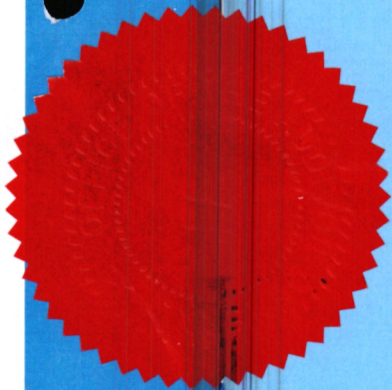


REPUBLIC OF KENYA



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REPORT

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ON

**THE FINANCIAL STATEMENTS OF
SACCO SOCIETIES REGULATORY
AUTHORITY (SASRA)**

FOR THE YEAR ENDED

30 JUNE 2018

DATE: 12 SEP 2019 **THURSDAY**

TABLED BY:	MAJORITY WHIP
CLERK-AT THE-TABLE:	



**THE SACCO SOCIETIES REGULATORY AUTHORITY
(SASRA)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

30TH JUNE 2018

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



Vision

A distinguished regulator of a financially inclusive and stable SACCO sector

Mission

To effectively regulate, supervise and develop the Sacco sector by promoting sound business practices in order to enhance stability, growth and access to financial services and member protection.

Core Values

- Integrity
- Accountability
- Innovation and creativity
- Professionalism
- Teamwork
- Trust



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KEY ENTITY INFORMATION

Background information

The Sacco Societies Regulatory Authority (**SASRA**) is a statutory state corporation established under the **Sacco Societies Act 2008 (Cap 490B)** of the Laws of Kenya (the Act) which came into full operation upon the gazettment of the Sacco Societies (Deposit-taking Sacco Business) Regulations, 2010 (the Regulations 2010) on 18th June 2010. SASRA is represented by the Cabinet Secretary for Industry, Trade and Cooperatives who is responsible for the general policy and strategic direction of the Authority.

Principal Activities

The principal mission of SASRA is to effectively regulate and develop Sacco Societies by ensuring safety, soundness and integrity in their operations in order to enhance growth in savings and stability of the Sacco sub-sector.

Key Management

The entity's day-to-day management is under the Chief Executive Officer who is the Accounting Officer. 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 Industry, Trade and Co-operatives.

Fiduciary Management

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

Designation	Name
i) Chief Executive Officer	John M. Mwaka
ii) Corporation Secretary & Head of Legal	Roselyne A. Ragama
iii) Chief Manager Sacco Supervision	Peter K. Njuguna
iv) Chief Manager, Finance & Planning	Kenneth O. Opiyo
v) Ag. Chief Manager Human Resource & Administration	Boniface W. Musumbi

Fiduciary Oversight Arrangements

The key fiduciary oversight arrangements in place besides the board with overall governance responsibilities;

- i) Audit, Risk Management and Corporate Governance Committee
- ii) Internal Audit & Risk department
- iii) Inspector General- State Corporations
- iv) Auditor General



Entity Contacts

P.O. Box 25089-00100
UAP Old Mutual Towers,
Upper Hill Road – Upper hill
Nairobi, KENYA
Telephone: 020-2935101
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
Kenya National Audit Office
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

BOARD MEMBERS

	<p>Hon. John M. Munuve - W.e.f 20th September 2018</p> <p>Hon. John Mati Munuve joins the 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.</p> <p>Mr. Munuve 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.</p> <p>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 also an accomplished published writer.</p>
	<p>Dr. Sammy Rutto - W.e.f 02nd Oct 2015</p> <p>Dr. Rutto is a PhD holder in Science Education from Kenyatta University, and MPhil. In Curriculum from the university of Cambridge, and MEd in philosophy from Kenyatta University. He is currently a Senior lecturer at the Pwani University since 2010 prior to which he was a lecturer and a research fellow at the University of Nairobi and a lecturer at the Kenyatta University. He has also served as a director in two institutes under the Kenyatta University. He has also served as a Member of Parliament for Kipkelion constituency between 2002 and 2007. He brings to SASRA a set of public and institutional administration and management skills accrued through his over 20 years of work experience.</p>
	<p>Ms. Eunice Nyambura - W.e.f 02nd Oct 2015</p> <p>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</p>

	<p>Industry Nairobi and also a member Steering Committee. Eunice brings to SASRA a wealth of over 10 years' experience in Banking, IT and Leadership.</p>
	<p>Ms. Alice .N. Mwololo, Alternate, PS National Treasury W.e.f 14th Oct 2015</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 Chief Economist 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>
	<p>Mr. Gerald Nyaoma, Alternate to CBK Governor - W.e.f 06th April 2016</p> <p>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.</p> <p>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 and worked in various offices and has served as the Acting Director, Internal Audit Department, Director, Bank Supervision Department and Director, Financial Services Department.</p>



**Mrs. Mary Mungai - Commissioner for Co-operative Development-
W.e.f 07th December 2016**

In her current role as the Commissioner, she is responsible for creating enabling environment for the development of the cooperative movement, enforcing compliance of the Act. She holds Master of Science degree in Agricultural Economics from Purdue University in USA and a Bachelor of Science in Agricultural Economics from University of Nairobi.

Mrs. Mungai has over 33 years' experience and skills in policy analysis, policy development where she has been involved in implementation of projects and projects funded by Ministries of Agriculture and Ministry of Co-operatives, IFAD, World Bank, GTZ, SIDA, FAO and European Union.



Mr. John Mwaka - 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 is a member of Kenya Institute of Management and Institute of Directors.

MANAGEMENT TEAM



Mr. John M. Mwaka

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 is a member of Kenya Institute of Management and Institute of Directors.



Mr. Peter K. Njuguna

Chief Manager - SACCO Supervision

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).



Mr. Kenneth Opiyo

Chief Manager - Finance and Planning

Mr. Kenneth Opiyo holds 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) of World Council of Credit Unions (WOOCU).



 <p>Mrs. Roselyne A. Ragama</p>	<p>Corporation Secretary & Head of Legal Affairs 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>Mr. Nelson W. Nyongesa</p>	<p>Manager - Internal Audit & Risk Mr. Nelson holds Masters of Arts in Economics from University of Nairobi, Bachelors of Arts in Economics (Hons) from Moi University and diploma in Public Relations Management from KIM. Nelson is Certified Public Accountant of Kenya, Certified Information System Auditor (CISA), and Certified Public Secretary of Kenya.</p>
 <p>Mr. Boniface Musumbi</p>	<p>Ag. Chief Manager - Human Resource and Administration 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>Ms. Anne W. Kago</p>	<p>Head of Corporate Communications 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 currently pursuing her chartered status with the Chartered Institute of Public Relations (CIPR) in the United Kingdom.</p>

CHAIRMAN'S STATEMENT

1.0 Overview on Credit Unions growth & Regulation

1.1 Credit Unions financial inclusion agenda

Globally, Credit unions or savings and credit cooperatives, are member-owned financial institutions providing financial access through savings and credit services to their members. Their existence therefore act as enabler to the financial inclusion agenda since they mobilise savings and extend credit to its members towards improvement of their economic and social well-being through asset accumulation and income generation. In a number of countries therefore, credit unions are legally authorized to serve non-members offering deposit services although only members are eligible to vote and borrow but both can access the savings services.

1.2 Emerging regulatory issues

1.21 *Protecting the brand SACCO*

Credit unions around the world continue to face regulatory challenges as they grow and similarly, financial services platforms continue to experience new complexities with likely impact to their members on social and economic fronts. In Australia, the government has released a draft bill to allow regulated authorised Deposit-Taking Institutions (ADIs) engaged in the business of banking to use the restricted terms 'bank', 'banking' and 'banker' without requiring the regulator's approval. The country's Customer Owned Banking Association (COBA) has welcomed the move, which will allow all credit unions and building societies to use the term 'bank'. The protection of the name "SACCO" therefore presents an opportunity to promote market confidence on regulatory front.

1.22 *Deposit Guarantee and Liquidity framework*

Lack of a legal framework for SACCOs to access the National Payment Systems (NPS) and a functional Central Liquidity Facility (CLF) poses a challenge in regard to the efficiency of the financial services offered by SACCOs, with the ultimate impact of undermining their stability, access and efficiency towards their competitiveness as well as growth. The Authority with the support from the National Treasury's Financial Sector Support Project (FSSP), commissioned an in-depth review of the legal and structural framework of the Deposit Guarantee Fund (DGF) as established under the Sacco Societies Act with a view to operationalize it.

1.22 *Regulatory policy issues*

The upward growth trajectory gained by the deposit-taking SACCO Societies upon the advent of formal prudential regulation in 2010, continued to reflect on growth key financial growth parameters. The SACCO's total assets increased to Ksh442.27 Billion in 2017/18 reflecting a growth rate of 12.4% from the previous year while total loans on the other hand grew to reach Kshs. 331.2 Billion reflecting a growth rate of 11.29% from



the previous year. Deposits grew to reach Kshs. 305.3 Billion reflecting a growth rate of 12% from the previous year. The sustained growth momentum is sufficient evidence of the effectiveness of the prudential regulatory framework for deposit-taking SACCOs in Kenya.

