

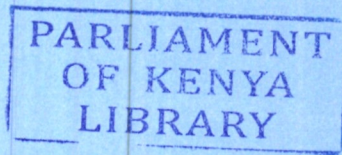
REPUBLIC OF KENYA



*Paper laid by
Leader of Majority Party
Tuesday 19/6/2018
Adh*

OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2017**



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

DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

30TH JUNE 2017

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

TABLE OF CONTENTS

KEY ENTITY INFORMATION.....	4
BOARD MEMBERS.....	5
MANAGEMENT TEAM.....	8
CHAIRMAN'S STATEMENT.....	11
CHIEF EXECUTIVE OFFICER STATEMENT.....	13
STATEMENT OF CORPORATE GOVERNANCE.....	15
STATEMENT OF CORPORATE SOCIAL RESPONSIBILITY.....	19
REPORT OF THE DIRECTORS.....	20
STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	21
REPORT OF THE INDEPENDENT AUDITOR.....	22
MANAGEMENT DISCUSSION AND ANALYSIS.....	24
STATEMENT OF FINANCIAL POSITION.....	28
STATEMENT OF FINANCIAL PERFORMANCE.....	29
STATEMENT OF CHANGES IN NET ASSETS.....	30
STATEMENT OF CASHFLOWS.....	31
STATEMENT OF BUDGET PERFORMANCE.....	32
RECONCILIATION STATEMENT.....	33
NOTES ON MATERIAL VARIANCES FOR THE STATEMENT OF COMPARISON OF BUDGET & ACTUALS.....	34
NOTES TO THE FINANCIAL STATEMENTS.....	36
PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION.....	56

KEY ENTITY INFORMATION

Background information

The Sacco Societies Regulatory Authority (**SASRA**) is a statutory state corporation established under the **Sacco Societies Act 2008 (Cap 490B)** of the Laws of Kenya (the Act) which came into full operation upon the gazettment of the Sacco Societies (Deposit-taking Sacco Business) Regulations, 2010 (the Regulations 2010) on 18th June 2010. SASRA is represented by the Cabinet Secretary for Industry, Trade and Cooperative 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 operations in order to enhance growth in savings and stability of the Sacco sub-sector.

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

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

Principal Legal Adviser

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

BOARD MEMBERS



Mr. Joseph Ole Lenku - W.e.f 31st May 2016 to 6th February 2017

Joseph Ole Lenku joined the SASRA board as the Chairman and as a non-executive director 31st May 2016. 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 in Tanzania. Mr. Ole Lenku is credited for spearheading the rolling out of a new security framework known as "Nyumba Kumi" (ten households initiatives) 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 from Kenyatta University, and MPhil. In Curriculum from the university of Cambridge, and MEd in philosophy from Kenyatta University. He is currently a Senior lecturer at the Pwani University since 2010 prior to which he was a lecturer and a research fellow at the University of Nairobi and a lecturer at the Kenyatta University.

Dr. Rutto has served as a director in two institutes under the Kenyatta University. He 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 to 7th May 2017

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.

	<p>Ms. Eunice Nyambura - W.e.f 02nd Oct 2015</p> <p>Ms. Mwangi is a PhD scholar at (UON), holds an MBA in Strategic Management (UON), 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 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 KNNCI 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, Financial Services Department.</p>

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



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

Mrs. Mungai has over 33 years' experience and skills in policy analysis, policy development, participatory approaches, conceptualization, formulation, design and development of projects and programmes, Project Planning, Management and Evaluation, stakeholder analysis, rural livelihood analysis, stakeholder analysis, sector wide approaches (SWAPs), preparation of project implementation plans (PIP), agricultural marketing and information systems, agricultural trade policy, agribusiness development, training, extension and capacity building.

She has been involved in implementation of projects and projects funded by Ministries of Agriculture and Ministry of Co-operatives, IFAD, World Bank, GTZ, SIDA, FAO and European Union.



Mr. John Mwaka - Chief Executive Officer

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

MANAGEMENT TEAM



Mr. John Mwaka

Chief Executive Officer.

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



Mr. Peter Njuguna

Chief Manager - SACCO Supervision

Mr. Peter Njuguna holds a MSc. in Operations Research from the London School of Economics, UK, and a BSc in Mathematics. He is a holder of CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).



Mr. Kenneth Opiyo

Chief Manager - Finance and Planning.

Mr. Kenneth Opiyo holds MBA and a B.Com (Hons). from the University of Nairobi. 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.



Mrs. Roselyne Ragama

Corporation Secretary

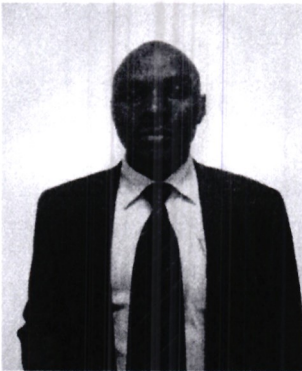
Mrs. Roselyne Ragama holds an LLM from University of Nairobi specializing in Corporate Governance, LLB (Hons), and Post Graduate Diploma in Law from Kenya School of Law, CPS (K) and Diploma in Cooperative Management. She is an advocate of the High Court of Kenya, member Institute of Certified Public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



Mr. Nelson W. Nyongesa

Manager - Internal Audit & Risk –(W.e.f 01st February, 2017)

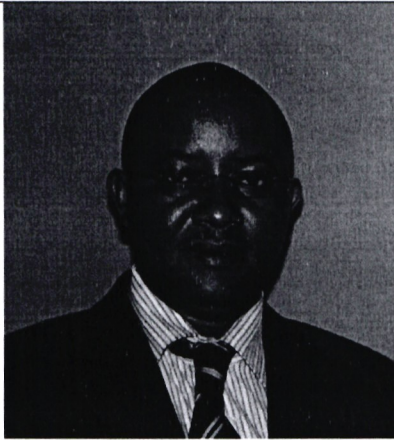
Mr. Nelson Nyongesa holds Masters of Arts in Economics from University of Nairobi, Bachelors of Arts in Economics (Hons) from Moi University and diploma in Public Relations Management from KIM. Nelson is Certified Public Accountant of Kenya, Certified Information System Auditor (CISA), and Certified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



Mr Francis Mwangi

Ag. Senior Officer- Internal Audit (until January 2017)

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 - Human Resource and Administration.

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



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

It's a great honour to present to the stakeholders the Authority's annual report and financial statements for the year ended 30th June 2017. It is an exciting milestone for us to reflect on our very real commitment to the Authority's mandate as outlined in the Sacco Societies Act of 2008. The mandate can only be achieved through efficient and effective mobilization and utilization of the scarce resources towards establishing an enabling environment for the growth of Sacco business and enhance financial inclusion within our nation. This report outlines the financial performance of the Authority and policy options implemented in the financial year under review, towards the realization of economic, social and environmental sustainability.

