

REPUBLIC OF KENYA



REPORT

OF

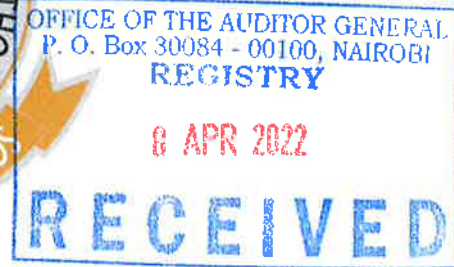
THE AUDITOR-GENERAL

ON

**SACCO SOCIETIES REGULATORY
AUTHORITY (SASRA)**

**FOR THE YEAR ENDED
30 JUNE, 2021**

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2021



Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements
For The Financial Year Ended
30th June, 2021

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

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Authority Information and Management

a) Background Information

The Sacco Societies Regulatory Authority (**SASRA**) is a Government agency established under section 4 of 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.

The Authority's prime responsibility is to license and supervise Deposit Taking Sacco Societies (popularly known as Front Office Service Activity business - FOSA) and most recently specified Non-Withdrawable Deposit Taking business (popularly known as Back Office Service Activity business - BOSA) in Kenya.

SASRA is domiciled in Kenya with its head office located at UAP Old Mutual Towers in Nairobi and is under the Ministry of Agriculture, Livestock, Fisheries and Co-operatives for policy and strategic direction in line with the overall Kenyan government financial services sector agenda.

b) Principal Activities of the Authority

Our Vision

A distinguished regulator of a financially inclusive and stable SACCO industry.

Our Mission

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

Our Core Values

Integrity; Accountability; Innovation and Creativity; Professionalism; Teamwork; Equity; and Trust

Integrity

We endeavor to be honest, truthful and transparent in all our services and actions.

Accountability

We endeavor to uphold a high level of probity in our operations

Innovation and Creativity

We are driven by continuous improvement, finding new ways to make things better, optimize results by working smarter, empowered to take risks, learn and grow from our failures & successes.

Professionalism

We are qualified, skilled and committed to high-quality work and delivering exceptional service internal and our external stakeholders.

Teamwork

We aim to work together with synergy and collaborate with our stakeholders in executing our mandate

Our Mandate

The mandate of the Authority as provided by the Act includes the following:

1. License Sacco societies to carry out deposit-taking business.
2. Regulate and supervise Sacco societies.
3. Hold, manage and apply the General Fund of the Authority.
4. Levy contributions.
5. Do all such other things as may be lawfully directed by the Cabinet Secretary; and
6. Other functions as conferred on it by any other written law

c) Key Management

The Authority's day-to-day management is under the Chief Executive Officer who is the Accounting Officer assisted by functional heads as per the organizational structure. The CEO is accountable to the Board of Directors who have a duty to account for all policies, decisions and actions to the Cabinet Secretary for Agriculture, Livestock, Fisheries and Co-operatives.

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d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 with direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer (up to April 2021)	John Mwaka
2.	Ag. Chief Executive Officer (w.e.f April 2021)	Peter Njuguna
3.	Corporation Secretary & Head of Legal	Roselyne Ragama
4.	Manager, Finance and Accounts	Flora Kimari
5.	Manager, Supply Chain Management	Julius Muraguri
6.	Manager, Internal Audit	Sammy Korir
7.	Manager, Human Capital and Administration	Boniface Musumbi
8.	Manager, Research, Strategy and Planning	Peter Owira
9.	Manager, Enforcement	Jeremiah Were
10.	Manager, Risk Management and Quality Assurance	Norah Biomndo
11.	Manager, Compliance	Joseph Osoro
12.	Manager, Market Conduct	Anne Kago
13.	Manager, Licensing and Regulations	Dr. David Kahuthu
14.	Manager, Sacco Societies Fraud Investigation Unit	Sophia Mukiri
15.	Manager Corporate Communications	Yvonne Gatobu

e) Fiduciary Oversight Arrangements

The key fiduciary oversight arrangements and structures include:

i) Board of Directors

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

ii) Inspector General- State Corporations.

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

iii) Cabinet Secretary.

Responsible for Agriculture, Livestock, Fisheries 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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iv) Auditor General.

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

v) Parliamentary Committees

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

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Headquarters

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

Our Contacts

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

Bankers

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

Independent Auditors

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

Principal Legal Adviser

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

Board of Directors



Hon. John M. Munuve
Non-Executive Chairman
 Bachelor of Arts degree in Social Development and Administration and an M.A in Sociology.

Hon. John Mati Munuve was appointed as the Chairman of the Authority on 20th September, 2018. Hon Munuve was born on 23rd December 1956. He served as a Member of the National Assembly for Mwingi North constituency from 2013 to 2017.

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 writer.



Ms. Eunice Nyambura
Independent Member
 Bachelor of Science in IT (JKUAT), Higher Diploma in IT, MBA in Strategic Management and a Post Graduate in Banking.

Ms. Nyambura was re-appointed as a Member to the Board of Authority on 13th December, 2018. She was born on 26th November 1979. She is the Chairperson of the Audit, Risk Management and Corporate Governance Committee.

She is a PhD scholar at (UON), holds an MBA in Strategic Management (UoN) and a Post Graduate in Banking from the Institute of Banking and Business Communication (INDIA), Bachelor of Science in IT (JKUAT) and a Higher Diploma in IT from Inoorero University.

She was in charge of account opening compliance at Chase Bank and a systems administrator at Family Bank Ltd 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 of the Steering Committee. Ms. Nyambura has a wealth of experience in Banking, IT and Leadership, spanning over 10 years.

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Dr. Sammy Letema
Independent Member

Bachelor of Environmental Studies (planning and management), Master of Environmental Planning and Management and PhD in Environmental Infrastructure provision

Dr. Letema born on 1st January 1971 ,was appointed as a Member to the Board of Authority on 13th December, 2018. He is the Chairperson of the Supervision, Research, Legal and ICT Committee and current Chair at Kenya Forestry Research Institute (KEFRI). He has also served as the Chairman of the Department of Environmental Planning and Management at Kenyatta University and has previously served as 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 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 in national environment management matters. He is a published Author and participating in the formulation of the Kenya Water Towers Coordination Policy and Bill.



Hon. Silas Muriuki Ruteere
Independent Member
 Bachelor of education.

Hon. Muriuki was appointed as a Member to the Board of Authority on 13th December, 2018. He was born on 12th January 1949. He is the Chairman of the Finance, Strategy, Human Resource and Administration Committee. Hon. Muriuki was the Member of Parliament for North Imenti between 2008 and 2013. He served as a Chairman of the Board at Local Authorities Trust Fund (LAPFUND) and a Board of Director for the Kenya Shipping Agency.

