celebrations	Environmental sustainability programme Sponsoring of this Cooperative Environment day was also used as an achievement for the Authority under the performance contract indicator for environmental sustainability.	50,000.00

In conclusion, the Authority re-affirms that we conduct all our activities with deep respect for all our stakeholders and constant focus on reducing any negative impact throughout our operations.



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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Authority's affairs.

Principal activities

The principal activities of the Authority are;

- To license Sacco Societies to carry out deposit-taking business in accordance with the Act.
- To regulate and supervise Sacco societies.
- Hold, manage and apply the General Fund of the Authority in accordance with the Act.
- Do all such other things as may be lawfully directed by the Minister.
- Perform such other functions as are conferred on it by the Act or by any other written law

Results

The results of the entity for the year ended June 30, 2020 are set out on page 1-5 and the accompanying notes.

Directors

The members of the Board of Directors who served during the year are shown on page

Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority will submit the Surplus as reported in the audited financial statements of the financial year 2019/20.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

A handwritten signature in black ink, appearing to be 'D. M. M.', is written over a horizontal line.

Corporation Secretary

Nairobi

Date:



Annual Reports and Financial Statements For the year ended June 30, 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act, and Section 20 of the Sacco Societies Act 2008 require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial period and the operating results of the Authority for that period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs as at the end of the financial period ended on June 30, 2020. 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 entity; (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 Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority'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, 2012 and the Sacco Societies Act 2008. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2020, and of the Authority's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained, which have been relied upon in the preparation of the 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 Authority 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 Authority's financial statements were approved by the Board on _____ 2020 and signed on its behalf by:

Hon John Munuve.

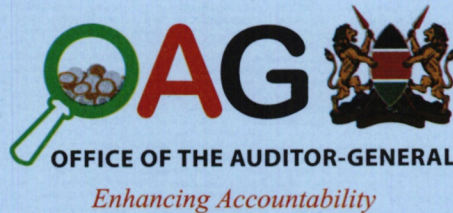
Board Chairman

Peter Njuguna

Chief Executive Officer

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON SACCO SOCIETIES REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Sacco Societies Regulatory Authority set out on pages 1 to 32, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant of accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Sacco Societies Regulatory Authority as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Public Finance Management Act, 2012 and Sacco Societies Act, 2008.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Sacco Societies Regulatory Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Emphasis of Matter

Implementation of Risk Based Supervision System Project

During the year under audit, the Authority had budgeted expenditures of Kshs.547,432,467 and Kshs.215,320,742 under recurrent and development budgets, respectively. The development budget included an amount of Kshs.206,761,742 for the implementation of Risk Based Supervision System (RBSS) project which included an amount of Kshs.201,761,742 rolled over from the previous financial year.

Examination of available records revealed that the Authority signed a contract with three local firms for the supply, installation, configuration, customization, testing and commissioning and maintenance of risk-based supervision system, electronic document management system and related hardware system at a contract sum of Kshs.206,422,869. The commencement date for the contract was 21 February, 2020 for a period of six (6) months with an expected completion date of 20 August, 2020.

According to the project timelines set out at schedule six of the signed contract, the project should have been at deployment phase (integration to ERP and optimization, data preparation and migration) four months after commencement of the contract. However, no documentary evidence has been provided for verification to confirm the project implementation status and ascertain whether the project objectives will be met since the contract period has expired. In addition, the Management has not provided explanations for the low level of budget absorption.

Consequently, value for money may not have been obtained on the project.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

IT Control Issues

Section 110(1) of the Public Finance Management (PFM) Regulations, 2015, requires the Accounting Officer for a national government entity to institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity. However, review of IT function revealed that Management had not put in place;

- Information Technology governance controls (Strategic IT Committee and IT Steering Committee).
- ICT continuity- Backups were not stored in a secure offsite storage facility.
- Copies of the IT Continuity Plan and Disaster Recovery Plan were not kept off-site.

