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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
SACCO SOCIETIES REGULATORY
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2016**







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

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

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



Vision

To be a distinguished Saccos regulator of global reputation

Mission

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

Core Values

- (i). Integrity
- (ii). Transparency and Accountability
- (iii). Innovativeness.
- (iv). Professionalism
- (v). Teamwork
- (vi). Equity



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KEY ENTITY INFORMATION AND MANAGEMENT

Background information

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

Principal Activities

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

Key Management

SASRA's day-to-day management is under the following key organs:

- Principal Secretary;
- CEO and
- Departmental Managers

Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

Designation	Name
Ag. CEO	John Mwaka
CM – Sacco Supervision	Peter Njuguna
CM – HR and Admin	Dominic Muteshi
CM – Finance and Planning	Kenneth Opiyo
Corp. Secretary	Roselyne Ragama

Fiduciary Oversight Arrangements

The composition of the Board of directors who were responsible for the oversight responsibility was as follows:

NAME	POSITION	DATE
Mr. Joseph Ole Lenku	Chairman	W.e.f 31st May 2016
Dr. Sammy Rutto	Member	Wef 02nd Oct 2015
Mr. Stephen Mwenda	Member	Wef 02nd Oct 2015



Ms. Eunice Mwangi	Member	Wef 02nd Oct 2015
Ms. Alice Mwololo	Member	W.e.f 14th Oct 2015
Mr. Gerald Nyaoma	Member	W.e.f 06th Apr. 2016
Mr. Phillip Gichuki	Member	Upto Oct, 2015
Mr. John. B. Thuku, MBS	Member	Upto 7th Nov 2015
Mr. Kakai Cheloti	Member	Upto 2nd Oct 2015
Ms. Regina Oyaro	Member	Upto 2nd Oct 2015
Mr. George Omino	Member	Upto 13th Oct, 2015
Mr. Patrick Musyimi	Member	Upto Sep, 2015

Entity Headquarters

P.O. Box 25089-00100
Britam Centre Building
Mara Ragati Road, Upper hill
Nairobi, KENYA

Entity Contacts

Telephone: 020-27117715/4
E-mail: info@sasra.go.ke
Website: www.sasra.go.ke

Entity Bankers

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

Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

Principal Legal Adviser

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



THE BOARD OF DIRECTORS



Joseph Ole Lenku - W.e.f 31st May 2016

Joseph Ole Lenku joined the SASRA board as the Chairman and as a non-executive director. Prior to this appointment, Mr. Ole Lenku served as a Cabinet Secretary for Interior and Coordination of National Government from 2013 to 2014. Mr. Ole Lenku is a graduate of the University of Nairobi, where he obtained his Master of Business Administration in strategic management and Bachelor of Commerce in Marketing. He has worked in different management positions for various hotels in Kenya and Tanzania. Lenku is credited for spearheading the rolling out of a new security framework known as "NyumbaKumi" (ten households) anchored on the larger concept of community policing.



Dr. Sammy Rutto - W.e.f 02nd Oct 2015

Dr. Rutto is a PhD holder in Science Education for the Kenyatta University, and MPhil. In Curriculum from the university of Cambridge, and MED in philosophy from Kenyatta University. He is currently a Senior lecturer at the Pwani University since 2010 prior to which he was a lecturer and a research fellow at the University of Nairobi and a lecturer at the Kenyatta University. He has also served as a director in two institutes under the Kenyatta University. He has also served as a Member of Parliament for Kipkelion constituency between 2002 and 2007. He brings to SASRA a set of public and institutional administration and management skills accrued through his over 20 years of work experience.



Mr. Stephen Mwenda Kinyua - W.e.f 02nd Oct 2015

Stephen Mwenda has over 10 years track record in revitalizing young businesses; he has experience in strategic planning and implementation as well as change management. He holds a Master's Degree in Business Administration - Finance option, a Bachelor of Commerce (Accounting and Finance Option), a diploma in clearing and forwarding and is a Certified Public Accountant of Kenya. He has served in the finance departments of World Cargo Logistics Ltd, Afro Renaissance Ltd and Urgent Cargo Handling Ltd. He is also the chairman of the Board of Management of Mburuguti High School.



Ms. Eunice Nyambura - W.e.f 02nd Oct 2015

Ms. Nyambura is a PhD scholar at (UON), holds an MBA in Strategic Management (UON), Banking from Institute of Banking and Business Communication (INDIA), Bachelor of Science in IT (JKUAT) and a Higher Diploma in IT from Inoorero University. She was previously with Chase Bank, where she was in charge of account opening compliance, liabilities book management and a custodian of Visa Cards and Cheque books. She has worked with Family Bank Ltd as a Systems Administrator, custodian and supervisor. She has also



	<p>worked as an Operations Manager in an International Privately owned company (GIBMEC). She is a member of the committee in charge of women in business at the Kenya Chamber of Commerce and Industry (KNCCI) Nairobi and also a member of KNCCI National Women Steering Committee. Eunice brings to SASRA a wealth of over 10 years' experience in Banking, IT and Leadership.</p>
	<p>Ms Alice .N. Mwololo, Alternate, PS National Treasury W.e.f 14th Oct 2015</p> <p>Ms. Mwololo has an academic background and wealth of experience in economic policy. She holds a Masters in Economics and BA in Economics from the University of Nairobi and a Post Graduate Diploma in Development Planning Techniques from the Institute of Social Studies in the Netherlands. She is currently pursuing a PhD in Economics at Kenyatta University.</p> <p>Ms. Mwololo serves as the Chief Economist in the Directorate of Budget, Fiscal and Economic Affairs of the National Treasury. She has extensive experience in economic policy analysis, public finance, competition policy, project management and governance. She also has specialized experience in trade policy and regional integration matters; international and bilateral trade negotiations and has participated in negotiations and conclusion of various bilateral and regional economic and trade agreements.</p>
	<p>Mr Gerald Nyaoma, Alternate to CBK Governor - W.e.f 06th April 2016</p> <p>Nyaoma currently serves as the Director, Bank Supervision Department at the Central Bank of Kenya (CBK) and holds M. Phil. (Econ.) degree from the University of Cambridge and BA (first class honors degree in Economics) from University of Nairobi.</p> <p>He professionally qualified as CPA (K) in 1997, CPS (K) in 1999 and AKIB in 2001. Mr. Nyaoma joined the Central Bank of Kenya on August 10, 1988 and worked in various offices and has served as the Acting Director, Internal Audit Department, Director, Bank Supervision Department and Director, Banking Services Department.</p>



Mr. Phillip Gichuki - Commissioner for Co-operative Development

Philip Gichuki has over 30 years' experience in Cooperative Management. He is currently the Commissioner for Co-operative Development. Mr. Gichuki has been involved in strategy formulation, institutional development and strategic planning for the cooperative movement. He has developed the capacity of many cooperative institutions in creation of viable business organizations. Mr. Gichuki holds a BA in Economics and Government and a post graduate Diploma in International Management.



Mr. John Mwaka - Ag. Chief Executive Officer

Mr. Mwaka holds an MBA in Strategic Management from USIU, BSc in Business Administration (Finance) and a Diploma in Cooperative Management. He poses extensive experience in co-operative matters.



MANAGEMENT TEAM

	<p>Mr. John Mwaka - Ag. Chief Executive Officer Mr. Mwaka holds an MBA in Strategic Management from USIU, BSc in Business Administration (Finance) and a Diploma in Cooperative Management. He poses extensive experience in co-operative matters.</p>
	<p>Mr. Peter Njuguna - Chief Manager - SACCO Supervision Mr. Peter Njuguna holds a MSc. in Operations Research from the London School of Economics, UK, and a BSc in Mathematics. He is a holder of CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p>
	<p>Mr. Kenneth Opiyo - Chief Manager - Finance and Planning Mr. Kenneth Opiyo holds MBA from the University of Nairobi and a B.Com (Hons). He is currently pursuing PHD in Leadership & Governance at JKUAT. He is a Certified Public Accountant (CPA - K) and a member of ICPAK. He is also a Certified Information Systems Auditor (CISA) and a member of ISACA Kenya Chapter.</p>
	<p>Mr. Dominic Muteshi - Chief Manager - Human Resource and Administration-Upto March 2016 Mr. Dominic Muteshi holds an MBA - Finance and Bcom in Accounting from University of Nairobi. He is currently pursuing PHD in strategic Management at University of Nairobi and also a member of Institute of Human Resource Management of Kenya.</p>



Mrs. Roselyne Ragama - Corporation Secretary

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



Mr. Nelson Walusala Nyongesa - Manager - Internal Audit & Risk - Upto December 2015

Mr. Nelson holds Masters of Arts in Economics from University of Nairobi, Bachelors of Arts in Economics (Hons) from Moi University and diploma in Public Relations Management from KIM. Nelson is Certified Public Accountant of Kenya, Certified Information System Auditor (CISA), and Certified Public Secretary of Kenya.



