


REPUBLIC OF KENYA



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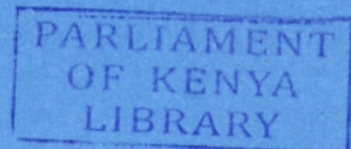
REPORT

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	06 JUN 2024
	DAY: Thursday
TABLED BY:	Hon. Maoni Wago, MP Deputy Majority Whip
CLERK-AT THE-TABLE:	Miriam

OF

THE AUDITOR-GENERAL

ON



**SACCO SOCIETIES REGULATORY
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2023**



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

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2023**

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

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

BETA	Bottom-Up Economic Transformation Agenda
BOSA	Back Office Savings Activity
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
DGF	Deposit Guarantee Fund
DT-SACCO	Deposit Taking Saccos
EACC	Ethics and Anti-Corruption Commission
FOSA	Front Office Savings Activity
FRC	Financial Reporting Centre
ICPAK	Institute of Certified Public Accountants of Kenya
ICT	Information and Communications Technology
IHRM	Institute of Human Resources Management
IPSAS	International Public Sector Accounting Standards
KIM	Kenya Institute of Management
MSMEs	Micro, Small and Medium Enterprises
NACO	National Cooperative Organisations
NPL	Non-performing Loans
NT	National Treasury
NWDT- SACCO	Non-Withdrawable Deposit Taking Saccos
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SACCO	Savings and Credit Cooperatives
SAGAs	Semi-Autonomous Government Agencies
SASRA	Sacco Societies Regulatory Authority
SC	State Corporations
RBSS	Risk Based Supervision System
WB	World Bank

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B: Glossary of Terms

Act	The Sacco Societies Act 2008 (CAP 490B)
Authority	The Sacco Societies Regulatory Authority (SASRA)
Fiduciary Management	Members of Management directly entrusted with the responsibility of financial resources of the organisation
Regulation 2010	Sacco Societies Regulations (Deposit taking Sacco business), Regulations 2010
Regulation 2020	Sacco Societies Regulations (Non - Deposit taking business), Regulations 2020
Ministry Responsible	Ministry of Cooperatives and Micro, Small and Medium Enterprises Development
Comparative Year	Means the prior period

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2. Key Entity Information and Management

(a) Background information

The Sacco Societies Regulatory Authority (SASRA) is a State Corporation under the Ministry of Co-operatives and Micro, Small and Medium Enterprise (MSME) Development. It was established as the Government's principal agency for supervision and regulation of SACCO Societies in Kenya pursuant to the provisions of the Sacco Societies Act No. 14 of 2008. The Authority started its operations in 2010 upon Gazettement of the Sacco Societies (Deposit-taking Sacco Business) regulations, 2010 on 18th June 2010.

(b) Principal Activities

The Authority is charged with the responsibility of overseeing the implementation of the provisions of the *Sacco Societies Act* and the Regulations made thereunder, with the main functions being the licensing of SACCO Societies to undertake deposit taking SACCO business and the regulation and supervision of designated SACCO Societies in Kenya. The two main regulations which have been made pursuant to the Act and which the Authority implements are the *Sacco Societies (Deposit-Taking Sacco Business) Regulations, 2010* which applies to the licensing, regulation and supervision of SACCOs undertaking deposit taking business; and the *Sacco Societies (Non-Deposit Taking Business) Regulations 2020* which applies to the authorization, regulation, and supervision of SACCOs undertaking specified Non-Deposit Taking business.

In addition, the Authority is responsible for overseeing the compliance of regulated SACCO Societies with the provisions of the *Proceeds of Crimes and Anti-Money Laundering Act, 2009 (POCAMLA)* pursuant to *Section 36A* thereof as read with the *First Schedule* thereto which lists the Authority as one of the supervisory bodies for purposes of the POCAMLA.



VISION

A financially inclusive, member centric and stable SACCO industry



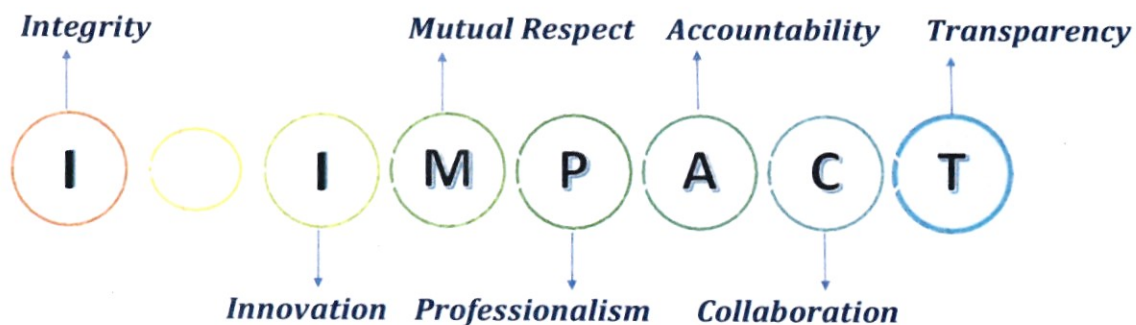
MISSION

To regulate, supervise and develop the SACCO industry through promotion of prudent practices to protect member's interests, enhance access to financial services and foster financial stability.

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CORE VALUES



(c) Key Management

The Authority's day-to-day management is under the Chief Executive Officer who is the Accounting Officer assisted by functional heads as per the organizational structure. The CEO is accountable to the Board of Directors who have a duty to account for all policies, decisions and actions to the Cabinet Secretary for Cooperatives and Micro, Small and Medium Enterprises Development.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 with direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Peter Njuguna
2.	Director, Legal Services and Corporation Secretary	Roselyne Ragama
3.	Director, Compliance, Market Conduct and Regional Coordination	Peter Owira
4.	Manager, Human Capital and Administration	Boniface Musumbi
5.	Manager, Finance and Accounts	Flora Kimari
6.	Manager, Supply Chain Management	Julius Muraguri
7.	Manager, Internal Audit	Sammy Korir
8.	Manager, Research, Strategy and Planning	Joseph Osoro
9.	Manager, Sacco Supervision	Jeremiah Were
10.	Manager, Risk Management and Quality Assurance	Norah Biomndo
11.	Manager, Information Communication Technology	Stephen Michubu
12.	Manager, Market Conduct	Anne Kago
13.	Manager, Licensing and Regulations	Dr. David Kahuthu

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No.	Designation	Name
14.	Manager, Sacco Societies Fraud Investigation Unit	Sophia Mukiri
15.	Manager Corporate Communications	Yvonne Gatobu
16.	Ag. Manager, Compliance	David Sandagi

(e) Fiduciary Oversight Arrangements

The key fiduciary oversight arrangements and structures include:

i) Board of Directors

The board through various committees is responsible of giving strategic direction and risk and quality assurance on all key Authority's operations;

ii) Inspector General- State Corporations.

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

iii) Cabinet Secretary.

Responsible for Cooperatives and Micro, Small and Medium Enterprises Development guides on policy direction in ensuring the Authority delivers on its mandate to support the wider Government agenda.

iv) Auditor General.

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

v) Parliamentary Committees

The Authority is answerable to various Parliament committees depending on the matter at hand.

(f) Key Entity Information

Headquarters

Old Mutual Tower, 19th Floor
 Upper Hill Road – Upper hill
 P.O. Box 25089-00100
 NAIROBI, Kenya

Our Contacts

Telephone: 020-2935101
 E-mail: info@sasra.go.ke
 Website: www.sasra.go.ke

Bankers

***The Sacco Societies Regulatory Authority (SASRA)
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Co-operative Bank of Kenya
Upper hill Branch
P.O. Box 30415-00100
NAIROBI, Kenya

Kenya Commercial Bank
Biashara Street Branch
P.O Box 3007,00100
NAIROBI, Kenya

Independent Auditors

Principal Legal Adviser

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

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

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3. The Board of Directors



Hon. Jack Ranguma
Non-Executive Chairman
Master of Science M.Sc. in Accounting and
Finance, CPA (K)

Hon. Ranguma was appointed as the Chairman of the Board of Directors of the Authority on 10th February 2023. Hon. Ranguma was born on 20th October, 1954. He has a Master of Science degree (M.Sc.) in Accounting and Finance from the University of Illinois Urbana - Champaign.

CPA Ranguma is a Member of the Institute of certified Public Accountants of Kenya (ICPAK) amongst other affiliations such as Institute of Certified Public Secretaries of Kenya (ICPSK) and Kenya Institute of Management (KIM).

Prior to his appointment, Hon. Ranguma has held key leadership positions with over 30 years' experience amongst them being the pioneer Governor of Kisumu County in 2013.

Prior to joining Kisumu County, he was the first Commissioner of Domestic Taxes of the Kenya Revenue Authority where he was extensively involved in tax policy formulation and administrative reform, Public Finance, International and bilateral organizations and general oversight. He was also advisor to Tax Justice International Network on transfer pricing and negative tax policies affecting developing countries.

Previously, Hon. Ranguma was a partner of BDO Binder, an international accounting firm for more than 25 years where he developed extensive networks as an Advisor, Consultant and manager with vast knowledge in Audit, Finance and development, Institutional restructuring, reconstruction, mergers and acquisitions, debt restructuring, receivership management, project management and divestiture planning. He also worked as a Joint Receiver Manager where he revived the M'horoni Sugar company to successful operations.

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Mr. George K. Murathe
Non-Executive Chairman until 9th February, 2023
 Bachelor of Arts in Economics and Political Science

Mr. Murathe served as the Chairman of the Board of the Authority from 6th July, 2022 to 9th February, 2023. Mr Murathe was born on 28th August, 1960.

He is an economist with over 20 years of experience. He holds a Bachelor of Arts degree in Economics and Political Science from the University of Nagpur, India.

Prior to his appointment, Mr Murathe served in various Boards as an independent Director among them Kenya Wine Agencies Limited and Kenya National Trading Corporation.



Ms. Freda Moraa
Independent Member
 LLM, LLB, CPS(K)

Ms. Moraa was appointed as a Board member of the Authority on 23rd June 2023. She was born on 20th March, 1969

She has a Master of Laws Degree (LLM) from University of Cape Town (South Africa), a Diploma in Law from Kenya School of Law and a Bachelor of Law from the University of Nairobi. Ms. Moraa is an Advocate of The High Court of Kenya and served as a judicial officer in various capacities across the country. She is the Legal Advisor in the office of the Governor, Nyamira County.

With this vast experience that spans over 23 years in Law, Justice Administration in the Public and Private Sectors within Legal System, Ms. Moraa brings on board expertise that will be key in execution of the Authority's regulatory mandate. Ms. Moraa is a Member of Institute of Certified Public Secretaries, and Law Society of Kenya.

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Mr. Methuselah Rono
Independent Member

Master of Personnel Management (MPM),
 Industrial Relations and Labour Welfare,
 Masters in Human Resource Management
 (MSC) Bachelor of Commerce (B. Com)
 Finance and Banking

Mr. Rono was appointed as a Board member of the Authority on 16th June 2023. He was born on 1st January, 1967. Mr. Rono is a holder of a Master of Personnel Management (MPM), Industrial Relations and Labour Welfare, Bachelor of Commerce (B. Com) Finance and Banking from Poona University (India). He also holds a Masters in Human Resource Management (MSC) from the University of Central England (UK) and is currently undertaking a PhD (Graduate Entrepreneurship) at the University of Birmingham in the United Kingdom.

Mr. Rono also holds a Certificate in Trusteeship from Humber University in Canada and in Corporate Governance from the Kenya Centre of Corporate Governance.

Mr. Rono is an Adjunct lecturer in the Faculty of Commerce at Egerton University. He served as the chairperson of the Local Committee at the Kenya Revenue Authority from 2013 to 2015, a Non-executive Director at Consolidated Bank of Kenya, Chairperson Staff and risk committee of the Board, Managing Trustee of Consolidated Bank Pension Scheme and an International Business Consultant/Trainer with the Platinum Consultants, in Birmingham City.

Mr Rono is a Member of the Institute of Directors (IOD) and a Full Member of the Institute of Human Resource Management (IHRM). Mr Rono brings on board a wealth of Human Resources Management experience which will go along way to assist the Authority in handling human resources matters.



Mr. Timothy Kihara
Independent Member

Higher National Diploma in Electrical
 Engineering

Mr. Timothy Kihara was appointed as a Board member of the Authority with effect from 16th June 2023. He was born on 15th April, 1969.

Engineer holds a Higher National Diploma in Electrical Engineering from Kenya Polytechnic and has pursued several industry-specific trainings in Leadership, Corporate Governance, people management, Information Technology, Finance and Production.

He is a seasoned businessman and currently serves as the Chief Executive Officer of a prominent chain of supermarkets in the country. He is the Board Chairman of Kiambu Golf club and has served as a board member of the Kenya Retailers Association.

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Ms. Alice Mwololo,
Alternate, PS National Treasury
BA in Economics, Post Graduate Diploma
in Development Planning Techniques and
Masters in Economics

Ms. Mwololo born on 6th January 1966, was appointed as an alternate to the Principal Secretary of the Treasury on 14th October, 2015. 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.

Ms. Mwololo is the Director of Planning, Financial and Sectoral Affairs Department at the National Treasury. She has extensive experience in economic policy analysis, public finance, competition policy, project management and governance. She also has extensive experience in trade policy and regional integration matters; international and bilateral trade negotiations. She has participated in negotiations and conclusion of various bilateral and regional economic and trade agreements.



Mr. Gerald Nyaoma,
Alternate, Governor CBK
BA (first class honors degree in
Economics), M. Phil.(Econ), CPA (K) and
CPS (K)

Mr. Nyaoma was appointed as an alternate to the Governor of the Central Bank of Kenya on 6th April, 2016. He was born on 17th October 1964. He is the Director, Bank Supervision Department at the Central Bank of Kenya (CBK).

He holds a M. Phil.(Econ) degree from the University of Cambridge-UK and BA (first class honors degree in Economics) from University of Nairobi.

He is CPA (K), CPS (K) and an Associate of the Kenya Institute of Bankers (AKIB).

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Mr. David Kirk Obonyo,
Commissioner for Cooperatives
Bachelor of Arts in Sociology and Political
Science, Master of Arts in Rural Economics
and Co-operation

Mr. David Obonyo was appointed to the Board of the Authority on 17th June, 2021. He was born on 4th October 1966. He is the current Commissioner for Cooperatives Development. He holds a Masters of Arts in Rural Economics and Co-operation from Bundelkhand University in India and a Bachelor of Arts in Sociology and Political Science from Agra University.

Mr. Obonyo has over 28 years working experience in Co-operative Movement having worked in various positions at the Ministry including being the Ag. Chief Executive Officer/ Secretary at the Ethics Commission for Co-operative Societies Board.



Mr. Robert Mburu
Independent Member upto 15th June, 2023
Bachelor in Commerce (Accounting)

Mr. Mburu was appointed as a Member of the Board of the Authority on 28th October, 2021. He was born on 12th January 1949. He was the Chairman of the Audit, Risk Management and Corporate Governance Committee until 15th June 2023. He is a senior accountant with over 30 years' experience and holds a Bachelor in Commerce (Accounting) degree from the University of Nairobi and is a CPA(K).

Prior to his appointment, Mr. Mburu served on the Board of Kenyatta National Hospital. He has also worked in Tana and Athi River Development Authority (TARDA), Metal Box Kenya Limited, and other organizations. Mr. Mburu has extensive experience in auditing cooperatives and pension schemes. His other competencies are in leadership and entrepreneurship.