The non- establishment of an IT Strategic Committee at the Board level could result in gaps regarding IT governance, as part of enterprise governance, not being adequate.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

26 October, 2021



**Annual Reports and Financial Statements
 For the year ended June 30, 2020**

STATEMENT OF FINANCIAL PERFORMANCE FOR PERIOD ENDED 30TH JUNE 2020

	Notes	2019-2020	2018-2019
Revenue		K.sh	K.sh
Public contributions and Donations	6	54,080,838	52,173,433
GoK grant & others	7	23,700,000	41,346,150
Levies - Sacco Deposits	8	382,209,433	260,077,538
License renewal and application fees	9	17,181,442	18,245,000
		477,171,713	371,842,121
Expenditure			
Use of goods and Services	10	88,496,409	95,487,802
Employee costs	11	220,821,621	217,108,923
Board Expenses	12	25,848,445	20,011,749
Depreciation and amortization expense	13	33,312,309	25,824,841
Repairs and Maintenance	14	8,293,874	6,774,970
Consultancy and capacity development - FSSP Funded	15	54,080,838	52,173,433
		430,853,497	417,381,717
Surplus before tax		46,318,216	(45,539,596)



**Annual Reports and Financial Statements
 For the year ended June 30, 2020**

STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE 2020

ASSETS	Notes	2019-2020	Restated 2018-2019
		K.sh	K.sh
Current Assets			
Cash & Cash equivalent	16	319,614,103	261,717,112
Receivable from Non Exchange transactions	17	13,149,705	24,230,228
		332,763,808	285,947,340
Non-current Assets			
Property, plant and equipment	18	146,632,508	149,571,735
		146,632,508	149,571,735
		479,396,316	435,519,076
FUNDS & LIABILITIES			
Current Liabilities			
Trade and other payables	19	7,192,566	17,142,731
Provisions	20	11,242,578	4,054,671
		18,435,144	21,197,402
Funds & Reserves			
Capital Reserves	21	630,909,209	607,349,669
Accumulated surplus/deficit	22	(182,948,037)	(206,027,995)
Revaluation	23	13,000,000	13,000,000
		460,961,172	414,321,674
		479,396,316	435,519,076

The Financial Statements were signed on behalf of the Board of Directors by:

Peter Njuguna
 Chief Executive Officer

Date 1/9/2021

Flora Kimari
 Manager Finance & Accounts
 ICPAK No. 9582

Date 1/9/21

Hon. John M. Munuve
 Chairman of the Board

Date 3/9/21



**Annual Reports and Financial Statements
For the year ended June 30, 2020**

STATEMENT OF CASH FLOWS AS AT 30TH JUNE 2020

	Notes	2019-2020	2018-2019
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations	6	54,080,838.45	52,173,433.00
Government grants and subsidies -Recurrent	7	23,700,000.00	41,346,150.00
Levies - Sacco Deposits	8	382,209,433.00	260,077,538.00
License application fees	9	17,181,441.60	18,245,000.00
Other income, rentals and agency fees		-	-
Total Receipts		477,171,713.05	371,842,121.00
Payments			
Use of goods and services	10	51,003,495.69	60,941,486.57
Rent paid	10	37,492,913.80	34,546,315.43
Employee Expenses	11	220,821,620.87	217,108,923.00
Board Expenses	12	25,848,444.64	20,011,748.61
Repairs and maintenance	14	8,293,874.42	6,774,969.37
Consultancy and capacity development	15	54,080,838.45	52,173,433.00
Total Payments		397,541,187.87	391,556,875.98
Surplus/Deficit before working capital changes		79,630,525.18	(19,714,754.98)
Working capital changes			
Decrease/(Increase) in current receivables	17	11,080,522.89	21,544,139.00
Increase/(Decrease) in current payables	19&20	(2,762,258.33)	(9,450,875.00)
Net changes in working capital		8,318,264.56	12,093,264.00
Net cash flows from operating activities	26	87,948,789.74	(7,621,490.98)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangib	18	(6,813,540.76)	(1,747,400.00)
Net cash flows used in investing activities		(6,813,540.76)	(1,747,400.00)
Cash flows from financing activities			
Prior year adjustments		-	2,495,871.00
ROD			
Taxes paid		(23,238,258.00)	
Government grants and subsidies -Capital		-	70,000,000.00
Net cash flows used in financing activities		(23,238,258.00)	72,495,871.00
Net increase/(decrease) in cash and cash equivalents		57,896,990.98	63,126,980.02
Cash and cash equivalents at 1st July (B/f)		261,717,112.02	198,590,132.00
Cash and cash equivalents at 30 JUNE		319,614,103.00	261,717,112.02