Mr Francis Mwangi - Ag Senior Officer- Internal Audit from January 2016

He holds bachelor of Business Management Degree from Moi University (Accounting option) and currently writing his thesis at Kenyatta University. He is a (CPA), and a member in good standing with professional body ICPAK and also pursuing level three of Certified Investments and Financial Analysts examination.



Mr. Boniface Musumbi - Ag. Chief Manager - HResource and Administration from April 2016

Mr. Boniface Musumbi holds an MBA and BA in Economics from the University of Nairobi and Higher National Diploma in Human Resource Management from College of Human Resource Management. He is also a Certified Strategic Human Resources Professional (SHRP) and a full member of the Institute of Human Resource Management, Kenya (IHRMK). He is currently pursuing Certified Human Resource Professional Examinations.



Ms Anne Kago
Head of Corporate
Communications

She holds an MBA in Corporate Management from KCA University, a Bachelor of Arts degree from the University of Nairobi, a diploma in Public Relations from the Institute of Commercial Management (ICM), a diploma in Mass Communication from the Kenya Institute of Mass Communication and is a member of the Public Relations Society of Kenya (PRSK), as well as a member of the Chartered Institute of Public Relations, UK and a member of the CAUX Roundtable - Kenyan Chapter. She is currently pursuing her chartered status with the Chartered Institute of Public Relations (CIPR) in the United Kingdom.



CHAIRMAN'S STATEMENT

1.0 Introduction

On behalf of the Board of Directors, I take the honour to present to all the stakeholders financial status and policy aims of the Sacco Societies Regulatory Authority for the financial year ended 30th June 2016.



2.0 Key Initiatives

During the year, the Sacco Societies Regulatory Authority made deliberate efforts to ensure that the subsector thrived amidst legal and regulatory challenges. These includes but not limited to the continued implementation of its strategic plan 2013- 2017 aligned to the Vision 2030 Financial Services Sector Plan with objective of ensuring growth and enhanced financial Stability in the subsector.

In line with the Mwongozo code of governance, effective risk management remains a critical agenda for the board and management as the Authority seeks to implement its regulatory mandate. In view of this, the process of reviewing the current framework commenced to ensure a proactive approach to risk events that could negatively impact on the Authority's operations. The review process which has identified the threat of financial sustainability as a key initiative to be addressed is expected to be concluded in the early 2016/2017 Financial year.

3.0 Collaborative Activities

In its efforts to collaborate towards enhancement of Financial Sector stability, the Authority joined the other financial regulators in the 9th Joint Financial Sector regulators Board retreat in the month of August 2015. The forum theme was: "Empowering consumers of financial services through financial education". SASRA expectation in participating in this initiative to be a key player in promoting financial access and inclusion as a regulator.

The Authority, in consultation with the parent Ministry and other players in the financial sector is placing emphasis on legal, policy and operational reviews aimed at ensuring that DT-SACCOs are strengthened to conduct their savings mobilization and provision of credit activities without the necessity to change their legal form as cooperatives. These include the establishment of a central liquidity facility for DT-SACCOs not only to act as a lender of last resort, but to also facilitate a platform for inter-borrowing among the DT-SACCOs. The Authority is also seeking ways to ensure that qualifying DT-SACCOs can actively participate



in the national payment system platform, while at the same time being allowed to act as fiscal agents for government and government agencies.

Other key policy gaps in the Kenyan regulatory framework based on the World Council of Credit Union's (WOCCU) recommended standards and which the Authority and stakeholders are working on include the legal protection of the identities of DT-SACCOs as well as providing mechanisms to promote the use of supplementary capital both as a capital adequacy measurement and as a source of funding of the activities of DT-SACCOs. The inter-play between the County co-operative legislations enacted or proposed to be enacted by various county governments pursuant to the devolution of the cooperative sector under the Constitution of Kenya 2010 on the one hand, and the regulatory frameworks of DT-SACCOs as financial institutions remains an active debate in the government's policy-sphere. Several initiatives are being undertaken towards ensuring that there is standardization in the legislations being enacted by various county governments, and that such legislations do not result in disruption of the deposit-taking activities of DT-SACCOs.

3.0 Challenges

Towards implementation of its regulatory and supervisory mandate, some of the limitations being experienced are;

- Legal and regulatory reforms whose slow pace of enactment continues to negatively impact on effective implementation of regulatory regime.
- The uncertainty on merger of the four financial sector regulators that has slowed down capacity building initiatives in the short run in view of government policy position, and
- The funding of the Authority's operations in light of declining GoK grants coupled with the slow pace on stakeholders engagements in review of deposit levy to shore up the shortfall

5.0 Conclusion

Finally, let me take this opportunity to reaffirm the commitment of the Board of Directors to provide effective leadership for the growth of the subsector. In this, we will endeavor to support the Management and staff and also work with stakeholders in all initiatives aimed at promoting the subsector growth.

Joseph Ole Lenku
Chairman of the Board



ACTING CHIEF EXECUTIVE OFFICER STATEMENT

1.0 Introduction

It gives me great pleasure to give the Authority's performance overview for the financial year 2015/16 ended 30th June 2015.

2.0 Performance overview

The Authority over the period ending 2015 saw decrease of expenditure by 2.9% from the previous period of Kshs. 327.5 Million to 318 Million occasioned by fall in revenue from Kshs. 304.4 Million to Kshs. 269.7 Million. Some of the budget lines with material impact include increase in staff cost which rose by 18.7% from Kshs. 155 Million to Kshs. 184M as during the year. This was occasioned by an increase in workforce to 70 from 57. The approved staff establishment is 93. There was a decrease in the administration and operations costs over the period by 11.8% and 41% respectively.



The Authority realised a deficit of Kshs.48.3 Million during the financial year 2015-16 up from the previous period 2014-15 deficit of Kshs. 23.1 Million underlying the fact that government funding is declining hence need to fast-track enhancement of internally generated revenues as provided under the Sacco Society's Act, 2008.

1.0 Stakeholders engagements

To enhance engagement with saccos on various legislative reforms, the Authority held four stakeholder forums in Mombasa, Nairobi, Kericho, Bomet, Nyeri and Meru counties. This was aimed at seeking consensus on some budget memorandum items prior to them being presented to Treasury for the inclusion in 2016/17 budget. The same if enacted will strengthen the regulatory process and further improve integration of Saccos into the financial sector.

The Authority also envisages engaging stakeholders during financial year 2016/17 in review of deposit levy towards addressing the financial deficits that could impact on the going concern of the Authority.

2.0 Conclusion

The impressive performance for the year under review would not have been possible without the continued commitment and dedication of the Board, Management and staff of the Authority. I therefore wish to thank them for their dedication and support in ensuring a strong Sacco Subsector.



The SACCO Societies Regulatory Authority
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The Authority continues to reaffirm its commitment “to effectively regulate, supervise and develop the Sacco industry by promoting sound business practices in order to enhance stability, growth and access to financial services” as mapped in its corporate strategy.