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Ms. Anne Waceke Wetangula
Independent Member upto 15th June, 2023

Bachelor of Psychology (Counselling) and
M.B.A (Strategic Management)

Ms. Waceke was appointed as a Member of the Board of Authority on 28th October, 2021. She was born on 10th August, 1983. She was the Chairperson of the Technical Committee of the Board until 15th June 2023. She holds a Master of Business Administration (Strategic Management) degree from Daystar University and a Bachelor of Psychology (Counselling) degree from the University of Nairobi.

Ms. Waceke previously served on the Board of Directors of Mbagathi Hospital. She has also worked as an Export and Marketing Executive, as well as a Customer and Treasury consultant for Chase Bank Limited.



Mr. Kelvin Mogeni
Independent Member upto 15th June, 2023
LLB, BA (Hons), Post Graduate
Diploma in Law

Mr. Mogeni was appointed as a Member of the Board of Authority on 27th May, 2022. He was born on 19th August, 1965. He was the Chairman of the Corporate Services Committee of the Board until 15th June 2023. He is an advocate of the High Court of Kenya with over 30 years in the legal profession with a wide experience in constitutional law. He is a certified arbitrator and mediator with experience both locally and internationally. He holds a LLB Degree from the University of Bombay and a BA (Hons) from M.S University of Baroda.

He previously served as the Chairman of the International Commission of Jurists – Kenya (ICJ).

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Mr. Peter Kahunyo Njuguna
Chief Executive Officer
 BSc in Mathematics, MSc. in Operations Research, and CPA(K).

Mr. Njuguna was appointed as the CEO on 18th August, 2021. He 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), a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and a Certified Executive Leadership Coach (CELC).

He joined SASRA in 2010 and led the Sacco supervision team in formulating and implementing the regulatory, supervisory strategy towards safe and sound SACCO industry in Kenya. Previously, he worked with World Council of Credit Unions (WOCCU) as a financial specialist and project Director, CIC and CBK.



Mrs. Roselyne Adoyo Ragama
Corporation Secretary/ Director Legal Services
 LLM (Corporate Governance) LLB (Hons) and Post Graduate Diploma in Law, and CPS (K).

Mrs. Roselyne Ragama joined SASRA in 2010 in the legal department and serves as the Board secretary. She set up the department and championed the development and implementation of key governance instruments at the Authority. Roselyne is an advocate of the High Court of Kenya and holds an LLM from University of Nairobi specializing in Corporate Governance, LLB (Hons) and Post Graduate Diploma in Law from Kenya School of Law, CPS (K) and Diploma in Cooperative Management. She is a member of the Institute of Certified Public Secretaries of Kenya, a Certified Executive Leadership Coach (CELC) and a member of the Institute of Directors of Kenya.

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4. Key Management Team

Office of the Chief Executive Officer



Peter Kahunyo Njuguna
Chief Executive Officer

MSc. Operations Research, BSc. Mathematics, CPA (K), Certified Executive Leadership Coach (CELC)



Roselyne Adoyo Ragama

Corporation Secretary and Director, Legal Services
LLM Corporate Governance, LLB, Dip. Law, CPS (K), Dip.
Cooperative Management, Certified Executive Leadership Coach
(CELC)



Peter Owira Onunga

Director, Compliance, Market Conduct and Regional
Coordination
MBA (Finance), BA (Economics)



Flora Nyambere Kimari

Manager, Finance and Accounts
MBA(Finance), BA (Economics and
Sociology), CPA (K)



Boniface Wambua Musumbi

Manager, Human Capital and
Administration
MBA (Human Resource Management
and Strategic Management), BA
(Economics and Geography), CHRM



Jeremiah Otieno Were

Manager, SACCO Supervision
LLM, LLB, Dip. Law

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Sophia Mukiri
Manager, SASRA Fraud Investigation Unit
Dip. Police studies, Mgmt Course, GTI



Julius Thairu Muraguri
Manager, Supply Chain Management
MBA, BA (Economics & Sociology),
MCIPS



Sammy Kipruto Korir
Manager, Internal Audit
MBA, BBM (Accounting), CPA(K),



Anne Wambui Kago
Manager, Market Conduct Supervision
MBA (Corporate Management), BA (Political
Science and Sociology), M- ACAMS, M-
CIPR(UK), M-PRSK



Dr. David Gitonga Kahuthu
Manager, Licensing and Regulation
PhD (Finance), MBA (Finance), Bcom
(Accounts and Finance), CPA(K), Dip.
Cooperative Management



Joseph Gogo Osoro
Manager, Research, Planning,
Strategy
MBM, BSc, AGEK, CPA(K)



Norah Chemutai Biomndo
Manager, Risk & Quality Assurance
MBA (Strategic Management),
BA(Economics), CPA(K), CFE



Stephen Michubu Lairenge
Manager, ICT
MSC (ICT Policy and Regulation), BSC
(Information Technology)



Yvonne Kinya Gatobu
Manager, Corporate Communication
MA (Diplomacy and International
Relations), BA (Public Relations),
MPRSK

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David Sandagi Amiani

Ag. Manager, Compliance

MBA – (Finance), BBM – (Finance)

Certified Expert in Financial Inclusion
(CEFI)

Certified Project Manager for
Development Professionals (PMDP),
CPA-K

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5. Chairman's Statement

Esteemed stakeholders,

On behalf of the Board, I take this opportunity with great pleasure to present to you yet another Annual Report and Financial Statements highlighting the performance of the Authority for the year ended 30th June, 2023.

This Annual Report and Financial Statements provide an assessment of how SASRA utilized its resources in creating value for the regulated SACCO industry in the year under review and also policy initiatives being undertaken to ensure smooth implementation of our mandate. Critical to it, is the fact that this is the last report under the Authority's third Strategic Plan which embodied our commitment to safeguard the safety of members' funds and ensure stability in the SACCO industry. The report therefore summarizes the Authority's strategy and the outcome of implementation of the risk based regulatory framework for SACCOs. It also outlines the operational, financial and governance performance for the financial year beginning 1 July, 2022 to 30th June, 2023.

Strategic Plan

During the year under review, the Authority successfully completed implementation of its 3rd generation Strategic Plan. The plan was developed with an appreciation of the fact that all the necessary structures had been established and the strategies set were to enable the Authority effectively and efficiently regulate, supervise and develop the SACCO Industry. Notable milestones have been achieved for Regulated SACCOs which have become prudentially sound. These achievements have been highlighted in this report and expounded in our new Strategic Plan 2023-2027 which I invite you to peruse as it outlines our strategies and commitments.

It is our commitment to sustain financial stability, deepen inclusion and promote a culture of savings as enshrined in the Government's Bottom-Up Economic Transformation Agenda (BETA). By diligently implementing interventions that guarantee stability in the Sacco industry, SASRA will ensure that SACCOs continue to contribute to the agenda of Kenya Kwanza manifesto which include provision of affordable credit, mobilization of savings and provision of affordable housing to Kenyans. The fourth edition Strategic Plan which clearly articulates strategic direction for the period 2023-2027, has therefore been developed not only to ensure stability in the SACCO industry, but also to achieve the Government agenda.

Governance

The Authority governance structure is built on the foundation of competent and dedicated Board with a wide range of skills and experience courtesy of the appointing Authority. This is augmented with a dedicated Ministry responsible for co-operatives which has not only provided room for direct and personalised consultations but also created efficiency in facilitating policy proposals.

Impact of Sustained Prudential Regulations for Industry Resilience

The Authority Licensed 176 SACCO societies to carry out Deposit-taking SACCO business under the Sacco Societies (Deposit-taking SACCO Business), Regulations, 2010. In addition, 183 Non withdrawable Deposit taking SACCOs were authorized under the Sacco Societies (Non-Deposit taking Business), Regulations, 2020.

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Despite the harsh economic environment experienced in the year 2022, characterised by severe droughts, high inflation and rising interest rates, the regulated SACCO industry continued to play its rightful role in the economy, through mobilization of savings for national development and provision of affordable credit facilities to many household economies. Though economic shocks slowed down the growth trajectory of Regulated SACCOs, their overall resilience was manifested in growth in total assets to the nominal GDP remaining at 6.7% in 2022 just like in 2021.

Policy Initiatives

In order to further deepen the role of Regulated SACCOs in national economic development, the Authority has put in place new strategies to safeguard the already realized gains, while exploring new developmental initiatives. This is backed by several policy initiatives by the Authority during the year under review together with the ongoing ones. For instance, the Authority embarked on the review of the Sacco societies Act, 2008 to set out the criteria for determination of the suitability and propriety of officers serving and/or seeking to serve in Regulated SACCOs; and also integrate SACCOs to the National Credit Information Sharing framework to enable them adopt a risk-based lending methodology.

At the same time, we have proposed amendments in the said Act to set out the legal and regulatory framework for the operationalization of a SACCO Central Technological Shared Services Platform. This will enable the majority of SACCOs provide effective and efficient financial services to their members and empower the Authority to better oversight the stability and soundness of SACCOs in order to guarantee safety of members' funds. Amendments have been proposed to operationalize the Deposit Guarantee Fund sustainably.

Going forward, the Authority plans to put in place framework for Legal Recovery Mechanisms of assets of SACCOs acquired illegally by their officers or third parties. This will enable SASRA to commence legal recovery proceedings against officers of Regulated SACCOs and/or third parties who are found to have illegally or un-procedurally acquired assets belonging to Regulated SACCOs. God willing, we foresee Saccos having a Stabilization Facility in place as we endeavour to have a framework for its establishment. This will improve on SASRA's supervisory, regulatory and enforcement powers to intervene in the management and governance of Regulated SACCOs with the objectives of stabilizing them from bad governance practices.

Regulatory Guidelines

As we await realization of the above policy initiatives, we continue to constantly issue guidelines to clarify identified regulatory gaps and at the same time contain emerging risks. Some of the guidelines issued include Complaints Management, revised Good Governance practices, Cybersecurity and Dealing with Third Parties. This is in addition to the planned training on the identified thematic areas together with roundtables that allows one on one discussions with the regulated entities. These are critical and when diligently followed, the market will be assured of its stability and sustenance.

Future Plans

In future, SASRA will continue to implement prudential regulations in order to ensure safety of members' funds and a stable SACCO industry. To achieve this, SASRA will assess and review its regulatory model, fully implement the enabling laws while at the same time strive to identify the

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existing gaps with a view to coming up with policy and legal proposal to inform amendments through the established channels. It is also the intention of the Authority to provide enabling environment to the SACCO industry by ensuring the realization of the on-going projects such as Shared Services and Central Liquidity facility which has been designed to enable SACCOs leverage on technology to harness the economies of scale and gain on liquidity and risk management.

Appreciation

My gratitude goes to the Cabinet Secretary, Ministry of Co-operatives and MSMEs Development for his wise guidance during the transition period to the new Government's agenda, the Principal Secretary for the State Department for Cooperative for his unwavering support, the Commissioner for Co-operative Development and the various County Departments of Cooperatives for the support granted which enabled the Authority to achieve the milestones stated herein. I also wish to appreciate the various stakeholders for the collaboration towards attaining the shared vision for the SACCO industry. Specifically, we thank SACCOs, National Co-operative Organizations (NACOs) for their never-ending support that has always seen successful roll out and implementation of any regulatory policies meant to develop the industry. Lastly, I owe the staff of the Authority who have been instrumental in implementing the policy proposals developed by the Board.



Hon. Jack Ranguma
Chairman, Board of Directors.

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6. Report of the Chief Executive Officer

Ladies and Gentlemen, it gives me pleasure to welcome you to read the Authority's Annual Report and Financial Statements for the FY 2022/2023 which has been prepared pursuant to Section 20 of the Sacco Societies Act, 2008, Section 81 of the Public Finance Act, 2012 and the revised guidelines issued by PSASB in June, 2023. In this report, we seek to be accountable to our stakeholders by elaborating how the Authority utilized its resources towards implementation of its mandate and the interventions pursued during the past twelve (12) months.

Licensing

The Authority Licensed 176 Sacco societies to carry out Deposit-taking Sacco business in the year 2023 in accordance with Section 5 of the Sacco Societies Act, 2008 and regulation 4 (1) of the Sacco Societies (Deposit-taking Sacco Business), Regulations, 2010. In addition, the Authority authorized 183 Non withdrawable Deposit taking Saccos as required in regulation 5(1) of the Sacco Societies (Non-Deposit taking Business), Regulations, 2020, which was a drop by two Sacco societies when compared to number authorized in 2022.

There was no new license or authorization granted during the year. However, the Authority received six (6) new applications to undertake specified non-deposit taking business out of which one (1) application was declined, while the remaining five (5) applications are in various stages of processing.

Growth and Performance indicators

The performance of Regulated SACCOs during the year 2022 remained stable and on the upward trajectory with an overall increase in the rates of growth in key parameters of total assets, total deposits, gross loans and membership. The total assets portfolio of Regulated SACCOs registered a growth rate of 10.31% to reach Kshs 890.30 Billion in the year 2022 from Kshs 807.30 Billion reported in the year 2021. The DT-SACCOs segment continued to hold the highest proportion of the total assets amounting to Kshs. 763.50 Billion accounting for 85.76% while the NWDT-SACCOs accounted for the remaining 14.37%. This is majorly attributed to the fact that Deposit Taking saccos have been under prudential regulation for a while, enabling them to improve on membership mobilization driven by confidence gained over time and also the fact that they have a wide range of products delivered through FOSAs.

On the other hand, the total deposits (savings) for the Regulated SACCOs grew by 9.84% to reach Kshs 620.45 Billion in the year 2022 compared to Kshs 564.89 Billion recorded in the year 2021. These deposits were distributed as non-withdrawable (BOSA) amounting to Kshs 515.65 Billion; the withdrawable savings (FOSA) amounting to Kshs 83.78 Billion; and fixed deposits savings amounting to Kshs 21.02 Billion.

The gross loans for the Regulated SACCOs increased by 11.76% to reach Kshs 680.35 Billion in the year 2022. The DT-SACCOs' segmental gross loans registered the highest growth rates at 12.24% to reach Kshs 586.16 Billion while the NWDT-SACCOs' segmental gross loans increase was 8.90%.

On the membership front, the Regulated SACCOs registered growth in membership of 6.42 million in the year 2022 from 5.96million recorded in year 2021. The DT-SACCOs' segment recorded the

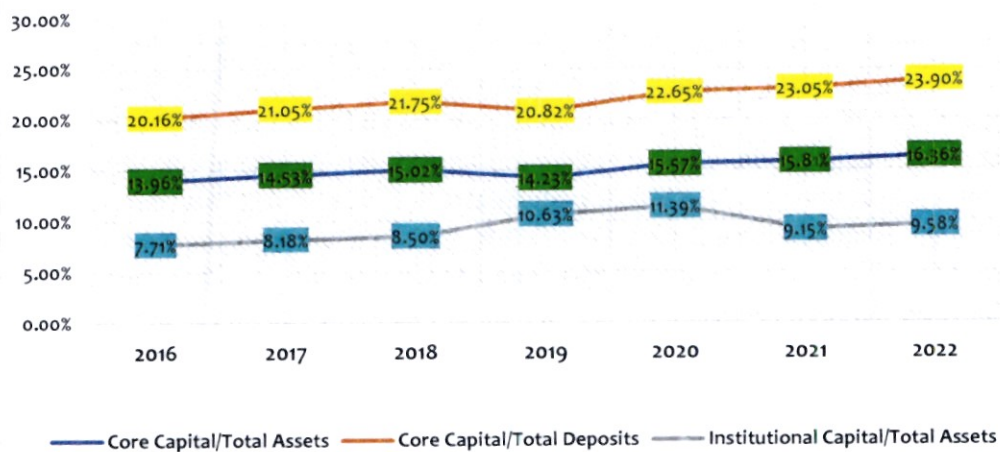
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highest increase in membership by 7.34% to reach 5.96 Million members in year 2022; compared to the membership in the NWDT-SACCOs segment which increased by 3.14% to reach 475,270 members in year 2022 from 460,785 members in year 2021. This growth is attributed to improved patronage of financial services offered by Regulated SACCOs, and is a manifestation of the confidence built by the regulation.