He is a teacher by profession, with specialized training in Special Education in the United Kingdom. Hon. Silas has championed the growth of local tertiary and secondary schools in Meru County. He also served KNUT in various capacities, with his last appointment being the Executive Secretary for Meru and Tharaka Nithi Branches respectively.

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

Ms. Mwololo born on 6th January 1966, was appointed as an alternate to the Principal Secretary, National Treasury on 14th October, 2015. She holds a Masters in Economics and BA in Economics from the University of Nairobi and a Post Graduate Diploma in Development Planning Techniques from the Institute of Social Studies in the Netherlands. She is currently pursuing a PhD in Economics at Kenyatta University.

Ms. Mwololo is a 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 extensive experience in trade policy and regional integration matters; international and bilateral trade negotiations. She has participated in negotiations and conclusion of various bilateral and regional economic and trade agreements.



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

Mr. Nyaoma was appointed as an alternate to the Governor of the Central Bank of Kenya on 6th April, 2016. Mr. Nyaoma was born on 17th October 1964. He is the Director, Bank Supervision Department at the Central Bank of Kenya (CBK). Mr Nyaoma holds a M. Phil.(Econ) degree from the University of Cambridge-UK and BA (first class honors degree in Economics) from University of Nairobi.

He is CPA (K), CPS (K) and AKIB. 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.

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Mr. Geoffrey Njang'ombe
Board Member
Bachelors of Commerce and
Masters in Business
Administration

Mr. Njang'ombe was appointed as a member of the Board of the Authority on 2nd August, 2019. He was born on 10th October 1960, and is the Commissioner for Co-operative Development and a seasoned career civil servant who has served public service for over 35 years notably as a District Auditor, Deputy Director of Audit, and Senior Deputy Commissioner for Co-operatives.

He is also a Board member of Cooperative Bank of Kenya, Institute of Certified Secretaries of Kenya (ICS) and a Commissioner for Ethics Commission for Co-operative Societies (ECCOS). He has a wealth knowledge from the Co-operative sector having conducted several special audits, investigations, inquiries, compliance audits and liquidations of co-operative societies. He has participated in the formulation of key policy documents and legislation review Teams. Mr. Njang'ombe holds a Bachelors of Commerce from the University of Jalbpul (India) and a Masters in Business Administration (Strategic Management) from Kenyatta University.





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





Mr. Njuguna was appointed as the Ag. CEO on 1st April, 2021. He holds a MSc. in Operations Research from the London School of Economics, UK, and a BSc in Mathematics. He is a holder of CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

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





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 <p>Mr. John Mwaka <i>Former Chief Executive Officer</i> BSc in Business Administration (Finance), Diploma in Cooperative Management and MBA in Strategic Management</p>	<p>Mr. John Mwaka is the immediate former Chief Executive Officer of the Authority. He was appointed on 1st May, 2017 and served for four (4) years up to 30th April, 2021. He was born on 9th October 1962 and 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.</p>
 <p>Mrs. Roselyne A. Ragama <i>Corporation Secretary</i> LL.M, LLB (Hons) and Post Graduate Diploma in Law, CPS (K) and Diploma in Cooperative Management.</p>	<p>Mrs. Roselyne Ragama joined SASRA in 2010 in the legal department and serving as the Board secretary. She set up the department and championed the development and implementation of key governance instruments at the Authority. Roselyne is an advocate of the High Court of Kenya and holds an LL.M, LLB (Hons) from University of Nairobi specializing in Corporate Governance, LLB (Hons) and Post Graduate Diploma in Law from Kenya School of Law, CPS (K) and Diploma in Cooperative Management. She is a member of the Institute of Certified Public Secretaries of Kenya and Institute of Directors of Kenya.</p>

Management Team

	<p>Mr. Peter Njuguna BSc in Mathematics, MSc. in Operations Research and CPAK</p>	<p>Chief Executive Officer</p>
	<p>Mr. John Mwaka BSc in Business Administration (Finance), Diploma in Cooperative Management and MBA in Strategic Management D.O.B - 9th October, 1962</p>	<p>Immediate former Chief Executive Officer</p>
	<p>Mrs. Roselyne A. Ragama LLM, LLB (Hons) and Post Graduate Diploma in Law, CPS (K) and Diploma in Cooperative Management.</p>	<p>Corporation Secretary</p>
	<p>Mr Boniface Musumbi MBA, BA, CHRM</p>	<p>Manager, Human Capital and Administration</p>


**The Sacco Societies Regulatory Authority (SASRA)
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 <p>Ms Flora Kimari MBA(Finance), BA (Economics and Sociology), CPA(K)</p>	<p>Manager Finance and Accounts</p>
 <p>Mr Peter Owira MBA, BA (Economics)</p>	<p>Manager, Research, Strategy and Planning</p>
 <p>Jeremiah Were LLB, PGD(Law), LSK, PPA</p>	<p>Manager, Sacco Supervision</p>
 <p>Mr Joseph Osoro MBM, BSc. AGECE, CPA(K)</p>	<p>Manager, Compliance Department</p>

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		<p align="center">Manager -Licensing and Regulations</p>
<p>Dr. David Kahuthu PhD (Finance), MBA (Finance), Bcom, CPA (K)</p>		
		<p align="center">Manager, Supply Chain Management</p>
<p>Mr Julius Muraguri MBA, BA, CIPS</p>		
		<p align="center">Manager, Internal Audit Department</p>
<p>Mr Sammy Korir MBA, BBM, CPA(K), ICPAK, IIA, MSE</p>		
		<p align="center">Manager, Corporate Communications</p>
<p>Ms Yvonne Gatobu MA, BA, MPRSK</p>		

**The Sacco Societies Regulatory Authority (SASRA)
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 <p>Ms Anne Kago MBA, BA, MCIPR (UK), MPRSK</p>	<p>Manager, Market Conduct Department</p>
 <p>Ms Sophia Mukiri Dip. Police studies. Mgmt Course, GTI</p>	<p>Manager, Sacco Societies Fraud Investigation Unit</p>
 <p>Ms Norah Biomndo MBA, BA, CFE</p>	<p>Manager, Risk Management and Quality Assurance</p>
 <p>Mr. Stephen Michubu MSC (ICT Policy and Regulation), BSC(Information Technology)</p>	<p>Manager, Information Communication Technology</p>

Chairman's Statement

Dear stakeholders,

It gives me great pleasure to present to you our annual report and financial statements for the year ended 30th June, 2021.

Overview

This Annual Report provides an assessment of how SASRA utilized its resources in creating value for the Sacco industry in the year under review. It gives an overview of SASRA's strategy and the outcome of implementation of the risk based regulatory model for SACCOs. It also outlines the operational, financial and governance performance for the financial year beginning 1 July, 2020 to 30th June, 2021.

