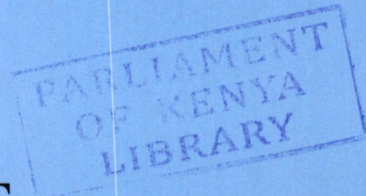
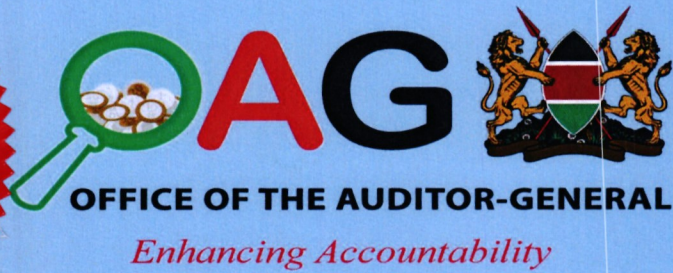


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**SACCO SOCIETIES REGULATORY
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2019**

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 19 NOV 2020

DAY:
THURSDAY

TABLED
BY:

LOM

CLERK
IN CHARGE

Minam Mado



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
18 SEP 2020
RECEIVED




SACCO SOCIETIES REGULATORY AUTHORITY (SASRA)

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019**

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

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 15 NOV 2020	DAY: THURSDAY
TABLED BY:	LOM
CLERK OF THE PARLIAMENT:	Miriam Njoro



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For the year ended June 30, 2019**

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

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

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

(c) Key Management

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	John Mwaka
2.	Corporation Secretary & Head of Legal	Roselyne Ragama
3.	Chief Manager, Finance & Planning	Kenneth Opiyo
4.	Chief Manager Sacco Supervision	Peter Njuguna
5.	Ag. Chief Manager HR & Administration	Boniface Musumbi
6.	Manager, Supply Chain Management	Julius Muraguri (W.e.f 01.03.2019)

(e) Fiduciary Oversight Arrangements.

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



Annual Reports and Financial Statements For the year ended June 30, 2019

- i) **Audit, Risk Management and Corporate Governance Board Committee.**
A key board committee charged with the responsibility of risk and quality assurance on all key Authority's operations;
- ii) **Inspector General- State Corporations.**
Ensure compliance with relevant legal and procedural matters in ensuring the Authority delivers on its mandate;
- iii) **Auditor General.**
Has the overall responsibility of ensuring an independent assessment of the Authority's financial and operational dealings issuing opinion to confirm the validity and compliance with laid down procedures and laws; and,
- iv) **Cabinet Secretary.**
Responsible for Industry, Trade and Co-operatives, guide on policy direction in ensuring the Authority delivers on its mandate to support the wider government agenda.



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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

Entity Headquarters

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

Entity Contacts

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

Entity Bankers

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

Independent Auditors

Auditor General
Office of 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



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BOARD OF DIRECTORS



**Hon. John M. Munuve – W.e.f
20th September 2018**

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

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

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



**Ms. Eunice Nyambura
Member upto 02.10.2018
reappointed 31.12.2018**

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



Appointed 31.12.2018



Dr. Sammy Letema

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

He holds a PhD in Environmental Infrastructure provision from Wageningen University, Netherlands, a Master of Environmental Planning and Management from Kenyatta University and a



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	<p>Bachelor of Environmental Studies (planning and management) from Kenyatta University. He is a member of Kenya Institute of Planners (KIP), the Environment Institute of Kenya, and a lead expert of the National Environment Management Authority. He is a published Author and has bagged a number of research and consultancy awards to his name, among them, the 2018 consultancy service for preparation of Water Towers Coordination Policy and Bill by the Kenya Water Towers Agency.</p>
 <p>Appointed 31.12.2018</p>	<p>Hon. Silas Muriuki Ruteere He is currently a SASRA board Member and Chair of the Audit Committee. Before this appointment Hon. Silas served as the Member of Parliament for North Imenti – Buuri and North Imenti between 2008 and 2013. He has served as a Chairman of the Board at Local Authorities Trust Fund (LAPFUND) and a Board of Director for the Kenya Shipping Agency before privatization.</p> <p>A Teacher by profession, Mr. Silas has specialized training in Special Education, which he studied in the United Kingdom. On pro bono basis, he has seen growth of local tertiary and secondary schools in his home area through his stewardship by serving on the Board of Governors for these institutions. He also served KNUT in various capacities his last appointment being the Executive Secretary for Meru and Tharaka Nithi Branches respectively.</p>
	<p>Ms. Alice .N. Mwololo, Alternate, PS National Treasury</p> <p>Ms. Mwololo has an academic background and wealth of experience in economic policy. She holds a Masters in Economics and BA in Economics from the University of Nairobi and a Post Graduate Diploma in Development Planning Techniques from the Institute of Social Studies in the Netherlands. She is currently pursuing a PhD in Economics at Kenyatta University.</p> <p>Ms. Mwololo serves as the 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>



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	<p>Mr. Nyaoma currently serves as the Director, Bank Supervision Department at the Central Bank of Kenya (CBK) and holds M. Phil. (Econ.) degree from the University of Cambridge and BA (class honors degree in Economics) from University of Nairobi.</p>
<p>Mr. Gerald Nyaoma, Alternate to CBK Governor</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, worked in various offices, and has served as the Acting Director, Internal Audit Department, Director, Bank Supervision Department and Director, Financial Services Department.</p>
	<p>Dr. Rutto is a PhD holder in Science Education from Kenyatta University, and MPhil. In Curriculum from the university of Cambridge, and MEd in philosophy from Kenyatta University.</p>
<p>Dr. Sammy Rutto Member up to 02.10.2018</p>	<p>He is lecturer at the Pwani University since 2010 prior to which he was a lecturer and a research fellow at the University of Nairobi and a lecturer at the Kenyatta University. He has also served as a director in two institutes under the Kenyatta University. He has also served as a Member of Parliament for Kipkelion constituency between 2002 and 2007. He brings to SASRA a set of public and institutional administration and management skills accrued through his over 20 years of work experience.</p>
	<p>Former Commissioner of Co-operatives, she was 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.</p>
<p>Mrs. Mary Mungai Member up to 31.12.2018</p>	<p>Mrs. Mungai has over 33 years' experience and skills in policy analysis, policy development where she has been involved in implementation of projects and projects funded by Ministries of Agriculture and Ministry of Co-operatives, IFAD, World Bank, GTZ, SIDA, FAO and European Union.</p>



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Mr. John Mwaka
Chief Executive Officer
Ex- Officio

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



Mrs. Roselyne A. Ragama
Corporation Secretary

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



**Annual Reports and Financial Statements
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MANAGEMENT TEAM

	<p>Chief Executive Officer Mr. John Mwaka is a management and leadership professional with extensive experience in policy analysis and cooperative development matters spanning over 25 years. He holds an MBA in Strategic Management, BSc in Business Administration (Finance) and a Diploma in Cooperative Management. He's a qualified African Development Educator (ADE) of World Council of Credit Unions (WOOCU) and he's a board member at the International Credit Union Regulators Network (ICURN).</p> <p>He is a member of Kenya Institute of Management and Institute of Directors.</p>
	<p>Chief Manager - Sacco Supervision. Mr. Peter Njuguna holds a MSc. in Operations Research from the London School of Economics, UK, and a BSc in Mathematics. He is a holder of CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p>
	<p>Chief Manager - Finance and Planning Mr. Kenneth Opiyo holds an MBA from the University of Nairobi and a B.Com (Hons) and a PHD in Leadership & Governance at JKUAT. He is a Certified Public Accountant (CPA) and a member of ICPAK. He is also a Certified Information Systems Auditor (CISA) and a member of ISACA Kenya Chapter. Kenneth is also a Certified Expert in Financial Inclusion Policy (CEFI) from Frankfurt School of Finance & Management in collaboration with Alliance for Financial Inclusion (AFI) as well as an African Development Educator (ADE) of World Council of Credit Unions (WOOCU).</p>
	<p>Corporation Secretary & Head of Legal Affairs Mrs. Roselyne Ragama holds an LLM from University of Nairobi specialising in Corporate Governance, LLB (Hons) Upon, and Post Graduate Diploma in Law from Kenya School of Law, CPS (K) and Diploma in Cooperative Management. She is an advocate of the High Court of Kenya, member Institute of Certified Public Secretaries of Kenya and Institute of Directors of Kenya.</p>



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	<p>Ag. Chief Manager - Human Resource and Administration</p>
	<p>Anne is a graduate of MBA in Corporate Management from KCA University, holds a Bachelor of Arts degree from the University of Nairobi, a Diploma in Public Relations from the Institute of Commercial Management (ICM), a diploma in Mass Communication from the Kenya Institute of Mass Communication. She is a member of the Public Relations Society of Kenya (PRSK), as well as Chartered Institute of Public Relations, UK and CAUX Roundtable - Kenyan Chapter. She is currently pursuing her chartered status with the Chartered Institute of Public Relations (CIPR) in the United Kingdom</p>



Annual Reports and Financial Statements For the year ended June 30, 2019

CHAIRMAN'S STATEMENT

Global economy and financial markets development

In the context of Financial Stability within the financial services sector, macro-financial parameters in the global scene were tight in year 2018/19, characterised by slow output, trade tensions experienced in advanced and emerging market economies, geopolitical tensions and uncertainty in major financial markets. Regional and domestic economies sustained the growth momentum during the year, assisted by favourable climatic conditions and stable macroeconomic environment. The sustained domestic growth enhanced the resilience of the Kenya's financial sector against vulnerabilities emanating from the trade tensions, weak demand in advanced economies, tight global financial conditions and operational risks. The expectation of this effect is not only to create jobs, but to lower credit risks through declining NPLs among credit providers.