2.0 Policy Initiatives

The Authority continues to review the legal regulatory framework based on the challenges experienced in implementation and also to keep abreast with the changes in the global co-operative and Sacco movement, with a view of enhancing its effectiveness in the supervision and regulation of Sacco's in Kenya. Towards this end, the Authority managed to have the government publish and tabled before Parliament the Sacco Societies (Amendment) Bill, 2016, which contained some key reforms aimed at building confidence in the DT-SACCO segment. The proposed amendments were aimed at strengthening the governance and management systems among DT-SACCOs to ensure integrity and propriety in persons serving in key positions among DT-SACCOs. Some of the key reforms proposed in the Bill include:

- Provision of a criteria for determining suitability for persons serving or seeking to serve in key positions of DT-SACCOs;
- Inclusion of DT-SACCOs into the mandatory reporting framework of credit information sharing - including full-file reporting through the established CRBs;
- Legal protection of the identities of DT-SACCOs, to distinguish SACCO Societies that undertake deposit-taking business, and those that do not, including other financial cooperative societies (housing and investments), which many times are referred to as SACCOs, while they are not.

It is our hope that the bill will be prioritized and passed in the next parliament so as to enable the Authority begin implementation.

The National Treasury, in consultation with the five financial regulators, that is Central Bank of Kenya, Capital Markets Authority, Retirement Benefits Authority, Insurance Regulatory Authority and SASRA, put in place the Islamic Finance Project Management Office (PMO) in December 2015, with the responsibilities to develop a policy, legal and regulatory framework for Islamic finance in Kenya, in addition to building capacity of the personnel of the financial sectors to undertake development, supervision and regulation of Islamic Financial institutions and financial products. The advent of Islamic Finance in Kenya has been embraced by DT-SACCOs in Kenya and currently there are two Islamic SACCOs have since been registered by the Commissioner for Co-operatives Development.

3.0 Challenges

A number of challenges were experienced in the financial year under review, which the Board of Directors are keen to address to ensure the Authority is effective in delivering its core mandate. Limited financial resource base in light of the declining GoK grants and the slow process of reviewing the deposit levy. As at 31st December 2016, the Authority had licensed a total of 176 Sacco's spread across the entire Country. To be effective in supervising and regulating these Saccos, the Authority require additional funding to acquire adequate facilities, establish optimal and competent human resource capacity and office space.

4.0 Outlook for the future

The Board of Directors are alive to the current challenges and is committed to ensuring that the Authority continues to play its fiduciary role of ensuring regulatory mandate is effectively implemented while complying with the best financial management practices as envisaged in the Public Finance Management legal framework and other relevant laws.

The Authority will continue to collaborate with stakeholders in the financial sector to strengthen the legal, policy and operational environment aimed at achieving an efficient and stable DT-SACCO sub-sector.

Joseph Ole Lenku
Chairman,
Board of Directors

for

CHIEF EXECUTIVE OFFICER STATEMENT

1.0 Introduction

The SACCO sector in Kenya continued to experience significant growth and played a major role in soaring financial inclusion in Kenya in the financial year 2016/17. During this period, the sub-sector registered positive growth in assets of 14.67% from Kshs.342.8 billion to Kshs.393.1 billion, Loans of 15.27% from Kshs.258.2 billion to Kshs.297.6 billion and savings of 14.79% from Kshs.237.4 billion to Kshs.272.6 billion, while membership stood at 3.6 million as at 31st December 2016, representing 17.5% growth.

We believe that this growth has been driven by SASRA's commitment to responsibly manage resources towards the realization of economic, social and environmental sustainability, while implementing the core mandate. The Authority continue to review and modernize its supervision and regulatory strategies to secure the confidence of members and hence spur greater growth in future.

2.0 The Authority's financial performance

The financial year 2016/2017 showed a notable improvements in the revenue realized from Ksh269.7 million to Ksh376.3 million. The increase was experienced in both exchange transactions and non-exchange transactions which increased from Kshs.182.2 million to Kshs.200.7 million and from Kshs.85.3 million to Kshs.165.8million respectively. The Authority also received remarkable improvement in donor funding from the World Bank through Financial Sector Support Project (FSSP).

The expenditure for the period rose from Kshs.318.05 Million to Ksh343.2 Million, leaving a surplus of Kshs.25,820,287 from a deficit of Kshs.48,312,582 the previous year.

3.0 Stakeholder engagements

The positive growth being experienced in the Sacco sector in Kenya can mainly be attributed to progressive regulatory measures, consultations and constant engagement with all players within the industry. The Authority initiated a number of processes to lay ground for greater growth of the sector especially in areas that are still nascent. These include three major stakeholder forums which were aimed at reaching out all our stakeholders for them to appreciate the developments set out for the sector.

The sector equally witnessed increased access to services in various respects. DT-Sacco's increased their branch penetration, while some launched Agency banking services in remote and small centres across the country. By the close of the year, the Authority had licensed the first Islamic finance Sacco. Mobile money penetration also increased exponentially as a number of Sacco's adopted mobile Apps for small loan advances at the convenience of their members.

4.0 Institutional Capacity Developments

We especially believe in our people, as they are an integral part of our transformative agenda. We empower them to give their best. We show appreciation to them by providing the right working conditions that improve their well-being. We continue to work towards building an environment that is inclusive of all cultures.

I am pleased to report that the Authority has put in place an annual training programme, that sets out the relevant programs according to the needs of all staff guided by the heads of departments through a training need assessment. Performance management system has been put in place that will ensure promotion on merit based assessment. The Authority is also looking for an adequate working space with better facilities to facilitate efficient service delivery.

These initiatives will require additional financial resources, and the Management believe that through effective consultations with stakeholders, the Authority will overcome the current challenges and deliver on its mandate.

3.0 Conclusion

In conclusion, I wish to thank the Board of Directors for their guidance and support throughout the year. I would also like to extend my sincere appreciation to staff and the various stakeholders both in Government and private sectors who have made this year a success. We look forward to fostering the development of a financially inclusive, stable and vibrant SACCO sector in coming years as the sector diversifies and flourishes



John Mwaka

Chief Executive Officer

STATEMENT OF CORPORATE GOVERNANCE

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 2016/17, 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 show the full board meetings held during the financial year 2016/17;

Scheduled Meetings.