Strategic Achievements

Implementation of NWDT Sacco Regulations 2020

The Authority achieved major milestones of its strategic plan 2018-2022. Key among the strategic milestones achieved, include implementation of the (*Non-Deposit Taking Business Regulations, 2020*) which took effect from 1st January 2021. The regulations brings on board specified NWDT-Saccos which include those with total non-withdrawable member deposits amounting to Kshs.100million and above; those operating digital SACCOs and those whose membership are from persons in the diaspora. These categories of Non-WDT-SACCOs have for a very long time remained outside the supervisory and regulatory of the *Sacco Societies Act* because the necessary regulations had not been made.

With the implementation of the Specified Non-Withdrawable Deposit-taking Sacco business *Regulations 2020*, I am happy to report that a substantial portion of the SACCO subsector is now under standard prudential and market conduct regulatory framework. This is not only aimed at stabilising the sector and individual Saccos to offer better services, but also to weed out operations of fraudulent and pyramid-scheme-like entities. Compliance with the *Regulations 2020* will ensure financial stability and soundness of Non-WDT-SACCOs, as well as deepen confidence and trust in these SACCOs as worthy investment destination for their savings, just like their DT-SACCOs counterparts.

Increased SACCO Membership

The DT-SACCOs segment, continued to play their right role in deepening financial access especially in reaching out to Kenyans across all. The total number of membership in the DT-SACCO system distributed among the 175 licensed-DT-SACCOs increased 5.47 Million persons over the period compared to 4.5 Million the previous year. The majority of the membership of DT-SACCOs were reported among the farmers and community based DT-

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SACCOs which accounted for 41.93% of the total members whose presence is spread across the Country. This increased outreach was both in physical branch expansion and adoption of digital financial service delivery channels such as Sacco agency and mobile money services. The growth in membership is an indication that prudential regulation has increased public confidence in SACCOs. This is evidenced in increased deposits from Kshs. 577.11 Billion recorded in June 2020 to Kshs. 650.02 Billion in June 2021 representing a growth rate of 11.22%

Establishment of SACCO Societies Fraud Investigation Unit (SSFIU)

In compliance with the Presidential directive on the establishment of the SACCO Societies Fraud Investigation Unit (SSFIU), the Authority fully operationalized the Fraud Investigations Unit. This unit comprises of specialists drawn from the Directorate of Criminal Investigations (DCI) and is fully in-charge of detection and investigation of fraudulent activities within the SACCO subsector. The Authority is therefore adequately prepared to deal with financial crimes relating to embezzlement of members' funds, cybercrime and combating fraudulent schemes perpetrated by illegal entities posing as SACCOs.

Industry Resilience in a tough year

Despite the impact of COVID-19 pandemic on the national economy, the overall performance of DT-SACCOs over the period recorded impressive growth. The total assets within the DT-SACCO system grew to reach Kshs 650.02 Billion in June 2021 from Kshs. 577.11 Billion in June 2020 representing a growth of 11.22%.

A challenging year

The period was marked by a myriad of challenges emanating from the global COVID-19 pandemic. The lockdown by the Ministry of Health as a containment measure significantly slowed down the Authority's activities. Secondly, our main stakeholders -the SACCOs and their members suffered greater uncertainty arising from the pandemic, pay cuts and job losses. These had direct impact on the liquidity and prudential compliance of certain SACCOs.

Despite the impressive performance, the DT-SACCOs recorded increased level of non-performing loans from 6.15% in 2019 to 8.39% in 2020. This is compounded by the ever-growing amounts of non-remitted deductions by certain employers. The total amount of non-remitted funds as at September, 2020 stood at a staggering Kshs 5.04 Billion compared to Kshs 3.87 Billion as at September 2019. Large portion of these funds relate to repayment of loans. Consequently, all the loans which were expected to be repaid with these non-remitted deductions remains non-performing and thus denies the SACCO system optimal liquidity to finance operations.

This calls for stakeholders led by the national government, the State Department for Cooperatives and the Authority to initiate policy and administrative solutions aimed at

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strengthening the existing legal framework for recovery of non-remitted funds owed to DT-SACCOs. The SACCOs are also encouraged to devise other means of accessing the funds, like having members to receive their salaries through FOSA and make recoveries directly rather than rely on employers.

The expansion of the Authority's mandate to prudential supervision of the Non-WDT-SACCOs, shall financially constrain the Authority's resources, with particular regard to human capital, physical and technological infrastructure. The increased financial burden will have to be shouldered by the regulatees on a cost recovery basis. On that note, the Authority will in consultation with the stakeholders, establish a levy to be paid by the regulated Saccos to cope with the additional operational requirements.

Future Outlook

Going forward SASRA will continue to implement prudential regulations in order to ensure that SACCOS are stable. To achieve this, SASRA will assess and review its regulatory model, fully implement the enabling laws while at the same time strive to identify the existing gaps with a view to coming up with policy and legal proposal to inform amendments through the established channels. It is also the intention of the authority to provide the enabling environment to the SACCO industry by ensuring the realization of the on-going projects such as shared services and central liquidity facility which has been designed to enable SACCOs leverage on technology to harness the economics of scales and gain on liquidity and risk management.

Appreciation

Finally, I wish to thank the Board for their timely inputs during a period when major and quick decisions needed to be made. I also wish to express my sincere gratitude and appreciation to our management and staff for their exceptional efforts in the past year which ensured SASRA achieved its performance targets as per the regulatory and supervisory mandate. I also wish to appreciate the Cabinet Secretary, Ministry of Agriculture, Livestock, Fisheries and Co-operatives; the Principal Secretary for State Department for Co-operatives; and the office of the Commissioner for Co-operative Development for their unwavering support which enabled the Authority and the entire SACCO sector to achieve the great milestones reported herein. We thank our key stakeholders, the Sacco members, SACCOs, National Cooperative Organizations (NACOS) for their unrivalled support during the development and implementation of the various regulatory policies that will go a long way in developing the SACCO Industry in Kenya.



For

Hon. Mr. John Munuve
Chairman, Board of Directors.

Chief Executive Officer's Statement

I am delighted to present the SASRA's Annual report and Financial Statement for the Year ended 30th June 2021.

Leveraging the Power of Prudential Regulation to build resilience in the midst of a crisis

SACCOs play a critical role in keeping our economy healthy and resilient through savings mobilization and thrift. SASRA is at the forefront in ensuring that SACCO savings are safe, members enjoy reliable and efficient financial services that are responsive to the members' needs. The SACCOs reputation built over the decades, financial stability and resilience in the face of adversity were critical factors in our performance of the supervisory and regulatory mandate for the period. The Authority successfully achieved its mandate to license, regulate and develop the Sacco Industry in Kenya as outlined below.