Sacco Sub-sector and regulatory activities

SACCOs play a critical role in facilitating mobilization of savings and access to credit towards financial inclusion agenda via a regulatory framework premised on institutional stability and transactional integrity as well as protection of member's deposits. The growth in the SACCO subsector during the year 2018/19 represents critical contribution to the national economy, as they remain the single largest formal financial credit service provider to households in Kenya. In the Authority's published report on Sectoral Financing by SACCOs in Kenya during the year, 36% of credit facilities granted by SACCOs go towards funding the real estate and housing sectors of the economy while 20.5% and 12% respectively go towards the financing of trade and education sectors respectively.

SASRA's strategic focus during the year therefore was strengthening its regulatory role towards facilitating the Government "Big Four" Agenda as well as achieving targets mapped in the Financial Services Sector Medium Term Plan III 2018-2022 of the Vision 2030. This economic blue print emphasises on Long Term Savings for SACCOs in mobilizing savings for on lending towards SME's development. SASRA also continues to implement strategies aimed at building public confidence in SACCOs as safe and secure financial institutions worth value proposition investment. The maintenance of financial stability and soundness of licenced SACCOs remain at the centre of SASRA's mandate culminating in enforcement sanctions for non-compliant market players as well as market conduct surveillance towards protecting consumers of SACCOs' financial services and products.

Successes

The enactment of the Sacco Societies (Amendment) Act No. 16 of 2018 in December 2018, which among others permits the usage of ICT in the supervision of SACCOs, particularly in the receipt and analysis of the statutory reports, remains one of the great strides made in 2018. The usage of ICT i.e. Regulatory Technology, (RegTech) in supervision will greatly improve the levels of efficiencies of the staff at SASRA while undertaking their supervisory work under the RBS model. The usage of ICT will also ease the regulatory burden given the diverse geographical locations in which the DT-SACCOs are located.

Additionally, legal review introduced by the Sacco Societies (Amendment) Act No. 16 of 2018 include an enhanced power given to the Authority to impose financial penalties on individual officers of SACCOs who negligently occasion losses or breach or violate the provisions of the Act. In this regard, the Authority shall in the ensuing year be consulting the Cabinet Secretary and other industry stakeholders to prepare the regulations prescribing the financial penalties which shall be imposed upon individual officers for violation or breach of the Act or the Regulations made thereunder.

Challenges

The Authority's operations continue to be hindered by policy, legal and regulatory gaps that need to be addressed to build a lasting public confidence and trust in SACCOs as safe and secure investment alternative. The emergence of fraudsters and institutions that style and market themselves as SACCOs



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is a great concern in terms of potential reputational damage to the sub-sector. There is also urgent need to legally protect the usage of the word "SACCO", within the context of SACCO sub-sector. The aim is to stem the confusion reigning in the market so that the public are protected from the fraudsters purporting to be conducting genuine SACCO business. It is the Authority's hope that a Bill concerning the issue pending before Parliament shall be fast-tracked in order to address and have a lasting solution.

Future outlook

In consolidating the gains since operationalization of the Sacco Societies Act, 2008 in June 2010, the Authority's focus in the immediate and medium term has been to create an enabling regulatory environment for the SACCOs to innovate and incubate new revolutionary market ideas that are responsive to the ever-changing needs of their market niche. A framework for operationalizing a shared services platform for SACCOs to address efficiencies and drive innovations, while warding-off competition is long overdue and earnestly being pursued. The operationalization of a deposit insurance scheme for depositors in the regulated SACCO's as well as opening up the payment systems infrastructure remains at the centre of national financial policy agenda to move SACCOs to the next level

In conclusion and despite the inadequacies of the legal and regulatory environment to move the deposit-taking SACCOs to the next level, the Board of the Authority is therefore pleased to report that the general objects and purposes of the Sacco Societies Act have been largely attained. With the exception of a few cases of individual deviances, the DT-SACCOs have largely matured in their level of compliance with prudential standards. It is now time for them to move to the next level in which the financial legal space should be opened to them to provide financial services and products to their members like any other financial institution.

Hon. Mr. John Munuve
Chairman



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REPORT OF THE CHIEF EXECUTIVE OFFICER

Review of domestic economy and financial markets

According to Financial Sector Stability Report 2018, Kenya's economy recovered from extended drought and electioneering period to register a robust growth of 6.3 percent in year 2018 compared to 4.9 percent in 2017. Strong rebound in agricultural sector on favourable weather, government efforts to revive manufacturing sector and strong recovery in tourism sector following improved security, political stability and marketing of the country's tourist attractions supported the growth. Overall global and domestic economic recovery, robust regulatory frameworks and improving macroeconomic environment minimized risks to the financial sector, hence stability and resilience recorded in 2018. Sustained recovery in global and domestic economies increased consolidation through mergers and acquisitions. Leveraging on financial technology the sector's stability is bound to remain on course and growth despite financial markets uncertainties coupled with governance challenge, money laundering and financing of terrorism; and rapid evolution of financial technology (FinTech) and innovations.

DT Sacco's regulatory space and activities

The Sacco sub-sector assets grew by 12.44 percent, slightly higher than 12.40 percent growth in 2017, driven by 7.5 percent loan book. Deposits/ savings declined in 2018 due to high cost of living affecting members. The sub-sector, however, had adequate capital buffers, with core capital of 14.6 percent compared to a statutory minimum requirement of 10 percent. In line with the Authority's corporate Vision, "To be a distinguished regulator of a financially inclusive Saccos", the regulatory mandate has been re-focussed toward take off phase seeking to consolidate gains realised and modernise supervisory framework for the SACCO's. The Authority has continued role in guaranteeing safety and soundness of the regulated SACCO's towards increased financial inclusion underscores its strategic vision in the medium term.

During the year 2018/19, the Authority engaged in the following regulatory policy initiatives towards strengthening its position as a key entity within the sphere of financial services regulation;

Deposit Guarantee Fund (DGF)

A consultancy was undertaken towards reviewing the operational legal framework of the DGF with an aim to commence the fund in the ensuing financial year. The report now gives a clear framework on the model that would be adopted engage the stakeholders and appoint the fund trustee towards realizing its operations. This is towards providing a safety net for refund members deposits based on a sustainable framework in event of a failure of a SACCO in the context of now Kenya Deposit Insurance Corporation (KDIC).

Central Liquidity Fund

The Authority set up a CLF task force to lead discussions on suitable policy option. A consultancy was undertaken, which examined experiences and practices in various jurisdictions with a view to operationalise a similar arrangement for SACCOS. The aim is to assist in liquidity management as a lender of last resort to SACCO's involved in Deposit Taking business. The board and management is currently exploring various options fronted for a workable framework in the context of Kenya's Sacco sub-sector.

Mortgage and Housing loans by Deposit Taking Sacco's.

Some Saccos were identified to offer mortgage loans through Kenya Mortgage Refinancing Company (KMRC) and their surveillance enhanced on the prudential compliance are continuously been inspected to ensure they meet capital adequacy requirements and good performance on loan portfolio towards contribution to affordable housing under the Big four (4) agenda.



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Sectoral financing of the economy by DT Saccos.

Baseline Survey on Sectoral lending was concluded and presented to the stakeholders in February 2019. The findings revealed that financing by DT Saccos to agriculture and manufacturing amounted to Kshs.26.3 billion in year 2018 accounting for 8% of the total loans issued. The findings further indicate that Saccos also afforded credit towards financing other key productive sectors of the economy namely; Trade, Education, Land and Housing.

Key milestones.