Name	Scheduled Full Board - 7meetings	Special full board-9 meetings	Total No of meetings attended
Mr. Joseph Ole Lenku	5	3	8
Dr. Sammy Rutto	7	9	16
Mr. Stephen M. Kinyua	3	6	9
Ms. Eunice N. Mwangi	6	9	15
Ms. Alice Mwololo	5	7	11
Mr. Gerald Nyaoma	5	8	13
Mr. Phillip Gichuki	2	3	5
Mrs. Mary Mungai	4	6	10

a) 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 -5 meetings	Special Board Committee - 0	Total No of meetings attended
Ms. Eunice .N. Mwangi	5	0	5
Ms. Alice Mwololo	3	0	3
Mr. Gerald Nyaoma	5	0	5
Mrs. Mary Mungai	2	0	2
Mr. Phillip Gichuki	2	0	2

ii) 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 -6 meetings	Special Board Committee-1 meeting	Total No of meetings attended
Ms. Stephen Kinyua	3	1	4
Dr. Sammy Rutto	6	1	7
Mr. Gerald Nyaoma	6	1	7
Mr. Phillip Gichuki	2	0	2
Ms. Alice Mwololo	3	0	3
Mrs. Mary Mungai	1	0	1

iii) 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 - 5 meetings	Special Board Committee- 2 meetings	Total No of meetings attended
Mr. Stephen Kinyua	4	1	5
Dr. Sammy Rutto	5	2	7
Ms. Eunice Mwangi	5	2	7
Ms. Alice Mwololo	1	0	1
Mrs. Mary Mungai	2	1	3
Mr. Phillip Gichuki	1	0	1

b) 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.

c) 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 analyze 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.



John Mwaka
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.
- e) Adherence to the Code of Governance for Government Owned Entities (Mwongozo)

3.0 Our achievements.

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

1.1 Ushirika Day Celebrations.

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

1.2 CSR Committee.

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

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 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, 2017 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:

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Sacco Societies Act 2008 under section 20 and the Public Financial Management 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 _____ 2017 and signed on its behalf by:

for

Joseph Ole Lenku
Chairman

John Mwaka
Chief Executive Officer

REPORT OF THE INDEPENDENT AUDITOR

TO APPEND AFTER AUDIT

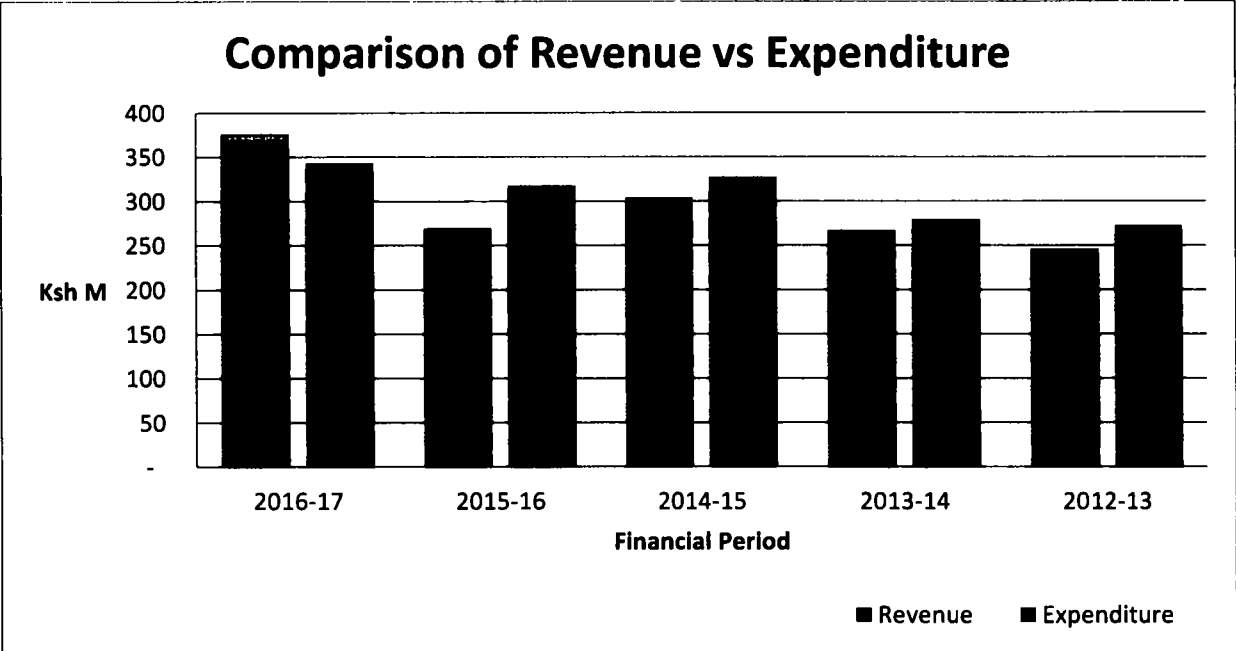


MANAGEMENT DISCUSSION AND ANALYSIS

1.0 Financial performance

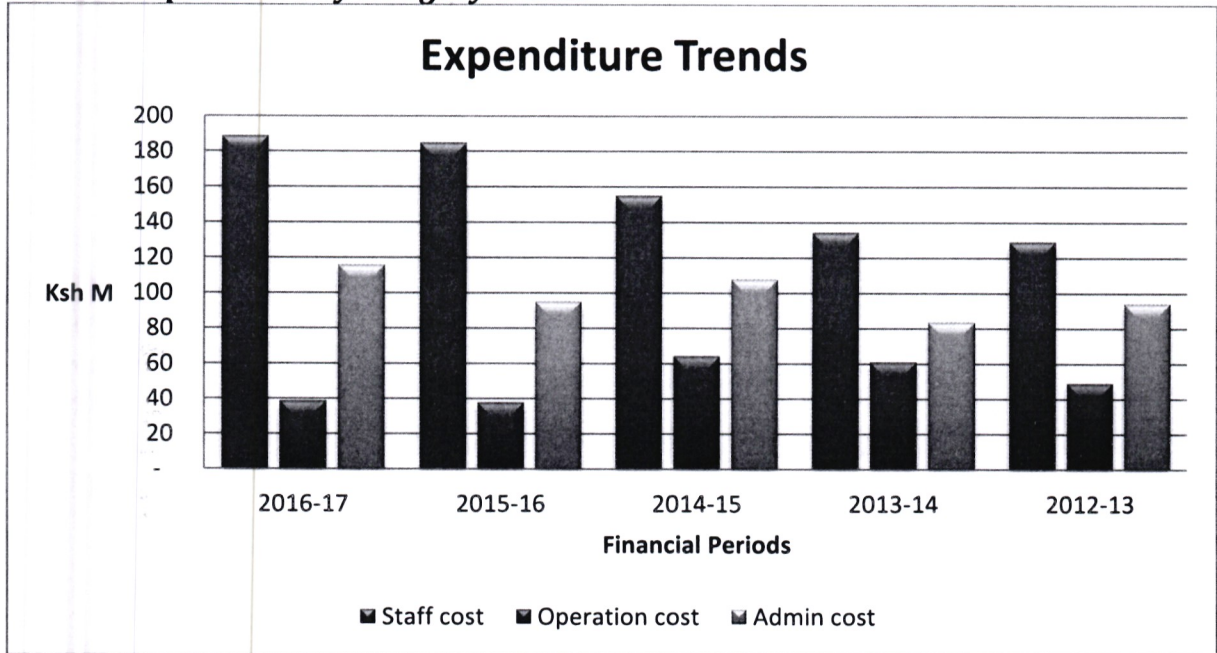
The graphical highlights in summary the Authority's performance for a five year period form year 2012/13 to 2016-17 is as below.