Financial stability indicators for the Regulated SACCOs

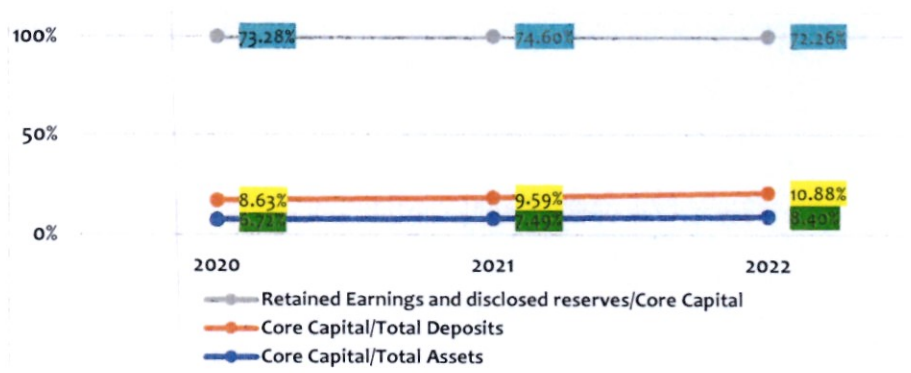
The Regulated SACCOs industry recorded improvements in all the key stability measurement and indicators of capital adequacy, asset quality, liquidity, and earnings during the year 2022. The core capital for DT-SACCOs' segment increased to Kshs 124.89 Billion in year 2022 from a sum of Kshs 109.29 Billion in year 2021 against the prescribed minimum of Kshs 10 Million; while the core capital for the NWDT-SACCOs increased to Kshs 10.65 Billion in year 2022 from Kshs 8.69 Billion in year 2021 against the prescribed minimum of Kshs 5 Million. At the individual levels, 168-DT-SACCOs out of 176-DT-SACCOs maintained their respective core capital above the Kshs 10 Million mark and thus were fully compliant; while 178-NWDT-SACCOs out of 183-NWDT-SACCOs maintained their core capital above the Kshs 5 Million mark.

The core capital to total assets ratio for DT-SACCOs also increased to 16.36% in year 2022 from 15.81% in year 2021 compared to the prescribed minimum of 10%. The institutional capital to total assets for DT-SACCOs segment on the other hand increased to 9.58% in year 2022 compared to 9.15% in year 2021 against the prescribed minimum of 8%. This trend is illustrated in the figure below:



The NWDT-SACCOs segment on the other hand also recorded significant improvement in their respective capital adequacy ratios. The core capital to total assets ratio stood at 8.40% above the prescribed minimum ratio of 8%, while the core capital to total deposits stood at 10.88% against the minimum prescribed of 5%. The retained earnings and disclosed reserves to core capital which measures the level of retention of surpluses equally stood at 72.26% against the prescribed minimum of 50%. This trend is also illustrated in the figure below:

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Quality of the loan book

The quality of the loan book of Regulated SACCOs is another key stability indicator. During the year 2022, the loan book of Regulated SACCOs constituted 71.97% of the Regulated SACCOs' total assets, compared to a loan book of 70.95% of the total assets in the year 2021. The mean non-performing loans (NPL) ratio for the Regulated SACCOs decreased to 8.34% in year 2022 compared to an NPL ratio of 8.99% reported in the year 2021. The foregoing shows that despite harsh economic environment experienced during the year 2022, a majority of the Regulated SACCOs were able to ensure that the loans and other credit advances issued to their members were being repaid as scheduled in the contractual terms.

Financial Performance of the Authority

In accordance to section 16 of the Act, the Authority's operations are funded by levies and license application fees from regulated Saccos. In addition, the Authority may receive funds from exchequer and/or donations from the willing development partners. During this period, the Authority did not receive any grant from either government or development partners; instead Levies, license fees were the main source of funding for the Authority's activities. Deposit levies constituted 96% funding while license fees made the balance of 4% of the total revenue received. In terms of annual growth, levies increased from Kshs 495 million in FY 2021/2022 to Kshs. 588 million in FY 2022/2023 due to increase in the level of deposits liabilities which form the basis against which Saccos are levied. The levies collected were channelled to services geared towards implementation of the core mandate of the Authority which is licensing, regulation and supervision of the Regulated SACCOs to ensure their stability.

It is important to point out that the Authority is yet to levy the Specified Non-Deposit Taking Saccos since the levy order has not been concluded. However, this is at an advanced stage where the order paper has been submitted to the Cabinet Secretary for approval before publication in the Kenya Gazette. Despite this, the Authority has ensured that supervisory activities of the Non deposit Taking Saccos do not lag behind and supervision of these Saccos has been ongoing albeit the meagre resources.

The total current assets increased by 37.45% to Kshs. 419million in FY 2022/2023 from Kshs. 305 million in FY 2021/2022. This was occasioned by increase in the levy collected during the year under review. In addition, there was a net fall in property plant and equipment from Kshs 248 million to Kshs 171 million due to depreciation without commensurate additions. This has translated to

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decline in non-current assets by 33% from Kshs. 260 million in FY 2021/2022 to Kshs. 175 million in 2022/2023.

The Future Strategic Priorities

In line with our key strategic pillars of Financial Stability through inclusion and member protection; Promotion and development of the SACCO industry; and building organizational capability, the Authority with support from the Board has lined up activities aligned to the Bottom-up Economic Transformation Agenda (BETA), that will be impactful to the market to ensure that the industry is safe, sound and stable. To this effect, we list a few activities that we intend to implement in the coming year.

Sustained implementation of prudential supervision

In order to leverage on the gains realized in the last thirteen (13) years of implementing prudential regulations, the Authority will continue sustaining its risk based regulatory approach by channelling its resources towards areas that portend greater risks to the market. We are confident that adequate review of the returns, diligent corporate approvals, comprehensive onsite inspections, proper investigations and undertaking proportionate and decisive enforcement actions when called upon shall guarantee the desired result of a stable industry.

Automation of the Supervisory and Regulatory Processes and Systems

The Authority will continue to adopt modern, efficient and effective regulatory and supervisory systems to ease its engagement with stakeholders. The implementation of the Risk Based Supervisory System (RBSS) is expected to be concluded in the next financial year. This will transform the licensing, surveillance and compliance monitoring systems and ensure that the Authority is most efficient in the delivery of its core mandate. In addition, the automation will enable the Authority effectively handle its expanded mandate that has brought on board Specified Non-Deposit Taking Saccos and prepare for anticipated duties as may be directed by Cabinet secretary from time to time.

Market Conduct and Consumer Protection

Sacco members face various unethical practices such as unfair contractual terms, breach of data privacy, abusive collection techniques, deceptive pricing, hidden and inappropriate fees and inadequate disclosure of contract details. Appreciating that prudential supervision is not a panacea in itself for market confidence but a necessary ingredient for financial stability, the Authority embarked on a SACCO industry specific market conduct and consumer protection initiatives. Effective implementation of Market Conduct and Consumer protection legal framework will connect to the government's Bottom-Up Economic Transformation Agenda (BETA) geared towards a robust financial services consumer protection policy to improve on member confidence and savings mobilization.

The Authority will therefore, continue putting efforts in this front to ensure that members' interests are protected. Already the Authority has issued Complaints Management guideline to the Regulated Saccos which will ensure regular reporting on complaints handling by the SACCOs and enable the Authority to have a global view and take necessary actions. In addition, the Authority in partnership with relevant stakeholders is coming up with a comprehensive financial education and literacy strategy for the Sacco industry.

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Training and Roundtables

In the last two years, the Authority has implemented training programmes targeting Non-Deposit Taking Saccos which are new entrants into the prudential regulatory regime. The training has focused on critical thematic areas suggested by the participants such as Compliance, Reporting, Credit Risk Management, Cyber security, corporate governance among others. Encouraged with the positive impact of these trainings and feedback from participants, the Authority will continue rolling out trainings for targeted Saccos focusing on the identified needs.

The trainings will be complimented with the annual round tables which accord the Sacco leadership a one-on-one forum with regulator and other stakeholders to share regulatory challenges and ideas on how to improve. This will be done in collaboration with relevant stakeholders as it has been before where the Authority has collaborated with key institutions such as EACC, CA, Safaricom, Office of the Data Protection, Central Bank of Kenya, FRC among others.

Policy initiatives

The Authority shall continue expanding its knowledge base and keep abreast with the ever-changing market and regulatory environment, to address emerging risks and policy gaps in the financial markets through constant research on key thematic areas in collaboration with other stakeholders. The new information identified in the process shall be disseminated to the Saccos and other stakeholders to improve on their knowledge horizon, while policy gaps inform improvement of regulatory framework through policy proposals as enumerated below:

Operationalization of the shared services and DGF

It is critical that the implementation of the Shared Services is seen through. This will enable Saccos benefit from the Economies of Scale, expand their innovation efforts and allow them to play their role in financial inclusion space. The policy proposal for the establishment of the shared services together with amendments of the DGF have been submitted to the Ministry for Transmission to the Cabinet for consideration and approval. To this end the Authority will play its promotional role by offering the secretariates services to the facility and office working space to jump start its operations.

On the other hand, we shall continue to push for necessary amendments around the Deposit Guarantee Fund to ensure that it is practical, sustainable and free from any operational and liquidity risks that may hinder it from the onset.

Initiate the actualization of the stabilization fund and asset recovery

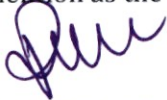
From the various onsite inspections conducted, it is desirable to have in place a legal framework to enable the Authority to identify, trace, investigate, seize, recover and reunite the stolen funds to the affected Saccos. We shall pursue development and implementation of a comprehensive asset recovery framework for the Sacco industry. In addition, we shall put in a policy proposal to facilitate establishment of stabilization fund to provide support to a Sacco under distress to restore and facilitate maintenance of a Sacco's reserve requirement. This support may include the provision of technical and financial advice, and the provision of financial support to a Sacco.

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Appreciation

On behalf of the management team, the Authority extends its appreciation to the Cabinet Secretary, Ministry of Cooperative & Micro, Small & Medium Enterprises (MSMEs) Development and the Principal Secretary for State Department for Co-operatives for the continued provision of policy guidance that enabled realization of the set targets during the year under review. I also sincerely thank members of the Board of Directors in setting the vision and mission for achieving the Authority's statutory mandate, providing the prerequisite oversight, guidance as well as continued provision of resources in the execution of the Authority's mandate.

My gratitude also goes to the SASRA's Management and the entire Staff for their resilience and dedication to our course in realizing our strategic aspirations. The unwavering support and cooperation received during the FY 2022/2023 from the National Co-operatives (NACOs), staff and leadership of the regulated SACCOs, as well as the entire co-operative movement also deserves a mention as the Authority looks forward to a fruitful FY 2023/2024.

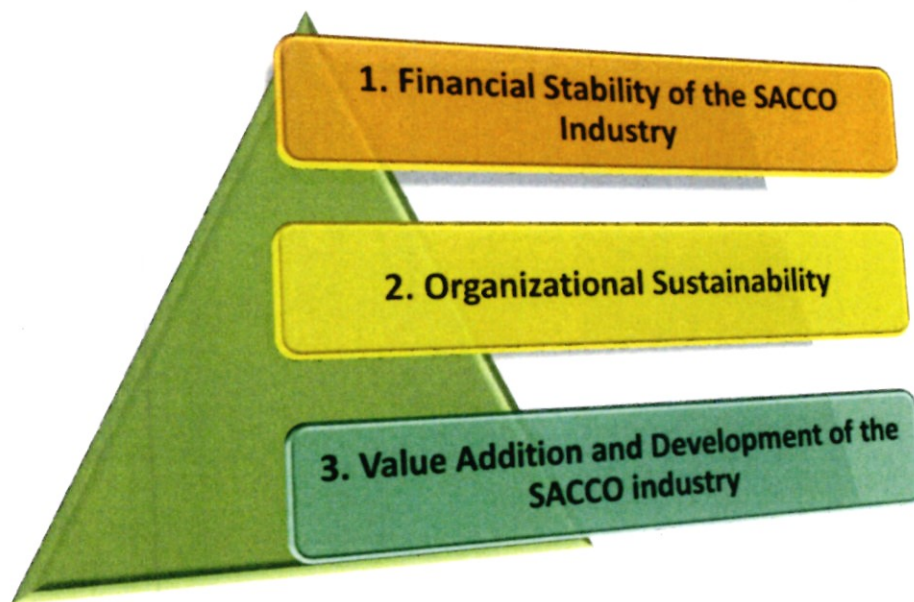


Peter Njuguna
Chief Executive Officer

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7. Statement of Performance against Predetermined Objectives for FY 2022/2023

The SACCO Societies Regulatory Authority (SASRA) for the past thirteen (13) years has been guided by the Strategic Plan documents which provides a roadmap and defines the means and approaches that will be utilised to realize the Authority's mandate as outlined in the Act. During the FY 2022/2023, the Authority was implementing the last phase of its Strategic Plan 2018-2022 premised under the following three (3) Key thematic Areas as follows:



The Authority's annual workplan is developed from the above three (3) key thematic and it is aligned to the performance contract. The Authority achieved its performance targets set for the FY 2022/23 period for the three Key Result Areas, as indicated in the table below:

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Key Result Area	Strategic Objective	Objective Outcome	Key Performance Indicators	Activities	Achievements
1. Financial Stability of the SACCO industry	To fully implement an integrated risk-based supervision framework in line with the ICURN Guidelines	Automated Risk Based Supervisory framework	<ul style="list-style-type: none"> i. RBSS system implemented ii. Enhanced supervisory and regulatory system iii. System implementation road map iv. Collaboration framework 	<ul style="list-style-type: none"> i. Acquire, Install, customize and Integrate the RBSS system ii. Automate and Integrate supervision processes iii. Roll out the RBSS system iv. Conduct a training needs analysis based on RBS components v. Participate in ICURN activities vi. Amend the SACCO Society Act and policy framework (on the use of ICT in regulation of SACCOs) 	<ul style="list-style-type: none"> i. The Risk Based Supervision framework reviewed to align with the emerging issues ii. Initiated the procurement of the RBSS system iii. Supervision process reviewed, documented iv. Participated in ICURN activities and programs during the period v. Amendment of the SACCO Society Act and policy framework
	Enhanced compliance with prudential standards to above satisfactory level	Risk based programs enhanced	<ul style="list-style-type: none"> i. 100% implementation of annual risk-based programs ii. No of SACCOs compliance with the prudential requirements iii. Annual Inspection workplan iv. Guidelines for External Auditors for SACCOs v. Promote good corporate governance standards and 	<ul style="list-style-type: none"> i. Develop and implement effective licensing, authorization supervision and enforcement programs. ii. Develop a draft tool to measure the Management (M) component of the CAMEL rating framework. iii. Develop and maintain institutional risk profiles iv. Develop annual inspection plan for board approval v. Initiate and/or undertake criminal investigations and/or administrative enforcement actions on 	<ul style="list-style-type: none"> i. Risk rating profile for SACCOs developed ii. The annual inspection plan was developed and approved for the financial year 2022/2023. iii. 41 SACCOs out of 40 scheduled SACCOs have been inspected as of June 30th, 2023. iv. Initiated and undertook criminal cases against criminal activities in SACCOs where there are 11 cases under active investigations