John Mwaka

Ag. CHIEF EXECUTIVE OFFICER



SUMMARY HIGHLIGHTS

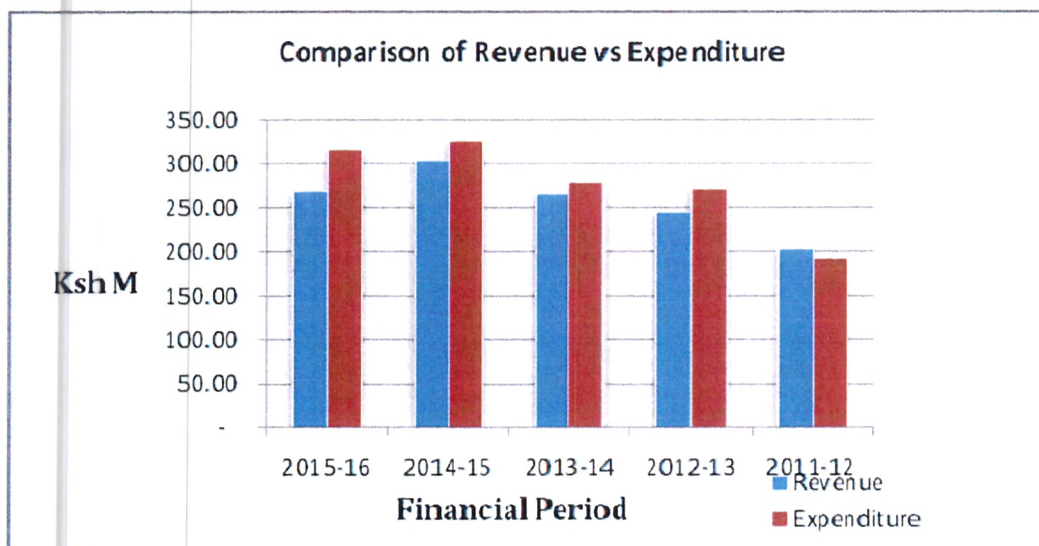
1.0 Introduction

The board and management have the pleasure to present the financial statements reflecting the results for the year ended 30th June 2016. The results overall reflects on the Authority financial status that urgently call for policy intervention regarding the corporate strategy objective of financial sustainability before the end of the current medium term in the year 2017.

2.0 Performance Trends

The graphical highlights in summary the Authority's performance for the period 2015-2016 is as below.

2.1 Revenue versus Expenditure for the last five financial (5) years



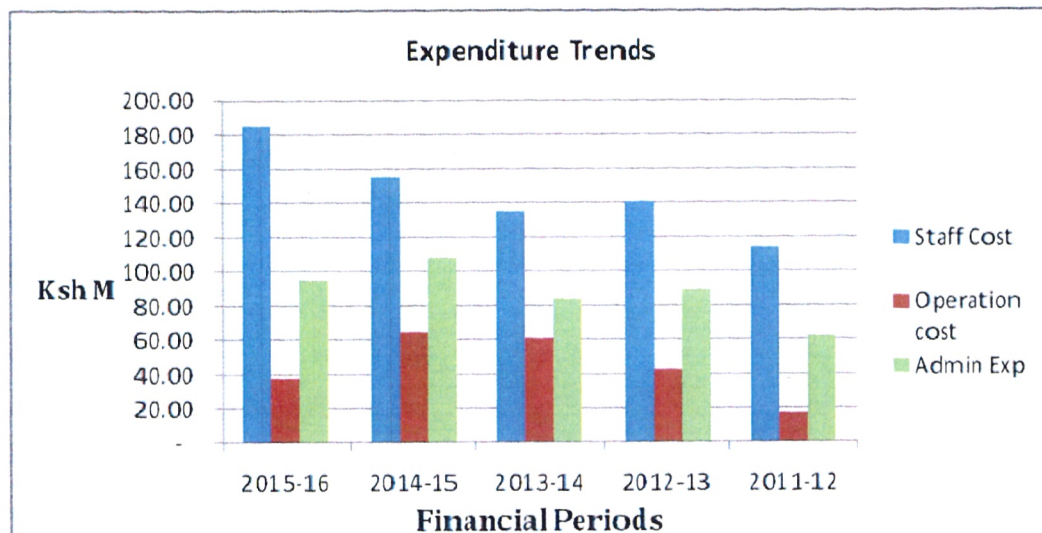
(Source: Financial statements audited 2011/12-2014-15 and unaudited 2015/16)

Comment

Our revenue to cost ratio of which the optimum is 1:1 is on a declining pattern meaning need to enhance the supply side i.e revenue and maintain fiscal discipline in terms of expenditure to be within the resource envelope.



2.2 Expenditure Trends for the last five (5) financial years

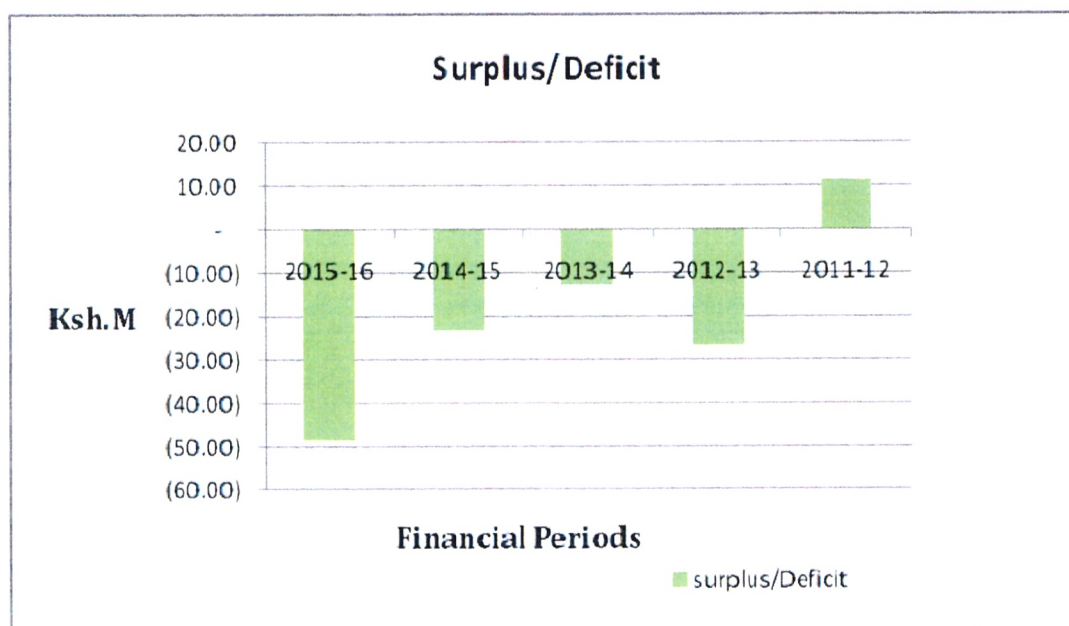


(Source: Financial statements audited 2011/12-2014-15 and unaudited 2015/16)

Comment

Staff costs continue to be a dominant variable as a function of total expenditure and can only be sustained if financial sustainability of internally generated revenue is achieved.

2.3 Surplus/ (Deficit) analysis for the last five (5) financial years



(Source: Financial statements audited 2011/12-2014-15 and unaudited 2015/16)



The SACCO Societies Regulatory Authority

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Comment

The continued realization of deficit of which year 2015/16 is the highest at K.sh 34.1m net of provisions which does not involve cash movement, indicates technical insolvency threatening operations of the Authority on a going concern basis. The reversal of this trend is curable based on comments under 2.1 above.



CORPORATE GOVERNANCE STATEMENT

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

Good corporate governance is a fundamental facet of the culture and operations of the Authority and during the year 2015/16, the board focus was geared towards enforcement of its mandate as provided for under The Sacco Society's Act, 2008, of licensing and regulating of deposit-taking Sacco societies. The Board works through Committees to enhance corporate governance; and they advise the Board on various issues, reviews, and monitor tasks assigned to it with the aim of improving efficiency and effectiveness. The following table shows the full board members during the financial year 2015/16;

Members

NAME	DATE
Mr. Joseph Ole Lenku	W.e.f 31st May 2016
Dr. Sammy Rutto	W.e.f 02nd Oct 2015
Mr. Stephen Mwenda	W.e.f 02nd Oct 2015
Ms. Eunice Mwangi	W.e.f 02nd Oct 2015
Ms. Alice Mwololo	W.e.f 14th Oct 2015
Mr. Gerald Nyaoma	W.e.f 06th Apr. 2016
Mr. Phillip Gichuki	Upto Oct, 2015
Mr. John. B. Thuku, MBS	Upto 7th Nov 2015
Mr. Kakai Cheloti	Upto 2nd Oct 2015
Ms. Regina Oyaró	Upto 2nd Oct 2015
Mr. George Omino	Upto 13th Oct, 2015
Mr. Patrick Musyimi	Upto Sep, 2015

The following table shows the number of full board meetings held during the financial year 2015/16;