2.0 Market development and regulatory initiatives

2.1 Risk Based Supervision Framework

The Authority is reviewing its Supervisory Policy framework towards full realization Risk Based Supervision Framework (RBS) as mapped in the Medium Term Plan for Financial Services Sector being funded by the World Bank under the Financial Sector Support Project (FSSP) managed by PIU (Project Implementation Unit) under the National Treasury. This will facilitate prudential assessment of financial strengths of licenced SACCOs for early warning signs on SACCOs that could be on financial distress, hence the Authority will be able to issue timely mechanisms aimed and protecting members' interests as far as their savings and deposits are concerned.

2.2 Collaborative initiatives

Towards building its regulatory capacity, the Authority, is a member of International Credit Union Regulators Network (ICURN). This is an independent and not-for-profit association of financial cooperative supervisors as a standards setting body for effective supervision of financial co-operative institutions through guiding principles in a similar framework as BASEL for banks.

The affiliation to Alliance for Financial Inclusion (AFI) presents an opportunity to align its regulatory policies and practices to global practices. This is aimed at ensuring stability and integrity of SACCO's and protection of the consumers of their financial services. The Authority also is a member Joint Financial Sector Forum locally bringing together all financial sector regulators i.e. Central Bank of Kenya, Capital Markets Authority, Insurance Regulatory Authority and Retirement Benefits Authority (RBA) to share regulatory experiences collaborative framework on supervisory matters.

3.0 Conclusion

Finally, allow me to extend my gratitude foremost to the Government through the parent ministry for supporting the Authority through the year a critical factor to achieving our mandate. My appreciation also goes to the other financial services regulators for the collaborative support and also the board members for their key strategic and policy direction as well as management and entire staff in implementing the key programmes that has catapulted the Authority this far. Through their commitment the Authority envisages regulatory excellence that impacts growth of financial inclusion and guarantees best practices in market conduct and consumer protection.

A handwritten signature in black ink, consisting of several vertical and diagonal strokes, positioned above a dotted line.

Hon. John M. Munuve



CHIEF EXECUTIVE OFFICER STATEMENT

1.0 Overall performance of the Sacco Subsector nationally

1.1 Licensing status

The Authority commenced the year 2017/18 with a total of 176 DTSACCOs under its supervisory and regulatory oversight, two (2) of the DTSACCOs failed the prudential obligations, leading to a revocation of their respective licenses leaving 174 licenced by the Authority. During the financial year, no new SACCO Society was licensed with a total of five (5) applications being rejected for failing to meet the prescribed minimum licensing threshold.

1.2 Market share of DTSACCOs

The concentration of assets among just a few SACCOs continues to remain a key factor with 21 DT-SACCOs having asset base of over Kshs. 5 Billion controlling 59.84% of the total market share; while over 94 DT-SACCOs with assets below Kshs. 1 Billion controls a paltry 7.78% of the total assets. On the positive note, the DT-SACCOs maintained a relatively healthy liquidity position, with the ratio standing at slightly above 54% in 2017/18, against a ratio of 50% same period in 2016/17.

1.4 Financial soundness and stability

As mapped in its vision, financial stability and soundness of DTS's continues to remain key supervisory focus for the Authority. The main factors are resilience on capital adequacy to cushion against operational risks. This has seen a sustained growth in the aggregate core capital and capital adequacy ratios of which core capital increased to Kshs. 64 Billion in 2017 /18 from Kshs. 54 Billion recorded in 2016/17; while the aggregated core capital to total asset and the core capital to total deposits increased to 14.5% and 21% respectively in 2017/18 from 13.9% and 20% respectively recorded in the previous year.

1.5 Financial access and inclusion

SACCOs continued to expand their presence and operations to various parts of the country, with a total of 464 physical branches spread out in different parts of the country being recorded in 2017/18. In addition to the physical head office locations; which are themselves financial delivery channels, DT-SACCOs accounts for almost 638 physical financial delivery channels spread across the country. The continued use of ATM and mobile enabled technological platforms by DT-SACCO to provide a diverse range of financial services means that more Kenyans are being included in to the financial space of the country. A total of 114 DT-SACCOs and 120 DT-SACCOs were as at December 2017 connected to an ATM platform and mobile financial application respectively. In addition, DT-SACCOs have been active in the provision of Agency Banking services on behalf of commercial banks with some 107 DT-SACCOs providing agency banking service on behalf of one or two commercial banking institution.



2.0 Policy framework impacting on the DTs operational space

2.1 Risk Based Supervision (RBS)

The Authority is currently undertaking the process of revising RBS framework which will culminate in its automation. The framework aims at achieving online prudential assessment of DT Saccos in complying with key prudential ratios. The RBS project is co-funded by National Treasury Project Implementation Unit (PIU) under the Financial Sector Support Project (FSSP) of the World Bank and the Ex-chequer

2.2 Central Liquidity Fund (CLF)

A key challenge to the DTs is maintaining liquidity to meet demand deposits and extend credit. The Authority is in the process of establishing Credit Liquidity Facility (CLF) as a facility for lender of last resort with similar functions the Central Bank has. This will also facilitate a platform of inter-borrowing among the DT SACCOs thus enhancing financial access and stability of the sector in line with Vision 2030 priority project.

2.3 Deposit Guarantee Fund (DGF)

The operationalization of this fund as envisaged in the Sacco Society's Act, 2008 and mapped under Medium Term Plan III for the financial services sector commenced first by undertaking a technical review of the legal framework whose completion is expected in year 2018/19. The outcome of the exercise will inform the adoption of the best policy option and or framework to operationalize this fund.

2.4 Review of legal and regulatory framework

The Authority made proposals for amendment to the Sacco Societies Act. The Sacco Societies Amendments 2016 were enacted by the National Assembly in April but the same was referred to Senate because Deposit taking SACCOs being Cooperatives is partly regulated by the County Governments. The amendments which include enabling mandatory and full file sharing of credit information through credit reference bureaus will significantly thereby improve credit risk management with attendant liquidity gains.

3.0 Financial performance highlights

The total expenditure amounted to Kshs. 397.4 Million against revenue of Kshs. 345.9 Million resulting into a net deficit of Kshs. 51.4 Million compared to a surplus of Kshs.25.8 Million same period last financial year underscoring the importance of review of deposits levy to shore up revenue shortfall. While there was an upward trend in revenue due to DTs' growth in deposits which is the basis of assessment of levy, expenditure also grew slightly at a higher rate hence need to reduce dependency on exchequer funding which has been erratic. The increase in Total Assets and Liabilities from Kshs. 163.4 Million same period last financial year to Kshs. 416.7 Million for the reporting period was mainly due to capital grants inflows from ex-chequer for office partitions and Risk Based Supervision (RBS). This is reflected in net Cash and Cash equivalent of Kshs 198.5 Million up from Kshs. 109 Million same period last financial year. The Authority also operated within approved budget ceilings.

4.0 Future Outlook & Strategic direction

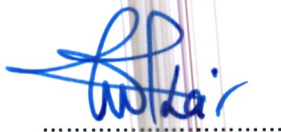
The Authority continues in its strategic path by living its mission of effectively regulating, supervising and developing the SACCO sector which defines its core mandate. The driving themes to this mission are;

- i) Financial stability of the Sacco sector;
- ii) Value addition and development of the Sacco sector, and;
- iii) Organizational sustainability.

In light of these key corporate strategy Key Result Areas(KRA's), the Authority sees itself as a critical facilitator of Affordable Housing under the 'Big Four" government agenda, by promoting market confidence through sound regulatory practices to attract savings and investments to fund this key pillar.

5.0 Conclusion

My sincere appreciation goes to the board of directors and management as well as the entire staff towards their support in making the undertaking of the Authority's core mandate a success. I do wish to thank the Authority's line Ministry of Industry, Trade and Cooperatives towards their facilitative role of providing requisite resources towards implementation of the regulatory framework hence great achievements for the sub-sector. I also recognize other stakeholders and more so peers in the financial sector regulation (CBK, CMA, IRA and RBA) in their unending support of providing guidance under the banner of Joint Financial Sector Regulators (JFSR).



John M. Mwaka



STATEMENT OF CORPORATE GOVERNANCE

1.0 Background and policy direction

The Board is committed to ensuring that the Authority's mandate as spelt out in the SACCO societies Act is run in a professional and transparent manner to take care of stakeholders interests as well as being responsible and accountable to the Government of Kenya, through the Ministry of Trade, Industry and Co-operatives by ensuring that the Authority complies with the law and the highest standards of corporate governance.

Good corporate governance is a fundamental facet of the culture and operations of the Authority and during the year 2017/18, the board focus was geared towards enforcement of its mandate as provided for under The Sacco Society's Act, 2008, of licensing and regulating deposit-taking Sacco societies. The Board works through Committees to enhance corporate governance; and they advise the Board on various issues, reviews, and monitor tasks assigned to it with the aim of improving efficiency and effectiveness.