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Key Result Area	Strategic Objective	Objective Outcome	Key Performance Indicators	Activities	Achievements
			<p>practices in the conduct of Regulated SACCO business</p> <p>vi. Reduction in incidences of cyber crime</p> <p>vii. Approved Audited financial statements</p> <p>viii. IEC materials developed</p>	<p>allegations of impropriety identified by and/or reported to the Authority.</p> <p>vi. Develop guidelines to provide for registration of external auditors by the Authority and the responsibilities of SACCOs and External Auditors in financial reporting process.</p> <p>vii. Carry out sensitization training programs for internal/external-stakeholders on corporate governance issues and emerging trends on Cybercrimes and Fraud.</p> <p>viii. Publish and issue the Revised Guidelines on Good Corporate Governance of Regulated SACCOs.</p> <p>ix. Develop a draft tool to measure the Management (M) component of the CAMEL rating framework.</p> <p>x. Develop and issue Guidance Note on Integrators by 30th September, 2022</p> <p>xi. Review and consider for approval Audited Financial Statements of Regulated SACCOs before publication</p>	<p>v. Issued and implemented the final guidelines to external auditors for SACCOs</p> <p>vi. Carried out six capacity building programs withing the period.</p> <p>vii. Issued guidelines on the good corporate governance practices for Regulated SACCOs.</p> <p>viii. Draft tool developed to measure the Management (M) component of the rating framework.</p> <p>ix. Guidance Note on engagement of integrators developed and issued.</p> <p>x. 359 SACCO Audited accounts reviewed and considered for approval to improve accountability and transparency in annual financial reporting</p> <p>xi. SACCO members engaged in education forums and SACCO clinics</p>

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Key Result Area	Strategic Objective	Objective Outcome	Key Performance Indicators	Activities	Achievements
				and presentation to members and other stakeholders by 30th April, 2023 xii. Develop information, education and communication materials	
	To develop a functional legal framework for a deposit protection fund	Functional legal framework for member deposit protection fund	Proposed Policy framework	Review the framework for the design and implementation of Deposit Guarantee Fund Submit draft policy and legislative framework to the Cabinet Secretary.	i. The policy was approved by Cabinet ii. Developed an approved nomination rules for appointment of trustees
	To establish a functional legal framework for central liquidity facility	Functional legal framework for central liquidity facility	i. Approved Business Plan ii. Operational Business Plan and Organizational Structure	Develop organizational structure and business plan for SACCO Central (The body corporate that is dealing with Shared Services and CLF) ii. Subject the Organization Structure and Business Plan to stakeholder sensitization and engagement by participating SACCOs	i. Developed the organizational structure and business plan for SACCO Central ii. Engaged stakeholders and participating SACCOs on the organization Structure and Business Plan of the SACCO central.
2. Organizational Sustainability	To ensure full compliance with relevant provisions of Mwongozo Code	Compliance with Mwongozo Code	i. Governance and legal audit undertaken ii. Schedule of Board Development Programmes and retreats iii. Board papers	i. Undertake governance and legal audit ii. Conduct capacity building for Board and Management iii. Organize and facilitate quarterly Board and Committee Meetings	i. Governance and legal audit undertaken and the findings implemented ii. Quarterly Board and Committee meetings facilitated

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Key Result Area	Strategic Objective	Objective Outcome	Key Performance Indicators	Activities	Achievements
			<ul style="list-style-type: none"> iv. Financial reports prepared and submitted to board and relevant oversight agencies v. External audit conducted vi. Conflict of interest register vii. Technical consultations 	<ul style="list-style-type: none"> iv. Policy and Strategy proposals from Management, Budget proposals and Regulatory Updates v. Preparation of quarterly and annual financial reports and submission to the board and relevant oversight authorities vi. Coordinate external audit within prescribed timelines vii. Monitoring the implementation of code of conduct and ethics, conflict of interest, whistle blower and corporate gift policies viii. Hold technical regulatory roundtable consultations workshops on policy and legal issues. 	<ul style="list-style-type: none"> iii. Policy and strategy proposal from management, budget proposals and regulatory updates developed iv. Quarterly and annual financial reports prepared and submitted to the relevant oversight agencies v. External audit coordinated within prescribed timelines vi. Compliance Report/Register for Conflict of interest and Corporate Gifts updated vii. Annual regulatory policy round table conducted
	To attain a minimum 'B' brand perception rating annually	Enhanced brand perception monitoring	Brand perception survey report	Conduct periodic brand perception audit/surveys	Brand perception survey conducted
	To determine and improve operational efficiency rating	Enhanced operational efficiency and system processes	<ul style="list-style-type: none"> i. Approved Operational efficiency rating framework ii. Integrated systems iii. Re-engineered processes iv. IS Audit Report 	<ul style="list-style-type: none"> v. Develop guidelines for the operational efficiency rating framework. vi. Fully integrate existing ICT systems in the operations of SASRA vii. Automate the re-engineered processes 	<ul style="list-style-type: none"> i. Guidelines developed for the efficiency rating framework ii. Implemented annual performance contracting iii. ICT systems integrated in SASRA operations

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Key Result Area	Strategic Objective	Objective Outcome	Key Performance Indicators	Activities	Achievements
				viii. Undertake information systems audit	iv. Re-engineered processes automated v. Information system audit undertaken to enhance IT governance
	To have competent and motivated workforce	Enhance the Authority's human capital	i. Implemented HR instruments ii. Training needs assessment report iii. Nine (9) positions filled by June 2023	iv. Implement the approved HR Instruments v. Conduct training needs assessment to enhance staff competencies and skills in compliance with the career Guidelines and to help cope with emerging business needs	i. Nine positions filled as per the approved structure ii. Implemented 90% of training plans for FY 2022/23 which were aligned with identified individual training needs and business needs
	To develop a new strategic Plan 2023-2027	Provide a five-year roadmap (Strategic Plan 2023-2027) for the Authority	i. Signed engagement contract ii. Evaluation report iii. Approved Strategic plan	iv. Procure consultancy to support the development of Strategic plan v. Undertake end term evaluation of the current strategic plan vi. Develop a new strategic plan	i. Kenya School of Government engaged to guide in the development of the new Strategic Plan 2023-2027 ii. Conducted end term evaluation of Strategic Plan 2018-2022 iii. Approved Strategic Plan 2023-2027 developed
3. Value Addition and Development of the SACCO industry	To conduct research on thematic areas and disseminate findings to the industry every two years	Policy and regulatory initiatives to support development of the SACCO industry	Capital adequacy requirement report	Conduct research on Capital Adequacy requirements.	Conducted research on capital adequacy requirements and prepared report.

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Key Result Area	Strategic Objective	Objective Outcome	Key Performance Indicators	Activities	Achievements
	To continuously create awareness on market performance and emerging issues over the planning period	Enhance awareness on SACCO industry performance and emerging issues	<ul style="list-style-type: none"> i. Annual SACCO supervision report ii. Financial Sector Stability Report (FSSR) 	Prepare and disseminate Year 2022 Annual SACCO supervision Report and contribute to FSSR	<ul style="list-style-type: none"> i. Prepared and disseminated the 2022 annual SACCO supervision report ii. Contributed to the preparation of the Financial Stability Sector Report 2022
	To develop and implement a market conduct framework by 2023.	Enhanced member protection and sound market practices	Informed and supportive stakeholders	Conduct sensitization workshops on the draft market conduct guidelines	Conducted sensitization for SACCO officers on the draft market conduct guidelines
	To facilitate increased opportunities for access to financial services	Promote adoption technology to drive efficiency and access to financial services	<ul style="list-style-type: none"> i. Draft report on involuntary mergers in the SACCO industry ii. Automated Corporate approvals 	<ul style="list-style-type: none"> iii. Conduct a study on involuntary mergers in the SACCO Industry iv. Automation of regulatory applications and approval requests from SACCOs 	<ul style="list-style-type: none"> i. Developed a draft policy on involuntary mergers in the SACCO industry ii. Automated licensing and authorization renewal applications. Insider lending and Sacco agency returns submissions

The above items have been captured in the Authority's Performance Contract under specific categories such as, Corporate Governance and Management Systems, Ease of doing business, financial stability, financial access and Facilitating expansion in outreach and Delivery Channels.

8. Corporate Governance Statement

Corporate Governance is the framework of rules and practices by which an institution is directed and operated. The Board of Directors who is responsible for the governance of the Authority, is committed in ensuring that the Authority's operations and responsibilities to its various stakeholders are guided by the principles of corporate governance such as transparency and disclosure, accountability, risk management, internal controls, ethical leadership and good corporate citizenship.

SASRA shall continuously assess its governance operating model to ensure that robust internal governing systems and practices are in place to support the Board and Management to deliver on its mandate.

Board Charter

Our Board Charter is a policy document that clearly defines the composition of the Board, respective roles, responsibilities and authorities of the Board of Directors (both individually and collectively) in setting the strategic direction of the Authority. This ensures effectiveness of each Director's contribution in the governance of the Authority by facilitating independent judgement, decision making and professional competencies. The Board of Directors commitment is derived through signing an undertaking to comply with the Board charter in execution of its mandate.

Responsibilities and Functions of the Board

The responsibilities and functions of the Board are stated in the Sacco Societies Act and the Board Charter, these include:

- a) Determining the Authority's mission, vision, purpose and core values;
- b) Setting and overseeing the overall strategy and approving significant policies of the Authority;
- c) Ensuring that the strategy of the Authority is aligned with the purpose of the Authority and the legitimate interests and expectations of its stakeholders;
- d) Ensuring that the strategy of the Authority is aligned to the long term goals of the Authority on sustainability;
- e) Reviewing, monitoring and ensuring that the Authority is effectively and consistently delivering on its mandate;
- f) Reviewing periodically the Authority's strategic objectives and policies relating to sustainability and social responsibility;
- g) Reviewing, evaluating and approving the Authority's budget and financial forecast;
- h) Monitoring the Authority's performance and ensuring sustainability;
- i) Reviewing, evaluating and approving major resource allocations and capital investment;
- j) Ensuring availability of adequate resources for the achievement of the Authority's objectives;

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- k) Ensuring that the procurement process is cost-effective and delivers value for money;
- l) Ensuring effective, accurate, timely and transparent disclosure to stakeholders of pertinent information on the organization's operations and performance;
- m) Hiring the Chief Executive Officer on such terms and conditions of service as may be approved and approving the appointment of senior management staff;
- n) Ensuring effective communication with stakeholders;
- o) Adopting, implementing and monitoring compliance with the Authority's Board Charter and Code of Conduct and Ethics and related policies;
- p) Reviewing, evaluating and approving the overall organizational structure;
- q) Reviewing, evaluating and approving the remuneration structure of the Authority;
- r) Reviewing on a quarterly basis the attainment of targets and objectives set out in the agreed performance measurement framework with the Government of Kenya;
- s) Enhancing the Authority's public image;
- t) Monitoring compliance with the Constitution, all applicable laws, regulations and standards;
- u) Developing a succession plan for itself and the Chief Executive Officer;
- v) Ensuring adequate systems and processes of accountability, risk management and internal controls are implemented;
- w) Determining the appropriate committee structure, reviewing the same periodically and determining the Terms of Reference for Board committees; and
- x) Making appointments and changes in the composition and leadership of such Committees.

Board Appointment and Tenure

a) Appointment of Board Members

The Board of the Authority are appointed by Gazette Notice pursuant to Section 6 of the Sacco Societies Act No.14 of 2008. The Cabinet Secretary appointed the Chairman and the three (3) independent Board members. The Board in addition is comprised of three institutional representatives one each from the Central Bank of Kenya, The National Treasury and the Commissioner of Cooperatives. The skills mix is observed to enhance diversity within the Board.

b) Tenure of Board Members

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

c) Removal of Board Members

The Sacco Societies Act provides for removal process and circumstances under which a board member may be removed from office. Which include: if member accepts any office the holding of which, if he were not a member of the Board, would make him ineligible for appointment to the office of a member of the Board; fails to discharge the functions of his office whether arising from infirmity of body or mind or any other cause; conducts himself

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in a manner not befitting a member of the Board; and becomes subject to any disqualification as they are prohibited from being a director or to take part in the management of a cooperative or financial institution by the Commissioner under the Co-operative Societies Act. A member of the Board may also on his/her own accord resign from office by giving a fourteen days' notice to the Cabinet Secretary with a copy to the Chairman.

Board Committees

The Board has pursuant to Section 8 of the Sacco Societies Act established Committees to perform delegated responsibilities that require detailed consideration. The Committees are constituted based on their individual professional skills and experience and are chaired by independent directors who are appointed from the general public. In the fiscal year under review the Board reviewed the Committee terms of reference to align with the revised organisation structure and expanded mandate. It further reconstituted the committee membership as follows:

1. Technical Committee

a) Committee Function

The Committee is responsible for considering technical and policy matters focused on the core mandate of the Authority. It's charged with the responsibility of ensuring there are appropriate policies and structures to support operational activities and supervision of Regulated SACCOs; and reviewing policy proposals aimed at addressing emerging regulatory challenges and the development of the SACCO industry;

b) Members of the Technical Committee

- i) Ms. Freda Moraa – Chairperson from 23rd June, 2023
- ii) Ms. Anne Wetangula – Chairperson upto 15th June, 2023
- iii) Mr. Timothy Kihara – from 16th June, 2023
- iv) Mr. Methuselah Rono – from 16th June, 2023
- v) Mr. Gerald Nyaoma
- vi) Mr. Robert Mburu – upto 15th June, 2023
- vii) Mr. Kelvin Mogeni – upto 15th June, 2023

2. Corporate Services Committee

a) Committee Function

The Corporate Services Committee assists the Board in the fulfilment of its mandate through consideration and recommendations to the Board all matters relating to organizational capabilities to deliver on its core mandate. These includes functions under: -Finance, Human Resource, Information Technology, Strategy, Planning and Supply Chain Management. Overall scope is to ensure organizational sustainability in all aspects.

b) Members of the Corporate Services Committee

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- i) Mr. Methuselah Rono – Chairman from 16th June, 2023
- ii) Mr. Kelvin Mogeni – Chairman upto 15th June, 2023
- iii) Ms. Freda Moraa - from 23rd June, 2023
- iv) Ms. Alice Mwololo
- v) Mr. David Obonyo
- vi) Ms. Anne Wetangula - upto 15th June, 2023

3. Audit, Risk Management and Corporate Governance Committee

a) Committee Function

The Audit, Risk Management and Corporate Governance Committee assist the Board in fulfilling its oversight responsibilities with regard to the audit and risk and corporate governance functions of the Authority. Overall scope of the Committee is to ensure that the Authority is governed in line with best practice in matters of Governance, audit and risk management.

b) Members of the Audit, Risk Management and Corporate Governance Committee

- i) Mr. Timothy Kihara – Chairman from 16th June, 2023
- ii) Mr. Robert Mburu - Chairman upto 15th June, 2023
- iii) Mr. David Obonyo
- iv) Ms. Alice Mwololo
- v) Mr. Gerald Nyaoma

Board Meetings

The Board conducts its meetings in accordance with the Sacco Societies Act and as guided by code of governance for state corporations “Mwongozo”, circulars issued by the National Government from time to time and its charter. The Board operates under a work plan (almanac) approved by the Board before commencement of every financial year.