Table 1 Revenue versus Expenditure trends



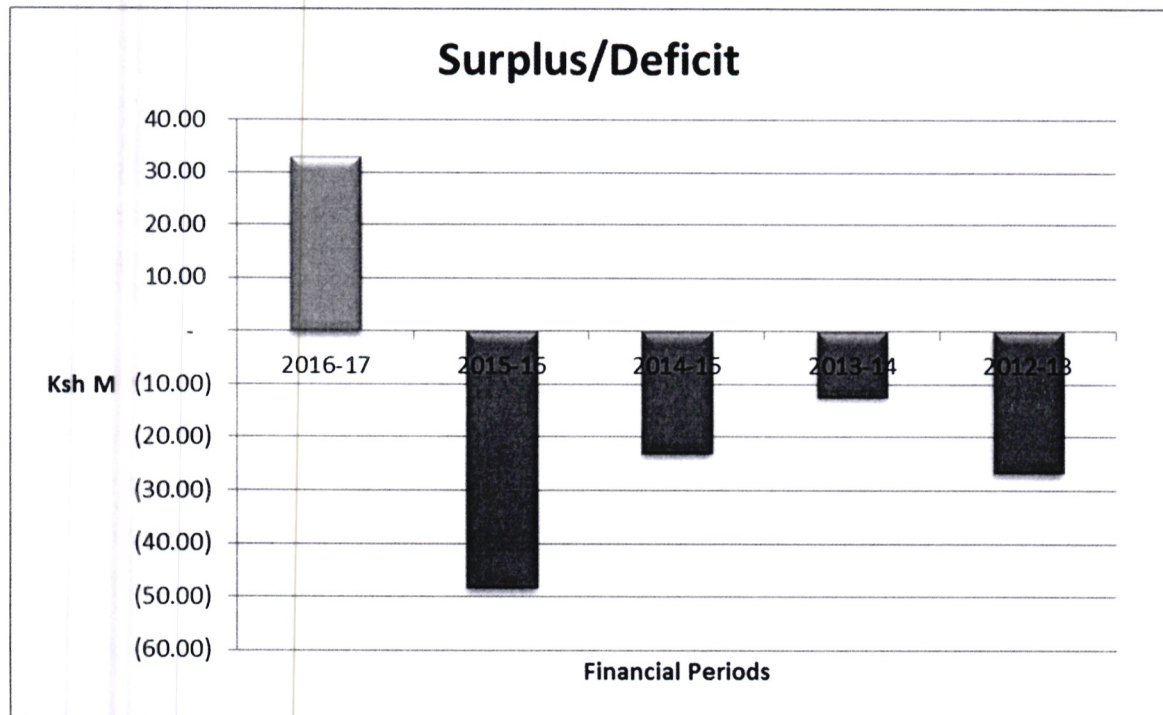
Source: Audited Financial statements 2012/13-2015-16 and unaudited 2016/17

Table 2- Expenditure by category trends



Source: Audited Financial statements 2012/13-2015-16 and unaudited 2016/17

Table 3- Surplus versus Deficit trends



Source:

Audited Financial statements 2012/13-2015-16 and unaudited 2016/17

2.0 Key projects and investment decisions

2.1 Risk Based Supervision(RBS)

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

2.2 Central Liquidity Fund(CLF)

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

2.3 Deposit Guarantee Fund(DGF)

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

2.4 Review of legal and regulatory framework

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

3.0 Authority's financial probity and serious governance issues.

There was no financial probity reported during the period under review. The Authority

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

4.0 Compliance with Legal and statutory requirements

4.1 Legal compliance

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

4.2 Material arrears in statutory and or financial obligations

The Authority was able to meet most of its financial obligations save for an outstanding short term liability of Kshs. 18.8 Million which is expected to be settled in the first quarter of the financial year 2017/18 subject to delivery of goods, services and works as per contract terms. All statutory payments were paid within the stipulated time to the respective Government agencies.

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



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 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Sacco Societies Regulatory Authority set out on pages 28 to 57, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actuals for the year then ended, and a summary of the significant accounting policies and other explanatory information in accordance with the provisions of the Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and the explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Sacco Societies Regulatory Authority as at 30 June, 2017 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Sacco Societies Act, 2008 (CAP 490B) of the Laws of Kenya.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue sustaining its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to have the Authority 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.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 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.

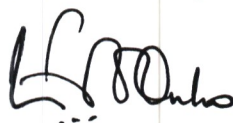
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern or 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 continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

11 May 2018

STATEMENT OF FINANCIAL POSITION

SACCO SOCIETIES REGULATORY AUTHORITY STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2017

ASSETS	Notes	2016/17	2015/16
Current Assets			
Cash & Cash equivalent	10	109,646,101	60,243,703
Receivable from non-exchange transactions	11	22,399,111	23,642,152
Receivable from Exchange transactions	12	798,005	3,501,048
Inventories	13	3,930,966	4,328,482
		136,774,183	91,715,385
Non- Current Assets			
Property, plant and equipment	14a	26,644,949	20,209,043
Intangible Assets	14b	576	195,764
		26,645,525	20,404,807
		163,419,708	112,120,192
FUNDS & LIABILITIES			
Current Liabilities			
Trade and other payables	15	18,430,103	14,388,122
Provisions	16	7,759,171	9,440,800
		26,189,274	23,828,922
Funds and Reserves			
Capital Reserves	17	193,044,523	190,625,533
Accumulated Surplus	18	(68,814,089)	(102,334,261)
Revaluation Surplus	19	13,000,000	-
		137,230,434	88,291,272

The Authority's financial statements were approved by the board

on 30/6/2017 and signed on its behalf by:

fn

Joseph Ole Lenku
Chairman


John Mwaka
Chief Executive Officer

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30TH JUNE 2017

	Notes	2016-2017	2015-2016
		K.sh	K.sh
Revenue			
Donor support	3	9,823,090	2,206,541
Revenue from non-exchange transactions	4	165,788,010	85,321,375
Revenue from exchange transactions	5	200,694,867	182,209,689
		376,305,967	269,737,605
		376,305,967	269,737,605
Expenditure			
Employee Costs	6	190,936,052	184,887,497
Board expense	7	18,733,577	14,625,557
Operating and Maintenance Costs	8	20,038,507	23,395,485
Administration Expenses	9	120,777,543	95,141,648
		350,485,680	318,050,187
		350,485,680	318,050,187
Surplus/(Deficit)for the period		25,820,287	(48,312,582)
		25,820,287	(48,312,582)