2.0 Board Meetings

Full Board meetings

The following table show the full board meetings held during the financial year 2017/18;

Name	Scheduled Full Board - 4meetings	Special full board-5 meetings	Total No of meetings attended
Dr. Sammy Rutto	4	5	9
Ms. Eunice N. Mwangi	4	4	8
Ms. Alice Mwololo	2	2	4
Mr. Gerald Nyaoma	3	5	8
Mrs. Mary Mungai	4	5	9

Board Committees

During the period under review, the Board established the following committees:

i) Supervision, Research, Legal & ICT Committee

The committee terms of reference mainly include:

- Providing policy guidance on technical aspects of the functions of the Authority in licensing and supervision of SACCOs;
- Reviewing and advising the Board on technology budgets as well as major investments in new operational models and information technology platforms, investments, partnerships and alliances;
- Making recommendations to the Board of Directors with respect to ICT and related projects and investments that require Board approval;
- Reviewing and monitoring the Authority's research and development reports;
- Reviewing and monitoring operational strategy based on current social, economic and political factors;
- Reviewing issues affecting the acceptance of the Authority's policy prescriptions by government and other stakeholders.

Meetings attendance

Name	Scheduled Board Committee -4 meetings	Special Board Committee-0	Total No of meetings attended
Eunice .N. Mwangi	3	0	3
Alice Mwololo	0	0	0
Gerald Nyaoma	4	0	4
Mary Mungai	2	0	2
Dr. Sammy Rutto	1	0	1
John Mwaka- CEO	4	0	4
Roselyne Ragama- Corporation Secretary	4	0	4

Audit, Risk Management and Corporate Governance Committee

The terms of reference for the committee are;

- Monitors and evaluates the adequacy of internal controls;
- Evaluates the performance of the authority's internal audit function and the external independent auditors and is directly responsible for the oversight of the work of the external auditor;
- Develops effective risk management strategies and policies;
- Monitors compliance by the authority with the policies, legal and regulatory requirements; reviews, monitors and increases the quality and the extent of the authority's contribution to the social and economic development;
- Reviews significant reports prepared by the internal audit department and management's responses;
- Receives reports from management concerning the authority's conformity with public service code of conduct and applicable legal requirements.

Meetings attendance

Name	Scheduled Board Committee - 6 meetings	Special Board Committee-1 meeting	Total No of meetings attended
Dr. Sammy Rutto	6	1	7
Gerald Nyaoma	5	1	6
Eunice Mwangi	4	0	4
Alice Mwololo	4	1	5
Mary Mungai	1	0	1
Nelson Nyongesa- Manager Internal Audit & Risk	6	1	7

Finance, Human Resource Management and Administration Committee

The terms of reference of the committee are as follows;

- Reviewing and making recommendations to the Board on the financial strategy of the Authority ensuring its adequacy and soundness in providing for the Authority's current operations and long term stability;
- Reviewing, discussing and making recommendations to the Board on significant financial planning, management and reporting issues of the Authority;



- ensuring all expenditures of the Authority are within the approved budgets; reviewing procurement and disposal plans and consolidated annual procurement plan and submitting them to the Board for approval;
- Monitoring the management's strategy towards ensuring efficiency and integrity of the Authority's procurement systems;
- The Committee is responsible for developing a proactive Human Resource and Administration policies, procedures and strategies that retain and motivate staff for a higher performance in realizing the Authority's goals and objectives;
 - ✓ Reviewing the HR Policy Manual in line with the changing working environments;
 - ✓ Reviewing the organization structure of the Authority from time to time;
 - ✓ Developing, reviewing, implementing and monitoring staff training and development programmes;
 - ✓ Developing policies on staff performance management systems like Performance Appraisals, Job evaluation, Job Satisfaction and Performance Incentive Schemes.

Meetings attendance

Name	Scheduled Board Committee -4 meetings	Special Board Committee-1 meetings	Total No of meetings attended
Sammy Rutto	4	1	5
Eunice Mwangi	4	1	5
Mary Mungai	4	1	5
Gerald Nyaoma	2	0	2
John Mwaka- CEO	4	1	5
Roselyne Ragama- Corporation Secretary	4	1	5

3.0 Risk Management and Internal Control

The Board acknowledges their responsibility as set out on the Statement of Directors Responsibility for the authority's system of internal financial control. The Board is responsible for monitoring compliance with the Authority's risk policies and procedures, and for reviewing their adequacy. The Board is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk controls and procedures, the result of which are reported to the Board Audit Risk and Corporate Governance Committee.

The Authority's risk management policies are established to identify and analyse the risks faced by the Authority, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Authority through its Internal Audit & Risk Department developed an Institutional Risk Management (IRM) framework geared towards assessment of risks and mitigation strategies which is reviewed annually.

4.0 Board performance

The Authority's board in line with best corporate governance practice and Mwongozo, the Code of Governance for State Corporations, it requires that the Board of Directors of State Corporations carried out its annual performance evaluation on 27th August 2018. However, the Authority did not have an appointed board chairman during the period under review. The following is a summary of the performance evaluation results for the year 2017/2018 both for Corporate and Individual Board members;



	Name of Director	Position	Date of Appt	Expiry of term	Raw Score	%age Score
1	Mr. Gerald Nyaoma Arita	Member	N/A	N/A	4.67	93.47
2	Mrs. Mary N. Mungai	Member	N/A	N/A	4.65	93.03
3	Mrs. Alice Mwololo	Member	N/A	N/A	4.27	85.50
4	Ms. Eunice Nyambura Mwangi	Member	2-10-2015	1-10-2018	4.56	91.16
5	Dr. Sammy Rutto	Member	2-10-2015	1-10-2018	4.65	93.00
6	Mr. John Mwaka	CEO	1-5-2017	30-4-2021	4.11	82.27
Corporate Board performance					4.43	88.63

5.0 Board capacity building

The following is a summary of key board capacity building undertaken during the year;

i) *World Council Of Credit Unions (WOCCU) Conference, Singapore-15th – 18th July, 2018*

The Conference enabled the Board Members interact globally with the credit union/Sacco industry and offered key topics, networking opportunities and an excellent team-building environment that facilitated and would assist the Board Members in decision making.

ii) *International Credit Union Network (ICURN) Conference, Dublin Ireland -25th – 27th July, 2018*

The annual conference is the largest annual gathering of financial cooperative supervisors from around the globe and provided an unparalleled opportunity to stay on top of the latest trends and methodologies in supervising credit unions and Saccos. The Conference explored topics such as cybersecurity, FinTech developments, cryptocurrencies, and RegTech initiatives.

iii) *Institute of Directors Governance Conference, The King IV Report, Nairobi- 26th Sept 2017*

Enable the Board Members sharpen their skills on effective best international practices in corporate governance and governance codes with a focus on the Kenyan codes and the King IV code of corporate governance.

iv) *Audit Committee Training by the Kenya School of Government, Nairobi-23rd – 25th April, 2018.*

Enable Audit Committee members sharpen their skills in their oversight responsibility in regard to the Audit and Risk functions of the Authority



STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

1.0 Preamble

The Sacco Societies Regulatory Authority (SASRA) is committed to the effective integration of a Corporate Social Responsibility (CSR) programmes into all areas of its work environment, by people at all levels within the Authority, starting with the Board of Directors, the Chief Executive and Senior Management. We fully accept our responsibility to fulfill our wider corporate social responsibilities and see it as fundamental to our long-term sustainability and growth.

2.0 Our commitment

The authority through its corporate social responsibility policy endeavors to:

- To promote corporate social responsibility in the Authority;
- Enhance the profile and reputation of the Authority by its dedication to social responsibility;
- To provide a reference point to guide employees and stakeholders on the values which drive the conduct of our affairs and relationships with the community in which we operate;
- To encourage the adoption of practices which are intended not only to achieve compliance with applicable laws but also to exceed this standard by the implementation of recognized best practice.
- Adherence to the Code of Governance for Government Owned Entities (Mwongozo)

3.0 Our achievements

In pursuit towards the fulfillment of the Authority's corporate social responsibility policy, the Authority was able to achieve the following:

3.1 Ushirika Day Celebrations

The Ushirika Day Celebrations is an event held annually during which the Ushirika Council sets aside an environmental day. During the period under review, the Authority sponsored the tree planting event that took place at the Nairobi Agricultural Showground.

3.2 CSR Committee

The formation of this committee arose from the policy direction that required the Authority to have a CSR committee in place. After consultations the committee was merged with the environmental committee and letters of appointments were issued during the period.

4.0 Environmental sustainability

The Authority being a regulator in the financial services sector collaborates with fellow peers Capital Markets Authority, Retirement Benefits Authority and Insurance Regulatory Authority on annual tree planting activity under joint collaboration. During the year, the Authority planted five hundred (500) trees towards reclaiming the Nairobi river an event that was organized by Nairobi County.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 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 Authority for the year ended June 30, 2018 are set under financial statements.

Directors

The members of the Board of Directors who served during the year are shown on pages 6-9 in accordance with the Authority's Act 2008. All board members are appointed to serve for three (3) years.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with the Public Audit Act, 2015 and Public Finance Management (PFM) Act, 2012.