The Board held the following number of meetings during the period under review which were attended by the Board as follows:

Type of Meeting		Full Board	Technical Committee	Corporate Services Committee	Audit, Risk Management & Corporate Governance Committee
Total Number of Meetings		7	4	5	5
Name	Jack Ranguma (w.e.f 10 th February 2023)	2	0	0	0
	George Murathe(upto 9 th February 2023)	5	0	0	0

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Robert Mburu	7	4	0	5
Anne Wetangula	6	4	5	0
Kelvin Mogeni	7	4	5	0
Alice Mwololo	7	0	5	5
Gerald Nyaoma	5	4	0	5
David Obonyo	6	0	5	4

Board Retreats

The Board during the period under review held two retreats to consider strategic and policy papers. The Retreats provides the Board the opportunity to interact with critical documents which would hitherto not be conclusively dealt with in a Board meeting setup and forms part of internal stakeholders' engagement processes. The process practised for over five years now, enhances efficiency at Board meetings. The Board at the retreats considered the following Strategic and Policy Papers:

- a) 2023-2027 SASRA Strategic Plan
- b) Sacco Supervision Report, 2022
- c) Revised Disability Mainstreaming Policy
- d) Revised Internal Audit Charter
- e) 2023-2024 Performance Contract
- f) Draft Board Induction Procedures Manual
- g) Highlights of the Sacco Law Case Digest, 2023

Board Capacity Development

a) Board Induction

The Authority has a guideline in place that ensures all newly appointed members participate in an induction programme. The induction process includes meetings with other board members, Management and all staff. It involves being taken through the mandate of the Authority, their responsibilities as Board members, status of the institution, general principles of governance and Board practices. During the year under review, there were appointments of two (2) new Board Members and internal board induction programmes were carried out on 27th July, 2022 and on 6th March, 2023. Further, the Board attended an induction workshop facilitated by the State Corporation Advisory Committee (SCAC) from 24th – 26th April, 2023.

b) Board Development

The Board Members are appointed to the Board based on the skills they hold and are expected to build capacity on the skills required to effectively and efficiently carry out their mandate. Annual Board development program is therefore prepared and implemented each year to

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ensure the Board is kept up to date with emerging industry and governance trends both locally and internationally. The Board attended the following trainings and workshops during 2022/2023 financial year which enhanced their knowledge in the industry and governance trends:

No.	Name Of Training	Training Institution	Dates	Attendees
1.	International Credit Union Regulators' Network Conference, 2022	International Credit Union Regulators' Network	20 th – 22 nd July, 2022	Ms. Anne Wetangula Mr. Gerald Nyaoma Mr. David Obonyo
2.	Induction Program for Public Sector Boards	Kenya School of Government	7 th – 9 th November, 2022	Mr. George Murathe Mr. Kelvin Mogeni
3.	Comprehensive PFM Sensitization Workshop on Board Oversight over Corporate Governance, Risk Management and Internal Control and the Adoption of PSASB Internal Audit Manuals and Templates	CapaBuil	17 th – 22 nd April, 2023	Hon. Jack Ranguma Mr. Robert Mburu Mr. Kelvin Mogeni Mr. Gerald Nyaoma Ms. Alice Mwololo
4.	Induction Workshop for Board Members of State Corporations	The State Corporation Advisory Committee (SCAC) and Institute of Certified Secretaries	24 th – 26 th April, 2023	Hon. Jack Ranguma Mr. Robert Mburu Mr. Kelvin Mogeni Mr. Gerald Nyaoma

Board Performance Evaluation

The Board reviews its performance and that of the Chairperson, individual directors and the Corporation Secretary every year in compliance with the Mwongozo Code of Governance. The 2022/2023 Board Performance Evaluation carried out on 25th August, 2023 was virtually facilitated by State Corporations Advisory Committee (SCAC). The table below shows the results of the 2022/2023 Board performance evaluation as conducted by the State Corporations Advisory Committee (SCAC):

Conflict of Interest

The Board is bound by good corporate governance practices and maintains a conflict-of-interest register which is available at every Board meeting for declaration of any interest on the agenda items of the meeting. The Board members further declare existence of any interests at the time of appointment and commit not to be in a position where personal interest conflict with those

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of official duty of the Authority. The Board has also put in place a Conflict-of-Interest Policy. No interests were declared or reported during the 2022/2023 financial year.

Remuneration of Board Members

The Board of the Authority is remunerated in accordance with the Guidelines on Terms and Conditions of Service for State Corporations' CEOs, Chairmen, Board Members, Management and Unionisable Staff issued on 23rd November, 2004 and further guidance issued vide circular Ref. No. OP/CAB.17/34A by the Chief of Staff and Head of Public Service on payment of allowance to Chairmen and Board Members of State Corporations. The regular allowances for the Board are as follows:

Table: Remuneration Rates of the Board members.

No.	Allowance	Chairman	Board Members
1.	Honoraria	Kshs. 80,000 per month	n/a
2.	Sitting Allowance	Kshs. 20,000 per meeting	Kshs. 20,000 per meeting
3.	Lunch Allowance	Kshs. 2,000 per meeting day	Kshs. 2,000 per meeting day
4.	Airtime (Mobile)	Kshs. 5,000 per month	n/a
6.	Accommodation	Kshs. 18,200 per Night out	Kshs. 18,200 per Night out
7.	Transport	Paid at the current prevailing Automobile Association (AA) of Kenya rates	Paid at the current prevailing Automobile Association (AA) of Kenya rates
8.	GPA	Covered under the Authority's GPA Cover	Covered under the Authority's GPA Cover
9.	Medical	Inpatient Kshs: 2 million Outpatient Kshs. 100,000 Last Expense Kshs. 100,000	Inpatient Kshs: 2 million Outpatient Kshs. 100,000 Last Expense Kshs. 100,000

Ethics and Conduct Governance Assessment

The Authority has in place a Code of Conduct and Ethics, Confidentiality Policy, Whistleblower Policy and Gifts Policy for its Board members where each Board member on appointment signs commitment to abide by during their tenure.

Legal and Compliance Audit

Legal audit process is a systematic, objective and impartial examination of the processes, policies, documentation and practices to assess the legal requirements that an entity needs to adhere to and evaluate the level of compliance with the entire legal and regulatory framework that the entity is subject to. The legal audit provides recommendations for aligning operations, policies and processes with the legal requirements, thus enabling the entity to more effectively discharge its mandate and strategic objectives.

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The Board pursuant to Executive Order No. 7 Code of Governance for State Corporations (Mwongozo), Article 8.4 is required to disclose the extent of compliance with Laws, Regulations and Standards. It is required that a comprehensive and independent legal audit should be carried out, at least every two years by an external consultant. During the financial year under review, the Authority conducted a review of the implementation status of the recommendations of the external legal audit that was conducted by the external legal auditors during the previous financial year.

Governance Audit

A Governance Audit was undertaken during the period under review. The Authority through a consultancy contract, engaged the firm of Robson Harris Advocates LLP to carry out the governance audit. The Authority was found to be largely compliant. The following were found to be the areas that the Authority was partially compliant during the audit:

Succession Planning

Board members of the Authority are appointed at different times pursuant to Section 6(3) of the Sacco Societies Act, to ensure the respective expiry dates of their terms fall at different times to ensure continuity in the Board. The staggered appointments of the Board members was as illustrated below:

Table: Succession Planning of the Board members.

NAME	DATE OF APPOINTMENT
Hon. Jack Ranguma	W.e.f 10 th February, 2023
Ms. Freda Moraa	W.e.f 23 rd June, 2023
Mr. Methuselah Rono	W.e.f 16 th June, 2023
Mr. Timothy Kihara	W.e.f 16 th June, 2023
Ms. Alice Mwololo	W.e.f 14 th October, 2015
Mr. Gerald Nyaoma	W.e.f 6 th April, 2016
Mr. David Obonyo	W.e.f 17 th June, 2021

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9. Management Discussion and Analysis

Economic Review

The IMF's World Economic Outlook (WEO) for April 2023, projects the global output growth to slow down from an estimated 3.4 percent in 2022 to 2.8 percent in 2023, before rising modestly to 3.0 percent in 2024. The slow growth is largely attributed to the multiple shocks including runaway inflation, conflicts around the world, cost of living crisis, the effects of climate change, strengthening of the dollar and the resurgence of COVID-19 pandemic China which negatively affected the global supply chains.

The Kenyan economy remained resilient over the period despite the domestic and external shocks. According to the Economic Survey 2023, Kenya's real GDP expanded by 4.8 per cent in 2022 compared to 7.6 per cent in 2021 mainly due to the strong performance in all service sectors particularly transport and storage, financial and insurance, information and communication, and accommodation and food services. The Agriculture, Forestry and Fishing sectors performance were subdued majorly due to the unfavourable conditions experienced in the country during the period.

Despite uncertainty in the global environment, domestic economic growth is expected to remain strong in 2023, in line with the Kenya's estimated potential GDP growth rate. According to the Economic Survey Report, 2023, the growth is supported by the expected continued strong performance of services sectors, recovery of agriculture sector and supportive government policies aimed at achieving economic turnaround and inclusive growth.

The Authority will continue to monitor and remain vigilant to the risks posed by developments in the domestic and global environments including the effects of climate change, inflationary pressures which can even rise if further shocks occur including the Russian-Ukraine war and extreme weather-related events.

SACCO Industry Review

The Regulated Sacco Industry resiliency is manifested by the growth of key growth parameters of Total Assets which increased from Kshs 807.11 billion in 2021 to reach Kshs 890.30 billion in 2022 representing a cumulative average growth of 10.31%. The total deposits held by the SACCO Industry during the year 2022 also increased to Kshs 620.45 billion from Kshs 564.89 billion recorded in 2021 representing an average growth rate of 9.84, while the gross loans disbursed increased to Kshs.680.35 billion in year 2022 from Kshs.608.75 billion reported in year 2021 representing an average growth rate of 11.76% as shown in the table below.

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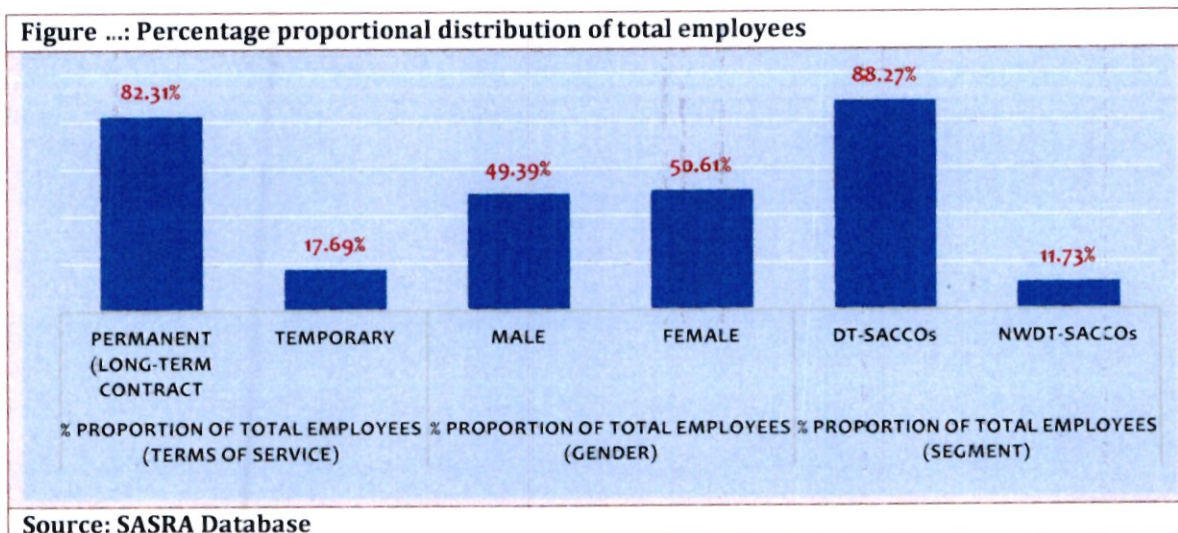
Table Comparative performance and growth of the Regulated SACCO industry						
FINANCIAL S	CLUSTER OF THE SACCOs	2020	Y-TO-Y CHANGE (2020/21)	2021	Y-TO-Y CHANGE (2021/22)	2022
		KSHS BILLIONS		KSHS BILLIONS		KSHS BILLIONS
TOTAL ASSETS	DT-SACCOs	627.68	10.10%	691.09	10.48%	763.50
	NWDT-SACCOs	106.54	8.90%	116.02	9.29%	126.80
	TOTALS	734.22	9.93%	807.11	10.31%	890.30
TOTAL DEPOSITS	DT-SACCOs	431.46	9.92%	474.25	10.19%	522.59
	NWDT-SACCOs	83.00	9.20%	90.64	7.97%	97.86
	TOTALS	514.46	9.80%	564.89	9.84%	620.45
GROSS LOANS	DT-SACCOs	474.77	10.00%	522.25	12.24%	586.16
	NWDT-SACCOs	80.28	7.74%	86.50	7.97%	94.19
	TOTALS	555.05	9.67%	608.75	11.76%	680.35
MEMBERSHIP	DT-SACCOs	5,470,492	1.25%	5,538,789		5,945,221
	NWDT-SACCOs	352,681	30.65%	460,785		475,270
	TOTALS	5,823,173	3.03%	5,999,574		6,420,491
NO OF SACCOs	DT-SACCOs	175		176		176
	NWDT-SACCOs	185		185		183
	TOTALS	360		361		359
NO OF BRANCHES	DT-SACCOs	537		559		596
	NWDT-SACCOs			3		7
	TOTALS	537		562		603
Source: SASRA Database						

From the financial stability front, the Regulated SACCOs industry recorded improvements in all the key stability measurement and indicators of capital adequacy, asset quality, liquidity, and earnings during the year 2022. The DT-SACCOs' segment core capital stood at Kshs 124.89 billion against the prescribed minimum of Kshs 10 million; while the core capital for the NWDT-SACCOs stood at Kshs 10.65 billion against the prescribed minimum of Kshs 5 million during the period. The mean non-performing loans (NPL) ratio for the Regulated SACCOs decreased by 8.34% in 2022 compared to an NPL ratio of 8.99% reported in 2021, an indication of easing of the credit risk but still remained above the industry requirement of 5.0 percent. In addition, all the capital ratios increased in the year signifying the enhanced ability to absorb credit risk and thus continued stability and resilience.

The total membership served increased by 7.02% to 6.42 million Kenyans in 2022 compared to 3.03% in 2021. Together with providing reliable employment opportunities to a total of 11,188

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Kenyans, out of whom 50.61% were female and 49.39% were male as shown in the figure below. These statistics demonstrates that the Regulated SACCOs' industry continued to play a critical role in the country's economic development as well as attainment of the sustainable development goals.



Key Projects and Investment Decisions Being Implemented

The following table shows the key projects implemented by the Authority.

Ref	Project Name	Project Details	Funding	Sustainability
1.	The Kenya SACCOs Central Liquidity & Shared Services Co-Operative Society Limited (The SACCO Central)	<p>The Central Liquidity and Shared Digital Services Platform is a project aimed at establishing an entity within the SACCO Industry to facilitate sharing common technology services by SACCOs, facilitating inter-Sacco Borrowing and enabling SACCOs to access the national payment system.</p> <p>The project will benefit all SACCOs who subscribe to the membership of the Kenya Sacco Central through:</p> <ul style="list-style-type: none"> i) access to superior and secure ICT systems to offer digital services to their members; ii) access to affordable inter-SACCO Lending iii) access to the national payment system iv) Enjoy economies of scale to reduce technology costs and achieve service efficiency; v) Improve the competitiveness of the Sacco Industry 	Supporting Access to Finance and Enterprise Recovery (SAFER) Project	Pending receipt of funding from the World Bank.