DT SACCO's performance and compliance

The year 2018/2019 saw the deposit-taking SACCO segment of the SACCO subsector continue register sustained growth looking at the trend. The total assets grew by 11.97% to Kshs. 495.25 billion in year 2018/19 from Kshs. 442.27 billion recorded in 2017/18. The gross loans similarly increased by 13% totalling to Kshs. 374.28 billion in year 2018/19 compared to an increase of 11.29% registered in thereby confirming the continued demand for the financial credit facilities offered by DT-SACCOs.

There was reasonable resilience and stability in the deposit-taking SACCO segment in year 2018/19 as seen by increased capitalization to Kshs. 74.37 billion from Kshs. 64.25% in 2017/18. In terms of individual performance, 162 DT-SACCOs were able to meet and maintain the prescribed minimum ratio, with only 12 DT-SACCOs failing to meet the core capital requirement. Additionally, 144 DT-SACCOs met and maintained the core capital to total assets ratio, with only 30 DT-SACCOs failing to meet the threshold.

Financial performance highlights

In terms of Financial Performance, total expenditure amounted to Kshs.417 Million against revenue of Kshs. 371 million resulting into a net deficit of Kshs. 45.5 million compared to a surplus of Kshs. 51.4 million same period last financial year. Hence, the cost to revenue ratio stood at 1.1:1 compared to 1.15:1 the previous year. The slight improvement was mainly driven by 7.5% increase in revenue while expenditure grew by only 5.02% underscoring cost management strategies. Total Assets increased from Kshs. 416.8 million same period last financial year to Kshs. 434.6 million mainly due to cash inflows from increased revenue from exchange transactions an indicator of race towards self-financial sustainability goal by year 2022/2023 as per corporate strategy. The Authority also operated within approved budget ceilings of Kshs. 669.2 million

Future outlook and conclusions

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

In conclusion, special appreciation goes Cabinet Secretary, Ministry of Industry, Trade and Co-operatives; the Principal Secretary, State Department for Co-operatives; and the Board of Directors of the Authority for their guidance and oversight provided to the management in the execution of the Authority's mandate. The management and staff of the Authority also deserve special mention for being the pillar in executing the Authority's regulatory and supervisory agenda via implementation of legal and regulatory framework leading to commendable gains for the sub-sector. Finally, the unwavering support and cooperation during the year from the leadership of DT-SACCOs, as well as the entire



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cooperative movement also deserves a mention, even as the Authority looks forward to a fruitful year 2019.

A handwritten signature in blue ink, appearing to read 'John Mwaka', is written over a horizontal line.

John Mwaka
Chief Executive Officer



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MANAGEMENT DISCUSSION AND ANALYSIS

Operational Performance

The Authority licenced 175 DT-SACCOs to operate and undertake deposit-taking Sacco business in Kenya at the commencement of the year.

Financial performance of DT SACCO's

The total deposits mobilized by the DT-SACCOs grew by about 12% to Kshs. 341.91 billion in 2018/19 from Kshs. 305.3 billion recorded in 2017/18. The market share, the larger portion of the savings deposits mobilized by the DT-SACCOs is concentrated in just 17 DT-SACCOs with deposits in excess of Kshs. 5 billion, but controlled 54.64% of the entire deposits in the DT-SACCO system. The 35 government-based DT-SACCOs controlled 38.37% of the segment's total deposits in 2018/19. Hence, it can be deduced that the government and its agencies contribute a larger percentage of membership that drives the deposit-taking SACCO segment in Kenya controlling over 73% of the total assets and total deposits.

Financial Soundness and Stability

The external borrowing ratio has also been maintained within the prescribed range of not more than 25% of the total assets; with the aggregate ratio dropping from 4.83% recorded in 2017/18 to 4.11% in 2018/19. The implication is that DT-SACCOs are generally reducing their reliance on external borrowing to fund their assets. The distribution of Total asset was 72.49% net loans, Cash and Cash equivalent 8.22%, Property Plant, and Equipment 6.93%, financial investments 5.45%, Prepayments and Receivables 6.91%.

Governance and management

The Authority sought to promote a gender segregated reporting frameworks for DT-SACCOs, which is critical for policy formulation on corporate governance and management composition. In view of the critical organs of governance and management of DT-SACCOs, the majority of positions are held by the male gender with 83.25% of the directors being male and 16.75% being female; 77.78% of the members of the Supervisory Committee being male and 22.22% being female; and 77.01% of the Chief Executive Officers being male and only 22.99% being female. The composition of the senior management teams in DT-SACCOs was the most constitutionally gender compliant, but with the male gender still dominating at 66.41% while the female senior managers in DT-SACCOs constituting 33.59%. Majority of members of the Board, Supervisory Committee, as well as Chief Executives are male

Financial inclusion and access

The 174 DT-SACCOs served over 3.5 million individual persons who had active accounts during the year 2018/19. The distribution of physical presence in forty-four (44) counties, both at head office and branch networks, DT-SACCOs continue to play their key role in deepening the provision of formal financial services to many household economies in the country underscoring one of the key performance indicators of the Financial Services Sector Plan of the Vision 2030. The partnership with commercial banks and mobile service providers to offer to their members ATM services; Cheques services; mobile money wallets services; agency banking services among others has also set DT-SACCOs apart as an important cog taking financial services closer to the people.

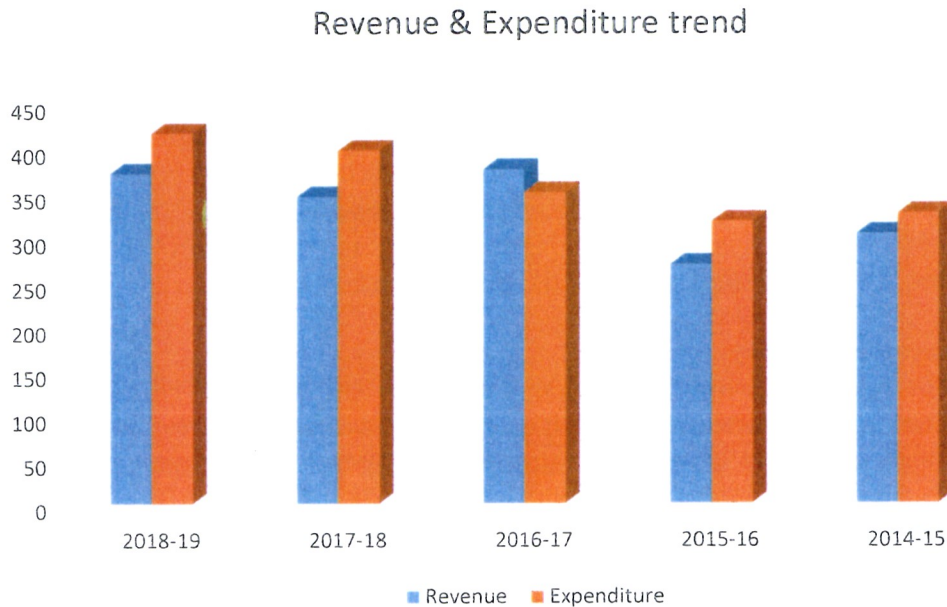


Annual Reports and Financial Statements For the year ended June 30, 2019

Financial Performance

The graphical highlights in summary the Authority's performance for a five-year period from year 2014/15 to 2018-19 is as below.