By Order of the Board



Roselyne Ragama
Corporation Secretary
Nairobi

Date:8/5/2018

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 year/period and the operating results of the *entity* for that year/period. The Directors are also required to ensure that the authority keeps proper accounting records which disclose with reasonable accuracy its financial position.

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of its state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2018. 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 *entity*; (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 judgements 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 *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of the Authority's financial position as at that date. The Directors further confirm 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 **31st July 2018** and signed on its behalf by:



Hon. John M. Munuve
Board Chairman

Date: 08-05-2019.



John M. Mwaka
Chief Executive Officer

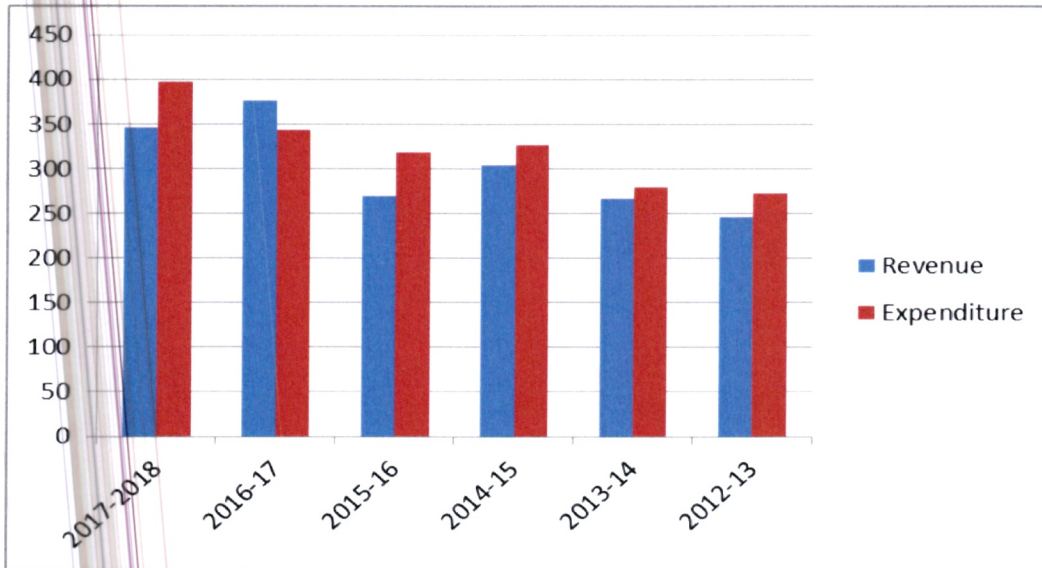
Date: 08.05.2019

MANAGEMENT DISCUSSION AND ANALYSIS

1.0 Financial performance

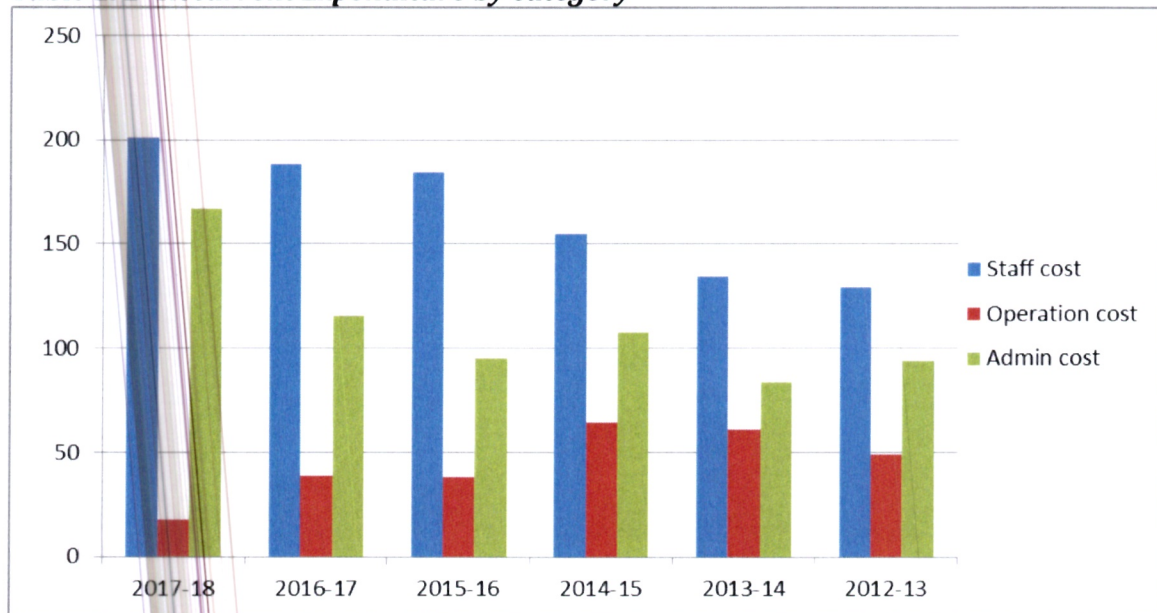
The graphical highlights in summary shows the Authority's performance for a Six year period from year 2012/13 to 2017-18 is as below;

Table 1.1 Total Revenue versus Expenditure (Recurrent & Development)



Source: Audited financial statements

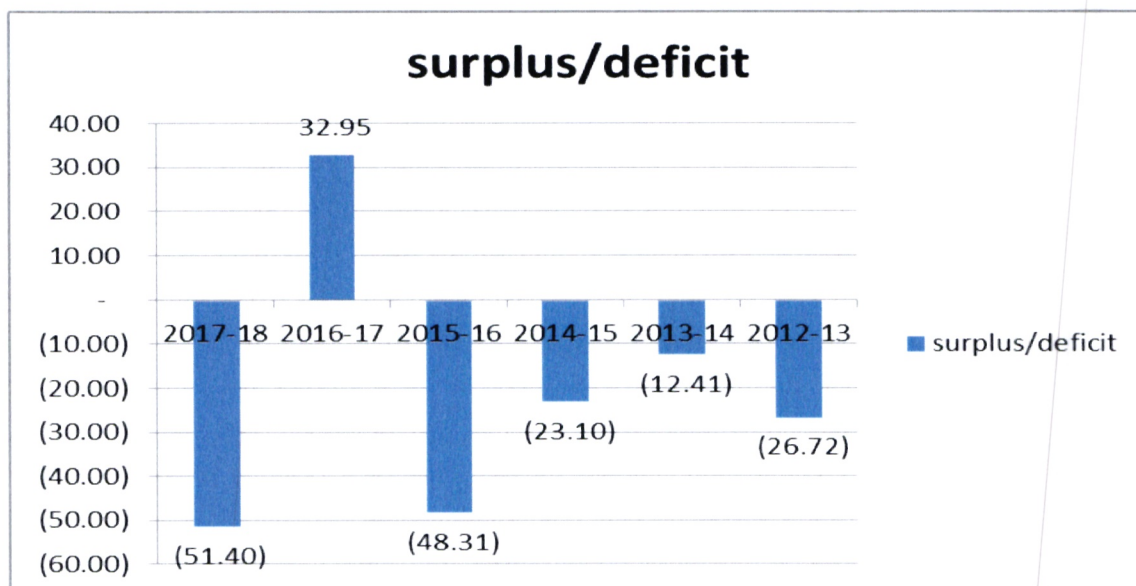
Table 1.2- Recurrent Expenditure by category



Source: Audited financial statements



Table 1.3- Operational performance trends



Source: Audited financial statements

2.0 Key projects and investment decisions

2.1 Risk Based Supervision(RBS)

The review and automation which includes integration of RBS framework will facilitate prudential assessment of financial strengths of licensed SACCOs with focus on key parameters geared towards strong and sound institutions. This will enable the Authority identify early warning signs on non-complying SACCO's based on prudential guidelines, hence the Authority will be able to issue timely mechanisms aimed and protecting members interests as far as their savings and deposits are concerned. Both projects are supported by National Treasury Project Implementation Unit (PIU) under the Financial Sector Support Project (FSSP).

2.2 Central Liquidity Fund(CLF)

The Authority is in the process of establishing Credit Liquidity Facility (CLF) for the Deposit taking SACCOs and reviewing Risk Based Supervision Framework (RBS). The CLF facility will act as a lender of last resort and also facilitate a platform of inter borrowing among the DT SACCOs thus enhancing financial access and stability of the sector in line with Vision 2030 priority project.

2.3 Deposit Guarantee Fund(DGF)

The operationalization of this fund as envisaged in the Sacco Society's Act, 2008 has been hampered by lack of seed capital and legal challenges on feasible model. The Authority has commenced the process of undertaking a technical review that will inform the legal aspects to be addressed as well as operational structure. The initial funding has been requested through the ex-chequer to address the starting of this fund.

2.4 Review of legal and regulatory framework

The Authority made proposals for amendment to the Sacco Societies Act. The Sacco Societies Amendments 2016 were enacted by the National Assembly in April but the same was referred to Senate because Deposit taking SACCOs being Cooperatives is partly regulated by the County Governments. The amendments which include enabling mandatory and full file sharing of credit information through credit reference bureaus will significantly thereby improve credit risk management with attendant liquidity gains.