**Annual Reports and Financial Statements
For the year ended June 30, 2020**

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 30TH JUNE 2020

	Capital development reserve	General reserve	Accumulat ed surplus	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 30 JUNE 2018	537,349,669	(180,160,509)	13,000,000	370,189,160
Surplus/Deficit for the period	-	(45,539,596)	-	(45,539,596)
Add: Prior year adjustments		19,672,110	-	19,672,110
Transfer from devpt. Funds	70,000,000	-	-	70,000,000
Balance as at 30 JUNE 2019	607,349,669	(206,027,995)	13,000,000	414,321,674
Surplus/Deficit for the period	-	46,318,216	-	46,318,216
Remission to National Treasury		(23,238,258)	-	(23,238,258)
Capital Donation from FSSP	23,559,540	-	-	23,559,540
Balance as at 30 JUNE 2020	630,909,209	(182,948,037)	13,000,000	460,961,172



**Annual Reports and Financial Statements
For the year ended June 30, 2020**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT 30TH JUNE 2020

		Revised Budget	Actual on comparable basis	Performance difference	
		2019/2020	2019/2020	2019/2020	
		Kshs.	Kshs.	Kshs.	
	Reccurent Revenue:				
1	Internally Generated revenue from Fees, Charges, Levies, cost sharing etc	415,732,467	399,390,875	(16,341,592)	a
2	GOK grant for Recurrent Expenditure	23,700,000	17,775,000	(5,925,000)	b
3	Grants, Dev't Partner for Recurrent Expenditure.	108,000,000	54,080,838	(53,919,162)	c
4	Other incomes for Recurrent Expenditure.	-	-	-	
	Total Recurrent Revenue	547,432,467	471,246,713	(76,185,754)	
	Recurrent Expenditure				
1	Personnel Emoluments & Other costs	223,594,558	219,567,840	4,026,718	d
2	Boards Expenses	25,250,800	25,848,445	(597,645)	e
3	<i>Contracted services</i>				
	i. Outsourced Legal Services	9,300,000	1,388,975	7,911,025	f
	ii. Consultancies & other professional fees	7,310,000	2,082,195	5,227,805	g
	iii. Other outsourced services	13,830,000	13,436,465	393,535	h
	Sub- total	30,440,000	16,907,635	13,532,365	
4	<i>Expenses on Operations Relating to Core Mandate</i>				
	i. Sacco onsite inspections, Surveillance & Joint regulators costs	24,588,200	21,642,290	2,945,910	i
	ii. Technical Supervision & Research capacity building costs	9,188,080	2,760,180	6,427,900	j
	iii. Stakeholders engagement costs	2,850,000	1,479,369	1,370,631	k
	<i>Donor Funded (FSSP and AFI)</i>	-			
	i. Consultancy Costs	59,000,000	44,141,488	14,858,512	l
	ii. Capacity Development costs	14,000,000	9,939,350	4,060,650	m
	iii. Development of Competency Management framework-FSSP	20,000,000	-	20,000,000	n
	iv. Public Awareness and Education programs -FSSP	15,000,000	-	15,000,000	o
	Sub Total	144,626,280	79,962,678	64,663,602	



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For the year ended June 30, 2020