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Ref	Project Name	Project Details	Funding	Sustainability
		<p>vi) Facilitate the SACCO industry to reach out to the unbanked population through technology.</p> <p>The project started in 2019 and is expected to be commission upon the National Treasury releasing the funding, through the SAFER project.</p>		
2.	Risk Based Supervision System (RBSS)	<p>The project is aimed at Digitization of the Authority's supervisory processes. The project started in 2020, but was affected by Covid-19 and later non-performance by the contracted vendor. The project has been restarted and is in the re-tendering process.</p> <p>It is expected to be commissioned upon successfully procurement of the service provider.</p> <p>It is expected to benefit all the regulated Saccos through efficient and convenient submission of data and also in terms of effective and efficient supervisory process using artificial intelligent analytical tools.</p>	National Government	

Future Outlook

In future, the Authority will continue to implement prudential regulations in order to ensure that SACCOs are stable. To achieve this, SASRA will assess and review its regulatory model, fully implement the enabling laws while at the same time strive to identify the existing gaps with a view to coming up with policy and legal proposal to inform amendments through the established channels. It is also the intention of the Authority to provide enabling environment to the SACCO industry by ensuring the realization of the on-going projects.

In line with our key strategic pillars of Financial Stability through inclusion and member protection; Promotion and development of the SACCO industry; and building organizational capability, the Authority with support from the Board has lined up activities that will be impactful to the market and achieve the Government's Bottom-Up Economic Transformation Agenda of savings mobilization, financial inclusion and affordable credit through a safe, sound and stable industry. To this effect, we list a few activities that we intend to implement in the coming year.

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Sustained implementation of prudential supervision

In order to leverage on the gains realized in the last few years of implementing prudential regulations, the Authority will continue sustaining its risk based regulatory approach by channeling its resources towards areas that portends greater risks to the market. We are confident that adequate review of the returns, diligent corporate approvals, comprehensive onsite inspections and undertaking proportionate and decisive enforcement actions when called upon shall guarantee the desired result of a stable industry.

Automation of the Supervisory and Regulatory Processes and Systems

The Authority will continue to adopt modern, efficient and effective supervisory and regulatory systems to ease its engagement with stakeholders. The implementation of the Risk Based Supervisory System (RBSS) is expected to be concluded in the next financial year. This will transform the licensing, surveillance and compliance monitoring systems and ensure that the Authority is most efficient in the delivery of its core mandate. In addition, the Automation will enable the Authority effectively handle its expanded mandate that has brought on board Specified Non-Deposit Taking Saccos and prepare for anticipated duties as may be directed by Cabinet secretary from time to time.

Market Conduct and Consumer Protection

Sacco members face various unethical practices such as unfair contract terms, breach of data privacy, abusive collection techniques, deceptive pricing, hidden and inappropriate fees and inadequate disclosure of contract details. Appreciating that prudential supervision is not a panacea in itself for market confidence but a necessary ingredient for financial stability, the Authority embarked on a SACCO industry specific market conduct and consumer protection initiatives. Since a robust and responsive market conduct initiatives by SACCOs is a critical ingredient of building member and public confidence in the SACCO financial systems, the Authority will continue putting efforts in this front to ensure that members' interest is protected through development and implementation of a robust market conduct and a financial education and literacy strategy for the Sacco industry.

Effective implementation of Market Conduct and Consumer protection legal framework will connect to the government's Bottom-Up Economic Transformation Agenda geared towards a robust financial services consumer protection policy to improve on member confidence and savings mobilization. To this end the Authority has already issued Complaints Management guideline to the Regulated Saccos.

Enhanced Training and Roundtables

In the last two years, the Authority has implemented training programmes targeting Non-Deposit Taking Saccos which are new entrants into the prudential regulatory regime. The training has focused on critical thematic areas such as Compliance, Reporting, Credit Risk Management among others. Encouraged with the positive impact of these trainings and feedback from participants, the Authority will continue rolling out trainings for targeted Saccos focusing on the identified needs.

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The trainings will be complimented with the annual round tables which accord the Sacco leadership a one-on-one forum with regulator and other stakeholders to share regulatory challenges and ideas on how to improve. This will be done in collaboration with relevant stakeholders as it has been before where the Authority has collaborated with key institutions such as EACC, CA, Safaricom, Office of the Data Protection, Central Bank of Kenya, FRC among others.

Policy initiatives

The Authority shall continue expanding its knowledge base and keep abreast with the ever-changing market and regulatory environment, to address emerging risks and policy gaps in the financial markets through constant research on key thematic areas in collaboration with other stakeholders. The new information identified in the process shall be disseminated to the Saccos and other stakeholders to improve on their knowledge horizon, while policy gaps inform improvement of regulatory framework through policy proposals as enumerated below:

Operationalization of the shared services and DGF

It is critical that the implementation of the Shared Services is seen through. This will enable Saccos benefit from the Economies of Scale, expand their innovation efforts and allow them to play their role in financial inclusion space. The policy proposal for the establishment of the shared services together with amendments of the DGF have been submitted to the Ministry for Transmission to the Cabinet for consideration and approval. To this end the Authority will play its promotional role by offering the secretariates services to the facility and office working space to jump start its operations.

On the other hand, we shall continue to push for necessary amendments around the Deposit Guarantee Fund to ensure that it is practical, sustainable and free from any operational and liquidity risks that may hinder it from the onset.

Initiate the actualization of the stabilization fund and asset recovery framework

From the various onsite inspections conducted, it is desirable to have in place a legal framework to enable the Authority to identify, trace, investigate, seize, recover and reunite the stolen funds to the affected Saccos. We shall pursue development and implementation of a comprehensive asset recovery framework for the Sacco industry. In addition, we shall put in a policy proposal to facilitate establishment of stabilization fund to provide support to a Sacco under distress to restore and facilitate maintenance of a Sacco's reserve requirement. This support may include the provision of technical and financial advice, and the provision of financial support to a Sacco.

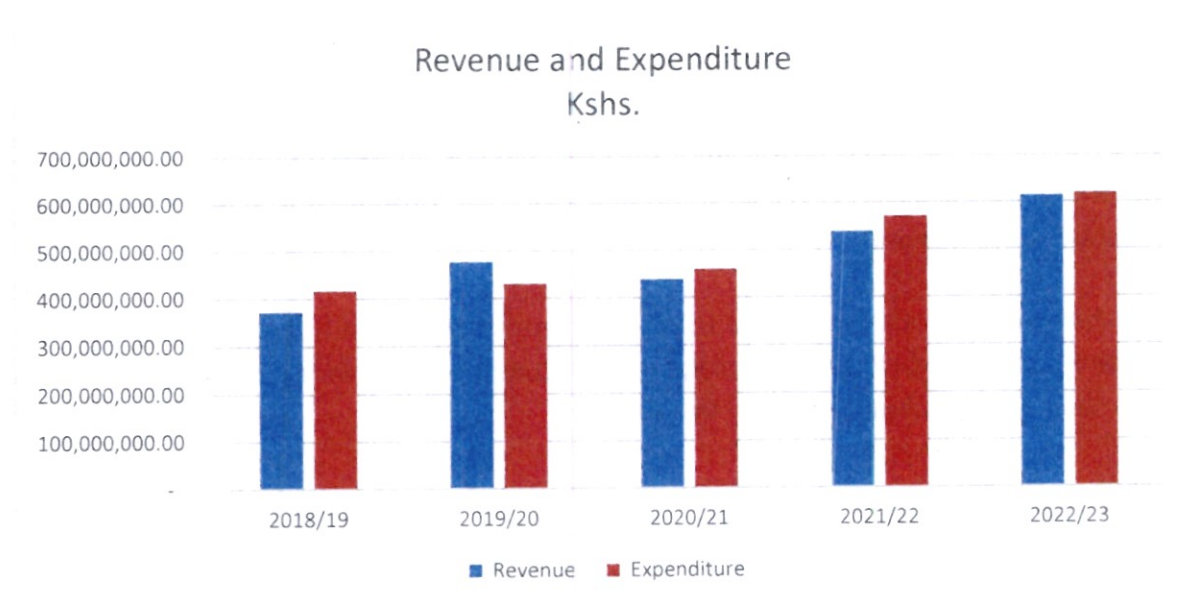
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Financial Performance of the Authority

The main source of revenue for the Authority is internally generated funds comprised of levies based on deposits of the regulated Saccos, License fees and license application fees. During the year under review, the Authority earned a total revenue of Kshs 614.8 Million representing a growth of 14.2% up from Kshs 538.4Million in previous financial period. The growth in Authority’s revenue was occasioned by growth in Sacco deposits which grew by 9.84% from Kshs564.89Billion in FY 2021/22 to Kshs.620.45Billion in FY 2022/23.

The Authority’s expenditure was within the approved budget and appropriate reallocation of the budget was done to cater for critical expenses that were not foreseen during budget formulation. The main expenditure during the year relates to onsite inspection of the regulated Saccos, expenses towards development of the Sacco Industry, stakeholders engagement costs, staff costs and other administrative costs. The overall costs for the Authority for the year ended 30th June 2023 was Kshs. 620.2Million resulting into a deficit of Kshs. 5.3Million.

The graphical highlights below summarize Authority’s revenue and expenditure for the five-year period from financial year 2018/2019 to financial year 2022/23.



There has been a consistent increase in revenue over the years due to increase in SACCOs deposit liabilities upon which levies are based. Save for the FY 2019/2020, the Authority’s expenditure has exceeded the realised revenue as a result of expanded mandate without corresponding revenue as manifested in the ongoing supervision of NDWTs which are yet to be levied.

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Compliance with Statutory requirements

The Authority has continued to comply with applicable laws and statutory obligations including but not limited to remittances of PAYE, NHIF, NSSF, HELB, Withholding VAT within the stipulated time lines.

Commitment to Risk Management

The Board and management of SASRA are committed to the development and implementation of an Enterprise Risk Management Framework. The board bears ultimate responsibility for the design of an appropriate risk management framework and determining the risk appetite the Authority is willing to assume with respect to the identified risks.

The Board has mandated management to develop and implement a robust and integrated risk management framework that is: fit-for-intended purpose, aligned to the objectives and priorities of the Authority, ensures compliance with all Regulatory requirements and is in line with accepted risk management standards.

Risk management structure and roles

Risk management on an enterprise-wide basis requires an integrated approach between the various risk-related specialists, department and staff. The risk management structure of the Authority comprises; the Audit and Risk Committee, the Risk and Quality Assurance department, and a Risk Committee at the technical level composed of departmental representatives.

Role of the Audit and Risk Committee

The Authority established several board committees as guided by the Mwongozo code of conduct, operational needs and best practice. The Audit and Risk Committee advises the Board on the level of Authority's risk appetite and continuously monitor the effectiveness of the risk management system.

Role of the Risk Management department

The department is responsible for coordinating the implementation of risk management framework and related systems throughout the Authority. This is achieved through promotion of an appropriate risk management culture within the organization and continuous sensitization of the board, management and staff. The department provides advisory to the board and management on emerging risks and strategies to build the Authority's capability to mitigate risk related to operations, supervisory/compliance, strategic and financial risks.

Role of Internal Audit Department

In addition to implementation of the risk management framework, the Authority has an independent Internal Audit department, whose function is to provide independent assurance to the Authority and management through structured audits, reviews, testing and other techniques, carrying out risk-based audits, reporting on effectiveness and efficiency of risk

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management process, as well as reporting on the Authority's compliance with the risk policy. Continuous risk assurance audits were conducted during the year to review the Authority's risk status.

Role of management

The management has the responsibility of ensuring implementation of the risk management framework within their respective departments and functions, monitoring, mitigation and reporting of risks besides fostering a desirable risk culture within their areas of responsibility. The functional heads are responsible for integrating risk management in all their processes, procedures and activities.

Risk categories

The Authority has identified and categorised risks as follows:

1. Strategic risks: These arise out of the Authority's strategic decisions and pursuits.
2. Financial risks: They are associated with the financial operations of the Authority.
3. Operational risks: These are risks associated with the operations of the Authority.
4. Legal and regulatory risks: Legal risks can arise from non-compliance with the legal and regulatory requirements.

Risk training and awareness

The Authority's commitment to risk management has also been evidenced by the awareness and continuous training offered to the Members of the Authority, management, and staff of the Authority throughout the year.

Material arrears in statutory and other financial obligations

The Authority did not have any statutory arrears as at 30th June 2023. All statutory and financial obligations were promptly settled.

Financial Probity and serious governance issues

The Authority adhered to relevant financial regulations regarding fiscal matters during the year. There were no issues of financial improbity by board and the management. There were also no governance issues or conflict of interest among the members of the board and top management in conduct of Authority's affairs.

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10. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

The SACCO industry remained resilient and stable during the period despite the domestic and global economic shocks that has continued to affect the overall performance of the global economy. The SACCO Supervision Annual Report, 2022 reported the industry ability to withstand the harsh economic shocks, to record growth in the key performance parameters. This can also be attributed to the implementation of the risk-based supervision framework and appropriate corrective policy measures to address emerging challenges in the SACCO industry.

The Authority has continued to play its critical role of developing the industry by empowering SACCO officers to properly manage SACCO Business, by facilitating several capacity building activities on governance and management; issued several guidelines, guidance note and circulars to SACCOs. A list of emergent regulatory and supervisory issues was developed, and stakeholders (staff & SACCOs) were sensitized/trained on the same.

To ensure a stable and sustainable SACCO industry, the Authority will continue to monitor the risks posed to the industry particularly the persistent high inflation, uncertainties of the global markets, tight monetary policies and the ravaging effects of climate change among others, and supervisory standards, to safeguard the gains achieved in the industry, while exploring new developmental initiatives to further deepen the role of Regulated SACCOs in national development.

ii) Environmental performance

The Authority has been on the forefront to transform lives whilst executing its strategic objective. In line with the presidential directive, for State Corporations to plant trees, the Authority collaborated with Kenya Forestry Services and planted a total of 2,500 trees.

This tree planting exercise involved five Schools in Machakos County namely Kyanguli Secondary School, Mbusiani Primary, AIC Ngelani Secondary, Kyasila Primary and Kitanga Primary Schools and the Authority Staff.

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Staff Planting trees in various locations

Besides tree planting exercise, the Authority has an Environmental Sustainability Committee which initiated a *Greening the Office project* and distributed several potted plants of Snake plant and Monstera around the office. These plants have benefits like removal of indoor air pollutants because of their air cleaning properties as they convert Carbon dioxide into oxygen and trap volatile organic compounds from air through photosynthesis.

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Potted plants in the Authority offices

Climate change

As part of efforts towards climate change, the Authority is keen to implement a “beat the plastic initiative” outlined in its environmental sustainability policy.

In line with this, the Authority distributed BPA (Bisphenol A) free water bottles and staff bags.



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iii) Employee welfare

The hiring process at the Sacco Societies Regulatory Authority (SASRA) is guided by set procedures and takes into consideration the gender ratio, protection of the marginalised and inclusion for Persons with Disability (PWD). During the year 2022/23 the Authority recruited a total of nine (9) staff for the following jobs: Compliance Officers, Office Assistant, Customer Relations Officer, Internal Audit Officer, Supply Chain Management Officer, Corporate Communication Officer. Among these, one officer was a PWD and from a marginalised community which was a consideration for his recruitment.