Table 1 Revenue versus Expenditure trends



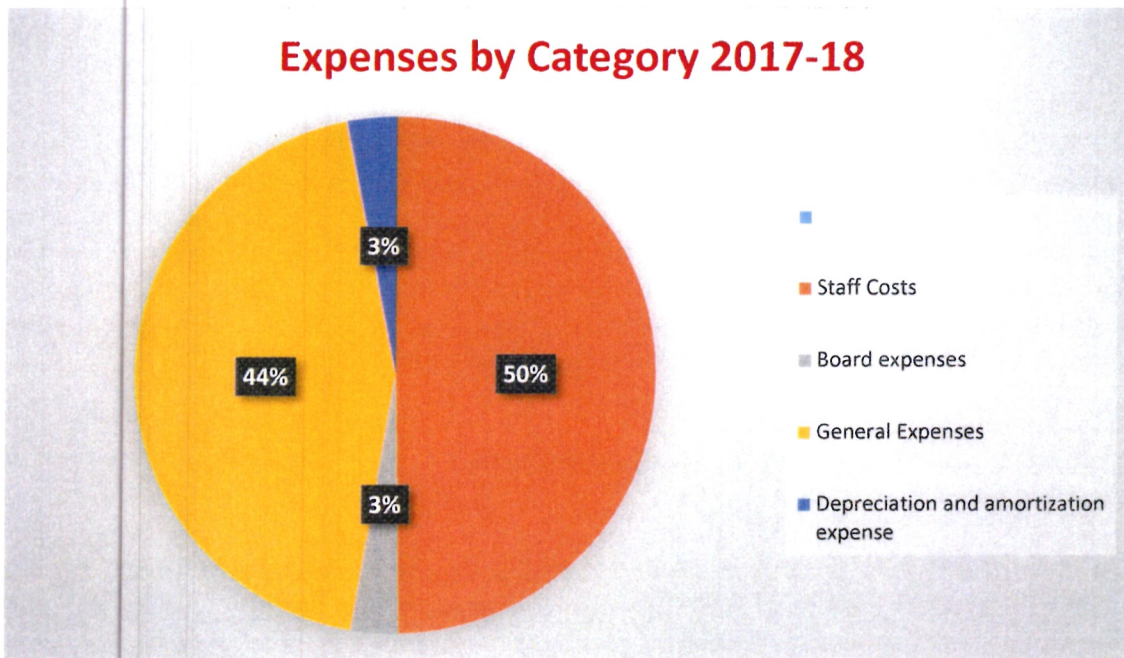
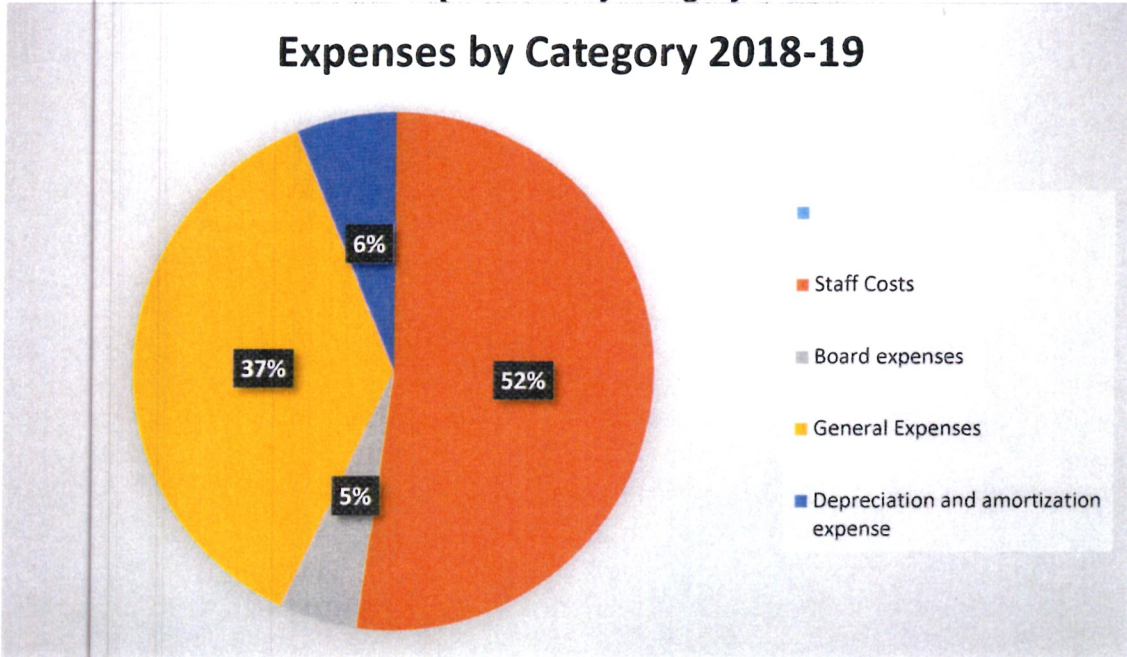
Source: Audited financial statements 2014-15- to 2018/2019

The trend indicates that revenue is growing at a higher rate than expenditure hence the management envisages that the desirable cost to income ratio of at least 1:1 will be achieved.



**Annual Reports and Financial Statements
 For the year ended June 30, 2019**

Table 2- Expenditure by category Trends

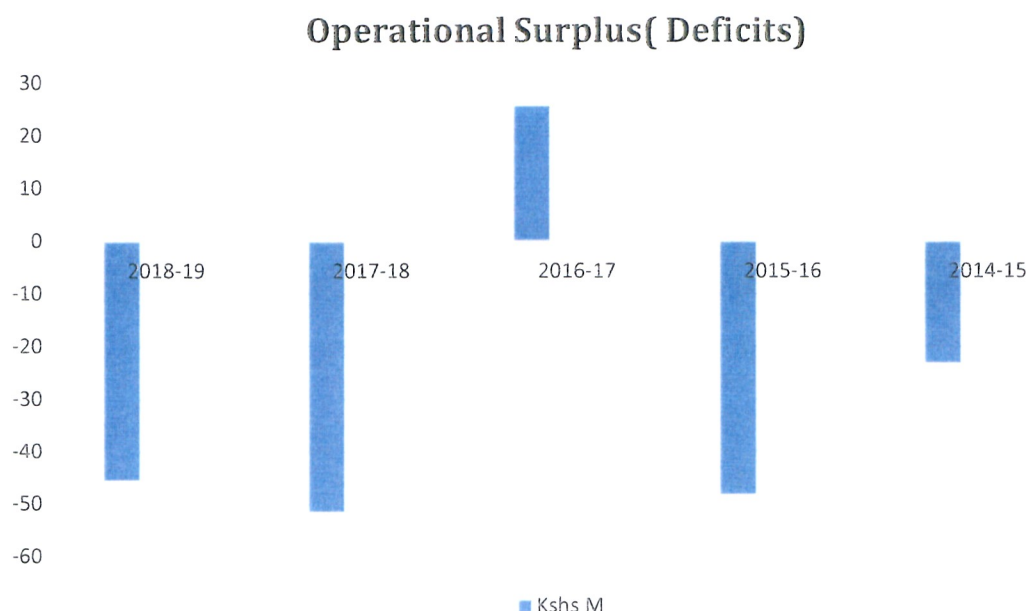


The Authority being a technical institution and a regulator in the Financial Services sector, the staff costs contributed to 48% in the year compared to 53% previous. This underlies the Authority mandate in implementing the regulatory framework.



**Annual Reports and Financial Statements
 For the year ended June 30, 2019**

Table 3- Surplus versus Deficit trends



Source: Audited financial statements 2014-15 to 2018-19

Sustainability

The Authority operational sustainability depends on continuous review of its legal and regulatory framework aimed at ensuring that its mandate promotes the growth of licensed Saccos and their financial stability. This is to ensure it remains relevant and supplement government efforts towards financial inclusion agenda. Financially, while the Authority has been realizing operational deficits save for year 2016-17, the revisions of deposit levies rate being revenue from exchange transactions is aimed at making it self financially sustainable effective year 2022-23 projected at annual average of 10% per annum.

2.0 Key projects and investment decisions

2.1 Risk Based Supervision (RBS)

The Authority embarked on final step for the implementation of the Risk Based Supervision (RBS) processes, aimed at streamlining monitoring of licensed SACCO’s online by identifying early warning signs for cases of non-compliance.

2.2 Central Liquidity Fund (CLF)

The Authority concluded a consultancy on the process of establishing Credit Liquidity Facility (CLF) for the Deposit taking Saccos and have identified the most feasible option. 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



Annual Reports and Financial Statements For the year ended June 30, 2019

priority project.

2.3 Deposit Guarantee Fund (DGF)

The consultancy aimed at identifying legal gaps impeding operationalization of this fund as envisaged in the Sacco Society's Act, 2008 was concluded and legal amendments drafted for consideration. Fast tracking of this fund has been hampered by lack of seed capital and legal challenges on feasible model.

2.4 Review of legal and regulatory framework

The Authority made proposals for amendment to the Sacco Societies Act. The National Assembly enacted the Sacco Societies Amendments 2016 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 matters reported as 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. 37 million which is expected to be settled in the first quarter of the financial year 2019/20 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.



**Annual Reports and Financial Statements
 For the year ended June 30, 2019**

CORPORATE GOVERNANCE STATEMENT

Role and functions of the board

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. This is to take care of stakeholder’s interests as well as being responsible and accountable to the Government of Kenya, through the Ministry of Trade, Industry and Co-operatives by ensuring that the Authority complies with the law and the highest standards of corporate governance.

Good corporate governance is a fundamental facet of the culture and operations of the Authority and during the year 2018/19, the board focus was geared towards enforcement of its mandate as provided for under The Sacco Society’s Act, 2008, of licensing and regulating deposit-taking Sacco societies. The Board works through Committees to enhance corporate governance; and they advise the Board on various issues, reviews, and monitor tasks assigned to it with the aim of improving efficiency and effectiveness.