3.0 Authority's 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 currently 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.

4.0 Compliance with Legal and statutory requirements

4.1 Legal compliance

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

4.2 Material arrears in statutory and or financial obligations

The Authority was able to meet most of its financial obligations as they fall due. All statutory payments were paid within the stipulated time to the respective Government agencies.



REPORT OF THE AUDITOR GENERAL

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON SACCO SOCIETIES REGULATORY AUTHORITY (SASRA) FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Sacco Societies Regulatory Authority set out on pages 28 to 52, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Sacco Societies Regulatory Authority as at 30 June, 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Sacco Societies Act, 2008 [Cap 490B] and Sacco Societies Regulations, 2010.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Sacco Societies Regulatory Authority in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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.

Report of the Auditor-General on the financial statements of SACCO Societies Regulatory Authority (SASRA) for the year ended 30 June 2018

Other Matter

Lack of a Board Chairman

The position of the chairman of the board fell vacant on 6 February 2017 when the former chairman exited. During the year under review, the Authority operated with five board members without a substantive Chairman contrary to Section 1 of the Mwongozo Code of Governance and Section 6 (1)(a) of the State Corporation Act.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

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

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

Those charged with governance are responsible for overseeing the 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 Sacco Societies Regulatory Authority 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:

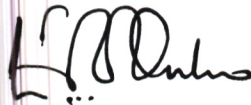
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 or to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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.



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

Nairobi

24 June 2019



STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30TH JUNE 2018

	Note	2017-2018	2016-2017
		Kshs.	Kshs.
Operational Revenue			
Revenue from non-exchange transactions	3		
Public contributions & Donations	3(a)	40,061,073	9,823,090
Government grants & Other	3(b)	83,009,000	165,788,010
Revenue from Exchange Transaction	4	222,837,532	200,694,867
Total Revenue		345,907,605	376,305,967
Expenditure			
Employee costs	5	201,229,761	190,936,052
Board expenses	6	11,364,064	18,733,577
Operating & Maintenance Costs	7	17,832,679	20,038,507
Office administration costs	8	126,914,590	120,777,543
Professional fees- FSSP Donor Funded	9	12,555,155	-
Capacity development costs- FSSP Donor Funded	10	27,505,918	-
Total Operational Expenditure		397,402,168	350,485,680
SURPLUS /(DEFICIT) FOR THE PERIOD		(51,494,563)	25,820,287

STATEMENT OF FINANCIAL POSITION


AS AT 30TH JUNE 2018

ASSETS	Notes	2017-2018	2016-2017
		Kshs.	Kshs.
Current Assets			
Cash and cash equivalents	11	198,590,132	109,646,101
Receivables from non-exchange transactions	12	43,234,655	22,399,111
Receivables from exchange transactions	13	1,162,201	798,005
Inventories	14	4,378,711	3,930,966
		247,365,699	136,774,183
Non-Current Assets			
Property, Plant and Equipment	15	169,424,512	26,644,949
Intangible Assets	16	-	576
		169,424,512	26,645,526
TOTAL ASSETS		416,790,211	163,419,708
FUNDS & LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	17	35,604,737	18,430,103
Provisions	18	10,996,314	7,759,171
Total		46,601,051	26,189,274
Funds & Reserves			
Capital Reserves	20	537,349,669	193,044,523
Accumulated surplus	21	(180,160,509)	(68,814,089)
Revaluation surplus	22	13,000,000	13,000,000
		370,189,160	137,230,434
TOTAL FUNDS & LIABILITIES		416,790,211	163,419,708

The Authority's financial statements were approved by the board of directors on 31st July 2018 and signed on its behalf by:



Hon. John M. Munuve
Board Chairman



John M. Mwaka
Chief Executive Officer



Kenneth O. Opiyo (ICPAK R/No 6755)
Chief Manager Finance & Planning

Date 08.05.2019

Date 08.05.2019

Date 08/05/2019



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

	Capital reserve	General reserve	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 30 June 2015	186,476,333	(51,265,967)	-	135,210,364
Surplus/Deficit for the period	-	(63,404,711)	-	(63,404,711)
Add prior year adjustment	-	5,572,147	-	5,572,147
Transfer from development Funds	4,149,200	-	-	4,149,200
Balance as at 30 June 2016	190,625,533	(102,334,261)	-	88,291,271
Surplus/Deficit for the period	-	25,820,287	-	25,820,287
Revaluation of Assets	-	-	13,000,000	13,000,000
Prior Year adjustments		7,699,885.00		
Transfer from development. Funds	2,418,990			
Balance as at 30 June 2017	194,970,323	(68,814,089)	13,000,000	137,230,434
Surplus/Deficit for the period	-	(51,494,563)	-	(51,881,183)
Revaluation of Assets	-	-	-	-
Add: Prior year adjustments	60,000,000	(59,851,857)	-	148,143
Transfer from development Funds	270,000,000	-		270,000,000
Capital donations from FSSP	12,379,246	-	-	12,379,246
Balance as at 30 JUNE 2018	537,349,669	(180,160,508.84)	13,000,000	370,189,160



STATEMENT OF CASHFLOW
FOR THE YEAR ENDED 30TH JUNE
2018

Cashflows from operating activities	Notes	2017-2018	2016-2017
Receipts		Kshs	Kshs
Revenue from Non-Exchange Transactions	3		
<i>i) Public contributions and donations</i>	3(a)	40,061,074	8,282,122
<i>ii) Government grants and subsidies- Recurrent</i>	3(b)	83,009,000	168,207,000
Revenue from exchange transactions	4	222,837,532	200,694,867
Total		345,907,606	377,183,989
Payments			
Employees Costs	5(a)	186,891,688	186,849,552
Board expenses	6	11,364,064	18,733,577
Operating & Maintenance costs	7	17,832,769	20,038,507
Rent paid	8	37,313,411	30,378,880
Other administrative costs	8	89,601,179	77,747,664
Professional Fees- FSSP donor funded	9	12,555,155	-
Capacity development costs -FSSP donor funded	10	27,505,918	-
Total		383,064,184	333,748,180
Net cashflows from operating activities		(37,156,579)	43,435,809
Cash flows from investing activities			
Purchase of property, Plant & Equipment	15	(142,663,681)	(2,418,990)
(Increase)/Decrease in current receivables	12,13&14	(21,647,486)	4,343,601
Increase/(Decrease) in payables &provisions	17&18	20,411,777	4,041,980
Net cashflows used in investing activities		(143,899,390)	5,966,591
Cash flows from Financing activities			
Government grants and subsidies- Capital	20	270,000,000	-
Net cashflows from Financing activities		270,000,000	-
Net increase/(decrease)in cash and cash equivalents		88,944,031	49,402,399
Cash and cash equivalents brought forward(B/f)		109,646,101	60,243,702
CASH AND CASH EQUIVALENTS AS AT 30TH JUNE 2018		198,590,132	109,646,101



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

A. RECURENT	FINAL PROPOSED BUDGET ESTIMATES FY 2017/18	ACTUAL EXP.	VARIANCE	NOTE
Revenue	Kshs.	Kshs	Kshs	
Donor support	-	40,061,073	40,061,073	a)
Revenue from non- exchange transactions	83,000,000	83,009,000	9,000	
Revenue from exchange transactions	297,140,400	222,837,532	(74,302,868)	b)
Total	380,140,400	345,907,605	(34,232,795)	
Expenditure				
Employee costs- Remuneration & other costs	199,097,960	193,906,118	5,191,842	c)
Provision for employee leave and Gratuity	-	7,323,643	-	d)
Board Expenses	18,621,000	11,364,064	7,256,936	e)
<i>Operating & Maintenance costs</i>				
Repairs & Maintenance of Equipments	10,900,000	1,210,462	9,689,538	f)
Repairs & Maintenance of Motor Vehicles	9,603,000	4,358,173	5,244,827	g)
Provision for depreciation	-	12,264,044	-	h)
Sub- Total	20,503,000	17,832,680	2,670,320	
<i>Administration expenses</i>				
Travel, Accomodation, Training, Hospitality & Professional fees	74,320,030	61,076,301	13,243,729	i)
-FSSP Consultancy support		12,555,155		
-FSSP Capacity building support	-	27,505,918	-	
Office running & Maintenance	3,460,000	2,608,361	851,639	j)
Printing Stationery & Loose tools	7,038,000	4,191,995	2,846,005	k)
Security Expenses	720,000	720,000	-	
Rent, Rates & Parking	37,313,410	37,313,411	-	
Corporate image, Communication, Governance & Publicity	19,067,000	21,004,521	(1,937,521)	l)
Sub- Total	141,918,440	166,975,662	15,003,852	
	380,140,400	397,402,167	(17,261,767)	
Surplus /(Deficit) for the period	-	(51,494,562)	-	