In 2022/23 SASRA improved automation of the Performance Management process by using an Enterprise Management System in work planning and appraisal for staff. The Authority conducted interventions for improving skills and managing careers through capacity building programmes.

The Authority has continued to comply with the Occupational Safety and Health Act of 2007, (OSHA) through the continued operationalization of the OSHA committee. The Authority facilitated training for the committee on OSHA, Fire Safety and First Aid. Further, the Authority approved and implemented workplace policies on prevention of alcohol and drug use, HIV/Aids management and Disability. All approved policies are taken through stakeholder engagement before approval.

iv) Market Place Practices

Responsible Competition Practice:

Understanding the significance of fostering a transparent and equitable competitive environment in the Sacco industry, SASRA instituted the Market Conduct department two years ago. This department's central mission is to closely monitor governance drivers, societal contributions, and pivotal economic stimuli, which together form the bedrock of our market conduct regulation and supervision. Our regulatory approach rests on three cornerstone elements:

1. **Institutional Framework:** This refers to the stringent legal structures, our cohesive regulatory infrastructure, and the dedicated institutions that underpin them.
2. **Supply-side Factors:** We are deeply involved in preserving the cooperative principles, championing industry best practices, and maintaining an observant watch over the Saccos' conduct.
3. **Demand-side Factors:** Defined predominantly by the expectations and trust of Sacco members, coupled with their financial needs.

Aligning our mission with actionable strategies, SASRA has embraced the seven-member protection principles. This involves a shift from a mere acknowledgment of these principles to incorporating them into the regulatory framework. These principles manifest as:

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1. **Appropriate Product Design and Delivery:** With SASRA's vigilant corporate approval team at the helm, it's ensured that all products proffered by Saccos resonate with consumer protection ethos.
2. **Prevention of Over-indebtedness:** We stand steadfast in our commitment to safeguarding the financial stability of Sacco members.
3. **Transparency:** Each Sacco member is entitled to information that is unambiguous, concise, and truthful.
4. **Responsible Pricing:** We are duty-bound to validate that pricing models are just, competitive, and truly reflective of the inherent value, all through a rigorous product approval framework for Saccos.
5. **Fair and Respectful Treatment of Clients:** A core tenet of our mandate is ensuring every Sacco member receives the respect and fair treatment they merit.
6. **Privacy of Client Data:** Abiding by contemporary data protection legislations, SASRA pledges to protect the privacy and sanctity of all stakeholder data.
7. **Mechanisms for Complaint Resolution:** Our state-of-the-art CRM bolsters an efficient complaints management system, ensuring that concerns raised by Sacco members receive timely and effective redress.

In our unyielding pursuit of transparency and the protection of members, SASRA consistently innovates and devises guidelines, empowering our regulatees to uphold a culture of fairness and clarity with their members.

Responsible Supply chain and supplier relations

The Authority has continuously exposed all the available business opportunities to the public through open advertisement and registration of all qualified and interested suppliers. The access to the opportunities has been made accessible freely through website downloadable tender documents or emailed tender documents.

The tender documents have been packaged in standard formats to make them easily comprehensible and user-friendly thus facilitating quick, cost effective and competent responses.

The Authority has maintained close supplier engagements through prompt and convenient communication channels like telephone, email and letters where the feedback is seamless.

During procurement of major requirements, the Authority organizes pre-bid conferences and site surveys in which requirements are clarified to suppliers thus facilitating preparation of bid responses.

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Successful bidders who are contracted to provide goods and services are supported to perform, through timely provision of contract documents, necessary support information, contract management personnel and any other material resources.

The Authority also processes timely payments to suppliers and supports those who require reference letters to backup bid applications or due diligence checks by other agencies.

v) Corporate Social Responsibility

Alongside contribution to societal goals through philanthropy, the Authority donated foodstuffs in Kajiado County which was adversely affected by drought. The donation was to AIC Olkejuado boys and AIC Girls who were able to reach out to other beneficiaries in their institutions who included persons living with disability and special needs children.

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11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the SACCO Societies Regulatory Authority's affairs.

i) Principal activities

The principal activities of the Authority are highlighted in page (v) of this report.

ii) Results

The results of the Authority for the year ended June 30, 2023, are set out on page 1-8 and the accompanying notes.

iii) Directors

The members of the Board of Directors who served during the year are shown on page (iv)-(xiv) of the report. During the year four (4) director retired/ resigned and four (4) were appointed as pointed out on pages (iv)-(xiv) of the report.

iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority reported a deficit during the year ended 30th June 2023 hence no remittance was done into the Consolidated Fund.

v) Auditors

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

By Order of the Board



Roselyne A. Ragama
Corporation Secretary

Date:

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12. 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 of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial period and the operating results of the Authority for that period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2023. 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 Authority; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Authority; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 ,the State Corporations Act and Sacco Societies Act 2008. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2023, and of the Authority's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

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Annual Report and Financial Statements for the year ended June 30, 2023***

Approval of the financial statements

The Authority's financial statements were approved by the Board on 22nd September 2023 and signed on its behalf by:



**Hon. Jackton Ranguma
Board Chairman**



**Peter Njuguna
Chief Executive Officer**

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON SACCO SOCIETIES REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Sacco Societies Regulatory Authority set out on pages 1 to 35, which comprise of the statement of financial position as at 30 June, 2023 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 period then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Sacco Societies Regulatory Authority as at 30 June, 2023 and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Sacco Societies Act, 2008.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matter

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance which have remained unresolved as at 30 June, 2023.

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 the International Standards for Supreme Audit Institutions (ISSAIs) 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 overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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 sustain its services, disclosing, as applicable, matters related to sustainability of its services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

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

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

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how Management 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 overall

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosure 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 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 Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

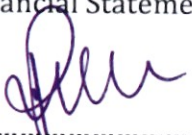
16 April, 2024

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Financial Performance for the year ended 30 June 2023


	Notes	2022-2023	Restated 2021-2022	2021-2022
Revenue		Kshs	Kshs	
Levies	6	588,092,320	495,221,058	495,221,058
Licenses Fees and License application fees	7	26,796,800	36,974,901	36,974,901
Public Contributions and Donations	8	-	6,101,600	6,101,600
Other income	9	-	141,150	141,150
Total Revenue		614,889,120	538,438,709	538,438,709
Expenditure				
Use of goods and services	10	222,127,204	197,516,408	198,792,050
Employee costs	11	257,067,907	229,722,632	235,730,785
Board Expenses	12	27,861,651	21,328,675	21,328,675
Depreciation and amortization expense	13	110,150,596	111,701,190	111,701,190
Repairs and maintenance	14	3,037,685	3,725,005	3,725,005
Total Expenditure		620,245,043	563,993,911	571,277,706
Surplus/ (Deficit) for the period		(5,355,923)	(25,555,202)	(32,838,997)

The notes set out on pages 8 to 35 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:



Peter Njuguna
Chief Executive Officer

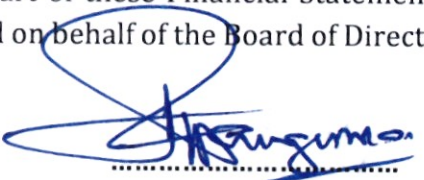
Date



Flora Kimari
Head of Finance
ICPAK M/No:9582

Date

4/03/2024



Hon. Jackton Ranguma
Chairman of the Board

Date

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

15 Statement of Financial Position as at 30th June 2023

			Restated	
		2022-2023	2021-2022	2021-2022
ASSETS	Notes			
Current Assets		Kshs	K.sh	
Cash & Cash Equivalents	15	354,839,594	294,886,305	294,886,305
Receivable from Non-Exchange transactions	16	63,938,939	9,828,440	9,828,440
		-		
Total Current Assets		418,778,533	304,714,745	304,714,745
Non-current Assets				
Property, plant and equipment	17(a)	170,685,416	247,825,559	247,825,559
Intangible assets	17(b)	3,993,033	12,143,220	12,143,220
		174,678,449	259,968,779	259,968,779
Total Assets		593,456,983	564,683,524	564,683,524
FUNDS & LIABILITIES				
Current Liabilities				
Trade and other payables	18	38,594,887	20,337,392	19,702,546
Provisions	19	17,049,667	3,401,290	11,319,932
		55,644,553	23,738,682	31,022,478
Funds & Reserves				
Capital Reserves	20	798,467,121	796,243,608	796,243,608
Accumulated surplus/deficit	21	(273,654,692)	(268,298,767)	(275,582,562)
Revaluation		13,000,000	13,000,000	13,000,000
Total Funds and Reserves		537,812,429	540,944,841	533,661,046
Total Funds and Liabilities		593,456,983	564,683,524	564,683,524

The financial statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:

.....
Peter Njuguna
Chief Executive Officer

Date

.....
Flora Kimari
Head of Finance
ICPAK M/No:9582

Date

4/03/2024

.....
Hon. Jackton Ranguma
Chairman of the Board

Date

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

16. Statement of Changes in Net Assets for the year ended 30 June 2023

	Capital fund	Retained earnings	Revaluation reserve	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 30th June 2019	607,349,669	(206,027,995)	13,000,000	414,321,674
Surplus/Deficit for the period	-	46,318,216	-	46,318,216
Remission to National Treasury		(23,238,158)	-	(23,238,158)
Donations	23,559,540		-	23,559,540
Balance as at 30th June 2020	630,909,209	(182,947,937)	13,000,000	460,961,272
Surplus/Deficit for the period	-	(21,967,619)		(21,967,619)
Remission to National Treasury		(42,127,240.00)		(42,127,240)
Add: Prior year adjustments		(3,165,926.40)		(3,165,926)
Balance as at 30th June 2021	630,909,209	(250,208,723)	13,000,000	393,700,483
Prior year adjustments	-	7,465,157.89		7,465,157.89
Surplus/Deficit for the period		(25,555,202)		(25,555,202)
Donations	165,334,398.64			165,334,399
Balance as at 30th June 2022	796,243,608	(268,298,767)	13,000,000	540,944,838
Surplus/Deficit for the period	-	(5,355,923)		(5,355,923)
Interest on car loan and Mortgage	2,223,513			2,223,513
Balance as at 30th June 2023	798,467,121	(273,654,689)	13,000,000	537,812,429

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

17. Statement of Cash Flows for the year ended 30 June 2023

	Notes	2022-2023	2021-2022
Cash flows from operating activities		Kshs.	Kshs.
Receipts			
Government grants and subsidies -Recurrent			
Levies - Sacco Deposits	6	588,092,320	495,221,058
License application fees	7	26,796,800	36,974,901
Other income			141,150
Total Receipts		614,889,120	532,337,109
Payments			
Use of goods and services	10	222,127,204	198,792,050
Employee Expenses	11	257,067,907	229,629,185
Board Expenses	12	27,861,651	21,328,675
Repairs and maintenance	14	3,037,685	3,725,005
Capacity development		-	-
Total Payments		510,094,447	453,474,916
Surplus/Deficit before working capital changes		104,794,673	78,862,193
Working capital changes			
Decrease/(Increase) in current receivables	16	(54,110,499)	(5,682,365)
Increase/(Decrease) in current payables	18,19	31,905,871	(15,399,754)
Net changes in working capital		(22,204,628)	(21,082,119)
Net cash flows from operating activities		82,590,045	57,780,074
Cash flows from investing activities			
Purchase of property, plant, equipment and intangibles	17(a)	(24,860,266)	(5,608,270)
Net cash flows used in investing activities		(24,860,266)	(5,608,270)
Cash flows from financing activities			
Prior year adjustments		-	7,465,158
Interest earned on Car loan and Mortgage		2,223,513	
Net cash flows used in financing activities		9,507,309	7,465,158
Net increase/(decrease) in cash and cash equivalents		59,953,292	59,636,962
Cash and cash equivalents at 1st July (B/f)		294,886,304	235,249,342
Cash and cash equivalents at 30 JUNE 2023		354,839,596	294,886,304

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023

	Original Approved Budget	Adjustments	Revised budget 2022/23	Performanc e	Performance difference	% Perfor mance	Notes
Details	2022/23			2022/23			
Reccurent Revenue:	Kshs	Kshs	Kshs				
Deposit Levy	590,544,186	-	590,544,186	588,092,320	2,451,866	100%	
License fees and application fees	25,375,000	-	25,375,000	26,796,800	(1,421,800)	106%	
Revenue from disposal of assets	615,919,186	-	615,919,186	614,889,120	1,030,066	100%	
Expenses							
Use of goods and services	288,523,265	(17,937,205)	270,586,060	222,127,204	48458,856	82%	a
Employee costs	249,286,922	520,000	249,806,922	257,067,907	(7,260,985)	103%	
Board Expenses	29,509,000	-	29,509,000	27,861,651	1,647,349	94%	
Depreciation and amortization expense	-	-	-	110,150,596	(110,150,596)	0%	
Repairs and maintenance	5,100,000	(1,582,795)	3,517,205	3,037,685	479,520	86%	b
Total Recurrent Expenditure	572,419,187	(19,000,000)	553,419,187	620,245,043	(66,825,856)		
Capital Expenditure							
Motor Vehicle	11,500,000	-	11,500,000	11,730,000	(230,000)	102%	
Staff Car loan and Mortgage	30,000,000	20,000,000	50,000,000	50,000,000	-	100%	
Furniture and Fittings	2,000,000	(1,000,000)	1,000,000	1,032,798	(32,798)	103%	
Total Capital Expenditure	43,500,000	19,000,000	62,500,000	62,762,798	(262,798)		
Total Expenditure	615,919,187	-	615,919,187	683,007,841	(67,088,654)		

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Development Revenue

	Original Approved Budget	Adjustments	Revised budget 2022/23	Performance	Performance difference	% Performance	Notes
Deposit Levy	14,500,000	-	14,500,000	14,500,000	-	100%	
Rolled over RBSS Fund	103,550,308	-	103,550,308	103,550,308	-	100%	
RBSS and Performance security	20,842,287	-	20,842,287	-	(20,842,287)	0%	c
Total revenue for development	138,892,595	-	138,892,595	118,050,308	(20,842,287)		

Development expenditure

Office partitioning	14,500,000	-	14,500,000	11,785,800	2,714,200	81%	d
Implementation of RBSS	103,550,308	-	103,550,308	-	103,550,308	0%	e
RBSS and Performance security	20,842,287	-	20,842,287	-	20,842,287	0%	f
Total development expenditure	138,892,595	-	138,892,595	11,785,800	127,106,795		

Notes explaining variance in Budget performance

- a) The shortfall in absorption for Use of Goods and services was occasioned by setback in implementation of the policy proposal of operationalizing the Shared Services and Central Liquidity Facility. The Authority submitted to the Cabinet policy proposals for onward submission to the National Assembly. However, the term for the August Parliament expired before the consideration and approval of the documents.
- b) There was a savings under repairs and maintenance as a result of savings on service level agreement for AC maintenance.
- c) This relates to bank guarantee for RBSS project which was not surrendered by the bank by close of the financial year.

- d)** There was a saving on cost of office partitioning which will be utilised during the FY 2023/24
- e)** (e) and (f) relates to budget for RBSS which will be utilised during the FY 2023/24

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

19. Notes to the Financial Statements

1. General Information

The Sacco Societies Regulatory Authority (SASRA) is a State Corporation under the Ministry of Co-operatives and Micro, Small and Medium Enterprise (MSME) Development. It was established as the Government's principal agency for supervision and regulation of SACCO Societies in Kenya pursuant to the provisions of the Sacco Societies Act No. 14 of 2008. The Authority started its operations in 2010 upon Gazettement of the Sacco Societies (Deposit-taking Sacco Business) regulations, 2010 on 18th June 2010.