The following table show the full board meetings held during the financial year 2018/19;

FULL BOARD MEETINGS

Name	Schedule Board- 7	Full	Special Full Board - 3	Total no of meetings attended
Dr Sammy Rutto	1		2	3
Ms. Eunice N. Mwangi	3		7	10
Mrs. Alice Mwololo	1		4	5
Mr. Gerald Nyaoma	3		3	6
Mrs Mary Mungai	1		4	5
Hon. John Munuve	2		5	7
Dr. Sammy Letema	2		5	7
Mr. Silas Muriuki Ruteere	2		5	7

SUPERVISION, RESEARCH, LEGAL AND ICT COMMITTEE

Name	Schedule Board Committee -2	Special board Committee-0	Total No of meetings attended
Ms. Eunice Mwangi	2	0	2
Ms. Alice Mwololo	1	0	1
Mr. Gerald Nyaoma	2	0	2
Mrs. Mary Mungai	1	0	1
Dr. Sammy Letema	1	0	1



**Annual Reports and Financial Statements
 For the year ended June 30, 2019**

Audit, Risk Management and Corporate Governance Committee

Name	Schedule Board Committee -2	Special board Committee-4	Total No of meetings attended
Dr. Sammy Rutto	1	0	1
Ms. Eunice Mwangi	1	4	5
Mrs. Alice Mwololo	2	3	5
Mr. Gerald Nyaoma	2	2	4
Mrs. Mary M. Mungai	0	1	1
Hon. Silas Muriuki	1	4	5
Dr. Sammy Letema	0	4	4

Finance, Strategy, Human Resource Management and Administration Committee

Name	Schedule Board Committee -2	Special board Committee - 3	Total No of meetings attended
Ms. Eunice Mwangi	2	3	5
Dr. Sammy Rutto	1	1	2
Mr. Gerald Nyaoma	0	0	0
Mrs. Mary M. Mungai	1	1	2
Dr. Sammy Letema	1	2	3
Hon. Silas Muriuki	1	2	3
Mrs. Alice Mwololo	1	0	1

Conflict of interest disclosures

The Board in line with Mwongozo Code of Governance for State Corporations and internal code of conduct requires members to declare conflict of interest in conduct of any Authority's business. Any conflict of interest is normally declared before any meetings commence or where a member feels he or she cannot participate in a matter that could compromise his/her impartiality. The same is recorded in a conflict of interest register if any.

Board capacity building

The Authority undertakes annual capacity building programmes for the board members depending on the committees they serve and skill set required. During the year, board members attended the following activities;



Annual Reports and Financial Statements For the year ended June 30, 2019

- ICURN (International Credit Union Regulators Network)- USA
- WOCCU(World Council of Credit Unions)- Singapore

Board Performance

The board undertakes annual board performance evaluation facilitated by SCAC (State Corporations Advisory Committee).

Board remuneration

Board remuneration is guided by the terms that are in their appointment letters subject to rates provided by the SRC (Salaries & Remuneration Commission) and government circulars from time to time. The board charter or planned meetings as well as invitation in writing from the Accounting Officer i.e. Chief Executive Officer guide any activity requiring remuneration.

Entity performance, strategies, vision and Mission

In line with its corporate strategy the vision, mission and key strategic objectives are as follows;

Vision

A distinguished regulator of a financially inclusive and stable SACCO sector

Mission

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

Key Result Areas (Strategic Objectives)

- Financial Stability of the SACCO Sector
- Value Addition and Development of the SACCO Sector
- Organizational Sustainability

The Authority evaluates its performance annually through performance contracts aligned to its corporate. Based on signed and vetted contract for year 2018-19, the Authority met most of its targets save for the ones affected by exogenous factors and budget cuts.

IT governance

As a key pillar in its IT strategy, the board reviews the Authority IT governance annually to ensure it is aligned with the Vision, Mission, and values of the enterprise. The aim is satisfy itself that Authority's objectives are achieved by evaluation of stakeholders needs, conditions and options, setting direction through prioritization and decision making performance, compliance and progress against agreed on direction. The result are geared towards stakeholder's value on benefits realization, risk optimization and resource optimization.

Governance & Legal Audits

Governance is the epicentre of the Authority's operations to ensure compliance and assurance. The Authority undertakes external Governance and legal audits once every two years and internal ones annually. The results during the year indicates Authority is in compliance with



Annual Reports and Financial Statements For the year ended June 30, 2019

key provisions of Mwongozo code of governance and where there are gaps, the same has been monitored and corrected.

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. Internal Audit assists the Board in these functions. 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 analyses 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.



Annual Reports and Financial Statements For the year ended June 30, 2019

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.

1.2 Enviromental sustainability

During the year, the Authority in collaboration with other financial sector regulators donated 1000 tree seedlings to Upper hill school and another 234 to Upper hill Day Nursery for their tree planting activities.

1.2CSR 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.



Annual Reports and Financial Statements For the year ended June 30, 2019

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019, which show the state of the Authority's affairs.

Principal activities

The principal activities of the Authority are:

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

Perform such other functions as are conferred on it by the Act or by any other written law.

Results

The results of the entity for the year ended June 30, 2019 are set out on pages 1 to 7 and the accompanying notes.

Surplus remission

In accordance with Section 219 (2) of the Public Financial Management regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority did not make any surplus in the year 2018-2019 and hence no remittance to the Consolidated Fund.

Auditors

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

By Order of the Board

for Roselyne A. Ragama

Roselyne A. Ragama
Corporation Secretary

Nairobi

Date: 14/09/2020



Annual Reports and Financial Statements For the year ended June 30, 2019

STATEMENT OF DIRECTORS RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of its state of affairs as at the end of the financial period ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Sacco Societies Act 2008. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2019, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

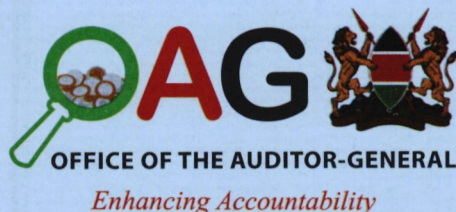
The Authority's financial statements were approved by the Board on 14/09/2020 and signed on its behalf by:

Hon. John Munuve.
Board Chairman

John Mwaka.
Chief Executive Officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214 000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR- GENERAL ON SACCO SOCIETIES REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Sacco Societies Regulatory Authority set out on pages 1 to 34, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Sacco Societies Regulatory Authority as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Public Finance Management Act, 2012 and Sacco Societies Act, 2008.

Basis for Opinion

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

Key Audit Matters

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

Emphasis of Matter

Financial Performance

The statement of financial performance reflects a net deficit of Kshs.45,539,596 (2018: Kshs.51,494,563) representing 12% (2018:15%) of revenue. The deficit was occasioned by the failure of the Authority to achieve its budgeted target revenue of Kshs.420,692,000 by Kshs.48,849,879 as reflected in the statement of comparison of budget and actual amounts. Management should therefore put in place measures with a view of generating more own revenue.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied

in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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


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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

06 November, 2020



**Annual Reports and Financial Statements
 For the year ended June 30, 2019**

**STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Operational revenue			
Revenue from non-exchange transactions			
Public contributions and donations	6	52,173,433	40,061,073
Transfers from other governments – GoK grants	7	41,346,150	83,000,000
Other Income	7 (a)	-	9,000
Levies –Sacco deposits	8	260,077,538	204,650,832
License renewal and application fees	9	18,245,000	18,186,700
Total Revenue		371,842,121	345,907,605
Expenses			
Use of goods and Services	10	4,014,637	4,028,913
Employee costs	11	217,108,923	220,421,139
Remuneration of directors	12	20,011,749	11,364,064
Depreciation and amortization expense	13	25,824,841	12,264,044
Repairs and maintenance	14	6,774,970	5,568,636
Consultancy and capacity development costs – FSSP funded	15	52,173,433	40,061,073
General expenses	16	91,473,165	103,694,298
Total expenses		417,381,717	397,402,168
Surplus/(deficit) for the period/year		(45,539,596)	(51,494,563)
Remission to National Treasury(90% Surplus)		-	-
Net Surplus/(Deficit) for the year		(45,539,596)	(51,494,563)
Attributable to:			
Surplus/(Deficit) attributable to minority interest			-
Surplus/(Deficit) attributable to owners of the controlling entity		(45,539,596)	(51,494,563)
Total		(45,539,596)	(51,494,563)

The notes set out on pages 8 to 36 form an integral part of these Financial Statements