5	<u>Administrative Expenses</u>			
	i. MV operations- Fuel & Lubricants	2,400,000	1,415,999	984,001
	ii. Office stationery & printing	3,231,000	2,401,391	829,609
	iii. Hospitality & Supplies	1,560,000	1,377,781	182,219
	v. Rent rates and parking	38,002,330	37,987,783	14,547
	vi. Security expenses	840,000	720,000	120,000
	vii. Office consumables	4,783,200	4,070,910	712,290
	viii. Postage & Courier, telephone exps	630,000	402,851	227,150
	ix. Communication & Periodicals	74,400	-	74,400
	xi. Asset and Equipment Insurances	1,500,000	626,547	873,453
	Sub-Total	53,020,930	49,003,261	4,017,669
6	<u>Repairs and maintenance</u>			
	i. Equipment service contracts	7,191,000	3,964,743	3,226,257
	ii. Motor Vehicle Repairs	2,300,000	2,286,586	13,414
	iii. Computers and other office equipment	480,000	-	480,000
	Sub Total	9,971,000	6,251,329	3,719,671
7	Depreciation	60,528,899	33,312,309	27,216,590
8	Provision for bad debts	-	-	-
	Total Recurrent Expenditure	547,432,467	430,853,497	116,578,970
	Operating Surplus/Deficit	-	40,393,216	
	Retained Operating Surplus/(Deficit)	-	40,393,216	
	<u>Development Revenue</u>			
9	Internally Generated revenue from Fees, Charges, Levies, cost sharing etc	8,559,000	8,559,000	-
10	GOK grant for Development Expenditure	5,000,000	5,000,000	-
11	RBSS Rolled over Funds	201,761,742	201,761,742	-
	Total Development Revenue	215,320,742	215,320,742	-
	<u>Development Expenditure</u>			
12	Purchase of Motorvehicle for Inspection	5,300,000	5,283,449	16,551
13	Purchase of Laptops	1,259,000	1,259,000	-
14	CCTV Installation and Biometrics	2,000,000	-	2,000,000
15	Donor Funded Fixed assets	-	28,570,934	(28,570,934)
16	Implementation of RBSS System	206,761,742	-	206,761,742
	Total Development Costs	215,320,742	35,113,383	180,207,359



Annual Reports and Financial Statements For the year ended June 30, 2020

Explanation of difference between the actual and budgeted amounts- IPSAS 24.14

- a) The variance of 3% in actual levy received and budgeted levies was as a result of overestimation during the budgeting stage
- b) The difference in actual GoK grant received and budgeted for was as a result of the late disbursement of the fund from treasury which was later received in the Financial Year 2020/2021
- c) The variance in public donation received and budgeted amount was as a result of projects that had been anticipated but were not implemented by World bank through FSSP.
- d) The Authority's personnel emoluments was gradually filled in the year, and the staff cost were well within the approved budgeted amount and the variance of 1% is as a result of delayed recruitment of staff which were budgeted for.
- e) The variance in the board expenses of 2.3% was as a result of extra board meetings which were necessitated by the prevailing circumstances within the Authority.
- f) The cost savings was due to reduction in legal costs as opposed to the budgeted cases
- g) The cost savings was due to postponed consultancies as a result of change in strategic direction.
- h) The cost savings was due to savings on the budgeted cost of other outsourced services.
- i) The variance was due to Covid-19 measures, there were no major Sacco onsite inspection in the quarter 3 and 4 as planned.
- j) Technical supervision & research capacity building costs. Due to Covid-19 measures there were no major activities in the quarter 3&4, and this caused the big variance.
- k) Stakeholder engagement cost. Due to Covid-19 measures there were no major activities in the quarter 3&4, and this caused the variance.
- l) Consultancy cost. Several consultancies were not carried out due to stay at home measures due to Covid-19 pandemic.
- m) Capacity development cost. Several capacity development activities were not carried out due to stay at home measures in line with guidelines issued by the Government to curb the spread of Corona Virus.
- n) Development of competency Management framework. This was to be financed by FSSP but the funds were not disbursed.
- o) Public awareness and Educational programs. This was to be financed by FSSP but the funds were not disbursed.
- p) MV operations- Fuel & Lubricants. The low spend have been impacted by the 'stay at home' measure for families due to the Covid-19 pandemic.
- q) Office stationery & printing. The low spend have been impacted by the 'stay at home' measure for families due to the Covid-19 pandemic.
- r) Hospitality & Supplies. The low spend was impacted by the 'stay at home' measure for families due to the Covid-19 pandemic.
- s) Rent rates and parking. The variance is due to the discount given by the land lord during Covid-19 pandemic.
- t) Security expenses. The variance was due to over budgeting.
- u) Office consumables. The low spend have been impacted by the 'stay at home' measure for families due to the Covid-19 pandemic.