Name	Scheduled Full Board -5	Special full board-6	Total No of meetings attended
Mr. Joseph Ole Lenku	1	0	1
Dr. Sammy Rutto	4	4	8
Mr. Stephen M. Kinyua	4	4	8
Ms. Eunice N. Mwangi	4	4	8
Ms. Alice Mwololo	2	3	5
Mr. Gerald Nyaoma	3	3	6
Mr. Phillip Gichuki	3	4	7



Mr. John. B. Thuku	2	3	5
Mr. KakaiCheloti	1	2	3
Ms Regina Oyaro	1	2	3
Mr. George Omino	2	1	3
Mr. Patrick Musyimi	1	2	3
Mr. Fredrick Pere	0	1	1

Board Committees

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

i) Supervision, Research, Legal & ICT Committee

The committee terms of reference mainly include:

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

Meetings attendance

Name	Scheduled Board Committee -4	Special Board Committee-0	Total No of meetings attended
Ms. Eunice. N. Mwangi	3	0	3
Ms Alice Mwololo	2	0	2
Mr. Gerald Nyaoma	1	0	1
Mr. Phillip Gichuki	3	0	3
Mr. KakaiCheloti	1	0	1
Ms Regina Oyaro	1	0	1
Mr. Patrick Musyimi	1	0	1
Mr. George Omino	1	0	1

Audit, Risk Management and Corporate Governance Committee

The terms of reference for the committee are;

- Monitors and evaluates the adequacy of internal controls;



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

Meetings attendance

Name	Scheduled Board Committee -4	Special Board Committee-0	Total No of meetings attended
Ms. Eunice N. Mwangi	3	0	3
Ms. Alice Mwololo	2	0	2
Mr. Gerald Nyaoma	2	0	2
Mr. Phillip Gichuki	3	0	3
Mr. Kakai Cheloti	1	0	1
Mr. George Omino	1	0	1
Mr. Patrick Musyimi	1	0	1

Finance, Human Resource Management and Administration Committee

The terms of reference of the committee are as follows;

Reviewing and making recommendations to the Board on the financial strategy of the Authority ensuring its adequacy and soundness in providing for the Authority’s current operations and long term stability;

- Reviewing, discussing and making recommendations to the Board on significant financial planning, management and reporting issues of the Authority;
- Ensuring all expenditures of the Authority are within the approved budgets; reviewing procurement and disposal plans and consolidated annual procurement plan and submitting them to the Board for approval;
- Monitoring the management’s strategy towards ensuring efficiency and integrity of the Authority’s procurement systems;
- The Committee is responsible for developing a proactive Human Resource and Administration policies, procedures and strategies that retain and motivate staff for a higher performance in realizing the Authority’s goals and objectives;
- Reviewing the HR Policy Manual in line with the changing working environments;
- Reviewing the organization structure of the Authority from time to time;



- Developing, reviewing, implementing and monitoring staff training and development programmes;
- Developing policies on staff performance management systems like Performance Appraisals, Job evaluation, Job Satisfaction and Performance Incentive Schemes.

Meetings attendance

Name	Scheduled Board Committee -4	Special Board Committee-5	Total No of meetings attended
Mr. Stephen Kinyua	3	5	8
Dr. Sammy Rutto	2	5	7
Ms. Eunice Mwangi	3	5	8
Ms Alice Mwololo	2	3	5
Mr. KakaiCheloti	1	0	1
Ms Regina Oyaró	1	0	1
Mr. Patrick Musyimi	1	0	1
Mr. George Omino	1	0	1

Access to Information

The Board also began the process of E-board training to enable them to access all the information required to conduct their business pursuant to the Board Charter provision.

Risk Management and Internal Control

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

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

The following key risks may impact on the Authority operations;

a) Liquidity Risk

Liquidity risk is the risk that the Authority will encounter in meeting obligations from its financial liabilities.



Management of Liquidity risk

The Authority approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring un acceptable deficits or risking damage to the Authority's reputation.

b) Market Risks

Market risk is the risk that changes in market prices of goods and services as well as interest rates on financial assets held in bank deposits by the Authority that could negatively impact on the budget implementation of the Authority. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Authority transactions exposed to market risks are the financial assets held as bank deposits under cash and cash equivalents and the donor funds in view of timing differences.

c) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Authority's processes , personnel, technology and infrastructure, and from external factors other than credit, market and liquidity such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The primary responsibility for the development and implementation of control to address operational risk is assigned to senior management within each department/unit. This responsibility is supported by the development of overall Authority's standards for the management of operational risk in the following areas

- Requirements for appropriate segregation of duties, including the independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirement for the yearly assessment of operational risks faced, and the adequacy of the controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action



The SACCO Societies Regulatory Authority

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- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective. Compliance with relevant GoK regulations is supported by a regular review and undertaken by Internal Audit and Risk department. The results of Internal Audit reviews are discussed with the Board and senior management of the Society.

John .M. Mwaka

Ag. Chief Executive Officer



STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY

1.0 Preamble

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

2.0 Our commitment

The authority through its corporate social responsibility policy endeavors to:

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

3.0 Our achievement

During the year, the Authority undertook only one event via sponsorship of the Ushirika day Tree planting exercise in collaboration with the parent ministry in view of the limited financial resources.



REPORT OF THE DIRECTORS

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

Principal activities

The principal activities of the Authority are:

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

Results

The results of the Authority for the year ended June 30, 2015 are set under financial statements.

Directors

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

Auditors

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

By Order of the Board

Roselyne Ragama
Corporation Secretary

Nairobi

Date: 20th Feb 2017



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Sacco Societies Act 2008 requires the Authority's directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Authority as at end of every financial year and of its operating results for the year. It also requires the directors to ensure that the Authority keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the Authority. They are also responsible for safe guarding the Assets of the Authority.

The Directors accept responsibility for the Annual Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards(IFRS) as well as International Public Sector Accounting Standards(IPSAS) and in the manner required by 'The Sacco Societies Act 2008'.

The Directors are of opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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

Approval of the financial statements

The Authority's financial statements were approved by the Board on 20 February 2017 and signed on its behalf by:

A handwritten signature in blue ink, appearing to read 'Joseph Ole Lenku'.

fa Joseph Ole Lenku, MBS
(Chairman)

A handwritten signature in blue ink, appearing to read 'John Mwaka'.

John Mwaka
(Ag. Chief Executive Officer)

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR GENERAL ON SACCO SOCIETIES REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Sacco Societies Regulatory Authority set out on pages 1 to 26, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets and statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for such 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.

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In

Report of the Auditor-General on the Financial Statements of Sacco Societies Regulatory Authority for the year ended 30 June 2016

making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

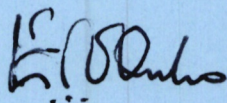
In my opinion, the financial statements present fairly, in all material respects, the financial position of Sacco Societies Regulatory Authority as at 30 June 2016, and of its financial performance and its cash flows for year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Sacco Societies Act, 2008 (Cap 490B) of the Laws of Kenya.

Emphasis of Matter

Financial Performance

The Authority continued to realize a deficit of Kshs.48,312,583 (2015 – loss of Kshs.23,104,815) representing over 100% decline from its previous operations while total revenue for the year of Kshs.269,737,606 (2015: Kshs.304,412,314) decreased by Kshs.34,674,708 leading to approximately 11.4% decrease. This situation if not checked could lead to the Authority being in precarious financial position.

My opinion is not qualified in respect of this matter.