**Annual Reports and Financial Statements
For the year ended June 30, 2019**

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**


	Notes	2018-2019	2017-2018
		Kshs	Kshs
ASSETS			
Current assets			
Cash and cash equivalents	17	261,717,112	198,590,132
Receivables from Non- exchange transactions	18	27,231,427	44,396,856
Inventories	19	-	4,378,711
		288,948,539	247,365,699
Non-current assets			
Property, plant and equipment	20	145,347,069	169,424,512
Intangible assets		-	-
Total assets		434,295,609	416,790,211
FUNDS & LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	21	23,371,114	35,604,737
Provisions	22	13,779,062	10,996,314
		37,150,176	46,601,051
Funds & Reserves			
Accumulated surplus	23	(223,204,237)	(180,160,509)
Capital Fund	24	607,349,669	537,349,669
Revaluation reserve	25	13,000,000	13,000,000
		397,145,432	370,189,160
Total Funds and liabilities		434,295,609	416,790,211

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

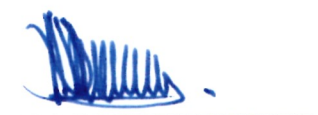
John M. Mwaka
Chief Executive Officer


Date..... 14/09/2020

Flora Kimari
Ag. Chief Manager Finance & Planning
ICPAK Member Number: 9582


Date..... 14/09/2020

Hon. John M. Munuve
Chairman of the Board


Date..... 14/09/2020



**Annual Reports and Financial Statements
 For the year ended June 30, 2019**

**STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2019**

	Capital Reserve	General reserve	Revaluation reserve	Total
	Kshs	Kshs	Kshs	Kshs
At July 1, 2017	194,970,323	(68,814,089)	13,000,000	139,156,234
Revaluation gain/(loss)	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-
Surplus/(Deficit) for the period	-	(51,494,563)	-	(51,494,563)
Capital/Development grants received during the year	270,000,000	-	-	270,000,000
Capital donations received(FSSP)	12,379,246			12,379,246
Prior period adjustments	60,000,000	(59,851,857)	-	148,143
At June 30, 2018	537,349,669	(180,160,509)	13,000,000	370,189,060
At July 1, 2018	537,349,669	(180,160,509)	13,000,000	370,189,160
Revaluation gain/(loss)	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-
Surplus/(Deficit) for the period	-	(45,539,596)	-	(45,539,596)
Capital/Development grants received during the year	70,000,000	-	-	70,000,000
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
Capital donations received(FSSP)	-	-	-	-
Prior period adjustments	-	2,495,871	-	2,495,871
At June 30, 2019	607,349,669	(223,204,234)	13,000,000	397,145,335



**Annual Reports and Financial Statements
 For the year ended June 30, 2019**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	K
Cash flows from operating activities			
Receipts			
Public contributions and donations	6	52,173,433	40,061,074
Government grants and subsidies -Recurrent	7	41,346,150	83,000,000
Other income – Sale of tender documents	7 (a)	-	9,000
Levies – Sacco Deposits	8	260,077,538	204,650,832
License renewal and application fees	9	18,245,000	18,186,700
Total Receipts		371,842,121	345,907,606
Payments			
Use of goods and services	10	4,014,638	4,028,913
Employee costs	11	217,108,923	220,421,139
Board of directors costs paid	12	20,011,749	11,364,064
Repairs and maintenance	14	6,774,969	5,568,636
Consultancy and capacity development FSSP	15	52,173,433	40,061,073
Rent paid	16	34,546,315	37,313,411
General and administrative costs	16	56,926,850	66,380,888
Total Payments		391,556,877	385,138,124
Deficit before working capital changes		(19,714,756)	(39,230,518)
Working capital changes			
Decrease/(Increase) in current receivables	18&19	21,544,140	(21,647,486)
Increase/(Decrease) in current payables	21&22	(9,450,875)	20,411,777
Total Working capital changes		12,093,265	(1,235,709)
Net cash flow from operating activities		(7,621,490)	(40,466,227)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangibles ²⁰		(1,747,400)	(142,663,681)
Net cash flow from investing activities		(1,747,400)	(155,043,027)
Cash flows from financing activities			
Prior year adjustments		2,495,871	2,073,939
Government grants and subsidies -Capital	24	70,000,000	270,000,000
Net cash flows used in financing activities		72,495,871	272,073,939
Net increase/(decrease) in cash and cash equivalents		63,126,981	88,944,031
Cash and cash equivalents at 1st July (B/f)		198,590,131	109,646,101
Cash and cash equivalents at 30 JUNE		261,717,112	198,590,132



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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019

	Original budget	Adjustments	Final revised budget	Actual on comparable basis	Performance difference	Notes
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	
	Kshs	Kshs	Kshs	Kshs	Kshs	
A) OPERATIONAL BUDGET						
1) RECURRENT						
a) Revenue						
<i>Revenue from Non- Exchange transactions</i>						
Public contributions and donations	65,500,000	-	65,500,000	52,173,433	(13,326,567)	(a)
Government grants and subsidies	42,190,000	844,000	41,346,000	41,346,150	(150)	
<i>Revenue from Exchange transactions</i>						
Sacco deposit levies	296,846,000	-	296,846,000	260,077,538	(36,768,462)	(b)
Licenses fees	17,000,000	-	17,000,000	18,245,000	1,245,000	
Total	421,536,000	-	420,692,000	371,842,121	(48,849,879)	
b) Recurrent Expenditure						
Employee costs	232,092,000	(7,272,000)	224,820,000	218,110,810	6,709,189,87	(c)
Board of directors costs	14,385,200	4,995,000	19,380,200	20,011,749	(631,549)	
<i>Maintenance costs</i>						
Repairs & Maintenance of Motor Vehicles & Equipment	10,384,000	2,200,000	11,740,000	6,774,969	4,965,031	(d)
<i>Administrative costs</i>						
i) Travel, Accommodation & Hospitality	14,293,600	3,055,000	17,384,600	18,760,538	(1,411,938)	
iii) Office running & Maintenance costs	2,942,400	-	2,942,400	3,181,427	(239,027.73)	
iv) Printing, Stationery & Loose tools	2,182,800	-	2,182,800	1,722,407	460,393	(e)
v) Security costs	720,000		720,000	720,000	-	
vi) Communication costs	996,000	(228,000)	768,000	366,151	401,849	(f)



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For the year ended June 30, 2019

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs
Recurrent expenditure continued.....										
vii) Suppliers sensitization costs	-		300,000		300,000		-		300,000	(g)
viii) Rent ,Rates & Parking costs	39,440,000		-		39,440,000		34,546,315		4,893,685	(h)
ix) Professional & Agency costs	23,680,000		(2,800,000)		20,880,000		11,145,527		9,734,472	(i)
x) Corporate image & publicity costs	14,920,000		(250,000)		14,670,000		10,348,882		4,321,117	(j)
Total	356,036,000		(25,200,000)		355,192,000		316,779,125		29,503,222.91	
c) Other development expenditure										
Supervisory, regulatory, research & policy costs	12,500,000				12,500,000		13,694,666		(1,194,666)	
<i>Donor funded – FSSP & AFI</i>										
i) Research and regulatory activities costs	14,640,000		-		14,640,000		41,986,138		(27,346,138)	(k)
v) Non- DTS regulations & Technical capacity support	6,860,000				6,860,000		10,187,295		(3,327,295)	(l)
ERM Solution	31,500,000		-		31,500,000		-		31,500,000	(m)
Total	65,500,000		-		65,500,000		65,868,099		(368,099)	
Total operational expenditure (b+c)	421,536,000		(25,200,000)		420,692,000		391,556,876		29,135,123	
Operational Surplus/(Deficit) for the period (a - b-c)										
<i>Less: Provision for Depreciation (Non Cash Item)</i>							(19,714,755)			
Operational deficit per Statement of Financial performance							(25,824,840)			
							(45,539,596)			



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 For the year ended June 30, 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
	Kshs	Kshs	Kshs	Kshs	Kshs
II-CAPITAL					
Revenue					
Internally generated (AIA)	-				
Government grants and subsidies	70,000,000	177,621,660	247,621,660	-	247,621,660 (n)
Total	70,000,000	177,621,660	247,621,660		
Expenditure					
Risk Based Supervision (RBS) system & related hardware	54,500,000	155,000,000	209,500,000	-	209,500,000 (o)
E-Management system & Hardware	5,500,000	-	5,500,000	-	5,500,000 (p)
ERM solution	10,000,000		10,000,000	-	10,000,000 (q)
Office fittings(Sprinkler systems& Networking)	-	22,621,660	22,621,660	-	22,621,660 (r)
Total	70,000,000	177,621,660	247,621,660		
Capital budget Surplus/(Deficit)	-	-	-		
TOTAL (RECURRENT & DEVELOPMENT/CAPITAL)	491,536,000	152,421,660	668,313,660	391,556,876.09	