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30TH JUNE 2017				
	Capital Development Reserve	General Reserve	Revaluation 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 accum. 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	(59,593,826)	-	126,882,507
Surplus/Deficit for the period	-	(48,312,582)	-	(48,312,582)
Add:Prior year adjustments	-	5,572,147	-	5,572,147
Transfer from devpt. Funds	4,149,200	-	-	4,149,200
Balance as at 30 June 2016	190,625,533	(102,334,261)	-	88,291,271
Surplus/Deficit for the period	-	25,820,287	-	25,820,287
Revaluation of Assets	-	-	13,000,000	13,000,000
Add:Prior year adjustments	-	7,699,885	-	7,699,885
Transfer from devpt. Funds	2,418,990	-	-	2,418,990
Balance as at 30 June 2017	193,044,523	(68,814,089)	13,000,000	137,230,434

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30TH JUNE 2017

Cashflows from operating activities	Notes	2016-2017	2015-2016
Receipts		Kshs.	Kshs.
Public contributions and donations	3	8,282,122	2,206,541
Revenue from exchange transactions	4	200,694,867	182,209,689
Other income received	4	7,000	2,860,575
Government grants and subsidies	4	168,200,000	86,600,000
		377,183,989	273,876,805
Payments			
Employees Costs	6	186,849,552	184,887,497
Rent paid	9	30,378,880	25,371,483
Operating and Maintenance costs	9	116,519,748	94,019,061
		333,748,181	304,278,041
Net cashflows from operating activities		43,435,808	(30,401,236)
Cash flows from investing activities			
Purchase of property, plant, equipment	17	(2,418,990)	(4,149,200)
Proceed from disposed assets	4	-	10,000
Loss on Disposal	8c	-	(232,243)
(Increase)/Decrease in current receivables	11,12&13	4,343,601	(8,272,023)
Increase/(Decrease) in payables	15	4,041,980	7,946,657
Net cashflows used in investing activities		5,966,591	(4,696,809)
Net increase/(decrease)in cash and cash equivalents		49,402,399	(35,098,045)
Cash and cash equivalents equivalents brought forward(b/f) 10		60,243,702	95,341,747
Cash and cash equivalents at 30th June 2017		109,646,101	60,243,702

STATEMENT OF BUDGET PERFORMANCE

FOR THE YEAR ENDED 30TH JUNE 2017					
	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference
REVENUE	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017
RECURRENT	Kshs.	Kshs	Kshs	Kshs	Kshs
Donor & Dev partners	43,300,000	10,776,409	54,076,409	9,823,090	(44,253,319) a)
GoK grants-allocated	56,200,000	82,000,000	138,200,000	138,200,000	-
GoK grants-required	115,500,000	(115,500,000)	-	-	-
Internally generated revenue(AIA)	222,506,594	(23,206,594)	199,300,000	199,300,000	-
	437,506,594	(45,930,185)	391,576,409	347,323,090	(44,253,319)
DEVELOPMENT	Kshs.	Kshs	Kshs	Kshs	Kshs.
Internally generated revenue(AIA)	35,000,000	24,600,000	59,600,000	1,401,867	(58,198,133) b)
GoK grants	30,000,000	-	30,000,000	30,000,000	-
Donor & Dev partners	67,350,000	(41,350,000)	26,000,000	-	(26,000,000) c)
	132,350,000	(16,750,000)	115,600,000	31,401,867	(84,198,133)
TOTAL REVENUE	569,856,594	(62,680,185)	507,176,409	378,724,957	(128,451,452)
RECURRENT EXPENDITURE ESTIMATES					
Staff costs-(Emoluments,Pension & Insurance	261,766,700	(47,715,455)	214,051,245	190,936,052	23,115,193 d)
Board Expenses	11,604,400	740,000	12,344,400	10,463,443	1,880,957 e)
Office Travelling,Accommodation & Hospitality	20,248,500	(3,000,000)	17,248,500	18,142,999	(894,499)
Repairs & Maintenance of Equipments	15,412,000	(2,943,000)	12,469,000	872,442	11,596,558 f)
Repairs & Maintenance of Motor Vehicles	7,742,750	(1,132,479)	6,610,271	3,887,372	2,722,899 g)
Office Running and Maintenance	2,652,044	180,744	2,832,788	2,745,499	87,289
Printing & Stationery	6,948,200	1,100,000	8,048,200	6,449,292	1,598,908 h)
Security Expenses	1,440,000	-	1,440,000	720,000	720,000
Communication services	1,140,000	(720,000)	420,000	380,199	39,801
Rent,Rates & Parking	30,000,000	2,700,000	32,700,000	30,378,880	2,321,120 i)
Professional charges	18,015,000	1,960,000	19,975,000	7,421,376	12,553,624 j)
Corporate image,Governance & Publicity	64,187,000	(750,000)	63,437,000	5,035,724	58,401,276 k)
Total Recurrent Expenditure	441,156,594	(49,580,190)	391,576,404	277,433,280	114,143,124
DEVELOPMENT/CAPITAL EXPENDITURE					
Capacity Development programmes	27,545,000	(4,150,000)	23,395,000	24,134,067	(739,067)
Board capacity development	6,000,000	600,000	6,600,000	8,270,134	(1,670,134) l)
Development consultancy costs	60,705,000	(10,500,000)	50,205,000	21,396,404	28,808,596 m)
Research & Development costs	8,700,000	(2,700,000)	6,000,000	-	6,000,000 n)
Automation equipment & ICT Infrastructure	5,250,000	(500,000)	4,750,000	6,100,421	(1,350,421) o)
Office partitioning and movement costs	13,700,000	10,450,000	24,150,000	-	24,150,000 p)
Office furniture & Equipment	6,800,000	(6,300,000)	500,000	2,418,990	(1,918,990) q)
Total Capital Expenditure	128,700,000	(13,100,000)	115,600,000	62,320,016	53,279,984
Total Expenditures	569,856,594	(62,680,190)	507,176,404	339,753,296	167,423,108
GROSS SURPLUS/(DEFICIT)				38,971,661	

RECONCILIATION STATEMENT

Financial Performance Vs Budget Performance		
	2016-2017	2015-2016
Details	Kshs.	Kshs.
Surplus/Deficit per Financial statement	25,820,287	(48,312,583)
<u>Add: Non Cash items</u>		
Provision of Depreciation & Amortization expense	9,178,272	13,772,146
Provision for:		
Provision for Audit fees	487,200	487,200
Provision for Doubtful debts	3,485,902	-
Surplus/(Deficit) as per Budget performance	38,971,662	(34,053,237)