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

Nairobi

27 March 2017



**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016**

ASSETS	Notes	2015-2016	2014-2015
Current Assets		K.sh	K.sh
Cash & Cash equivalent	10	60,243,703	95,341,748
Receivable from non-exchange	11a	-	-
Receivable from Exchange transactions	11b	27,143,200	21,631,008
Inventories	12	4,328,482	1,549,505
		91,715,385	118,522,261
Non-current Assets			
Property, plant and equipment	13a	20,209,043	23,149,254
Intangible assets	13b	195,764	1,326,852
		20,404,808	24,476,106
Total Assets		112,120,192	142,998,367
FUNDS & LIABILITIES			
Current Liabilities			
Trade and other payables	14	14,388,122	6,441,465
Provisions	15	9,440,800	9,417,600
		23,828,922	15,859,065
Capital Funds & Reserves			
Capital Reserves	16	190,625,533	186,476,333
Accumulated surplus/deficit	17	(102,334,263)	(59,337,030)
		88,291,270	127,139,303
Total Funds & Liabilities		112,120,192	142,998,366

The Authority's financial statements were approved by the Board on 20th February 2017 and signed on its behalf by:

Joseph Ole Lenku, MBS
(Chairman)

John Mwaka
(Ag. Chief Executive Officer)

for



STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30TH JUNE 2016

	Notes	2015-2016 K.sh	2014-2015 K.sh
Donor support	3	2,206,541	3,885,395
Revenue from non-exchange	4	85,321,375	131,689,699
Revenue from exchange transactions	5	182,209,639	168,837,220
Total revenue		269,737,606	304,412,314
Expenses			
Employee Costs	6	184,887,497	155,129,634
Board expense	7	14,625,557	12,512,888
Operating and Maintenance Costs	8	23,395,485	51,955,629
Administration Expenses	9	95,141,648	107,918,978
Total expenses		318,050,188	327,517,129
(Deficit) for the period		(48,312,582)	(23,104,815)



STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30TH JUNE 2016

Cashflows from operating activities	Notes	2015-2016	2014-2015
		K.sh	K.sh
Receipts			
Public contributions and donations	3	2,206,541	3,885,395
Revenue from exchange transactions	5	182,209,689	168,837,220
Other income received	4	2,860,575	3,587,409
Government grants and subsidies	4	86,600,000	137,600,000
		273,876,806	313,910,024
Payments			
Employees Costs	6	184,887,497	155,346,584
Rent paid	9	25,371,483	24,365,570
Operating and Maintenance costs	9	94,019,061	110,711,571
		304,278,042	290,423,725
Net cashflows from operating activities		(30,401,236)	23,486,299
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	13	(4,149,200)	(9,497,710)
Proceed from disposed assets	4	10,000	-
Loss on Disposal	8c	(232,243)	-
Increase/Decrease in current receivables	11	(8,272,023)	(9,366,320)
Increase/Decrease in payables	14	7,946,657	4,349,479
Net cashflows used in investing activities		(4,696,808)	(14,514,551)
Net increase/(decrease)in cash and cash equivalents		(35,098,045)	8,971,748
Cash and cash equivalents at 1 July 2015		95,341,747	86,369,999
Cash and cash equivalents at 30 June 2016	10	60,243,703	95,341,747



STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30TH JUNE 2016

	Capital development reserve	General reserve	Accumulated surplus	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 30 June 2012	54,400,329	3,126,373	-	57,526,702
Surplus/(deficit) for the period	-	(26,717,230)	-	(26,717,230)
Transfers to/from accumulated surplus	102,830,216	-	-	102,830,216
Balance as at 30 June 2013	157,230,545	(23,590,855)	-	133,639,688
Surplus/Deficit for the period	-	(12,641,358)	-	(12,641,358)
Transfer from devpt. Funds	19,748,078	-	-	19,748,078
Balance as at 30 June 2014	176,978,623	(36,232,213)	-	140,746,408
Surplus/Deficit for the period	-	(23,104,815)	-	(23,104,815)
Transfer from devpt. Funds	9,497,710	-	-	9,497,710
Balance as at 30 June 2015	186,476,333	(59,337,030)	-	127,139,303
Surplus/Deficit for the period	-	(48,312,583)	-	(48,312,583)
Add: Prior year adjustments	-	5,572,147	-	5,572,147.00
Transfer from devpt. Funds	4,149,200	-	-	4,149,200
Balance as at 30 June 2016	190,625,533	(102,077,466)	-	88,548,067



STATEMENT OF BUDGET PERFORMANCE

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Notes
	2015-2016	2015-2016	2015-2016	2015-2016	2015-2016	
	Kshs.	Kshs	Kshs	Kshs	Kshs	
Revenue						
Donor support	54,500,000	(45,000,000)	9,500,000	2,206,541	(7,293,459)	a)
Fines, penalties and levies	309,080,674	(65,000,000)	244,080,674	185,080,265	(59,000,409)	b)
Government grants and subsidies	100,600,000	(10,000,000)	90,600,000	86,600,000	(4,000,000)	c)
Total income	464,180,674	(120,000,000)	344,180,674	273,886,806	(70,293,868)	
Expenses						
Board Expenses	10,920,000	860,000	11,780,000	10,870,132	909,868	d)
Rent paid	26,060,000	-	26,060,000	25,371,483	688,517	e)
Employee Costs	241,871,454	(50,000,000)	191,871,454	184,887,498	6,983,956	f)
Office Travelling accomm,Hosp & Supplies	19,207,500	-	19,207,500	15,613,105	3,594,395	g)
Repairs & Maintenance of Equipments	17,080,810	(10,000,000)	7,080,810	4,461,441	2,619,369	h)
Maintenance of M/ Vehicle	8,350,750	(2,999,905)	5,350,845	5,076,639	274,206	i)
Office Running and Maintenance	2,742,000	-	2,742,000	3,121,607	(379,607)	j)
Printing & Stationery	8,809,000	(2,838,500)	5,970,500	4,755,093	1,215,407	k)
Security Expenses	1,200,000	-	1,200,000	662,260	537,740	l)
Postage & Telephone Exps	1,342,160	-	1,342,160	1,754,459	(412,299)	m)
Legal and Professional costs	16,965,000	(10,000,000)	6,965,000	738,102	6,226,898	n)
Corporate image,Governance & Publicity	12,070,000	1,291,555	13,361,555	15,225,528	(1,863,973)	o)
ICT equipment i.e Laptop & computers	7,250,000	(5,000,000)	2,250,000	1,241,200	1,008,800	p)
Office Furniture & Equipment	6,200,000	-	6,200,000	2,908,000	3,292,000	q)
Development consultancy costs	54,705,000	(45,000,000)	9,705,000	6,881,104	2,823,896	r)
Capacity Development Prog(Board & staff)	26,407,000	3,686,850	30,093,850	24,372,391	5,721,459	s)
Research and Development costs	3,000,000	-	3,000,000	-	3,000,000	t)
Total Expenditure	464,180,674	(120,000,000)	344,180,674	307,940,043	36,240,631	
Surplus for the period				(34,053,237)		



RECONCILIATION STATEMENT FOR FINANCIAL STATEMENT AND BUDGET PERFORMANCE STATEMENT

Details	K.SH
Surplus/Deficit per Financial statement	(48,312,583)
Add: Non Cash items	
Provision of Depreciation & Amortization expe	13,772,146
Provision for:	
Staff leave	-
Staff Gratuity	-
Audit fees	487,200
Surplus/(Deficit) as per Budget performance	<u>(34,053,237)</u>

NOTES ON MATERIAL VARIANCES FOR THE STATEMENT OF COMPARISON OF BUDGET & ACTUALS

- a) The revenue deficit of K.shs 34.05 Million was due to delay in approval by world bank for the Authority's donor funded activities under the FSSP(Financial Sector Support Project);
- b) The unrealised levy amounting to K.shs 59 Million was due to inability to adjust the deposit Levy rate upwards effective January 2016 since stakeholders engagements had not been concluded by 31st December 2015 to pave way for the the legal procedure to have it gazzeted and implemented;
- c) The under receipt of K.shs 4 Million was due to non remittance of approved Government grants during the year.
- d) The cost savings of K.shs 0.9 Million was due to the fact that the Board was not fully constituted for some part of the year hence cost savings on budgeted amount.;
- e) There under expenditure of K.shs 0.6 Million was due to a reduction of service charge cost due to optimal resource utilization as assesed by the landlord under the lease terms;
- f) The cost savings of K.shs 6.9 Million was due to non implementation of anticipated review of staff terms and conditons due to pending completion of job evaluation by Salaries and Remuneration Commission(SRC) ;
- g) The under exenditure of K.shs 3.5 Million was due to defferement of onsite survelliance activities for supervsiory functions due to budget constraints;