1.Explanation of difference between the actual and budgeted amounts (10% over/under) IPSAS 24.14

- The variance in public donation received and budgeted amount was as a result of projects that had been anticipated but were not implemented by World bank through FSSP
- The difference in actual levy received and budgeted levies was as a result of overestimation during the budgeting stage
- The favourable variance was due non expenditure on vehicle repairs and maintenance on two grounded Authority vehicles for most part of the year
- The favourable variance is due to reduction on copies printed for Sacco Supervision d) and Financial statements and more use of ICT for online access of publications via web portal.
- The under expenditure is as a result of cost saving on postage and non expenditure on purchase of newspapers, journals and magazines



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- f) The favourable variance is due to savings on workshop venue expenses, the Authority conducted in house suppliers sensitization training as opposed to hiring a venue to conduct the training.
- g) The favourable variance is due to credit received on service charge hence reduction in total rent expenses
- h) The cost savings was due to reduction in legal costs and postponed consultancies as a result of change in strategic direction.
- i) The favourable variance was as a result of savings on adverts and media campaigns and also on implementation of brand audit j) and k) This relates to donation to the Authority through FSSP being in excess of what had been anticipated in the budget.
- l) favourable variance was as a result of non Implementation of ICT equipment and infrastructure
- m),(n),(o),(p) The favourable variance is due to RBSS system which could not be deployed before capacity assessment sponsored by FSSP
- q) The positive variance is a result of planned projects which were not implemented.

Explanation of difference between the original and final budget

The difference between the original and final budget was as a result of budget reallocations done in the course of the financial year.



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NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

2. Statement of compliance and basis of preparation

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

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



**Annual Reports and Financial Statements
 For the year ended June 30, 2019**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Adoption of new and revised standards

i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions, which are covered purely under Public Sector combinations as amalgamations.
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.



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Standard	Effective date and impact:
IPSAS40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions, which are covered purely under Public Sector combinations as amalgamations.
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

ii. Early adoption of standards

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

4 Summary of significant accounting policies

a) Revenue recognition

Revenue from non-exchange transactions

Public contributions & Donations

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized



Annual Reports and Financial Statements For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

in the statement of Financial Performance. Development/Capital grants are recognized in the statement of financial position if leads to capital formation during the useful life of the assets, that is acquired using such funds.

Revenue from exchange transactions

Sacco deposit Levies

Sacco deposits levies are prorated and recognised based on the licence period they relate to, when the outcome of the transaction can be estimated reliably and the asset recognition criteria is met and it's probable that economic benefits will flow to the Authority. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized. The rate charged for the levies was 0.15% of the total deposits held by licenced SACCO's as per balances held as at 31st December 2017.

Fees and fines

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

b) Budget information

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

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



**Annual Reports and Financial Statements
For the year ended June 30, 2019**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The annual depreciation amortization rates in use are:

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

d) Leases

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

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. The Authority currently does not have a running financial lease.



Annual Reports and Financial Statements For the year ended June 30, 2019

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term. The Authority currently run an operating lease for rent, parking and service charge as disclosed under Note 25.

e) **Intangible assets**

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

f) **Research and development costs**

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

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

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

g) **Financial instruments**

Financial assets

Initial recognition and measurement

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



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Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or 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 debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)



Annual Reports and Financial Statements For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial liabilities

Initial recognition and measurement

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

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

i) Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and 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 entity.



Annual Reports and Financial Statements For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

j) Provisions

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

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

Contingent liabilities

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

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that, an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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



**Annual Reports and Financial Statements
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

m) Employee benefits

Retirement benefit plans

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

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

n) Related parties

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

o) Service concession arrangements

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

p) Cash and cash equivalents

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



Annual Reports and Financial Statements For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

q) Comparative figures

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

r) Subsequent events

There have been no events subsequent to the financial year-end with a significant impact on the financial statements for the year ended June 30, 2019.

5. Significant judgments and Sources of estimation uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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



**Annual Reports and Financial Statements
 For the year ended June 30, 2019**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 23.

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

6. Public contributions and Donations

Description	2018-2019	2017-2018
	KShs	KShs
FSSP capacity & consultancy support	52,173,433	40,061,073
Total	52,173,433	40,061,073
Reconciliation of public contributions and donations		
Balance unspent at beginning of the year	-	-
Current year receipts	52,173,433	40,061,073
Conditions met - transferred to revenue	52,173,433	40,061,073
Conditions to be met - remain liabilities	-	-

These relates to donors support under the Financial Sector Support Project (FSSP) of the World Bank managed by Project Implementation Unit (PIU) under the National Treasury.

7. Transfers from other Governments- Recurrent

Description	2018-2019	2017-2018
	KShs	KShs
Unconditional grants		
GoK Recurrent grant	41,346,150	83,000,000
Total government grants and subsidies	41,346,150	83,000,000

7 (a) Other Income

Income from sale of tender documents	-	9,000
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**Annual Reports and Financial Statements
 For the year ended June 30, 2019**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7b) Transfers from Ministry of Industry Trade & Co-operatives

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2018-2019
			KShs	KShs	KShs
State Dept. of Co-operatives	41,346,150	-	70,000,000	111,346,150	83,000,000
Total	41,346,150	-	70,000,000		83,000,000

The transfers relate to approved government grants disbursed through the parent Ministry.

8. Levies Fees

Description	2018-2019	2017-2018
	KShs	KShs
Sacco Deposit levy	260,077,538	204,650,832

Levies fees are charged annually to the Sacco's supervised and licenced to defray the costs of regulation.

9. Licence Renewal and application Fees

Description	2018-2019	2017-2018
	KShs	KShs
Licence renewal fees	17,730,000	17,634,700
Licence application fees	515,000	552,000
Total	18,245,000	18,186,700

Licence fees are payable annually by the Sacco's supervised and licenced to defray the costs of regulation.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Use of goods and services

Description	2018-2019	2017-2018
	KShs	KShs
Subscription for staff club membership	1,001,888	1,458,180
Professional membership and AFI affiliation fees	2,292,750	1,850,733
Security costs	720,000	720,000
Total	4,014,638	4,028,913

11. Employee Costs

Description	2018-2019	2017-2018
	KShs	KShs
Salaries and wages	160,451,822	155,647,262
Employer pension contributions	12,800,130	12,513,560
Medical & other insurance premiums	16,771,352	18,429,400
Employer NSSF contributions	183,400	161,400
Staff welfare activities	3,168,717	3,845,583
Provision for outstanding leave	8,731,983	7,323,643
Staff training/capacity development	15,001,518	22,500,291
Total	217,108,923	220,421,139

12. Board of Directors costs

Description	2018-2019	2017-2018
	KShs	KShs
Chairman's Honoraria	765,000	-
Directors emoluments	2,757,070	2,488,800
Other board activities	16,489,679	8,875,264
Total	20,011,749	11,364,064

13. Depreciation and Amortization Expense

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	25,824,841	12,264,044
Intangible assets	-	-
Total	25,824,841	12,264,044

14. Repairs and maintenance

Description		
	KShs	KShs
ICT & other equipment	1,852,185	1,210,462
Motor vehicles	4,922,785	4,358,174
Total	6,774,969	5,568,636



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Consultancy and capacity development - FSSP funded

Description	2018-2019	2017-2018
	KShs	KShs
Consultancy costs- FSSP funded	10,187,295	12,555,155
Capacity development costs- FSSP funded	41,986,138	27,505,918
Total	52,173,433	40,061,073

This relate to support by the World Bank through Financial Sector Support Project (FSSP) for regulatory consultancies and staff technical capacity building.