B. DEVELOPMENT/CAPITAL	FINAL PROPOSED BUDGET ESTIMATES FY 2017/18	ACTUAL EXPENDITURE	VARIANCE	NOTE
Revenue	Kshs	Kshs	Kshs	
Internally Generated Revenue(AIA)	15,500,000	638,600.00	(14,861,400.00)	m)
GoK grants	300,000,000	270,000,000.00	(30,000,000.00)	n)
Donor Support	95,600,000	60,178,229.00	(35,421,771.00)	o)
Total	411,100,000	330,816,829	(80,283,171)	

Expenditure

Supervisory, regulatory research & policy devt	77,500,000	35,243,729.00	42,256,271	p)
Professional fees for other regulatory activities	92,600,000	12,555,154.00	80,044,846	q)
RBS system & other ICT equipment	71,000,000	638,600.00	70,361,400	r)
Property & Equipment	-	12,379,346.00	(12,379,346)	s)
Office design & Partition	170,000,000	140,848,546.00	29,151,454	t)
Total Development/Capital expenditure	411,100,000	201,665,375	209,434,625	
Surplus /(Deficit) for the period	-	129,151,454		

Explanation of material Variances

- a) The favourable variance is due to World Bank support through FSSP project for staff capacity building programmes, consultancies on DGF framework and RBS framework;
- b) The shortfall in revenue is due to delay in approval of revised deposit levy order to 0.125% from 1% still in process hence missed revenue but expected to be realized in FY 2018/19;
- c) The unfavorable variance is the windfall effect of staff capacity development programmes funded by donor whose offsetting effect is explained under a) though not budgeted for;
- d) This relates to provision for staffs leave and gratuity which is accrued and does not involve movement in cash not provided for in the budget;
- e) The favorable variance was a result of cost savings due to delayed board appointments hence cost reduction on expenditure on board activities;
- f) The under expenditure is due to maintenance fee payable to vendor for ERP based on milestones on modules operationalised contract obligations not achieved by end of financial year;
- g) The favorable variance was due to three grounded Authority vehicles for most part of the year hence reduced maintenance costs;
- h) This relates to provision for depreciation that does not involve cash movements but expensed in determining financial performance not in the approved budget;



NOTES TO THE FINANCIAL STATEMENTS

- i) The cost savings was due to reduction in legal costs in view the magnitude of the fees charged and postponed consultancies in view of change in strategic direction;
- j) The cost savings is due to efficient utilization of consumables and cost management on bulk buying via framework contracts;
- k) The favourable variance is due to reduction on copies printed for Sacco Supervision and Financial statements and more use of ICT for online access of publications via web portal;
- l) The cost overrun was due to adverts in the media on emerging regulatory matters such as cybersecurity, and unlicensed SACCOs whose dissemination was critical from market conduct perspective;
- m) The shortfall in revenue is due to delay by approval of revised deposit levy order to 0.125% from 1% still being pursued hence missed revenue to fund the planned development activities;
- n) The shortfall is mainly due to development grants relating to RBS project of Ksh 25 million not remitted as at end of financial year;
- o) The shortfall is due to approved regulatory activities such i.e. Deposit Guarantee Fund (DGF) framework review and RBS review whose contracts had not been concluded by close of financial year;
- p) The under expenditure is due to delay in consultancy for DGF legal review supported by FSSP that would have led to commitment of GoK grants received;
- q) The under expenditure is due to delay in regulatory activities as explained under 0) mainly for consultancies;
- r) The favorable variance is due to RBS system which could not be deployed before capacity assessment consultancy sponsored by FSSP;
- s) This relates to furniture donated to the Authority through FSSP being a windfall not budgeted for; and,
- t) The cost savings relate to reviewed costs of partitions and tendering process that led to reduced cost of partitions and movement to the new premises.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation of financial statements

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) to the extent applicable. The financial statements are presented in Kenya shillings the functional currency of the Authority and all values rounded to the nearest one unit. The accounting policies have been also been applied consistently based on financial information presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

The Authority adopted IPSAS in the year 2014 following the gazette of the Public Sector Accounting Standards Board (PSASB) established under Section 192 of the Public Financial Management Act (PFM) No. 18 of 2012. PSASB issued financial reporting guidelines adopted by all state organs and public sector entities.

2. Summary of significant accounting policies

a) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

IPSAS 39: Employee Benefits Applicable: 1st January 2018

The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

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 which are covered purely under Public Sector combinations as amalgamations.

b) Revised standards issued but not effective

IPSAS 21: Impairment of Non-cash generating assets and 26: Impairment of cash generating assets

Amended the scope of impairment of revalued assets IPSAS 21 of Non-Cash-Generating Assets and of Cash-Generating Assets respectively to include assets measured at revalued amounts – Effective 01st July 2019.

IPSAS 39 Employee benefits

Amended to replace IPSAS 25 effective date from 01st July 2019.



NOTES TO THE FINANCIAL STATEMENTS continued

c) Revenue recognition

i) Revenue from Non Exchange transactions

Public contributions & Donations,

The Authority recognizes revenues from Public contributions & 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 signed and payments disbursed based on deliverables or tangible transfer of equipment received.

Transfers from other government entities

Government Grants to the Authority via Exchequer towards the expenditure incurred by the Board in the exercise of its powers or the performances of its functions under the Act recognized when received and are accounted for in accordance to IAS 28-Government grant. The measurement is at fair value and recognized on obtaining control of the asset (cash, goods, services and property) subject to transfer being 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 based on approved grants. 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.

ii) Revenue from exchange transactions

Sacco deposit Levies & Licence fees

Sacco deposits levies and licence fees are recognised based on the licence period they relate to and when the outcome of the transaction can be estimated reliably. Licence fees recognized when received 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 0.1% of the total deposits held by licenced SACCO's as per balances held as at 31st December 2017.

d) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

e) 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

NOTES TO THE FINANCIAL STATEMENTS continued

recognition criteria are satisfied. All other repair and maintenance costs are recognized under operational

Expenses as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The annual depreciation amortization rates in use are:

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

The assets residual values and lives are reviewed and adjusted based on assessed carrying amounts as appropriate at each reporting date. Gains and losses on disposal are determined by reference to their carrying amounts and are taken into account as surplus or deficit.

f) Intangible assets

Intangible assets acquired separately are initially recognized at cost. These consist of development costs that are directly attributable to design, testing and installation of identifiable and unique Information Communication Technology software products controlled by the Authority and is amortized over the expected useful life of three years hence depreciated at 33.3% Costs associated with maintaining computer software programs are expensed and treated under the Statement of Financial Performance.

g) Taxes

The Authority is exempt from income tax vide PFMA regulation 34 of 2015 and specifically regulation 219 exempts the Authority from paying taxes in the future. However, the Authority will be required to submit 90 percent of its surplus to the National Treasury based on audited financial performance.

h) Impairment of non-financial assets

The carrying amounts of the Authority's tangible and intangible assets are reviewed at each financial year balance to determine whether there is any indication of impairment. If such condition exists the recoverable amount of the asset is estimated to determine the extent of impairment loss (if any). If the recoverable amount of the asset is estimated to be less than its carrying amount an impairment loss expense is recognized immediately unless the relevant asset is carried at revalued amount in which case the impairment loss is treated as a decrease in revaluation reserve. The Authority did not have non-financial assets for measurement of impairment during the year under review.



NOTES TO THE FINANCIAL STATEMENTS continued

i) Impairment of financial assets

The Authority 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 of an entity 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:

- The Authority 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)

j) 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 labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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.

NOTES TO THE FINANCIAL STATEMENTS continued

k) Provisions

Provisions are recognized when the Authority 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 Authority expects some or all of a provision to be reimbursed, 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.

l) Contingent Liabilities

The following are some of the contingencies that could give rise to possible claims on assessments as a result of counter claims that could arise due to litigation matters on following cases pending in court as at the close of the financial year;

- i) John Korir v SASRA - Judicial Review No.2 of 2013 in the High Court – Eldoret.
- ii) Silas Kipkemboi v SASRA – Civil Appeal in the High Court – Eldoret.
- iii) Robert Nyongesa v SASRA – Civil Appeal - Nairobi.
- iv) Irene Koki Muasya v SASRA - Petition No. 1764 of 2013 in the Industrial Court - Nairobi.
- v) Renold Alwanga v SASRA and Ministry of Industrialization and Enterprise Development - Petition No. 749 of 2015 in the Industrial Court - Nairobi.
- vi) Dominic Chungani Muteshi vs SASRA Board Case no. 1437 of 2016 in the Employment and Labour Relations Court Nairobi
- vii) New Milimani Sacco vs SASRA Case No. 309 of 2016 in the High Court – Nairobi
Julius Marigi Atemba & 3 others vs SASRA and Others Constitutional Petition No. 11 of 2016 at the High Court - Nyamira.
- viii) Vincent Mokua Oigo vs SASRA and Wakenya Pamoja Sacco Cause No.2543 of 2016 of the Employment and Labour Relations Court – Nairobi.
- ix) Tobias Apollo Awuor vs Telepost Sacco - Co-operative Tribunal Case No. 30 of 2017 – Nairobi
- x) Council of Governors vs SASRA and 19 Others - Constitutional Petition No. 278 of 2017 – Nairobi.
- xi) Republic through Geoffrey Mwera (Investigating officer) v SASRA and 4 Others Misc. Criminal Application no. 96 of 2018



NOTES TO THE FINANCIAL STATEMENTS continued

The cases are yet to be determined and the authority has presented its defence and anticipates the outcome will be in their favour hence no outflow in terms of financial effect arising from court awards.

m) Leases

The Authority signed a six (6) year operating lease for rental premises at UAP Old Mutual Towers at Upper hill for two floors with a total square footage of 22,408 effective 01st February 2017. The rental payments for the premises are expensed in the Statement of Comprehensive Income on terms of the lease agreement. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the lessee i.e. the Authority. The liability likely to arise from future lease rentals payments have been analysed as below;

Period	1 Years	2-5 Years	Over 5 Years
Amount in Ksh.	34,532,643	138,130,572	34,532,643

n) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements which are;

Capital Funds

This capital reserve represents all monies received from government grants and other sources towards capital expenditures as approved by the National Assembly.