- h) The savings in the line item of K.shs 2.6 Million was due to rationalised spending and minimal equipment's breakdown in the year hence less maintenance frequency;
- i) The positive variance of K.shs 0.2 Million was due to effective fleet management and change of strategy towards more offsite than onsite surveillance during the year which resulted in less outstation travels hence the cost savings;
- j) The over expenditure of K.shs 0.3 Million increased costs of office cleaning and utilities in view of previous expired contract
- k) The cost savings amounting to K.shs 1.2 Million was due to the Authority automating its processes due to ISO certification and automating of processes via use of ERP hence reduced stationery requirement;
- l) The under expenditure of K.shs 0.5 Million is due to reduced number of cases for enforcement on compliance matters that would require hiring of law enforcement personnel for back up and maintaining the number of security officers seconded from the National Police service. .
- m) The over expenditure of K.shs 0.4 Million was due to increased communication costs via courier services for documentation sent due to the increase in number of stakeholders engagements on budget policy and deposit levy sent via courier
- n) Despite increase in litigation, the cost savings of K.shs 6.2 Million was due to reduced number of litigation cases and delays of Court proceedings in existing cases hence fee note from the advocates not served as at close of the financial year..
- o) The over expenditure of K.shs 1.8 Million was due to increased cost of adverts in the dailies through Government Advertising Agency (GAA), a regulatory requirements not anticipated.
- P,q,r,s) The combined budget savings on the relevant expenses amounting to K.shs 12.8 Million was a result of GoK grants reduction for development grants and inability to raise levies hence resource constraints to under take the planned activities hence cost rationalization.
- t) The cost savings of K.shs 3 Million was due to deferral of research activity on survey on sectoral lending to SME's by Deposit Taking Sacco due to the delay on part of the donor who was to co-fund the initiative.



NOTES TO THE FINANCIAL STATEMENTS

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

The Authority's financial statements have been prepared in accordance and compliance with International Public Sector Accounting Standards (IPSAS).

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

The Authority adopted IPSAS in the year 2014 following the gazette of the Public Sector Accounting Standards Board (PSASB) which was established by the Public Management Act (PFM) No. 18 of 24th July 2012. PSASB issued financial reporting standards and guidelines to be adopted by all state organs and public sector entities, which Authority complies with.

2. Summary of significant accounting policies

a) Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Authority and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account legal and contractual defined terms of payment and excluding taxes or duty. The Authority assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Authority has concluded that it is acting as a principal in its revenue arrangements except for GoK grants which are mainly non-exchange transactions.

Revenue earned and received by the Authority consisted of the following items as provided for in Section 16 of the Act:

- i) Sacco Deposits Levy and Licence fees recognized when received and it's probable that economic benefits will flow to the Authority.

The Authority recognizes revenues from levies, fees and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue.

- ii) GoK Grants to the Authority via Exchequer towards the expenditure incurred by the Board in the exercise of its powers or the performances of its functions under the Act recognized when received and are accounted for in accordance to IAS 28-Government grant; and;



iii)

All monies from other source provided for and donated to the Authority that are recognized when contracts have been signed and payments disbursed based on deliverables or tangible transfer of equipment received. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, the Authority has presented reconciliation between the actual comparable amounts in the financial statements and budget based on timing or entity differences.

c) Property, plant and equipment

All property, plant and equipment are recorded at cost. Depreciation is calculated using the straight line method to write down the cost of each asset to its residual value over its predetermined useful life. Cost includes expenditure that is directly attributable to the acquisition of the items. When an asset is acquired within a period of at least nine (9) months of the accounting period, full depreciation of the year shall be provided while if acquired within three (3) months of the accounting period, no provision shall be charged to income as stipulated in the Authority's policy. All other repair and maintenance costs are recognized in surplus or deficit as incurred.

The annual depreciation rates in use are:

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

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



Notes to the Financial Statements cont.....

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. These consist of development costs that are directly attributable to design, testing and installation of identifiable and unique Computer software products controlled by the Authority and is amortized over the expected useful life of three years. Costs associated with maintaining computer software programs are expensed and treated in the Statement of comprehensive income.

e) Impairment of non-financial assets

The carrying amounts of the society's tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such condition exists the recoverable amount of the asset is estimated to determine the extent of impairment loss (if any). If the recoverable amount of the asset is estimated to be less than its carrying amount an impairment loss expense is recognized immediately, unless the relevant asset is carried at revalued amount in which case the impairment loss is treated as a decrease in revaluation reserve.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increases to the revised estimate of its recoverable amount, but only to the extent that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as an increase in revaluation reserve.

The Authority did not have non-financial assets for measurement of impairment during the year under review.

f) Impairment of financial assets

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

- The Authority debtors are experiencing significant financial difficulty;
- Default or delinquency in interest or principal payments;



Notes to the Financial Statements cont.....

- The probability that debtors will enter bankruptcy or other financial reorganization;
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

However, the financial assets including levies from Sacco's were recovered in the 1st quarter of the following financial year.

g) Inventories

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

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

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

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

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

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority. However, the Authority reported inventory of unutilised stationary and loose tools available in the store as at end of the financial period as an asset.

h) 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.



Notes to the Financial Statements cont.....

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.

i) Contingent Liabilities

The following are some of the contingencies that the board anticipates to occur in future;

- Collectability of levies,
- Pending litigation in court by a licensed Sacco on remittance of levies as well as Challenge of enforcement actions by two SACCO's
- Possible claims on assessments as a result of counter claims.

However, the Authority has no potential contingent liability in this financial year.

j) Changes in accounting policies and estimates

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

k) Operation Lease Rentals

The Authority signed an operating lease for rental premises with the landlord. The rental payments for the premises are recognized in the Statement of Comprehensive Income as expense based on terms of the lease agreement and all risks and rewards remain with the lessor i.e. the landlord British American Insurance Company Ltd. Analysis of Future minimum Lease obligations as at reporting date is as follows:

Period	6 Months	2-5 Years	Over 5 Years
Amount in Ksh.M	13.6	-	-

l) Retirement benefit obligations

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



Notes to the Financial Statements cont.....

The Authority has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior period. The Authority contributions to the defined contribution schemes are charged to the Income statement account in the year in which it relates.

The Authority also contributes to a mandatory statutory defined contribution pension scheme, the National Social Security Fund (NSSF) at varying values for its employees as legislated from time to time.

m) Cash and cash equivalents

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

n) Trade and other receivables

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

o) Related parties transactions

The Authority has disclosed all related party transactions during this reporting period under staff and board costs. A summary of top Management and Board emoluments are as follows:

Management.

Name	Designation	Annual Gross Salary in (Ksh.M)
John Mwaka	Ag. CEO	6.00
Peter Njuguna	Chief Manager SSD	6.10
Kenneth Opiyo	Chief Manager F&P	6.10
Dominic Muteshi	Chief Manager HR&A	4.50
Roselyne Ragama	Corporate Secretary	4.20
	Total	26.90



Notes to the Financial Statements cont.....

Board

Name	Total Sitting Allowance in (Ksh.M)
Joseph Ole Lenku	0.20
John B. Nthuku	0.60
Eunice N. Mwangi	1.30
Alice Mwololo	0.50
Sammy Rutto	1.00
Stephen Kinyua	1.00
Philip Gichuki	0.70
Gerald Nyaoma	0.20
Patrick Musyimi	0.10
Regina Oyaro	0.30
Kakai Cheloti	0.40
George Omino	0.20
Total	6.50

The detailed analysis appear under notes 6 and 7 respectively of the financial statements.

p) Financial Sustainability

The Board and Management recognizes that the Authority had a deficit in its Financial performance during the financial year 2015/16. This was impacted by the inability to adjust the deposit levy rate as effective January 2016 as planned. In this respect the board proposed review levy rate charged on Deposits of DTS, which was adopted by stakeholders and submitted for gazette. This is aimed at enhancing financial sustainability of the Authority to enable effective execution of its mandate.

q) Contingent assets and liabilities

The Authority had the following cases pending in court as at the close of the financial year;

- i) John Korir v SASRA - Judicial Review No.2 of 2013 in the High Court – Eldoret.
- ii) Robert Nyongesa v SASRA - Petition No. 789 of 2013 in the Industrial Court - Nairobi.
- iii) Irene Koki Muasya v SASRA - Petition No. 1764 of 2013 in the Industrial Court - Nairobi.



Notes to the Financial Statements cont.....

- iv) Airport Sacco Members v SASRA, CCD, Enid Njeru (Nairobi County Cooperative Officer), DCO Nairobi, Board Members of Airport Sacco - Petition No. 118 of 2015 in the High Court - Nairobi
- v) Renold Alwanga v SASRA and Ministry of Industrialization and Enterprise Development - Petition No. 749 of 2015 in the Industrial Court - Nairobi.
- vi) Republic v SASRA Exparte New Milimani Sacco - Judicial Review No. 317 of 2015 in the High Court - Nairobi.