Licensing and Authorization Status

During the year ended 30th June 2021, the Authority continued to implement its annual supervision programs and in addition, began to execute its expanded mandate by implementing the Regulations for Non-Withdrawable Deposit-taking SACCOs 2020, which came into effect on 1st January, 2021. At the close of the year, the Authority had processed twenty five (25) applications for Authorization, while one hundred and thirty (132) applications were at various stages of processing. This new mandate is expected to bring on board to prudential regulations about 200 SACCOs.

Similarly, Four (4) new additional DT-SACCOs were licensed to undertake deposit taking Sacco business in Kenya, bringing the total licensed DT SACCOS to one hundred and seventy six (176). In addition, the Authority continued to maintain surveillance in the market to ensure that there was no violation of Section 23 of the Sacco Societies Act which prohibits any person from undertaking deposit taking Sacco business without a valid license issued by the Authority.

The total number of memberships in the DT-SACCO system distributed among the 176-DT-SACCOs was 5.47 Million persons in 2020 compared to 4.5 Million persons reported in the year 2019. This increase in membership was largely attributed to the additional number of licensed DT-SACCOs and improved market outreach strategies employed by the SACCOs. However, a large proportion of the total membership within the DT-SACCO system accounting for 25.09% were reportedly inactive during the year 2020, implying that this portion of members had not made any transaction with their DT-SACCOs for six (6) or more months. This calls for SACCOs to carry out a members' needs assessment in order to ascertain the underlying reasons for the dormancy with a view to addressing them.

Operational Performance of the Sacco Industry

Despite the impact of COVID-19 pandemic on the national economy, on aggregate, the licensed DT-SACCOs were able to maintain a growth trajectory in key performance indicators such as total assets; total deposits; gross loans; and net loans and advances. The total assets within the DT-SACCO system grew to reach Kshs. 650.02 Billion in June 2021 from Kshs. 577.11 Billion recorded in June 2020 representing a growth rate of 11.22%.

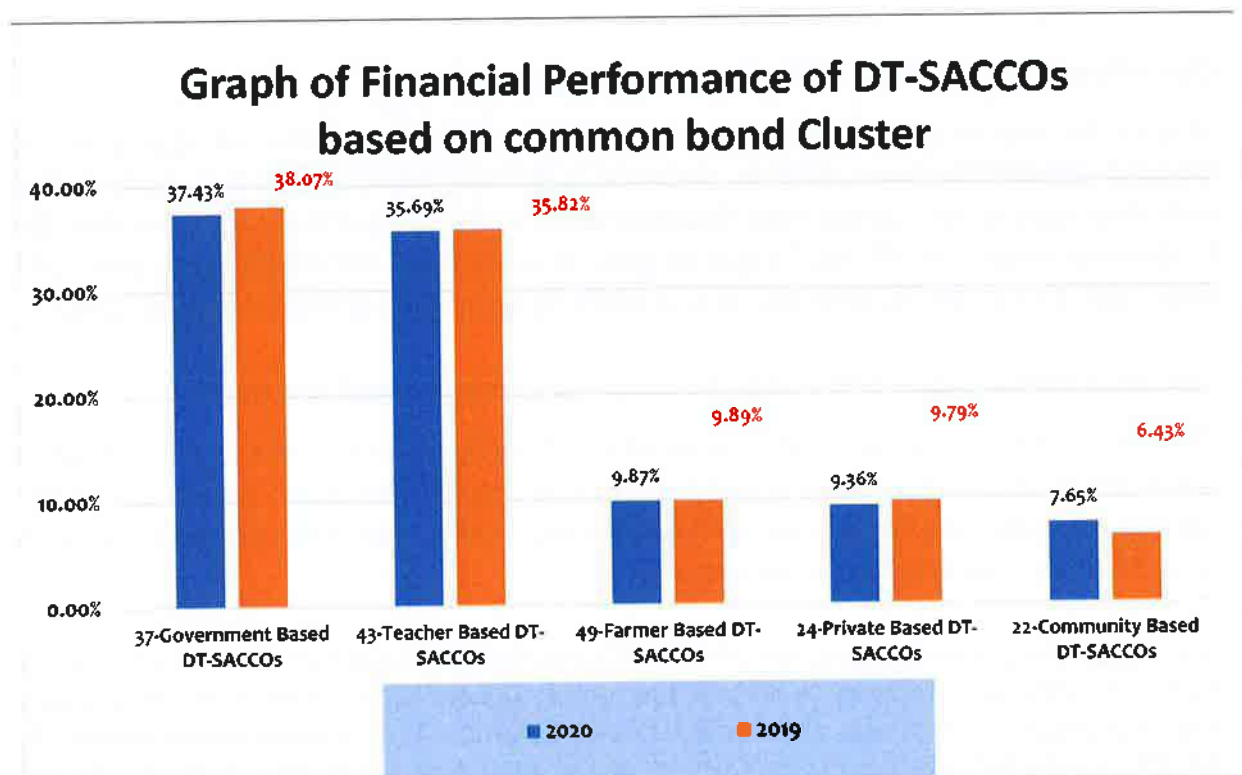
Financial Performance of DT-SACCOs based on Common bond clusters

The 176-DT-SACCOs are generally clustered into five (5) main catchment areas of fields of membership from where they draw their membership. Whereas the farmer based DT-SACCOs controlled the largest chunk of membership at 41%, they only contributed a paltry of 10.2% of the market share in total assets.

Just like in the previous years, the 37-Government-based DT-SACCOs and the 43-Teacher based DT-SACCOs continued to control the largest market share of both the total assets and total deposits' portfolios within the DT-SACCO system. The 37-Government based DT-SACCOs controlled the largest proportion of the total assets and total deposits market share at 37.18% and 37.55% respectively; followed by the 43-Teacher based DT-SACCOs at 36.29% and 35.69% respectively as presented in the graph below:

A graph of Sacco's Market Share based on Common bond





Graph of Financial Performance of DT-SACCOs based on Common bond Clusters

The 24-Private sector-based DT-SACCOs and the 22-Community based DT-SACCOs remain the smallest in terms of the proportion of their total assets and total deposits. The 24-Private sector-based DT-SACCOs had their total assets at 8.63% and total deposits at 9.36%; while the 22-Community based DT-SACCOs had their total assets accounted for 7.71% and total deposits accounted for 7.65%.

Financial Stability and Soundness of the Industry

The Authority applies CAMEL risk rating framework for measuring and monitoring performance of the regulated SACCOs. On aggregate the DT-SACCOs reported increased capitalization during the year bolstered by the high overall retention despite of the uncertainties associated with the COVID-19 pandemic on the national economy. The core capital in absolute terms increased to Kshs. 118.13 Billion in June 2021 from Kshs.98.09 Billion reflecting an impressive growth of 20.44%.