Accumulated surplus

This reserves represents accumulated balances from financial performance in terms of surplus or deficits arising from operational activities of the Authority in line with its mandate.

o) Changes in accounting policies and estimates

The Authority recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical. The Authority has applied accounting policies and estimates consistently in all the years presented and where possible restated.

p) Employee benefits

Retirement benefit obligations

The Authority operates a defined contribution scheme for all employees by paying fixed contributions into a separate entity. The assets of these schemes are held in a separately administered fund that is funded by contribution from the Authority and employees. The

NOTES TO THE FINANCIAL STATEMENTS continued

Authority has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior period. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

q) Cash and cash equivalents

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

r) Trade and other receivables

Receivables are recognized at anticipated realizable value less an allowance for any uncollectible amounts. An estimate or specific provision is made for doubtful receivables based on the review of all outstanding amounts at the year end. Any write off must be done when all reasonable steps to recover them have been taken without success.

s) Related parties transactions

The Authority has disclosed all related party transactions during this reporting period under staff and board costs. The aggregate remuneration of key management and board amounted to Kshs 33.5million for management with fiduciary responsibilities under Note 5 and K.sh 4,325,000 for board sitting allowance reflected under Note 6

t) Comparative figures

Where necessary comparative figures for the previous financial year have been aligned to the transactions classifications adopted hence reconfigured to conform to the required changes in presentation and disclosure.

t) Significant judgments and sources of estimation uncertainty

Estimated useful life of Assets

The management assesses useful lives and residual values of Property, Plant and Equipment (PPE) based in following indicators and good policy practice within the public sector 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; and, Changes in the market in relation to the asset provision.

Provisions

Provisions were raised and management determined the estimates based on the available information within the Authority's records as follows;



N

NOTES TO THE FINANCIAL STATEMENTS continued

- Provisions for staff leave balances are measured based on monetary value of outstanding leave days required to settle the obligation as at reporting date applied to the basic salaries.
- Provisions for doubtful debts are based on assessment of likelihood of receivables inflows based on the holder ability to settle when it falls due.
- Staff gratuity are based on terms and conditions of service under human resource policy for the staff serving on contract terms.
- Other provisions for the payables are measured based on contractual obligations and subsequent deliverables as at the end of the financial period.

q) *Subsequent Events*

The Authority is still subject to presidential reforms directives to merger under the Financial Services Authority together with Capital Markets Authority, Insurance Regulatory Authority and Retirements Benefits Authority. As at the close of financial year, no official communication was received negating this government policy position. This has the potential of affecting third party decision making in terms of implementing the Authority's mandate in both short and long run. Other than this, no other subsequent events has come to the attention of the committee.

s) *Institutional risk management*

The authority through its Institutional Risk Management (IRM) framework has identified the following key risks that may impact the Authority's operations as follows;

i) Operational Risk (includes People, Compliance, Information Security Risk, Fraud, Regulatory and Legal risks).

This is the risk of loss from inadequate failed processes, people, systems or external events. This includes, but is not limited to, business continuity and disaster recovery, corporate governance, security, fraud and IT risks. As at the close of financial year, financial instruments were held that could pose the aforementioned risks that could have adverse effect on the operations of the Authority. Risk mitigation, including insurance where this is effective. Compliance with relevant GoK regulations is supported by a regular review and undertaken by Internal Audit and Risk department. The results of Internal Audit reviews are discussed with the Board and senior management of the Society. No financial effect arose regarding the impact of this risk category as at the end of financial year.

ii) Reputational Risk

The risk to potential damage to corporate image of the Authority as it discharges its mandate. This could arise as a result of executing or failure thereof to undertake enforcement actions on non-compliant SACCOs being regulated. No incidences arose that exhibited reputational risk other than litigations listed under contingent liability whose outcome may have no financial effect.

NOTES TO THE FINANCIAL STATEMENTS continued

iii) Supervisory or Compliance Risk

The risk of Non-compliance with laws and regulations in the Sacco sector by DT- Saccos. The financial effect of this to the Authority is reflected under Receivables from Exchange transactions as outstanding levies due but not received as at the end of financial year amounting to K.sh 1.162.201.

iv) Strategic Risk (includes contagion and related party risks) :

The risk of a. Choosing and continuing to follow sub optimal strategies to meet objectives, not executing the strategies successfully, and Changing the business as usual risks differently from expected. During annual corporate strategy monitoring and evaluation management retreat, all corporate strategies were assessed against changing regulatory environment and aligned to the wider government policy of The Big Four Agenda.

v) Financial Risk:

a) *Credit Risk:*

The risk of loss from a counterparty not meeting their obligations as they fall due. The Authority had no counterparty arrangements that would give rise to credit obligations likely to lead to Authority being in net debt position contributing any obligations.

b) *Liquidity Risk:*

Risk of being unable to meet cash flow obligations as and when they fall due. The Authority approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring un acceptable deficits or risking damage to the Authority's reputation. The Authority's Current Ratio was 5.3:1 meaning out of one(1) shilling for short term obligations represented by current liabilities is represented by K.sh 5.3 for current assets a clear indication of ability to meet its short terms obligations as they fall due.

c) SASRA Risk Management Methodology

Risk and Control Self-Assessment (RCSA)

Through this tool, the Authority asses risks consistent with the Risk Identification, Analysis, Evaluation and Treatment of risks as per ISO 31000 Risk Management Process. Each direct report to the executive management team has responsibility for maintaining risk registers for his/her areas of responsibilities. The information in the risk registers maintained includes:

- List the risks which could cause losses to be incurred and possible causes
- List the consequences thereof
- Provide an assessment of the inherent risks Overarching Risk Management Policy
- Detail the existing controls
- Provide an assessment of the strength of the existing controls
- Provide an assessment of the residual risks
- Detail any action plans to reduce residual risks.



NOTES TO THE FINANCIAL STATEMENTS continued

- List key Risk Indicator for monitoring high risk
- List Key Attestation questions for monitoring key Controls whenever any functions or systems are developed or changed, or new strategies, products or projects are considered, management will carry out a risk assessment.

NOTES TO THE FINANCIAL STATEMENTS continued

Item.	2017-2018	2016-2017
	Kshs.	Kshs.
3. Revenue from non-Exchange transactions		
3(a) Public contributions & Donations		
AFI capacity development	-	1,540,969
FSSP capacity development programmes	40,061,073	-
FSD- CLF support	-	8,282,121
Total	40,061,073	9,823,090

3(b) GoK grants & Other		
Recurrent GoK grants	83,000,000	138,200,000
Development	-	30,000,000
Less: Utilised for Capital costs	-	(2,418,990)
Other income-Sale of Tender documents	9,000	7,000
Total	83,009,000	165,788,010

4. Revenue from Exchange Transactions		
Levies	204,650,832	182,620,867
Licence renewal fees	17,634,700	17,590,000
Licence application fees	552,000	484,000
Total	222,837,532	200,694,867

5. Employee costs		
Salaries and wages	155,647,262	152,471,411
Pension contributions	12,513,560	12,207,860
Medical & other insurance	18,429,400	19,351,085
Subscriptions to club membership	1,458,180	507,555
NSSF employer contribution costs	161,400	190,336
Staff welfare activities	3,845,583	2,121,305
Provision for outstanding leave days and gratuity	7,323,643	4,086,500
Professional membership & AFI affiliation fees	1,850,733	-
Total	201,229,761	190,936,052

Aggregate remuneration for management with fiduciary roles amounted to K.sh 33.5 million during the year

5a) Analysis of Employee costs under cash flow statement		
Total cost	201,229,761	190,936,052
<i>Less: Non-cash items</i>		
Provision for outstanding leave and gratuity	(7,323,643)	(4,086,500)
Prepayments- Staff GPA	(493,020)	-
Prepayments- Staff Medical	(6,229,532)	-
Prepayments Staff WIBA	(349,473)	-
Unpaid Cheque reversal	57,595	-
Sub- Total	186,891,688	186,849,552



NOTES TO THE FINANCIAL STATEMENTS continued

Item.		2017-2018	2016-2017
		Kshs.	Kshs.
6	Board of Directors costs		
	Sitting , Accommodation & Subsistence	2,488,800	3,450,600
	Chairman's Honoraria & Airtime costs	-	704,450
	Capacity dev& other official meeting costs	8,875,264	14,578,527
	Total	11,364,064	18,733,577

Board remuneration is guided by terms of their appointment and guidelines from State Corporations Advisory Committee.