The cases are still in court and the authority has presented its defense which it envisages the outcome will be in their favour upon determination. No contingent assets were held as at the close of financial year.

r) Subsequent Events

The Authority is one of the state agencies earmarked for merger under the Financial Services Authority together with Capital Markets Authority, Insurance Regulatory Authority and Retirements Benefits Authority. As at the close of financial year, this government policy position remains in force with an implementation directorate under National Treasury. This has the potential of affecting third party decision making in terms of implementing the Authority's mandate in both short and long run.

s) Accounting judgements and assumptions

i) Estimated useful life of Assets

The management assesses useful lives and residual values of assets based in following indicators to inform potential future use and value from disposal: The condition of the asset based on the assessment of experts employed by the entity; The nature of the asset, its susceptibility and adaptability to changes in technology and processes; The nature of the processes in which the asset is deployed 1 Availability of funding to replace the asset; Changes in the market in relation to the asset provisions

ii) Provisions

Provisions were raised and management determined the estimates based on the available information within the Authority's records. Provisions for staff leave balances are measured based on monetary value of outstanding leave days required to settle the obligation as at reporting date using basic salaries. Other provisions such as gratuity and audit fees are based on terms and



conditions of service under human resource passage of time is recognized as finance cost in the statement of financial performance.

t) Financial Instruments disclosures

The authority has put in place adequate measures to identify and mitigate any risks that may arise as a result of market, credit and liquidity risks that could arise from its financial assets. As at the close of financial year, no financial instruments were held that could pose the aforementioned risks that could have adverse effect on the operations of the Authority.



Notes to the Financial Statement cont....

3 Donor Support

	2015-2016 K.Shs	2014-2015 K.Shs
AFI Capacity Development	2,206,541	3,885,395
Total	2,206,541	3,885,395

4 Revenue from non-exchange transactions

Recurrent grants received	56,600,000	85,100,000
Development grants received	30,000,000	52,500,000
Total	86,600,000	137,600,000
Less: Utilised for Capital Expenditure		
Property, Plant & Equipment	(4,149,200)	(8,920,810.00)
Intangible Asset	-	(576,900.00)
	(4,149,200)	(9,497,710.00)
	82,450,800	128,102,290

Other income

Sales of Tender documents	39,000	17,000
Income from Fixed Deposit (FDR)	2,821,575	3,570,409
Income from sale of Tyres	10,000	-
Total-Other Income	2,870,575	3,587,409

85,321,375 **131,689,699**

5 Revenue from exchange transactions

Deposit Levies from Sacco	163,121,589	151,701,220
Licence Renewal Fees	18,473,100	16,683,000
License Application fees	615,000	453,000
	182,209,689	168,837,220

6 Employee costs

Employee salaries and wages costs	154,161,725	125,499,594
Employer contributions to pensions & NSSF	11,708,252	9,187,500
Staff Medical expense costs	17,117,176	16,138,085
Club membership subscription costs	1,022,625	675,505
NSSF employer contribution costs	170,400	159,200
Staff Welfare costs	707,320	600,000
Staff recruitment Expenses	-	51,500
Provision for gratuity	-	2,083,200
Provision for outstanding leave days	-	735,050
Total	184,887,497	155,129,634



Notes to the Financial Statements cont.....

	2015-2016	2014-2015
	K.Shs	K.Shs
7 Board Expenses		
Sitting allowances for regular meetings	2,279,200	1,768,000
Honoraria and airtime	425,000	935,000
<i>Other Board Expenses:</i>		
Special Meeting sitting allowances	5,559,400.00	2,426,600
Capacity Devpt. Costs, Travel, Accom & Joint Regulators)	6,361,957	7,383,288
	14,625,557	12,512,888
8 Operating and Maintenance Costs		
8a) Depreciation and amortization expense	13,772,146	37,310,355
8b) Other Operating and Maintenance expenses	9,623,339	14,645,274
Total	23,395,485	51,955,629
8a Depreciation and amortization expense		
Property, plant and equipment	12,042,300	28,579,709
Intangible assets	1,240,806	8,730,646
Loss on Disposal (8c)	232,243	-
Impairment of Assets (8d)	256,797	-
	13,772,146	37,310,355
8b Other Operating and Maintenance expenses		
ICT Equipment & maintenance costs	4,461,441	7,010,988
Repair & Maintenance e.g Asset ins.	85,260	861,006
Motor Vehicles repair	1,825,564	3,122,630
Motor vehicle Fuel	2,262,090	2,457,594
Motor vehicle Insurance	988,985	1,193,056
	9,623,339	14,645,274
8c Gain/Loss on Disposal		
Cost	588,339	
acc dep	(335,596)	
Proceeds	(20,500)	
Loss on Disposal	232,243	
8d Impairment of Assets		
Cost	2,486,400	
acc dep	(2,229,603)	
Loss on impairment	(256,797)	
Nbv as at 30th June 2016	256,797	

The impairment of Assets was as a result of lost ICT equipment's.



Notes to the Financial Statements cont.....

	2015-2016	2014-2015
9 Administration expenses	K.Shs	K.Shs
Advertising ,promotion & corporate image	7,038,340	1,866,834
Admin fees/newspaper ,cleaning & water	1,127,600	1,728,824
Electricity & water	203,820	243,949
Audit fees	487,200	464,000
Consulting fees	6,881,104	7,201,337
ISO Expenses	1,951,247	1,353,750
Office Consumables	1,704,927	779,439
Legal expenses	738,102	4,350,250
Postage expenses	102,698	270,883
Printing and stationery	4,755,093	7,046,927
Rent and rates	25,371,483	24,365,570
Security costs	662,260	630,000
Professional materials & Bank charges	6,235,941	6,117,678
Telecommunication(Airtime & telephone)	1,651,761	1,633,592
Training(Capacity development)	20,616,966	27,998,680
Travel,accommodation,subsistence and hosptality & sup	15,613,105	21,867,266
Total	95,141,648	107,918,978
10 Cash & Cash Equivalents	K.SH	K.SH
Bank	60,167,898	45,308,813
Cash-on-hand	75,805	32,935
Short-term deposits	-	50,000,000
Total	60,243,703	95,341,748
11a Receivable from non-exchange transactions	-	-
Total	-	-
11b Receivable from Exchange transactions		
Oustatnding Levies	3,501,048	7,647,768
Depoits and Prepayments	16,545,372	10,747,297
Other receivables	5,180,429	2,788,915
Staff Advances	1,255,922	417,902
KRA Tax Credit	-	29,125
Advisory committee on power of mercy	152,600	-
ACCOSCA	430,347	-
Institute of Directors	73,840	-
Sypsan Enterprises	3,642	-
Total current receivables	27,143,200	21,631,008
Ksh.152,600 relates to sitting allowance,accoodation & airticket for Director during the Induction programme yet to be received as at 30th June 2016, ksh 3,642 overpaid w/h vat which was rebanked in july.		



Notes to the Financial Statements cont.....

	2015-2016	2014-2015
	K.Shs	K.Shs
Outstanding deposit Levy		
Borabu Farmers Sacco	599	599
Dimkes Sacco	-	208,234
Banana Hill Matatu	106,446	106,446
K- Unity Sacco	118,566	118,566
Konoin Sacco	92	92
Dumisha Sacco	156,407	156,407
Meru South Farmers Sacco	432	432
Metropolitan Teachers Sacco	91	91
Mwalimu Sacco	24,469	24,469
NRS Sacco	130,521	130,521
Tenhos Sacco	267	267
Universal Traders Sacco	18,741	18,741
Isiolo Teachers Sacco	268,814	268,814
Green Hills sacco	5,063	5,063
Jijenge sacco society	58,849	58,849
Maono Daima sacco	11,334	11,334
Mwingi Mwalimu Sacco	126	126
Ntiminyakiru Sacco	26,738	26,738
Nyahururu umoja sacco	270	270
Nandi Farmers sacco	31,753	31,753
Ogembo tea sacco	39,540	39,540
Rachuonyo teachers sacco	78,028	78,028
Shirika sacco	-	1,117,868
Transcom sacco	244,521	244,521
UN Sacco	-	5,000,000
Moi University	824,524	-
suba teachers sacco	92,832	-
Cosmopolitan sacco	1,570,379	-
Bad & doubtful debts written off	(308,354)	
Total	3,501,048	7,647,768

These relates to deposit levies invoiced and not received by 30th June 2016 an amount of K.sh 300,000 from Moi university and ksh. 92,832 from Suba teachers received in the month of July 2016,also ksh 1,570,379 deposited in welfare account yet to be reversed as at 30th June 2016. Bad & doubtful debts written off relates to sacco's whose license were revoked.