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

- a) The revenue deficit of Kshs. 44.3 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 deficit of Kshs. 58.2 million was due to yet to be gazetted adjusted the deposit levy rate upwards effective January 2017.
- c) The under receipt of Kshs. 26 million was due to reduced capacity building budget support by FSSP.
- d) The cost savings of Kshs. 27.4 million was due to rationalized staff budget meant for review of staff terms and conditions in view of resource constraints.
- e) The cost saving of Ksh1.9 million was as a result of cost rationalization in view of resource constraints.
- f) The savings in the line item of Kshs. 11.6 million was due to rationalized spending and minimal equipment's breakdown in the year hence less maintenance frequency.
- g) The positive variance of Kshs. 2.7 million was due to effective fleet management and change of strategy towards more offsite than onsite surveillance during the year resulted in less travel hence cost saving.
- h) The savings in the line item of Kshs. 1.6 million was due to efficient in the use of stationery in line with the government directives and automation of processes as per ISO standards.
- i) The positive variance of Kshs. 2.3 million was due to economic utilization of the landlord's service charge items leading to savings.
- j) The positive variance of Kshs 12.6 million was due to pending cases in the court yet to be concluded hence fee note from the advocates not served as at close of the year.
- k) The positive variance amounting to Kshs. 58 million was due to delay in procurement by the Project Unit of The National Treasury for FSSP sponsored publicity visibility programmes per approved World Bank work plan.
- l) The over expenditure of Kshs. 1.7 million was due to need for Board to attend capacity building programmes by SCAC on Mwongozo and CLF study visit.
- m) The combined positive variance on the relevant expenses amounting to Kshs. 34.8 million was a result of delay in procurement by the Project Unit of The National

Treasury for FSSP sponsored regulatory projects and activities approved by World Bank under their work plan.

- n) The over expenditure of Kshs. 1.4 million was due to increased cost of collocation services from the service provider in view of need for enhanced information assets security.
- o) The under expenditure of Kshs.24.2 million was due to pending partition yet to be concluded by financial year end budget rolled over.
- p) The over expenditure of Kshs. 1.9 million was due to acquisition of Office furniture whose budget was rationalized after expenditure commitment.

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. Where IPSAS that specifically applies to a transaction, other even or condition is not yet issued, relevant International Financial Reporting Standards (IFRS) has been applied in respect to the Accounting policy. The financial statements are presented in Kenya shillings the functional currency of the Authority and all values rounded to the nearest one unit. The accounting policies have been also been applied consistently based on financial information presented.

The Authority adopted IPSAS in the year 2014 following the gazettelement of the Public Sector Accounting Standards Board (PSASB) which was established by the Public Financial Management Act (PFM) No. 18 of 24th July 2012. Public Sector Accounting Standards Board (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) Revised standards issued but not effective

The Authority has not applied the following revised standards and interpretations published but not effective for the financial year beginning 01st July 2016;

IPSAS 1 Presentation of Financial Statements- Amended to remove the reference to an "approved budget" and replace it with a reference to general purpose prospective financial statements. Effective- July 2018

IPSAS 12 Inventories- Amended by replacing the term "ammunition" with "military inventories" and includes a description of military inventories. – Effective 01st July 2017

IPSAS 17Property ,Plant & Equipment Amended by changing the scope of Public Benefit Entity to include biological assets that meet the definition of bearer plants.- Effective January 2018

IPSAS 21 Impairment of Non-cash generating assets and 26Impairment of cash generating assets -Amended the scope of impairment of revalued assets IPSAS 21 of Non-Cash-Generating Assets and of Cash-Generating Assets respectively to include assets measured at revalued amounts – Effective 01st July 2019.

NOTES TO THE FINANCIAL STATEMENTS cont...

b) Newly issued standards but not effective

- i) IPSAS 34 Separate Financial Statements, IPSAS 35 Consolidated Financial Statements;
- ii) IPSAS 36 Investments in Associates and Joint Ventures;
- iii) IPSAS 37 Joint Arrangements;
- iv) IPSAS 38 Disclosure of Interests in Other Entities- Replace IPSAS 6, 7 and 8 ; and,
- v) IPSAS 39 Employee benefits to replace IPSAS 25 effective date from 01st July 2019.

b) 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.

NOTES TO THE FINANCIAL STATEMENTS cont..

c) Budget information

The annual budget is prepared cash accrual basis hence 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 cash 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 and not cash items.

d) 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, hardware 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.

e) 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.

f) 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 increased 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.

g) 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;
- 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.

h) 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.

i) Contingent Liabilities

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

- Collectability of outstanding levies as per **Note 9**,
- Possible claims on assessments as a result of counter claims.

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.
- iv) Renold Alwanga v SASRA and Ministry of Industrialization and Enterprise Development - Petition No. 749 of 2015 in the Industrial Court - Nairobi.
- v) Dominic Chungani Muteshi vs. SASRA Board Case no. 1437 of 2016 in the Employment and Labour Relations Court Nairobi
- vi) New Milimani Sacco vs. SASRA Case No. 309 of 2016 in the High Court – Nairobi

vii) Vincent Mokuo Oigo vs. SASRA and Wakenya Pamoja Sacco Cause No.2543 of 2016 of the Employment and Labour Relations Court – Nairobi.

viii) Tobias Apollo Awuor vs. Telepost Sacco - Co-operative Tribunal Case No. 30 of 2017 – Nairobi

ix) Tobias Apollo Awuor vs. Telepost Sacco and SASRA – Constitutional Petition No. 116 of 2017 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.

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. The lease agreement expired as at close of the financial year and the Authority was seeking short term renewal as it's prepare to relocate to the new office premises hence no future lease obligations as at reporting date:

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

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.

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 or specific provision is made for doubtful receivables based on the review of all outstanding amounts at the year end. Any write off must be done when all reasonable steps to recover them have been taken without success.

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	CEO	6.65
Peter Njuguna	Chief Manager SSD	6.30
Kenneth Opiyo	Chief Manager F&P	6.30
Boniface musumbi	Ag.Chief Manager HR&A	3.88
Roselyne Ragama	Corporate Secretary	4.37
Total		27.50

Board Earnings

Name	Total Sitting Allowance in (Ksh.M)
Joseph Ole Lenku	0.45
Mwenda stephen kinyua	0.46
Eunice Nyambura Mwangi	0.74
Sammy Rutto	1.89
Gerald Nyaoma	0.57
Philip Gichuki	0.21
Mary Mungai	0.37
Alice mwololo	0.42
Total	5.12

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 gazettelement. This is aimed at enhancing financial sustainability of the Authority to enable effective execution of its mandate.

q) 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.

r) Accounting judgements and assumptions

- *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; Availability of funding to replace the asset; and, Changes in the market in relation to the asset provision.