The total income among the 176-DT-SACCOs also grew to reach Kshs 86.04 Billion in 2020 from Kshs. 79.88 Billion recorded in 2019 representing a 7.71% increase. Income from loans accounted for 85.77% of the total income reported. It is also important to observe that 35.58% of the total income amounting to Kshs.30.61 Billion was expensed as interest

on deposits and paid back to members. This underscores the comparative advantage of DT-SACCOs over other financial institutions.

The statutory liquidity ratio equally remained high at 48.50% well above the prescribed minimum statutory of 15%. The total loans to deposits ratio which measures the ability of DT-SACCOs to fund their loan portfolio from the deposits remained high at 110.04% in 2020. However, it is important to point out that in the aggregate a majority of members of DT-SACCOs are still net borrowers rather than net savers, which is informed by the basic model of Sacco business in Kenya, of mobilizing deposits through giving credit as a multiplier of the member deposits. Changing this model will require enhancing deposit mobilization capabilities within the Sacco ecosystem. Shared technology and Central Liquidity Fund initiative are regulatory initiatives to address these challenges while also enhancing soundness of the Sacco industry.

The external borrowing ratio reduced to 3.67% in 2020 compared to a ratio of 3.88% reported in 2019, against the prescribed maximum ratio of 25% of total assets. Consequently, it is evidenced that despite the impact of COVID-19 on the national economy, DT-SACCOs restrained from financing business activities from external funds.

Financial Performance of the Authority

For the Authority's financial performance, the total recurrent and capital expenditure amounted to Kshs.454.8million against revenue of Kshs.438.1million resulting into a deficit of Kshs.16million. There was a drop in both revenue and expenditure occasioned by lack of exchequer and donor support in the current year and a slowdown in operational activities due to the effect of COVID-19 pandemic.

The expenditures and revenue targets were well within the approved budget and aligned to corporate strategic plan activities. From the report, it is evident that the Authority is still constrained in its financial resources and will continue to heavily rely on the good will of development partners especially in conceiving, initiating and implementing capital programs. The expanded mandate of regulating the of Non-withdrawable deposit taking SACCOs will put more pressure on the limited resources raised from the DT-SACCOs.

The Future Strategic Priorities

As the effects of Covid-19 pandemic continue to be felt across the economy in Kenya, SACCOs must continue to embrace technology to smoothen the effects and cushion against the unforeseeable future disruptions. The Authority's overall strategic direction in line with its mandate focuses on ensuring financial stability of the Sacco sub-sector through a sound supervisory framework. In consultation with the parent ministry, the Authority has

initiated a number of policy initiatives to continually improve the regulatory framework and provide an enabling environment that fosters long term institutional sustainability and exemplary service to members. Our priority in the year ahead are:

- **Continuing to facilitate the industry led Shared Digital Services Platform.**

The need to embrace cutting edge technology for SACCOs is ever increasing. However, SACCOs have technical and financial constraints that hamper their ability to proactively embrace technology to improve the services offering and respond to business and regulatory requirements. The situation has been complicated by the COVID-19 pandemic, which underscores the urgency for SACCOs to come together in the spirit of co-operation among co-operatives to address common business challenges. Towards this end the Authority with the support from the World bank through the National Treasury has contracted a consultant to design and scope ICT requirements for SACCOs Shared Digital Services Platform. In the same breadth, the Authority is facilitating SACCOs to establish a Secondary Sacco Society in the name of Kenya SACCO Central, whose core activity will be to offer wholesale financial and technological services to SACCOs. It is on the same platform that SACCOs will establish the central liquidity facility.

- **Implementation of the Regulation of Non-Withdrawable Deposit taking SACCO Business.**

The implementation of the regulations 2020 which commenced in the last half of this year are in top gear, so far one hundred and ninety-one NDT-SACCOs have applied for Authorization in compliance with the law and are in various stages of assessment. It is envisaged that this process will be completed by 30th September 2021 as target by the Authority.

- **Consumer Protection and Market Conduct regulations specific to SACCOs.**

The Authority will introduce for public consultations and participation, a SACCO sector specific market conduct and consumer protection regulatory framework. This policy is a key activity envisioned under the National Co-operative Development Policy, 2019. It is expected that a robust and responsive market conduct initiatives by SACCOs is a critical ingredient of building member and public confidence in the SACCO financial systems. This will improve the delivery of financial services to members, riding on ease of access and member convenience. As such DT-SACCOs must be well prepared to incorporate principles of member protection in their operations in regard to engagement with the members.

- **Automation of the Supervisory and Regulatory Processes and Systems**

The Authority will continue to adopt modern, efficient and effective supervisory and regulatory systems to ease its engagement with stakeholders. The implementation of the Risk Based Supervisory System (RBSS) is expected to be concluded in the next financial year. This will transform the licensing, surveillance and compliance monitoring systems and ensure that the Authority is most efficient in the delivery of its core mandate.

- **Enhancing Transparency and Accountability in financial reporting by SACCOs**
Transparency in financial reporting is a key ingredient of organizational success, since it builds public and member confidence in SACCOs and hence drives growth. Based on supervisory experience through review of SACCOs annual financial reports and audit reports, the Authority has identified gaps in reporting and disclosure to members and has initiated engagement with the Institute of Certified Public Accountants of Kenya (ICPAK) towards developing a Memorandum of Understanding on capacity building and criteria for enlisting auditors for SACCOs.

Appreciation

Under the difficult operating environment occasioned by Covid-19 pandemic, it would have been extremely difficult to achieve the impressive performance without the support of our key stakeholders. I therefore wish to extend my sincere gratitude to the SACCO membership, who continued to trust and patronize sources through the regulated SACCOs and the SACCOs themselves who supported the regulatory activities through funding and compliance.

I also wish to sincerely thank the Board of Directors of the Authority for their strategic direction, provision of resources, general policy guidance and oversight provided to the management in the execution of the Authority's mandate.

Special appreciation also goes to the management and staff of the Authority who have been instrumental in implementing the legal and regulatory framework thereby resulting in these great achievements for the sub-sector. It is the support and co-operation with various stakeholders that makes us look forward with hope for a better, stronger and resilient SACCO industry amidst the uncertainty in social economic sphere of our operating environment..