Annual Reports and Financial Statements For the year ended June 30, 2020

- v) Postage & Courier, telephone. The low spend have been impacted by the 'stay at home' measure for families due to the Covid-19 pandemic.
- w) Communication & Periodicals. The low spend have been impacted by the 'stay at home' measure for families due to the Covid-19 pandemic.
- x) Asset and Equipment Insurances. The variance was as a result of savings on the insurance of Assets.
- y) Equipment service contracts. The low spend have been impacted by the 'stay at home' measure for families due to the Covid-19 pandemic.
- z) Motor Vehicle Repairs. The positive variance was as a result of savings on the repair costs.
- aa) Computers and other office equipment. The low spend have been impacted by the 'stay at home' measure for families due to the Covid-19 pandemic.
- bb) Depreciation. Low spent was due to assets not acquired as earlier anticipated.
- cc) Purchase of Motor vehicle for Inspection. The variance was due to discount given on the purchase of Motor Vehicle



**Annual Reports and Financial Statements
 For the year ended June 30, 2020**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Sacco Societies Regulatory Authority (SASRA) is established by and derives its mandate and accountability from Sacco Societies Act 2008. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to regulate and supervise Deposit Taking Sacco Societies in Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, impaired assets at their estimated recoverable amounts and determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Authority.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the Sacco Societies Act 2008 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.



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For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p>



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 For the year ended June 30, 2020**

Standard	Effective date and impact:
	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</p>



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Standard	Effective date and impact:
	Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in reporting its financial results for the current financial year in view of non-applicability to the transactions reported.

4 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) Revenue recognition

i) Revenue from non-exchange transactions

Public contributions & Donations

The Authority recognizes revenues from Public contributions and Donations when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity, and the fair value of the asset can be measured reliably. All donor support funds are recognized when contracts have been executed and payments disbursed based on deliverables or tangible transfer of equipment received.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Sacco deposit Levies

Sacco deposits levies are prorated and recognised based on the licence period they relate to, when the outcome of the transaction can be estimated reliably and the asset recognition criteria is met and it's probable that economic benefits will flow to the Authority. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized. The rate charged for the levies was 0.15% of the total deposits held by licenced SACCO's as per balances held as at 31st December 2018.



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Fees and fines

The entity recognizes revenues from fees and fines when the event occurs and the asset recognition criteria are met. To the extent that there is, a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue and accrued accordingly. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

b) Budget information

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

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

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



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For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. 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 entity 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.

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

• Motor vehicles	25%
• Computer, hard wares and accessories	33.3%
• Office equipment	25%
• Furniture and Fittings	12.5%
• Intangibles	33.3%

e) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter



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For the year ended June 30, 2020**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of the estimated useful life of the asset and the lease term. The Authority currently does not have a running finance lease

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) 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 either finite or indefinite.

g) Research and development costs

The Authority expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

h) Financial instruments

Financial assets

Initial recognition and measurement



Annual Reports and Financial Statements For the year ended June 30, 2020

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:



**Annual Reports and Financial Statements
For the year ended June 30, 2020**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

i) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs



Annual Reports and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

j) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Entity does not recognize a contingent liability, 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.

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service



Annual Reports and Financial Statements For the year ended June 30, 2020

potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. The reserves maintained are Accumulated reserves that hold cumulatively balances of surplus or deficits arising from the Statement of Financial Performance, Revaluation reserves recording increase in carrying amounts of Property, Plant and Equipment upon professional valuation and Capital Reserve holding amounts for funds earmarked for capital expenditure.

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees and directors. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.



Annual Reports and Financial Statements For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Related parties

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

o) Service concession arrangements

The Authority analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received. No service concessions arrangements were in place as at end of the financial period.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank.

q) Comparative figures

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

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.



Annual Reports and Financial Statements For the year ended June 30, 2020

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

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 .