- **Provisions**

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

s) 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 STATEMENTS cont...

t) Institutional risk management

The following key risks may impact on the Authority operations;

Liquidity Risk

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS cont...

- 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
- 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.

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 under Institutional Risk Management framework. As at end of the financial year no financial instruments were held that could pose the aforementioned risks with potential of adverse effect on the operations of the Authority.

NOTES TO THE FINANCIAL STATEMENTS CONT...		
	2016-2017	2015-2016
	K.Shs	K.Shs
3 Donor Support		
AFI Capacity Development	1,540,969	2,206,541
FSD- CLF support	8,282,122	-
	9,823,090	2,206,541
4 Revenue from non-exchange transactions		
Recurrent grants received	138,200,000	56,600,000
Development grants received	30,000,000	30,000,000
Total	168,200,000	86,600,000
Less: Utilised for Capital Expenditure		
Property,Plant & Equipment	(2,418,990)	(4,149,200.00)
Add: Other income		
Sales of Tender documents	7,000	39,000
Income from Fixed Deposit (FDR)	-	2,821,575
Income from sale of Tyres	-	10,000
	165,788,010	85,321,375
5 Revenue from exchange transactions		
Deposit Levies from Sacco	182,620,867	163,121,589
Licence Renewal Fees	17,590,000	18,473,100
License Application fees	484,000	615,000
	200,694,867	182,209,689
6 Employee costs		
Employee salaries and wages costs	152,471,411	154,161,725
Employer contributions to pensions	12,207,860	11,708,252
Staff Medical expense costs	19,351,085	17,117,176
Club membership subscription costs	507,555	1,022,625
NSSF employer contribution costs	190,337	170,400
Staff Welfare costs	2,121,305	707,320
Provision for gratuity	-	-
Provision for outstanding leave days	4,086,500	-
	190,936,052	184,887,497

NOTES TO THE FINANCIAL STATEMENTS CONT...		
7 Board Expenses		
Sitting allowances for regular meetings	3,450,600	2,279,200
Honoraria and airtime	704,450	425,000
<i>Other Board Expenses:</i>	-	
Special Meeting sitting allowances	6,308,393	5,559,400
Capacity Development costs	8,270,134	6,361,957
	18,733,577	14,625,557
8 Operating and Maintenance Costs		
8a) Depreciation and amortization expense	9,178,272	13,772,146
8b) Other Operating and Maintenance expenses	10,860,235	9,623,339
	20,038,507	23,395,485
8a Depreciation and amortization expense		
Property, plant and equipment	8,983,084	12,042,300
Intangible assets	195,188	1,240,806
Loss on Disposal(6c)	-	232,243
Impairment of Assets(6d)	-	256,797
	9,178,272	13,772,146
8b Other Operating and Maintenance expenses		
ICT Equipment & maintenance costs	6,972,863	4,461,441
Repair & Maintenance e.g Asset ins.	-	85,260
Motor Vehicles repair	1,521,835	1,825,564
Motor vehicle Fuel	1,627,322	2,262,090
Motor vehicle Insurance	738,215	988,985
	10,860,235	9,623,339
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	-	-

NOTES TO THE FINANCIAL STATEMENTS CONT...

	2016-2017	2015-2016
	K.Shs	K.Shs
9 Administration expenses		
Advertising ,promotion & corporate image	5,035,724	7,038,340
Admin fees/newspaper ,cleaning & water	1,306,487	1,127,600
Electricity & water	267,264	203,820
Audit fees	487,200	487,200
Consulting fees	20,113,904	6,881,104
ISO Expenses	1,282,500	1,951,247
Office Consumables	1,171,748	1,704,927
Legal expenses	3,206,300	738,102
Postage expenses	128,655	102,698
Printing and stationery	6,449,292	4,755,093
Rent and rates	30,378,880	25,371,483
Security costs	720,000	662,260
Professional materials & Bank charges	4,215,076	6,235,941
Telecommunication(Airtime & telephone)	251,544	1,651,761
Training(Capacity development)	24,134,067	20,616,966
Travelling, Subsistence, Hospitality& Supplies	18,142,999	15,613,105
Bad debts	452,951	-
Provision for bad debts	3,032,951	
	120,777,543	95,141,648
10 Cash & Cash Equivalents		
Bank	109,621,520	60,167,898
Cash-on-hand	24,581	75,805
	109,646,101	60,243,703
11 Receivable from non-exchange transactions		
Depoits and Prepayments	14,572,486	16,545,372
Other receivables	6,872,972	5,180,429
Staff Advances	953,653	1,255,922
Advisory committee on power of mercy	-	152,600
ACCOSCA	-	430,347
Institute of Directors	-	73,840
Sypsan Enterprises	-	3,642
	22,399,111	23,642,152

NOTES TO THE FINANCIAL STATEMENTS CONT...		
	2016-2017	2015-2016
11a) Deposits and Prepayments	K.Shs	K.Shs
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	484,048	392,465
GPA cover	-	250,861
Staff Medical Cover	8,289,492	6,704,090
WIBA Cover	351,603	351,602
UAP-Old Mutual-Service charge	1,268,319	-
ISACA registration fee	73,080	-
Donation to Ushirika day	50,000	-
ICURN Registration fee	389,625	-
Board sitting allowance-Special Fin & Hr committee	86,200	-
Board Capacity development CLF	-	5,332,235
Board sitting allowance-Ushirika Day	80,000	14,000
	14,572,486	16,545,372
11b) Other receivable		
Donor supportAFI reimbursables- (AFI & FSD)	4,400,382	3,585,839
Jijenge Sacco -Receiver Managers expenses	2,472,590	1,594,590
	6,872,972	5,180,429
12 Receivable from Exchange transactions		
Oustanding Levies	798,004	3,501,048
	798,004	3,501,048

NOTES TO THE FINANCIAL STATEMENTS CONT...		
	2016-2017	2015-2016
	K.Shs	K.Shs
12a) Outstanding deposit Levy		
Borabu Farmers Sacco	599	599
Banana Hill Matatu	-	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
Green Hills sacco	-	5,063
Jijenge sacco society	-	58,849
Maono Daima sacco	-	11,334
Mwingi Mwalimu Sacco	126	126
Ntiminyakiru Sacco	-	26,738
Nyahururu umoja sacco	270	270
Nandi Farmers sacco	31,752	31,753
Ogembo tea sacco	-	39,540
Rachuonyo teachers sacco	78,028	78,028
Transcom sacco	-	244,521
Moi University	323,030	824,524
suba teachers sacco	-	92,832
Cosmopolitan sacco	-	1,570,379
Bad & doubtful debts written off	-	(308,354)
Muki sacco	(20,000)	-
Nandi Hekima sacco	(65,387)	-
Total	798,004	3,501,048
These relates to deposit levies assesed for licenced Sacco's and not received by 30th June 2017		
13 Inventories		
Stationery & Loose tools closing stock	3,930,966	4,328,482
Total	3,930,966	4,328,482
This relates to un utilised stationery and loose tools available in the store as at 30th June 2017 carried forward.		