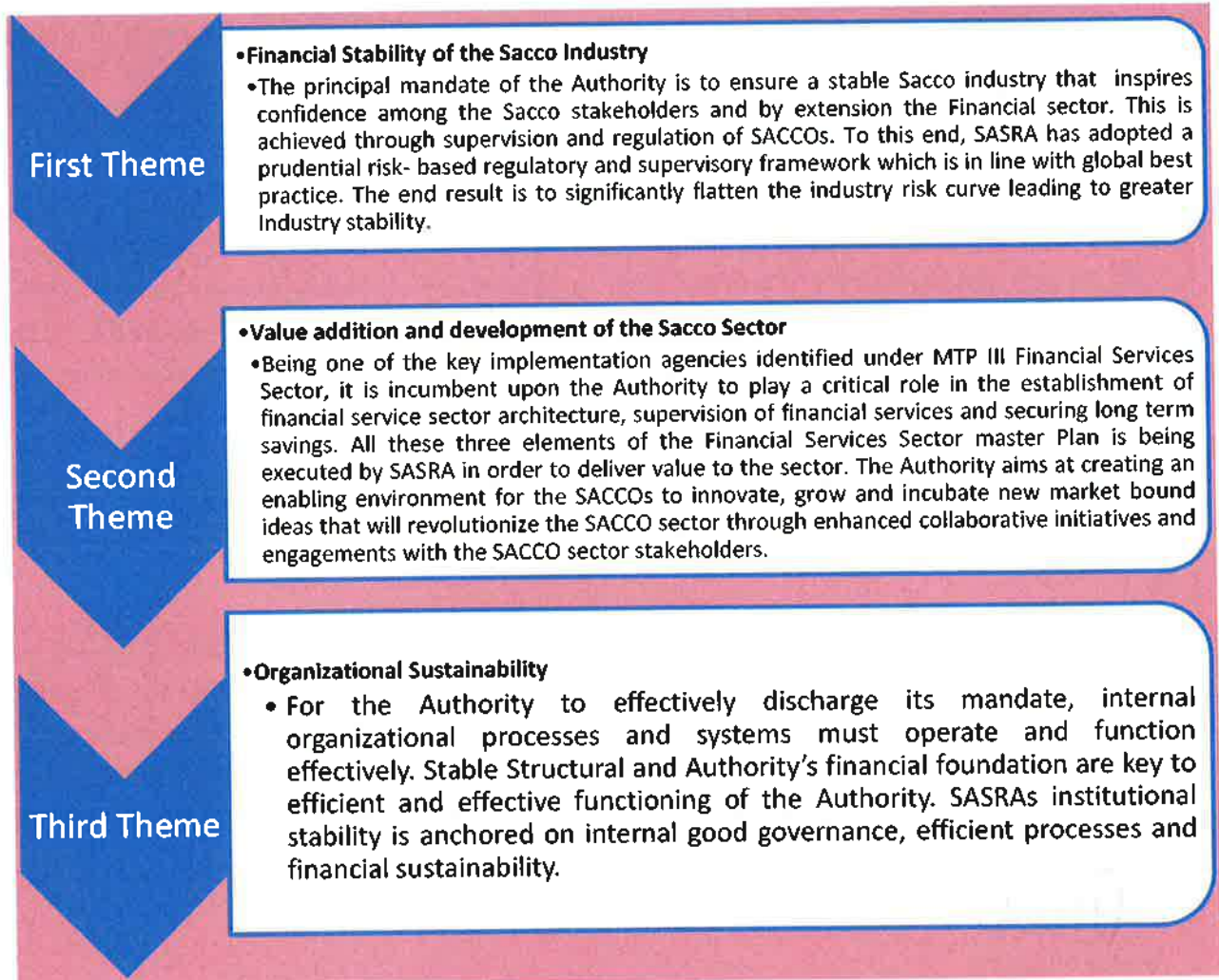


Peter Njuguna
Chief Executive Officer

Statement of Performance Against the Set Objectives

The Sacco Societies Regulatory Authority (SASRA) has in place a five-year strategic plan (2018-2022) which sets a road map aligning critical activities to the functional goals.

The plan has three strategic themes as follows:



To realize the above themes, the Authority develops its annual work plans which sets out successive activities to be implemented by respective functions. The Authority's annual objectives are aligned to the performance contracts and are closely monitored on a quarterly basis. The reports are shared with the parent ministry and the Performance Management and Monitoring Unit under the Ministry of Public Service and Gender.

The achieved performance targets for the FY 2020/2021 are indicated in the table below:

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Strategic Pillar	Objectives	Key Performance Indicators	Activities	Achievements
First Theme: Financial Stability of the Sacco Society sub-Sector	1.1 To fully implement an integrated risk-based supervision framework in line with the ICURN Guidelines by 2021	<ul style="list-style-type: none"> Strengthened Supervision procedures Enhanced supervision capacity Automated RBSS Enhance collaboration and compliance Knowledge exchange 	<ul style="list-style-type: none"> Review of existing RBS framework Building staff capacity on revised RBSS Automate supervision processes Enhance collaboration with ICURN through peer learning and exchange programs 	<p>70% of the activities done through the following achievements:</p> <ul style="list-style-type: none"> -Risk based supervision policy manual reviewed in line with ICURN Principles and Supervision policy developed -Participated in ICURN activities and programs during the period -Supervision process reviewed, documented and system specifications developed -RBSS implementation process ongoing to be completed in the next fiscal year.
	1.2 To enhance compliance with prudential standards to above satisfactory level by all Licensed SACCOS	<ul style="list-style-type: none"> Improved financial stability of the SACCO Sub-sector based on prudential standards 	<ul style="list-style-type: none"> Undertake annual risk-based supervision programs Provide licensed SACCOS with regular feedback on performance and compliance status Undertake timely enforcement actions 	<p>100% implemented by:</p> <ul style="list-style-type: none"> -Setting up to date annual supervision activities i.e licensing, inspections, approvals, capacity building and enforcement actions -Providing Regular quarterly feedback updates on compliance status to the Sacco societies

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Strategic Pillar	Objectives	Key Performance Indicators	Activities	Achievements
	1.3 To develop a functional legal framework for a deposit protection scheme by 2022	<ul style="list-style-type: none"> Revised strategy developed and implemented 	<ul style="list-style-type: none"> Develop guidelines for selection and nomination of trustees 	<p>-100% achieved as the Guidelines for selection and nomination of trustees developed and approved by SASRA Board. The same has been submitted to the Cabinet Secretary for concurrence before dissemination to the SACCOs.</p>
	1.4 To Establish a functional legal framework for Central Liquidity Facility by 2021	Draft Policy and Legal framework	Engage stakeholders on the proposed legal framework	<p>-Draft Policy and legal framework for Central Liquidity Facility (CLF) for SACCOs approved by SASRA Board and presented to the Cabinet Secretary.</p> <p>-Steering committee and technical working groups formed and facilitated to guide the process and ensure industry ownership</p> <p>-Model By-laws developed and application for registration of a SASO made to the Commissioner</p> <p>-Requirements for the shared services Scoped hence 100% of tasked planned in the financial</p>