7	Operating and Maintenance Costs		
	8a) Depreciation and amortization expense	12,264,044	9,178,272
	8b) Other Operating and Maintenance expenses	5,568,636	10,860,235
	Total	17,832,679	20,038,507
7(a)	Depreciation and amortization expense		
	Property, plant and equipment	12,264,044	8,983,084
	Intangible assets		195,188
	Sub- Total	12,264,044	9,178,272
7(b)	Other Operating and Maintenance expenses		
	ICT Equipment & maintenance costs	1,210,462	6,972,863
	Repair & Maintenance e.g. Asset ins.	-	-
	Motor Vehicles repair	2,135,138	1,521,835
	Motor vehicle Fuel	1,807,397	1,627,322
	Motor vehicle Insurance	415,639	738,215
	Sub- Total	5,568,636	10,860,235



NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2017-2018	2016-2017
		Kshs.	Kshs
8	Administration costs		
	Advertising ,promotion & corporate image	2,129,224	5,035,724
	Admin fees/newspaper ,cleaning & water	1,282,323	1,306,487
	Electricity & water	-	267,264
	Audit fees	487,200	487,200
	Consulting fees	20,648,567	20,113,904
	ISO Expenses	100,000	1,282,500
	Office Consumables	1,193,203	1,171,748
	Legal expenses	18,440,769	3,206,300
	Postage expenses	132,835	128,655
	Printing and stationery	4,191,995	6,449,292
	Rent and rates	37,313,411	30,378,880
	Security costs	720,000	720,000
	Professional materials &Bank charges	620,222	4,215,076
	Telecommunication(Airtime & telephone)	334,528	251,544
	Training(Capacity development)-Other	22,500,291	24,134,067
	Travel,accommodation,subsistence and hospitality & supplies	16,820,022	18,142,999
	Bad debts	-	452,952
	Provision for bad debts	-	3,032,951
	Total	126,914,590	120,777,543

9	Consultancy costs- FSSP Donor Funded	12,555,155	-
This relates to funding for regulatory policy consultancies supported by the Financial Sector Support project of the World Bank managed by Project implementation Unit of The National Treasury.			
10	Training costs- FSSP Donor Funded	27,505,918	-

These relates to costs of staff capacity development for technical supervisory and policy skills building supported under Financial Sector Support Project of the World Bank under strengthening core capacity of regulatory institutions.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Item	2017-2018	2016-2017
		Kshs.	Kshs.
11.	Cash and cash equivalents		
	Co-op Bank Current Account		
	Cash in Hand	198,567,311	109,621,520
		22,821	24,581
	Total	198,590,132	109,646,101

12	Receivable from non-Exchange transactions		
	Deposits and prepayments	10,572,144	14,572,486
	Other receivables	6,493,206	6,872,972
	Receivables from staff accounts	1,169,305	953,653
	Capital -GoK grants	25,000,000	-
	Total current receivables	43,234,655	22,399,111
	Deposits and Prepayments		
	Debtors.		
	Britam Ltd-Rent and Parking	1,790,640	1,790,640
	Britam Ltd-Rent and Parking	1,704,479	1,704,479
	Alpine Coolers-Water dispenser	5,000	5,000
	Prepayments:		
	Motor Vehicle Insurance	-	484,048
	GPA	493,020	-
	Staff medical insurance	6,229,532	8,289,492
	WIBA	349,473	351,603
	ICURN/ISACA/USHIRIKA	-	512,705
	UAP-Old Mutual-Service charge	-	1,268,319
	Board sitting allowance	-	166,200
	Total	10,572,144	14,572,486
	Other receivable		
	AFI reimbursement for staff capacity development	4,194,866	4,400,382
	Receiver Manager-Jijenge sacco	2,298,340	2,472,590
	SAM training support	-	-
	Total	6,493,206	6,872,972

Included in the receivables is Capital grants of Kshs. 25 million of which Kshs. 20 Million received after closure of financial year in July 2019.

13	Receivable from Exchange transactions		
	Deposits Levies	1,162,201	798,005

The receivables relates to Sacco Deposit levies assessed and payable by licenced Saccos not received as at year end.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Inventories	2017-18	2016-17
	Kshs.	Kshs.
Consumable stores	4,378,711	3,930,966
Other goods held for disposal	---	-
Total inventories C/F	4,378,711	3,930,966

Inventories relate to stationery and loose tools in store yet to be issued as at the end of the period.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Motor Vehicles	ICT Hardware	Partitions & Fittings	Furniture	Plant and Equipment	Total
15. Property, Plant and Equipment						
Cost	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
At 1st July 2016	31,254,917	55,088,353	12,499,444	12,099,040	17,034,407	127,976,161
Additions	-	493,100		1,925,890		2,418,990
Disposals	-	-	-	-	-	-
Transfers/adjustments-Revaluation	13,000,000	-	-	-	-	13,000,000
At 30th June 2017	44,254,917	55,581,453	12,499,444	14,024,930	17,034,407	143,395,151
Additions	-	608,400	142,025,081	12,379,346	30,200	155,043,027
Disposals	-	-	-	-	-	-
Transfer/adjustments	(21,957,993)	-	-	-	-	(21,957,993)
At end of the year 30th June 2018	22,296,924	56,189,853	154,524,525	26,404,276	17,064,607	276,480,185
Depreciation and Impairment						
At 1 July 2016	29,120,732	51,213,565	6,679,695	4,541,114	16,212,011	107,767,117
Depreciation	2,134,186	2,720,581	1,562,430	175,315	812,772	8,983,084
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
At 30th June 2017	31,254,917	53,934,147	8,242,125	6,294,229	17,024,782	116,750,200
Depreciation	2,437,500	2,155,582	6,838,635	-	19,250	5,253,373
Disposals/Revaluation	(21,957,993)	-	-	-	-	(21,957,993)
Acc Dep: At end of year 30th Jun 2018	12,546,925	56,089,727	15,080,760	6,294,229	17,044,032	122,003,372
At end of 30th June 2018	9,749,999	100,126	139,443,765	20,110,047	20,575	169,424,512

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Item	Cumulative to date Kshs.
16. Intangible Assets(ICT Software)	
<i>Cost</i>	28,829,042
At 1st July 2017	-
Additions	-
At 30th June 2018	28,829,042
<i>Amortization and impairment</i>	
At 1st July 2017	26,828,466
Amortization	576
Impairment loss	-
At 30th June 2018	28,829,042
NBV	
At 30th June 2018	NIL
At 30th June 2017	576

Intangibles relate to the costs of acquisition, installation and testing of ICT software.

Item	2017-2018	2016-2017
	Kshs.	Kshs.
17. Trade and other payables from exchange transactions		
Trade payables	31,843,713	14,767,620
Other payables- KRA (PAYEE)	3,761,024	3,662,483
Total trade and other payables	35,604,737	18,430,103

Trade payables relates to outstanding creditors for supply and delivery of goods, services and works to the Authority.

18 Provisions	Gratuity	Leave Benefits	Audit Fees	Doubtful debts	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Balance at 1 July 2017	152,520	4,086,500	487,200	3,032,951	7,759,171
Additional provisions raised	1,406,160	5,917,483	487,200	-	7,810,843
Provision utilised	-	(4,086,500)	(487,200)	-	(4,573,700)
Balance as at 30 June 2018	1,558,680	5,917,483	487,200	3,032,951	10,996,314



NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2017-18	2016-17
19	Deferred Income	Kshs.	Kshs.
	Recurrent Gok funds	25,000,000	-
		<u>25,000,000</u>	-

The deferred income relates to GoK capital grants relating to the financial year and as per approved budget not received as at close of the financial year.

20	Capital Reserves		
	Balance b/f	194,970,323	190,625,533
	Furniture donations-FFSP	12,379,346	-
	Funds utilised for Capital Assets	-	2,418,990
	GoK Capital grants	270,000,000	
	Prior Year Adjustments-2016-17&2015- 16 GoK grants	60,000,000	-
	Total	537,349,669	193,044,523

Capital fund represent inflows towards financing capital expenditure as per approved budget

21	Accumulated surplus/(deficit)		
	Balance b/f as July 2017	(68,814,089)	(102,334,261)
	Prior Year Adjustments-		-
	i) 2016-17&2015- 16 GoK grants	(60,000,000)	
	ii) Other	148,143	7,699,885
	Surplus/(Deficit) for the Period	(51,494,563)	25,820,287
	Total	(180,160,509)	(68,814,089)

21. Revaluation Surplus

This is in respect to revaluation of five (5) Motor vehicles which had written down value of zero but revalued at an aggregate carrying amount of Kshs 13,000,000.