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



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For the year ended June 30, 2020**

		2019-2020	2018-2019
6	Public contributions and Donations	K.Shs	K.Shs
	FSSP support	53,975,253	52,173,433
	AFI support	105,586	
	Total	54,080,838	52,173,433
7	GoK grant & others		
	Recurrent grants received	23,700,000	41,346,150
8	Revenue from exchange transactions		
	Deposit Levies from Sacco	382,209,433	260,077,538
9	License renewal and application fees		
	Licence Renewal Fees	16,663,442	17,730,000
	License Application fees	518,000	515,000
	Total	17,181,442	18,245,000
10	Use of goods and services		
	Subscriptions staff club membership	124,000	1,001,888
	Professional membership & AFI affiliation fees	2,306,250	2,292,750
	Provision for doubtful debts	7,535,583	-
	Security costs	720,000	720,000
	Advertising, promotion and corporate image exp	3,594,632	8,056,132
	Admin fees/newspapers	2,391,624	1,709,481
	Electricity	494,869	140,720
	Audit fees	487,200	487,200
	Consulting fees	1,210,659	8,642,335
	Office consumables	1,679,286	1,331,227
	Legal expenses	1,388,975	1,473,205
	Postage expenses	155,796	102,525
	Printing and Stationery	2,401,391	1,722,407
	Rent and rates	37,492,914	34,546,315
	Professional material and bank charges	384,336	542,787
	Airtime and telephone expenses	247,055	263,626
	Travel, accommodation and subsistence	21,642,290	18,760,538
	Stakeholder engagement costs	1,479,369	2,281,840
	Supervision and research activities	2,760,180	11,412,826
		88,496,409	95,487,802
11	Employee costs		
	Salaries and wages costs	167,960,657	160,451,822
	Employer contributions to pensions	13,104,840	12,800,130
	Staff Medical expense costs	16,424,062	16,771,352
	NSSF employer contribution	173,400	183,400
	Staff Welfare activities	2,856,942	3,168,717



**Annual Reports and Financial Statements
For the year ended June 30, 2020**

	Provision for outstanding leave days and gratuity	7,187,903	8,731,983
	Training(Capacity development)	13,113,817	15,001,518
	Total	220,821,621	217,108,923
12	Board Expenses		
	Sitting allowances for regular meetings	6,556,696	2,757,070
	Honoraria and airtime	1,020,000	765,000
	Other Board Expenses- Special meetings and workshops	18,271,749	16,489,678
		25,848,445	20,011,749
13	Depreciation and amortization expense		
	Property, plant and equipment	33,312,309	25,824,841
	Intangible assets		
		33,312,309	25,824,841
14	Repairs and maintenance		
	ICT Equipment & other maintenance costs	3,964,743	1,852,185
	Motor Vehicles	4,329,132	4,922,785
		8,293,874	6,774,969
15	Consultancy and capacity development-Donor		
	Consultancy costs FSSP Funded	44,141,488	10,187,295
	Capacity development costs- FSSP funded	9,833,765	41,986,138
	Capacity development costs- AFI funded	105,586	
		54,080,838	52,173,433
16	Cash & Cash Equivalents		
	Bank	319,614,103	261,717,112
	Total	319,614,103	261,717,112

17	Receivable from Non- Exchange transactions		
	Oustatnding Levies	1,448,348	2,356,163
	Deposits and prepayments	9,924,729	9,857,093
	Other receivables	6,018,435	6,190,574
	Receivables from staff accounts	369,975	3,827,597
	Capital GoK grants	5,925,000	5,000,000
	Doubtful debts	(10,536,782)	(3,001,199)
		13,149,705	24,230,228



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For the year ended June 30, 2020**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Property, Plant and Equipment