16. General & Administrative Costs

Description	2018-2019	2017-2018
	KShs	KShs
Advertising & promotion	8,056,132	2,129,224
Office cleaning & drinking Water	1,709,481	1,282,323
Electricity	140,720	
Audit fees	487,200	487,200
Consulting fees	8,642,335	20,648,567
ISO Expenses	-	100,000
Office Consumables	1,331,227	1,193,203
Legal expenses	1,473,205	18,440,769
Postage & Courier	102,525	132,835
Printing and stationery	1,722,407	4,191,995
Rent, rates & parking	34,546,315	37,313,411
Bank charges and other fees	542,787	620,222
Telephone & Airtime	263,626	334,528
Travel, Accommodation & Hospitality	18,760,538	16,820,022
Stakeholders engagement costs	2,281,840	-
Supervision and Research costs	11,412,826	-
Total	91,473,165	103,694,298

17. Cash and Cash Equivalents

Description	2018-2019	2017-2018
	KShs	KShs
Current account	261,717,112	198,567,311
Cash at Hand	-	22,821
Total cash and cash equivalents	261,717,112	198,590,132



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 (a). Detailed analysis of the Cash and Cash equivalents

		2018-2019	2017-2018
Financial institution	Account number	KShs	KShs
a) Current account			
Co-operative Bank of Kenya	01120161308700	261,717,112	198,567,311
Sub- total		261,717,112	198,567,311
b) Other			
Cash in hand		-	22,821
Sub- total		-	22,821
Grand total		261,717,112	198,590,132

18. Receivables from Non-Exchange transactions

Description	2018-2019	2017-2018
	KShs	KShs
Sacco deposit Levy	2,356,163	1,162,201
Deposits and prepayments	9,857,092.62	10,572,144
Other receivables	6,190,574	6,493,206
Staff debtors	3,827,597	1,169,305
GoK capital grants due	5,000,000	25,000,000
Total current receivables	27,231,427	44,396,856

19. Inventories

Description	2018-2019	2017-2018
	KShs	KShs
Consumable stores	-	4,378,711
Other goods held for resale	-	-
Total inventories at the lower of cost and net realizable value	-	4,378,711



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Property, Plant and Equipment

Cost	Motor vehicles KShs	ICT Hardware KShs	Office Partition &Fittings KShs	Office Furniture KShs	Plant and equipment KShs	Total KShs
At 1 July 2017	44,254,917	55,581,453	12,499,444	14,024,930	17,034,407	143,395,151
Additions	-	608,400	142,025,081	12,379,346	30,200	155,043,027
Disposals	-	-	-	-	-	-
Transfers/adjustments	(21,957,993)	-	-	-	-	(21,957,993)
At 30th June 2018	22,296,924	56,189,853	154,524,525	26,404,276	17,064,607	276,480,185
Additions	-	1,747,400	-	-	-	1,747,400
Disposals	-	-	-	-	-	-
At 30th June 2019	22,296,924	57,937,253	154,524,525	26,404,276	17,064,607	278,227,585
Depreciation and impairment						
At 1 July 2017	31,254,917	53,934,147	8,242,125	6,294,229	17,024,782	116,750,200
Depreciation	2,437,500	2,155,582	6,838,635	-	19,250	11,450,967
Disposals	-	-	-	-	-	-
Adjustments	(21,145,493)	-	-	-	-	(21,145,493)
At 30 June 2018	12,546,924	56,089,729	15,080,760	6,294,229	17,044,032	107,055,674
Depreciation	3,250,000	249,876	5,099,606.51	17,217,858	7,500	25,824,841
Disposals	-	-	-	-	-	-
At 30th June 2019	15,796,924	56,339,605	20,180,367	23,512,087	17,051,532	132,880,515
Net book values						
At 30 th June 2018	9,750,000	100,124	139,443,765	20,110,047	20,575	169,424,510
At 30 th June 2019	6,500,000	1,597,648	134,344,158	2,892,189	13,075	145,347,069

Included in the assets register are fully depreciated assets whose original cost was Kshs 85.9 million.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Trade and Other payables from Exchange transactions

Description	2018-2019	2017-2018
	KShs	KShs
Trade payables	19,634,274	31,843,713
Other payables	3,736,840	3,761,024
Total trade and other payables	23,371,114	35,604,737

22. Current Provisions

Description	Gratuity	Leave Benefits	Bad & Doubtful debts	Other provision	Total
	Kshs	KShs	KShs	KShs	KShs
Balance b/f	1,558,680	5,917,483	3,032,951	487,200	10,996,314
Additional Provisions	2,008,800	6,723,183	-	487,200	9,219,183
Provision utilised	-	(5,917,483)	-	(487,200)	(6,436,435)
Balance as at 30th June 2019	3,567,480	6,723,183	3,032,951	487,200	13,779,062

23. Accumulated Surplus

Balance b/f	(180,160,509)	(68,814,089)
Prior year adjustments	2,495,871	(60,000,000)
1) Others	-	148,143
Surplus/ deficit for the period	(45,539,596)	(51,494,563)
Balance as at 30th June 2019	(223,204,234)	(180,160,509)

24. Capital Reserve

Balance b/f	537,349,669	194,970,323
Donations		12,379,346
GoK Grants	70,000,000	270,000,000
Prior Year Adjustments	-	60,000,000
Balance as at 30th June 2019	607,349,669	537,349,669

25. Revaluation Reserve

13,000,000

13,000,000



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Operational lease obligation

Description	Minimum lease payments	Future finance charges	Present value of minimum lease payments	Year 2017-2018
	KShs	KShs	KShs	KShs
Within current year(1 Year)	34,546,315	-	34,546,315	34,546,315
Long term portion of lease payments(2-5years)	138,185,260	-	138,185,260	138,185,260
Total	172,663,215	-	172,663,215	172,663,215

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

27. Deferred -Income

Description	2018-2019	2017-2018
	KShs	KShs
National government	5,000,000	25,000,000
Public contributions and donations	-	-
Total	5,000,000	25,000,000

The deferred income movement is as follows:

	National government	International funders	Public contributions and donations	Total
Balance brought forward	25,000,000	-	-	25,000,000
Additions		-	-	
Transfers to Capital fund	(20,000,000)	-	-	(20,000,000)
Transfers to income statement	-	-	-	-
Balance carried forward	5,000,000		-	5,000,000

The deferred income relates to financial year 2017/18 capital grants from ex-chequer For the RBSS project of which Kshs 20 million was received during the year and the balance of Kshs 5million voted for year 2019/2020.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Employee Benefit obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2018-2019	2017-2018
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	6,723,183	5,917,483
Non-current benefit obligation	-	-	-	3,567,480	1,558,680
Total employee benefits obligation	-	-	-	10,290,663	7,476,163

29. Financial Risk Management

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

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

(i) Credit risk

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

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	2,356,163	2,356,163		
Receivables from non-exchange transactions	24,875,264	24,875,264	-	-
Bank balances	261,717,112	261,717,112	-	-
Total	288,948,539	288,948,539		
At 30 June 2018				
Receivables from exchange transactions	1,162,201	364,196	798,005	-
Receivables from non-exchange transactions	43,234,655	43,234,655	-	-
Bank balances	198,590,132	198,590,132	-	-
Total	242,986,988	242,188,983	798,005	

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

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

(ii) Liquidity risk management

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

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Trade payables	16,304,409	7,066,705	-	23,371,114
Provisions	-	-	13,779,062	13,779,062
Total	16,304,409	7,066,705	13,779,062	37,150,176
At 30 June 2018				
Trade payables	24,923,317	10,681,420	-	35,604,737
Provisions	-	-	10,996,314	10,996,314
Total	24,923,317	10,681,420	10,996,314	46,601,051

(iii) Market risk

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

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

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

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

a) Interest rate risk

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

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

Management of interest rate risk

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Sensitivity analysis

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

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

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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

b) Financial instruments not measured at fair value

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

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

v) Capital Risk Management

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

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	13,000,000	13,000,000
Retained earnings	(223,204,234)	(180,160,509)
Capital reserve	607,349,669	537,349,669
Total funds	397,145,435	370,189,160
Total borrowings	-	-
Less: cash and bank balances	(261,717,112)	(198,590,132)
Net debt/(excess cash and cash equivalents)	135,428,323	171,599,132
Gearing	34.1%	46.4%

30. Related party balances

Nature of related party relationships

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

Government of Kenya

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

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. Capital commitments

Capital commitments	2018-2019	2017-2018
	Kshs	Kshs
Authorised and not contracted for	225,000,000	155,000,000
Authorised and contracted for	-	-
Total	225,000,000	155,000,000

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

32. Surplus remission

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

33. Events after the reporting period

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

34. Ultimate and holding Entity

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

35. Currency

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



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APPENDIX 1: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized				
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others
Ministry of Industry, Trade & Co-operatives (SDC)	20.09.2018	Recurrent	10,547,500	10,547,500	-	-	-	-
	10.12.2018	Recurrent	9,703,700	9,703,700	-	-	-	-
	04.03.2019	Recurrent	10,336,550	10,336,550	-	-	-	-
	17.05.2019	Recurrent	10,758,400	10,758,400	-	-	-	-
	14.11.2018	Development	17,500,000	-	17,500,000	-	-	-
	11.12.2018	Development	17,500,000	-	17,500,000	-	-	-
	04.03.2019	Development	17,500,000	-	17,500,000	-	-	-
	17.05.2019	Development	17,500,000	-	17,500,000	-	-	-
Total			111,346,150	41,346,150	70,000,000	-	-	-