Notes to the Financial Statements cont.....

	2015-2016	2014-2015
	K.Shs	K.Shs
Deposits and Prepayments		
Britam Ltd-Rent and Parking	1,790,640	1,790,640
Britam Ltd-Rent and Parking	1,704,479	1,704,479
Alpine Coolers-Water dispenser	5,000	5,000
<i>Prepayments:</i>		
Motor Vehicle Insurance	392,465	596,516
GPA cover	250,861	260,966
Staff Medical Cover	6,704,090	6,010,732
Assets Insurance	-	85,260
WIBA Cover	351,602	158,725
Communication costs-Airtime	-	74430
Board Chairman-Honoraria	-	60550
Board Capacity development CLF	5,332,235	-
Board sitting allowance-Ushirika Day	14,000	-
Total	16,545,372	10,747,297.23
Other receivable		
AFI reimbursement for staff capacity development	3,585,839	1,951,070
Receiver Manager-Jijenge sacco	1,594,590	819,090
SAM training support	-	18,755
Total	5,180,429	2,788,915
12 Inventories		
Stationery & Loose tools closing stock	4,328,482	1,549,505
Total	4,328,482	1,549,505

This relates to an utilised stationery and loose tools available in the store as at 30th June 2016 carried forward.



Notes to the Financial Statements cont.....

13a Property, Plant and Equipment

Cost	MOTOR VEHICLES	COMPUTER HARDWARE	PARTITIONS	OFFICE FURNITURE	OFFICE EQUIPMENTS	TOTAL
	K.Shs	K.Shs	K.Shs	K.Shs	K.Shs	K.Shs
At 1st July 2014	31,254,917	52,275,553	12,499,444	4,658,569	17,292,407	117,980,890
Additions	-	3,800,000	-	5,120,810	-	8,920,810
Disposals	-	-	-	-	-	-
At 30 June 2015	31,254,917	56,075,553	12,499,444	9,779,379	17,292,407	126,901,700
Additions	-	1,241,200	-	2,908,000	-	4,149,200
Disposals & Impairment	-	2,228,400	-	588,339	258,000	3,074,739
At 30 June 2016	31,254,917	55,088,353	12,499,444	12,099,040	17,034,407	127,976,161
Depreciation						
At 1st July 2014	20,480,967	39,054,775	3,554,834	2,100,412.12	9,981,748	75,172,737
Depreciation	4,508,079	12,424,085	1,562,430	1,199,418.00	3,423,267	23,117,279
Disposals	-	-	-	-	-	-
At 1st July 2015	24,989,046	51,478,860	5,117,265	3,299,830	13,405,015	98,290,016
Depreciation	4,131,686	1,770,808	1,562,430	1,576,880.00	3,000,496	12,042,300
Disposals & Impairment	-	2,036,103	-	335,596.00	193,500	2,565,199
At 1st July 2016	29,120,732	51,213,565	6,679,695	4,541,114	16,212,011	107,767,117
Net book values						
At 30 June 2016	2,134,185	3,874,788	5,819,748	7,557,926	822,396	20,209,043
At 30 June 2015	6,265,871	4,596,693	7,382,179	6,479,548.88	3,887,392	23,149,254



Notes to the Financial Statements cont.

13b Intangible Assets

Cost	Kshs
At 1st July 2014	26,252,142
Additions	576,900
At June 2015	26,829,042
Additions	-
At June 2016	<u>26,829,042</u>
Amortization	
At 1st July 2014	16,771,544
Amortization	8,620,927
At June 2015	25,392,471
Amortization	1,240,806
At June 2016	<u>26,633,278</u>
Net book values	
At 30 June 2016	195,764
At 30 June 2015	1,326,852



Notes to the Financial Statements cont.....

	2015-2016	2014-2015
	Kshs	Kshs
14 Trade and other payables		
Trade payables (See (a))	5,858,203	5,988,279
Other payables (See (b))	8,505,789	453,186
Kra tax	24,130	-
Total trade and other payables	14,388,122	6,441,465
(a) Trade Payables		
Flament Company	-	14,086
Nation Media Group	-	79,800
Attain Enterprise Solutions Ltd	-	4,893,114
Above and Beyond travel ltd	-	29,655
Jomumu Contractors	651,464.00	651,464
Vas Consultant Ltd	-	320,160
African Touch Safaris	415,690	-
MFI Office Solutions	75,400	-
Lake naivasha simba lodge	257,399	-
Boma Inn Nairobi	27,000	-
Alpine Coolers Limited	26,726	-
Gradwin Enterprises Ltd	513,300	-
Standard Group	868,327	-
Nation Media Group	176,997	-
Rex Kiosk	250,120	-
Masada Hotel	26,249	-
Masai Africa Safaris	150,000	-
Flossons Enterprises	139,330	-
Uchumi supermarket	100,602	-
Konza solution	702,000	-
Kadina Enterprises	170,790	-
Kirason Agencies	1,306,809	-
Total	5,858,203	5,988,279



Notes to the Financial Statements cont.....

	2015-2016	2014-2015
	Kshs	Kshs
(b) Other Payables		
Salaries Payable	14	21,120
Sacco Deductions	1,913,738	201
staff benevolent fund	755,276	4,530
Tax Control Account	3,457,440	3,877
Sasra housing	325,373	1,500
Insurance premium	44,433	5,143
Bank loan-coop	335,327	-
Helb	31,720	-
Nssf	28,400	-
Nhif	100,450	-
Kusco	19,000	-
Pension contribution	1,494,617	-
Stale cheques payable:		
Sensitization on HIV/AIDS	-	37,220
Workshop sitting allowance for Board	-	14,000
March 2013 temporary salaries	-	140,448
Board training sitting allowance	-	42,000
Board Training on evaluation sitting allowance	-	14,000
Staff attending job evaluation	-	2,557
Hall hire for workshop	-	50,200
Staff rent deduct for May chq4767	-	1,500
sitting allowance for board chq 5068	-	16,000
NHIF-for August chq5172	-	19,640
Staff Helb contrbton chq5268	-	9,370
Staff deductions fr Oct.chq5438	-	19,880
Kerussu donation cheque no.6099	-	50,000
Total	8,505,789	453,186
c) KRA Tax Credit b/d	29,125	
payable as at year end-w/h	(53,255)	
	(24,130)	



Notes to the Financial Statements cont.....

15 Current Provisions	Gratuity	Leave benefits	Audit Fees	Total
	K.shs	K.shs	K.shs	K.shs
Balance at 1 July 2015	334,800	8,618,800	464,000	9,417,600
Additional provisions raised	-	-	510,400	510,400
Provision utilized/paid	-	-	(487,200)	(487,200)
Balance as at 30 June 2016	334,800	8,618,800	487,200	9,440,800
Capital Fund				
16 Balance b/f	186,476,333	176,978,623		
Funds utilised for Capital Assets	4,149,200	9,497,710		
	190,625,533	186,476,333		
17 Accumulated surplus/deficit				
Balance b/f as June 2015	(59,337,030)	(36,232,215)		
Add. Prior year adjustments/overdepreciation	5,572,147	-		
Surplus/Deficit for the Period	(48,312,582)	(23,104,815)		
Balance as at 30th June 2016	(102,334,263)	(59,337,030)		



PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

Issue	Person responsible	Status
Authority dependence on Ex-chequer not sustainable and should ensure self-sustenance via enhancing internally generated revenue	Board and Management	Process of review of deposit levy agreed by stakeholders during consultation concluded and draft order raising levy rate to 0.125% in 2017, 0.15% in 2018 and 0.175% in 2019 forwarded to the Cabinet Secretary for Industry, Trade & Co-operatives on 28 th November 2016 for implementation. The same is expected to ensure that Authority is 100% self sustaining by 2019 if implemented.



The SACCO Societies Regulatory Authority

SASRA

Securing SACCO funds



**SACCO SOCIETIES REGULATORY AUTHORITY
(SASRA)**

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