Property, Plant and Equipment

Cost	MOTOR VEHICLE COMPUTER HARDWARE PARTITIONS			OFFICE FURNITURE	OFFICE EQUIPMENT	TOTAL
	K.Shs	K.Shs	K.Shs	K.Shs	K.Shs	K.Shs
At 30 June 2018	22,296,924.00	56,189,853.00	154,524,525.00	26,404,276.00	17,064,607.00	276,480,185.00
Additions	-	1,747,400.00	-	-	-	1,747,400.00
Disposals & Impairment	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-
At 30 June 2019	22,296,924.00	57,937,253.00	154,524,525.00	26,404,276.00	17,064,607.00	278,227,585.00
Additions	5,283,449.99	18,233,540.00	-	-	6,856,089.88	30,373,079.87
Disposals & Impairment	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-
At 30 June 2020	27,580,373.99	76,170,793.00	154,524,525.00	26,404,276.00	23,920,696.88	308,600,664.87
Depreciation						
At 1st July 2018	12,546,924.00	56,089,729.00	15,080,760.00	6,294,229.00	17,044,032.00	107,055,674.00
Depreciation	3,250,000.00	249,876.00	5,099,606.51	17,217,858.00	7,500.00	25,824,840.51
Adjustments	20,000.00	50,678.00	8,443,552.00	(12,736,871.00)	(2,025.00)	(4,224,666.00)
At 1st July 2019	15,816,924.00	56,390,283.00	28,623,918.51	10,775,216.00	17,049,507.00	128,655,848.51
Depreciation	3,244,999.90	6,856,745.00	18,567,464.51	2,921,527.66	1,721,572.00	33,312,309.07
At 1st July 2020	19,061,923.90	63,247,028.00	47,191,383.02	13,696,743.66	18,771,079.00	161,968,157.58
Net book values						
At 30th June 2019	6,480,000.00	1,546,970.00	125,900,606.49	15,629,060.00	15,100.00	149,571,736.49
At 30 June 2020	8,518,450.09	12,923,765.00	107,333,141.98	12,707,532.34	5,149,617.88	146,632,507.29



**Annual Reports and Financial Statements
 For the year ended June 30, 2020**

19		2019-2020	Restated 2018-2019
		Kshs	Kshs
	Trade and other payables		
	Trade payables	7,123,910	13,405,891
	Other payables	68,656	3,736,840
	Total trade and other payables	7,192,566	17,142,731

20	Current Provisions	Gratuity	Leave benefits	Audit Fees	Total
		K.shs	K.shs	K.shs	K.shs
	Balance at 1 July 2019	3,567,471	-	487,200	4,054,671
	Additional provisions raised	1,431,270	5,756,637	487,200	7,675,107
	Provision utilised	-	-	(487,200)	(487,200)
	Balance as at 30 June 2020	4,998,750	5,756,633	487,200	11,242,578

21	Capital Reserve	2019-2020	2018-2019
	Balance b/f	607,349,669	537,349,66
	Transfer from GoK		70,000,00
	Donation	23,559,540	
		630,909,209	607,349,66
22 (a)	Accumulated surplus/deficit	2019-2020	Restate 201/-201
	Balance b/f as July 2019	(206,027,995)	(180,160,50'
	Prior year adjustments		19,672,11
	Remission to National Treasury	(23,238,258)	
	Surplus/ (Deficit) for the Period	46,318,216	(45,539,59
		(182,948,037)	(206,027,99
22(b)	Prior year adjustments		
	Depreciation over provided	-	4,224,60
	Ticket expense for the board	-	(895,46
	Utilization of staff leave allowances	-	6,723,1'
	Write back of suppliers expenses	-	7,123,8
	Total adjustment		17,176,2'
23	Revaluation Surplus	13,000,000	13,000,0



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24. Operational lease obligation

Description	Minimum lease payments	Future finance charges	Present value of minimum lease payments	Year 2018-2019
	KShs	KShs	KShs	KShs
Within current year(1 Year)	37,654,833	-	37,654,833	34,546,315
Long term portion of lease payments(2-5years)	150,619,332	-	150,619,332	138,185,260
Total	188,274,165	-	188,274,165	172,663,215

The operational lease relates to rent, rates and parking charges for the Authority office premises at UAP-Old Mutual Towers upper hill

25. Employee benefit obligation

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2019-2020	2018-2019
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	5,756,633	6,723,180
Non-current benefit obligation	-	-	-	4,998,750	3,567,480
Total employee benefits obligation	-	-	-	10,755,383	10,290,660

The Authority operates a defined benefit scheme for all full-time employees based on 21 percentage of salary of an employee at the time of retirement. The Authority also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month.