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Strategic Pillar	Objectives	Key Performance Indicators	Activities	Achievements
<p>Second Theme: Organizational Sustainability</p>	<p>2.1 To ensure continuous full compliance with relevant provisions of Mwongozo Code by 2022</p>	<ul style="list-style-type: none"> • Improved governance practices • Enhanced ethical leadership • Improved Transparency, Accountability and Risk management • Beneficial stakeholder relationships • Compliance with laws and regulations 	<ul style="list-style-type: none"> - To undertake governance and legal audit • Continuous capacity building for Board and Management • Sensitize staff on core values of Authority and Mwongozo Code • Prepare quarterly financial reports • Regular Board meetings to consider strategic and regular policy matters. 	<p>year delivered</p> <p>Fully implemented through: -Governance and legal audit conducted and the Authority is addressing the identified gaps -Quarterly financial reports prepared and presented to the Board and submitted to the National Treasury through the State department of Co-operatives -Meetings held every quarter. Key policies approved. -Revised committee TOR's</p>
	<p>2.2 To increase internally generated financing of the recurrent expenditure by 5% annually</p>	<ul style="list-style-type: none"> • Increased internally generated funds 	<ul style="list-style-type: none"> • Gazettment of new levy order 	<p>-The levy rate for Deposit Taking Saccos increased from 0.125% to current 0.15% in January 2019 (100%) achievement) -Levy Proposal Policy order for the Non-Deposit Taking Saccos developed and approved by the Board ready for stakeholders' consultation to pave way for its</p>

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Strategic Pillar	Objectives	Key Performance Indicators	Activities	Achievements
Third Theme: Value Addition and Development of the SACCO Sub-sector				implementation (50% achievement awaiting stakeholders consultation process)
	3.1 To conduct research on thematic areas and disseminate findings to the industry every two years	<ul style="list-style-type: none"> Availability of research study reports 	<ul style="list-style-type: none"> Conduct Demographic survey on the membership of Saccos 	-Released Sacco Societies Demographic Survey Report in December 2019. (Fully achieved)
	3.2 To continuously create awareness on market performance and emerging issues over the planning period	<ul style="list-style-type: none"> Availability of performance statistics to stakeholders 	<ul style="list-style-type: none"> Publication of Annual Sacco Supervision report within four months from the end of the financial year 	-100% achievement as the Authority Developed and published Sacco Supervision Report 2019 -Drafted Sacco Supervision report for 2020.
	3.3 To develop and implement a market conduct framework by 2020	<ul style="list-style-type: none"> Functional market conduct regulations 	<ul style="list-style-type: none"> Conduct a feasibility study Develop draft regulations 	-Concluded a study on the Market conduct regulations. -Developed and submitted Draft Regulation to the Cabinet secretary for concurrence and submission to parliament (80% achievement)
	3.4 To facilitate increased	<ul style="list-style-type: none"> Draft Guidelines Feasibility study findings 	<ul style="list-style-type: none"> Develop guidelines to govern SACCO Agencies 	80% achievement due to the following achievements:

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Strategic Pillar	Objectives	Key Performance Indicators	Activities	Achievements
	opportunities for access to financial services by 2022	and recommendations	<ul style="list-style-type: none"> • Engage a consultant to undertake a study on SACCO Shared services Legal Framework • Automation of regulatory applications and approval requests from SACCOs 	<p>-Rolled out the guidelines on SACCO Agency services</p> <p>-Study on Sacco shared services conducted</p> <p>Design for license application module developed awaiting automation in the RBSS project</p>
	3.5 Review and improve the policy, legal and regulatory framework for SACCO Societies bi-annually.	<ul style="list-style-type: none"> • Budget Policy Statement 	<ul style="list-style-type: none"> • Submit Budget Policy memorandum and contribute to National Budget Policy Statement 	<p>-The Authority is fully on target by Participating in the implementation of the National Co-operative Policy Taskforce where issues pertaining regulated Sacco societies are articulated</p>

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Strategic Pillar	Objectives	Key Performance Indicators	Activities	Achievements
	<p>3.6 To facilitate capacity building on governance and management of SACCOs over the plan period.</p>	<ul style="list-style-type: none"> • Developed guidelines on areas of regulatory concerns. • Reviewed guideline on registration of Auditors • Trainings of Sacco Officers on emergent issues. 	<ul style="list-style-type: none"> • Develop and implement regulatory guidelines/Circulars • Review and implement guidelines on Registration of Auditors for SACCOs • Enlighten officers of SACCOs on emergent issues. 	<p>-Sacco governance guidelines Revised and approved by the Board ready for roll out</p> <p>-The Authority has continued to provide a list of approved auditors for SACCOs every year and is in the process of drafting a guideline of listing Sacco auditors.</p> <p>-The Authority has conducted trainings on governance for specific Saccos upon request and on identified needs.</p>

Corporate Governance Statement

SASRA recognizes the importance of the Board in providing a sound foundation for good corporate governance in the operations of the Authority, hence the Board has adopted practices that promotes good governance to enhance its strategic and oversight role. The Board regularly reviews its practices to ensure the same reflects current developments and best market practices.

Good corporate governance is a fundamental facet of the culture and operations of the Board.

Board Charter

The Board operates under a Board charter that is aligned with the Code of Governance for State Corporations “Mwongozo” and emerging best practices. The Charter sets out the roles and responsibilities of the board and its Committees, functions, powers, membership and structures. The members sign an undertaking to comply with the Board charter.

Roles and Functions of the Board

The roles and functions of the Board are stated in the Sacco Societies Act and the Board Charter which include:

- a) Determining the Authority’s mission, vision, purpose and core values;
- b) Setting and overseeing the overall strategy and approving significant policies of the Authority;
- c) Ensuring that the strategy of the Authority is aligned with the purpose of the Authority and the legitimate interests and expectations of its stakeholders;
- d) Ensuring that the strategy of the Authority is aligned to the long term goals of the Authority on sustainability;
- e) Reviewing, monitoring and ensuring that the Authority is effectively and consistently delivering on its mandate;
- f) Reviewing periodically the Authority’s strategic objectives and policies relating to sustainability and social responsibility;
- g) Reviewing, evaluating and approving the Authority’s budget and financial forecast;
- h) Monitoring the Authority’s performance and ensuring sustainability;
- i) Reviewing, evaluating and approving major resource allocations and capital investment;
- j) Ensuring availability of adequate resources for the achievement of the Authority’s objectives;
- k) Ensuring that the procurement process is cost-effective and delivers value for money;
- l) Ensuring effective, accurate, timely and transparent disclosure to stakeholders of pertinent information on the organization’s operations and performance;
- m) Hiring the Chief Executive Officer on such terms and conditions of service as may be approved and approving the appointment of senior management staff;
- n) Ensuring effective communication with stakeholders;
- o) Adopting, implementing and monitoring compliance with the Authority’s Board Charter and Code of Conduct and Ethics and related policies;
- p) Reviewing, evaluating and approving the overall organizational structure;

- q) Reviewing, evaluating and approving the remuneration structure of the Authority;
- r) Reviewing on a quarterly basis the attainment of targets and objectives set out in the agreed performance measurement framework with the Government of Kenya;
- s) Enhancing the Authority's public image;
- t) Monitoring compliance with the Constitution, all applicable laws, regulations and standards;
- u) Developing a succession plan for itself and the Chief Executive Officer;
- v) Ensuring adequate systems and processes of accountability, risk management and internal controls are implemented;
- w) Determining the appropriate committee structure, reviewing the same periodically and determining the Terms of Reference for Board committees; and
- x) Making appointments and changes in the composition and leadership of such Committees.