NOTES TO THE FINANCIAL

14a Property, Plant and Equipment

Cost	MOTOR VEHICLES	COMPUTER			OFFICE FURNITURE	OFFICE EQUIPMENTS TOTAL	
	K.Shs	HARDWARE K.Shs	PARTITIONS 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
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
Additions	-	493,100	-		1,925,890	-	2,418,990
Revaluation	13,000,000	-	-		-	-	13,000,000
At 30 June 2017	44,254,917	55,581,453	12,499,444		14,024,930	17,034,407	117,395,151
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
Depreciation	2,134,185	2,720,581	1,562,430		1,753,114.92	812,772	8,983,083
At 30 June 2017	31,254,917	53,934,147	8,242,125		6,294,229	17,024,782	116,750,200
Net book values							
At 30 June 2017	13,000,000	1,647,306	4,257,318		7,730,701	9,625	26,644,950
At 30 June 2016	2,134,185	3,874,788	5,819,748		7,557,926	822,396	20,209,043

NOTES TO THE FINANCIAL STATEMENTS CONT...

14b Intangible Assets

Cost	Kshs
At 1st July 2014	26,252,142
Additions	576,900
At June 2015	26,829,042
Additions	-
At June 2016	26,829,042
Additions	-
At June 2017	26,829,042
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	26,633,278
Amortization	195,188
At June 2017	26,828,466
Net book values	
At 30 June 2017	576
At 30 June 2016	195,764

NOTES TO THE FINANCIAL STATEMENTS CONT...		
	2016-2017	2015-2016
	Kshs	Kshs
15 Trade and other payables		
Trade payables (See (15a))	14,767,620	5,858,203
Other payables (See (15b))	3,662,483	8,505,789
Kenya Revenue Authority	-	24,130
	18,430,103	14,388,122
15a) Trade Payables		
67 Airport Hotel	49,565	-
AAR Ltd	260,895	-
Astorian Grand Hotel	6,983	-
Alpine Coolers Limited	213,811	26,726
African Touch Safaris	148,470	415,690
Attain Enterprise Solutions Ltd	4,326,567	-
Attic tours and Travel	32,600	-
Bellie and Roaster	982,500	-
Beyond twenty thirty ltd	1,150,000	-
Boma Inn Nairobi	-	27,000
Cyka manpower services	10,137	-
Central Bank of kenya	250,760	-
Cyrus & company advocates	31,511	-
Flossons Enterprises	-	139,330
Frontfin Limited	1,900,800	-
Galina International	165,160	-
Gravity solution	1,080	-
Gradwin Enterprises Ltd	-	513,300
Hadassah Hotel	472,500	-
Institute of Directors	45,760	-
Institute of Risk management	8,690	-
Jomumu Contractors	-	651,464
Konza solution	-	702,000
Kadina Enterprises	-	170,790
Kirason Agencies	-	1,306,809
Kenya institute of Supplies Management	5,160	-
Kenya school of Govrment	3,600	-
Kithi & company Advocates	1,503,000	-
Lake naivasha simba lodge	-	257,399
Lester Agency Ltd	6,643	-
Longrock Tours	458,075	-
MFI Office Solutions	-	75,400
Masada Hotel	5,215	26,249
Maanzoni Lodge	655,500	-
Masai Mara Sopa Lodge Ltd	35,302	-
Maxie solution	2,819	-
Mentors Afrique	24,828	-
Masai Africa Safaris	-	150,000
Nation Media Group	702,996	176,997
Nobility Investment Ltd	12,673	-
Pampa grill	21,000	-
Rex Kiosk	78,759	250,120
Standard Group	676,665	868,327
Saende & Ochola Advocates	27,500	-
Safaricom Ltd	161,414	-
Sarova Panafric Hotel	44,400	-
Software technologies	12,599	-
Sparntex solutions	204,000	-
Sypsan Enterprises	26,697	-
Systemax service international	38,760	-
Telkom kenya	1,201	-
Upper hill thermo restaurant	1,024	-
Uchumi supermarkets Ltd	-	100,602
	14,767,620	5,858,203

NOTES TO THE FINANCIAL STATEMENTS CONT...

16 Current Provisions	Gratuity	Leave benefits	Audit Fees	Doubtful debts	Total
	K.shs	K.shs	K.shs	K.shs	K.shs
Balance at 1 July 2016	334,800	8,618,800	487,200	-	9,440,800
Additional provisions raised	-	4,086,500	487,200	3,032,951	7,606,651
Provision utilized/paid	(182,280)	(8,618,800)	(487,200)	-	(9,288,280)
Balance as at 30 June 2017	152,520	4,086,500	487,200	3,032,951	7,759,171
Capital Fund					
17 Balance b/f	190,625,533	186,476,333			
Funds utilised for Capital Assets	2,418,990	4,149,200			
	193,044,523	190,625,533			
18 Accumulated surplus/deficit					
Balance b/f as June 2015	(102,334,261)	(59,593,826)			
Prior year adjustments	7,699,885	5,572,147			
Surplus/Deficit for the Period	25,820,287	(48,312,582)			
Balance as at 30th June 2016	(68,814,089)	(102,334,261)			
19 Revaluation Surplus					
This is in respect to revaluation of five (5) Motorvehicles which had nil carrying amount and were revalued to a fair market value of Ksh 13,000,000.					

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

Issue	Person responsible	Status
<p>Emphasis of the Matter</p> <p>The Authority continued realization of performance deficit i.e. Kshs. 48.3million in FY 2015/16 (Kshs.23.1million FY2014/15) representing over 100% decline which impact on the Authority's going concern.</p>	<p>Board and Management</p>	<p>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 28th November 2016 for implementation. The same is aimed at ensuring that Authority is 100% self-sustaining by 2019 and move away from Ex-chequer dependence.</p> <p>It should be noted that as the Authority realized surplus of Kshs. 25.8million for the financial year ending 30th June 2017</p>

**SACCO SOCIETIES REGULATORY AUTHORITY
(SASRA)**

**THE SACCO SOCIETIES REGULATORY AUTHORITY
P.O BOX 25089-00100
TEL:+254(20)2717714/8
E-mail: info@sasra.go.ke
Website: www.sasra.go.ke**