26. Cash generated from operations

	2019-2020	2018-2019
	Kshs	Kshs
Surplus for the year before Tax	46,318,216.00	(45,539,596.00)
Adjusted for:		
Depreciation	33,312,309.00	25,824,841.00
Working capital changes		
Increase/Decrease in receivable	11,080,522.89	21,544,139.00
Increase/Decrease in payables	(2,762,258.33)	(9,450,875.00)
Net cash flow from Operating Activities	87,948,789.56	(7,621,491.00)



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27. Financial Risk Management

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

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

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

The credit risk associated with receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

(ii) Liquidity risk management

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

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Trade payables	7,192,566		-	7,192,566
Provisions	-	-	11,242,583	11,242,583
Total	7,192,566		11,242,583	18,435,149
At 30 June 2019				
Trade payables	17,142,731		-	17,142,731
Provisions	-	-	4,054,671	4,054,671
Total	17,142,731		4,054,671	21,197,402

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates, which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

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

a) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected because of changes in interest rate levels. The entity's interest rate risk arises from bank deposits.

This exposes the entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits.

Management of interest rate risk

The policy of the Authority is to manage the interest rate risk based on financial instruments portfolio balancing to optimise and achieve a balance on risk and return analysis both in the short and in the long-term time range.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Sensitivity analysis

The policy is to analyse its interest rate exposure on a dynamic basis through sensitivity analysis. This involves determining the impact on gain or loss in event of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant.

The Authority held no investments in financial assets with financial institutions as at the end of the financial year that would expose it to interest rate risk.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Authority's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

b) Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

The Authority currently does not hold any financial assets in its books to consider relevant and observable market prices valuations where possible.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

v) Capital Risk Management

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

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	13,000,000	13,000,000
Retained earnings	(164,784,872)	(223,204,234)
Capital reserve	607,671,051	607,349,669
Total funds	455,886,179	397,145,435
Total borrowings		-
Less: cash and bank balances	319,614,103	(261,717,112)
Net debt/(excess cash and cash equivalents)	92,782,4067	135,428,323
Gearing	30.33%	34.1%

28. Related party balances

Nature of related party relationships

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

Government of Kenya

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

- i) The National Government
- ii) The Parent Ministry
- iii) Board of directors
- iv) Key management



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Capital commitments

Capital commitments	2019-2020	2018-2019
		Kshs
Authorised and not contracted for	-	225,000,000
Authorised and contracted for	208,315,145	-
Total	208,315,145	225,000,000

This relates to Risk Based Supervision system project whose commitments that have been authorised by the board but at the end of the year had not been contracted for as at end of the financial year.

30. Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

31. Events after the reporting period

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

32. Ultimate and holding Entity

The Authority is under the Ministry of Industry, Trade and Co-operatives. Its ultimate parent is the Government of Kenya.

33. Currency

The financial statements are presented in Kenya Shillings (Kshs).



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APPENDIX I : PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:

Peter Njuguna
 Chief Executive Officer
 Sacco Societies Regulatory

Date.....



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APPENDIX II: INTER-ENTITY TRANSFERS

SACCO SOCIETIES REGULATORY AUTHORITY				
Break down of transfers from State Department of Cooperatives				
FY 2019/2020				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amounts Kshs</u>	<u>FY to which the amounts relate</u>
		03.10.2019	5,925,000	2019/2020
		10.01.2020	5,925,000	2019/2020
		03.02.2020	5,925,000	2019/2020
		Total	17,775,000	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amounts Kshs</u>	<u>FY to which the amounts relate</u>
		22.10.2019	2,500,000	2017/2018
		24.01.2020	2,500,000	2017/2018
		Total	5,000,000	

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

Manager Finance
 Sacco Societies Regulatory Authority

Chief Finance Officer
 State Department of Cooperatives

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APPENDIX III : RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Where Recorded/recognized						
	As per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others
Ministry of Agriculture, Livestock, Fisheries and Co-operatives	03.10.2019	Recurrent	5,925,000	5,925,000	-	-	-	-
	10.01.2020	Recurrent	5,925,000	5,925,000	-	-	-	-
	03.02.2020	Recurrent	5,925,000	5,925,000	-	-	-	-
Total			17,775,000	17,775,000	17,775,000	-	-	-

The SACCO Societies Regulatory Authority
ASRA
Securing SACCO funds



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