The Authority is charged with the responsibility of overseeing the implementation of the provisions of the *Sacco Societies Act* and the Regulations made thereunder, with the main functions being the licensing of SACCO Societies to undertake deposit taking SACCO business and the regulation and supervision of designated SACCO Societies in Kenya. The two main regulations which have been made pursuant to the Act and which the Authority implements are the *Sacco Societies (Deposit-Taking Sacco Business) Regulations, 2010* which applies to the licensing, regulation and supervision of SACCOs undertaking deposit taking business; and the *Sacco Societies (Non-Deposit Taking Business) Regulations 2020* which applies to the authorization, regulation, and supervision of SACCOs undertaking specified Non-Deposit Taking business.

In addition, the Authority is responsible for overseeing the compliance of regulated SACCO Societies with the provisions of the *Proceeds of Crimes and Anti-Money Laundering Act, 2009 (POCAMLA)* pursuant to *Section 36A* thereof as read with the *First Schedule* thereto which lists the Authority as one of the supervisory bodies for purposes of the POCAMLA

2. Statement of Compliance and Basis of Preparation

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

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

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from	Applicable: 1st January 2023:

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact:
IPSAS 41, Financial Instruments	a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

- ii. ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.***

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

- iii. ***Early adoption of standards***

The entity did not early – adopt any new or amended standards in year 2022/2023.

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Public contributions & Donations

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

Transfers from other government entities

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

Sacco deposit Levies

Sacco deposits levies are prorated and recognised based on the licence period they relate to, when the outcome of the transaction can be estimated reliably, and the asset recognition criteria is met and it is 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 0.175% of the total deposits liability held by the licenced SACCO's as per balances held as at 31st December 2021.

ii) Revenue from exchange transactions

Rendering of services

The Authority being a financial regulator, does not render services that accrue revenue instead it levies SACCOs to meet its operational costs. However, occasionally the Authority can generate revenue from sale of goods and accrued interest from investment of excess funds. In the year under review, there was no revenue generated from sales of goods and accrued interest.

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

b) Budget information

The original budget for the Current FY was approved by the National Assembly in May 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Authority upon receiving the respective approvals in order to conclude the final budget.

The Authority's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 18 of these financial statements.

c) Taxes

On 20th March 2015, The National Treasury issued PFMA Regulation No.34 which under section 219 exempts the Authority from paying taxes. The regulation requires corporations exempted from income tax to remit 90% of surplus to National Treasury.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an 3-8 year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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 Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

- Motor vehicles 8 years (12.5%)
- Computer, hard wares and accessories 3.33 years (30.0%)
- Office equipment 8 years (12.5%)
- Furniture and Fittings 8 years (12.5%)
- Intangibles 8 years (12.5%)

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Authority. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Authority also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Authority will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

h) Research and development costs

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

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

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

i) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

a) Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)
b) Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

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:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) 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. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

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, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

l) Contingent liabilities

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

m) Contingent assets

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

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

n) Nature and purpose of reserves

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

o) Changes in accounting policies and estimates

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

p) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Entity pays fixed contributions into a separate Entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

q) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

r) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

s) Related parties

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

t) Service concession arrangements

The Authority analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Authority recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

u) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

v) Comparative figures

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

w) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual value

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 18. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2023
Notes to the Financial Statements (Continued)

6. Levies

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Deposit Levies from Saccos	588,092,320	495,221,058
Total	588,092,320	495,221,058

The levies are based on deposits liabilities of the regulated Saccos at a rate of 0.175%. The increase is occasioned by growth in Sacco deposits.

7. Licenses fees and license application fees

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Licence Application fees	489,000	942,001
License Renewal fees	26,307,800	36,032,900
Total	26,796,800	36,974,901

License application fees are paid by the regulated Saccos during application of license whereas the license fees are paid upon meeting the prescribed requirements to carry out deposit taking business. Majority of NWDTs were onboarded during the FY 2021/22. NWDTs upon onboarding are required to pay license fees of Kshs. 50,000 which reduces to Kshs. 30,000 in the subsequent years hence the drop in license fees earned during the period under review.

8. Public contributions and Donations

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Donations from FSSP	-	6,101,600
Total Other income	-	6,101,600

There was no donation received during the year under review.

9. Other Income

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Disposal of assets	-	141,150
Total Other income	-	141,150

The Authority disposed some ICT equipments by way of donations to ICT Authority in line with Head of Public Service Circular Ref No OP.CAB.1/16A dated 26th July 2022 hence there was no revenue earned from disposal during the FY 2022/23.

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Notes to the Financial Statements (Continued)

10. Use of Goods and Services

Description	2022-2023	Restated 2021-2022	2021-2022
	Kshs.	Kshs.	Kshs.
Subscriptions staff club membership and software licenses	825,950	1,591,360.00	1,591,360.00
Professional membership & AFI affiliation fees	3,150,000	2,361,187.50	2,361,187.50
Security costs	1,080,000	839,977.12	839,977.12
Advertising ,promotion & corporate image	9,867,327	16,656,519.75	16,714,305.75
Newspaper ,cleaning services & drinking water	2,457,927	2,482,924	2,482,924
Electricity	419,890	329,795	329,795
Audit fees	487,200	974,400	500,000
ICT Consumables	2,439,487	1,009,398	2,701,654
Software licences	17,418,413.95	14,451,582	14,451,582
Consulting fees	18,705,826	1,825,870	1,825,870
Office Consumables	1,652,700	1,522,449	1,522,449
Legal expenses	2,632,487	738,360	738,360
Postage expenses	170,000	94,450	94,450
Printing and stationery	2,050,570	2,289,779	2,289,779
Rent and rates	41,128,866	41,362,260	41,362,260
Bank charges	593,417	446,693	446,693
Telephone expenses	253,440	283,081	283,081
Travel,accommodation,subsistence and hospitality & supplies	11,731,885	21,412,523	21,412,523
Stakeholder engagement costs	10,749,684	12,921,987	12,921,987
Supervision & research activities costs	48,050,930	30,324,970	30,324,970
Training(Capacity development)	41,529,393	40,566,125	40,566,125
Fuel and Oil	4,184,679	2,237,382	2,237,382
Insurance for motorvehicles and Equipments	547,132	793,336	793,336
Total	222,127,204	197,516,408	198,792,050

The Authority embarked on activities such as supervision, research and development of Authority's 4th generation strategic plan. These activities are geared towards development of the Sacco Industry hence the 12% increase in costs relating to Use of goods and services.

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Notes to the Financial Statements (Continued)

11. Employee Costs

Description	2022-2023	Restated 2021-2022	2021-2022
	Kshs.	Kshs.	Kshs
Salaries and wages costs	207,327,111	196,310,246	194,399,758
Employer contributions to pension	15,843,151	13,967,237	13,967,237
Staff Medical expenses	19,837,088	15,724,400	15,724,400
Staff Welfare activities	399,380	819,458	819,458
Provision for outstanding leave days and gratuity	13,661,177	2,901,291	10,819,932
Total	257,067,907	229,722,632	235,730,785

The Authority recruited additional staff during the year under review hence the increase in employee costs.

12. Board Expenses

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Sitting allowances for regular meetings	3,732,800	8,314,625
Honoraria and airtime	1,006,400	517,462
<i>Other Board Expenses:</i>		
Other Board Expenses- Special meetings and workshops	23,122,452	12,496,589
Total	27,861,651	21,328,675

During the year under review, Board of directors were actively engaged in providing direction on various policy documents.

13. Depreciation and Amortization Expense

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Property, plant and equipment (Note 17a)	102,000,410	103,551,004
Intangible assets (Note 17b)	8,150,186	8,150,186
Total	110,150,596	111,701,190

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Notes to the Financial Statements (Continued)

14. Repairs and Maintenance

Description	2022-2023	2021-2022
	Kshs.	Kshs.
ICT Equipment & other maintenance costs	943,022	599,477
Motor Vehicles	2,094,663	3,125,528
Total	3,037,685	3,725,005

15. Cash and Cash Equivalents

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Cash & Cash Equivalents		
Bank	354,839,594	294,886,303
Total	354,839,594	294,886,303

Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	2022-2023	2021-2022
		Kshs.	Kshs.
a) Current Account			
Co-operative bank of Kenya	01120161308700	318,032,546	294,886,303
Sub- Total		318,032,546	294,886,303
d) Staff Car Loan/ Mortgage			
Kenya Commercial Bank – Car loan and Mortgage account.	1297552369	20,189,867	-
Call Account(Car loan and Mortgage call account).		16,617,181	-
Grand Total		354,839,594	294,886,303

The increase in cash and cash equivalents was as a result of increase in the levies due to growth in Saccos deposits which form basis for levying.

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Notes to the Financial Statements (Continued)

16. Receivables from Non-Exchange Transactions

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Receivable from Non- Exchange transactions		
Outstanding Levies	2,809,861	2,183,581
Deposits and prepayments	13,820,055	6,806,772
Other receivables	1,215,541	4,186,890
Receivables from staff accounts	677,016	838,087
Staff car loan and Mortgage receivables	45,416,465	-
Doubtful debts	-	(4,186,890)
Total	63,938,939	9,828,440

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Notes to the Financial Statements (Continued)

17. (a) Property, Plant and Equipment

	MOTOR VEHICLES	COMPUTER HARDWARE	PARTITIONS	OFFICE FURNITURE	OFFICE EQUIPMENTS	TOTAL
Cost	KShs	KShs	KShs	KShs	KShs	KShs
At 30th June 2021	39,510,374	163,806,305	154,524,525	26,531,776	26,860,836	411,233,816
Additions	5,144,800	156,616,809	2,437,160	-	218,900	164,417,669
Disposals & Impairment	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-
At 30th June 2022	44,655,174	320,423,114	156,961,685	26,531,776	27,079,736	575,651,485
Additions	11,730,000	311,669	11,785,800	75,622	957,176	24,860,266
Disposals & Impairment	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-
At 30th June 2023	56,385,174	320,734,783	168,747,485	26,607,398	28,036,912	600,511,751
						-
Depreciation						-
At 1st July 2021	23,597,787	97,805,264	65,758,847	16,594,369	20,518,654	224,274,921
Depreciation	2,794,782	78,674,744	18,057,781	2,799,169	1,224,529	103,551,004
Transfer/Adjustments						
At 1st July 2022	26,392,569	176,480,008	83,816,628	19,393,538	21,743,183	327,825,925
Depreciation	5,054,781	73,898,425	19,531,005	2,172,023	1,344,176	102,000,410
Transfer/Adjustments						
At 30th June 2022	31,447,350	250,378,433	103,347,633	21,565,561	23,087,358	429,826,335
Net book values						-
At 30th June 2022	18,262,605	143,695,233	73,145,057	7,138,238	5,336,553	247,825,559
At 30th June 2023	24,937,824	70,356,350	65,399,852	5,041,836	4,949,554	170,685,416

The Sacco Societies Regulatory Authority (SASRA)
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Notes to the Financial Statements (Continued)

17(b) Intangible Assets

Cost	KShs
At 30th June 2021	47,471,329
Additions	6,525,000
Disposals & Impairment	-
Transfer/Adjustments	-
At 30th June 2022	53,996,329
Additions	-
Disposals & Impairment	-
Transfer/Adjustments	-
At 31st March 2023	53,996,329
Depreciation	
At 1st July 2021	33,702,923
Depreciation	8,150,186
Additions	
Disposals & Impairment	-
At 1st July 2022	41,853,110
Depreciation	8,150,186
Additions	
Disposals & Impairment	-
At 31st March 2023	50,003,296
Net book values	
At 30 June 2022	12,143,220
At 30th June 2023	3,993,033

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Notes to the Financial Statements (Continued)

17 (c) Property, Plant and Equipment at Cost

If the assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Motor Vehicles	56,385,173.90	31,447,349.79	24,937,824.11
Computer Hardware	320,734,782.64	250,378,432.62	70,356,350.02
Partitions	168,747,485.00	103,347,633.35	65,399,851.65
Office Furniture	26,607,397.56	21,565,561.09	5,041,836.47
Office Equipments	28,036,912.12	23,087,358.36	4,949,553.76
Total	600,511,751.22	429,826,335.21	170,685,416.01

18. Trade and Other Payables

Description	2022-2023	Restated 2021-2022	2021-2022
	Kshs.	Kshs.	Kshs.
Trade payables	37,692,725	19,584,558	18,891,926
Other payables	902,162	752,835	810,621
Total	38,594,887	20,337,392	19,702,547

The outstanding payables as at 30th June 2023 were settled in July and August 2023.

19. Current Provisions

	Gratuity	Leave benefits	Audit Fees	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Opening Balances	2,901,290	7,918,641	500,000	11,319,931
Restated Opening Balance	2,901,290	-	500,000	3,401,290
Additional provisions raised	4,828,250	8,832,927	487,200	14,148,376.60
Provisions utilised	-	-	(500,000)	(500,000)
Total	7,729,540	8,832,927	487,500	17,049,667

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20. Capital reserves

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Balance b/f	796,243,608	630,909,209
Donations from FSSP	-	165,334,399
Interest on car loan and mortgage	2,223,513	-
Total	798,467,121	796,243,608

21. Accumulated Surplus/deficit

Description	2022-2023	Restated 2021-2022
	Kshs.	Kshs.
Balance b/f	(268,298,767)	(250,208,723)
Prior year adjustments	-	7,465,157.89
Surplus/Deficit for the period	(5,355,923)	(25,555,202)
Total	(273,654,690)	(268,298,767)

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Notes to the Financial Statements (Continued)

22. Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. In line with this legal requirement the Authority did not make any surplus during the year 2022/2023 and hence no remittance to the Consolidated Fund.

23. Financial Risk Management

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

i) Credit risk

The Authority's has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Authority's management based on prior experience and their assessment of the current economic environment.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Authority's directors, who have built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The Authority's manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Authority's under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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Notes to the Financial Statements (Continued)

iii) Market risk

The Authority has put in place an internal audit function to assist it in assessing the risk faced by the Authority on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Authority income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Authority Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Authority's exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

The Authority has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The Authority manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

b) Interest rate risk

Interest rate risk is the risk that the Authority's financial condition may be adversely affected as a result of changes in interest rate levels. The Authority's interest rate risk arises from bank deposits. This exposes the Authority to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Authority deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

iv) Capital Risk Management

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

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Notes to the Financial Statements (Continued)

	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	13,000,000	13,000,000
Retained earnings	(273,654,689)	(275,582,562)
Capital reserve	798,467,121	796,243,608
Total funds	537,841,429	533,661,046
Total borrowings	-	-
Less: cash and bank balances	(354,839,594)	(294,886,305)
Net debt / (excess cash and cash equivalents)	182,972,835	238,774,741
Gearing	34%	45%

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Notes to the Financial Statements (Continued)

24. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

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

25. Events after the Reporting Period

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

26. Ultimate And Holding Entity

The Entity is a State Corporation under the Ministry of Ministry for Cooperatives and Micro, Small and Medium Enterprises (MSME). Its ultimate parent is the Government of Kenya.

27. Currency

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

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Appendix 1: Implementation Status of Auditor-General's Recommendations

Reference no	Issue/Observation	Management comments	Status	Timeframe
OAG/A&L/SASRA/2021-2022/(12)	Unsupported prior year adjustments	The management has retrospectively restated opening balances of the prior period in line with IPSAS 3.	Resolved	Immediately

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