Board Appointment and Tenure

a) Appointment of Board Members

The Board of the Authority are appointed pursuant to Section 6 of the Sacco Societies Act, 2018 by Gazette notice. The President appointed the Chairman of the Board while the Cabinet Secretary appointed the three (3) independent Board members. The Board has three institutional representatives one each from Central Bank of Kenya, The National Treasury and the Commissioner of Cooperatives.

b) Tenure of Board Members

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

c) Removal of Board Members

The Sacco Societies Act provides for removal process and circumstances under which a board member may be removed from office. Which include: if member accepts any office the holding of which, if he were not a member of the Board, would make him ineligible for appointment to the office of a member of the Board; fails to discharge the functions of his office whether arising from infirmity of body or mind or any other cause; conducts himself in a manner not befitting a member of the Board; and becomes subject to any disqualification as they are prohibited from being a director or to take part in the management of a cooperative or financial institution by the Commissioner under the Co-operative Societies Act. A member of the Board may also on his/her own accord resign from office by giving a fourteen days' notice to the Cabinet Secretary.

Board Committees

The Board has established Committees to perform delegated responsibilities that require detailed consideration. The Committees are constituted based on their individual professional skills. The Board committees at the Authority are chaired by the independent charters who

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are appointed from the general public. In the fiscal year under review the Board reconstituted its committees as follows:

Name of the Committee	Members
Supervision, Research, Legal and ICT Committee	<ol style="list-style-type: none"> 1. Dr. Sammy Letema – Chairman 2. Hon. Silas Muriuki 3. Ms. Eunice Nyambura 4. Mr. Gerald Nyaoma
Finance, Strategy, Human Resource and Administration Committee	<ol style="list-style-type: none"> 1. Hon. Silas Muriuki- Chairman 2. Dr. Sammy Letema 3. Ms. Alice Mwololo 4. Mr. Geoffrey Njang'ombe
Audit, Risk Management and Corporate Governance Committee	<ol style="list-style-type: none"> 1. Ms. Eunice Nyambura -Chairperson 2. Ms. Alice Mwololo 3. Mr. Gerald Nyaoma 4. Mr. Geoffrey Njang'ombe

During the period under review, the Board reviewed the Committee Charters and Terms of Reference to align with the revised SASRA organization structure. This led to renaming of the committees as below:

Previous Name	New Name
Supervision, Research, Legal and ICT Committee	Technical Committee
Finance, Strategy, Human Resource and Administration Committee	Corporate Services Committee
Audit, Risk Management and Corporate Governance Committee	Audit, Risk Management and Corporate Governance Committee

Board Meetings

The Board conducts its meetings in accordance with the Sacco Societies Act, 2018 and as guided code of governance for state corporates Mwongozo and circulars issued by the government from time to time. The Board operates under a workplan (almanac) prepared and reviewed by the Board before commencement of every financial year. In addition the Board held two retreats to consider strategic and policies papers that seeks to enhance good corporate governance. The Board considered the following:

- a) SASRA Procurement Policy and Procedures Manual
- b) Staff Car Loan Mortgage Scheme Regulations
- c) SASRA 2018-2022 Strategic Plan Mid-Term Review
- d) Revised Governance Guidelines for Deposit Taking Saccos
- e) Sacco Guidelines on Mortgage Financing
- f) Proposed Policy on Sacco Societies Levy (Specified Non-Deposit Taking Business) Order, 2021.

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- g) Revised Terms of Reference for SASRA Board Committees
- h) Report on Staffing Needs after Conversion to New Organization Structure and Proposed Changes to Career Guidelines
- i) SASRA Gender Mainstreaming Policy
- j) Memorandum of Understanding (MoU) with Directorate of Criminal Investigations
- k) SASRA Staff Workplace Road Safety Policy

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

Type of Meeting		Full Board	Supervision, Research, Legal & ICT Committee	Finance, Strategy, Human Resource & Administration Committee	Audit, Risk Management & Corporate Governance Committee
Total Number of Meetings		9	5	9	6
Name of Board Member & Meetings attended	Hon. John Munuve	9	-	-	-
	Hon. Silas Muriuki	9	5	9	1
	Ms. Eunice Nyambura	9	5	-	5
	Dr. Sammy Letema	9	5	9	-
	Ms. Alice Mwololo	7	-	7	5
	Mr. Gerald Nyaoma	7	5	-	5
	Mr. Geoffrey Njang'ombe	6	-	6	3

Board Capacity Development

a) Board Induction

The Authority has a policy in place that ensures all newly appointed members participate in an induction programme. The induction process includes meetings with other board members, Management and all staff. It involves being taken through the mandate of the Authority, their responsibilities as Board members, status of the institution general principles of governance and Board practices. However, no new Board appointments were made during the year under review hence no induction program undertaken.

b) Board Development

The Board Members are appointed to the Board based on the skills they hold and are expected to maintain the skills required to effectively carry out their mandate. A continuous Board development program is prepared and implemented each year to ensure the Board is kept up to date with emerging industry and governance trends both locally and internationally. The Board attended the following trainings and workshops during 2020/2021 financial year which enhanced their knowledge in the industry and governance trends:

No.	Name Of Training	Dates	Attendees
1.	Effective Corporate Oversight Workshop for New Board, Audit Committee and Finance Committee Members	18 th – 20 th November, 2020	Ms. Eunice Nyambura
2.	8 th Annual Women in Leadership Conference	2 nd – 4 th December, 2020	Ms. Eunice Nyambura Ms. Alice Mwololo
3.	Auditing, Governance, and Risk Management Training for Board and Board Audit Committee	1 st – 5 th February, 2020	Hon. John Munuve Hon. Silas Muriuki Ms. Eunice Nyambura Dr. Sammy Letema Mr. Gerald Nyaoma Ms. Alice Mwololo Mr. Geoffrey Njang'ombe
4.	Gender and Disability Mainstreaming Crosscutting PC Indicator for Board Members of State Corporations	14 th – 18 th June, 2021	Hon. John Munuve Hon. Silas Muriuki Ms. Eunice Nyambura Dr. Sammy Letema Mr. Gerald Nyaoma Ms. Alice Mwololo Mr. Geoffrey Njang'ombe

Board Performance Evaluation

The 2019/2020 Board Performance Evaluation was carried out on 21st August, 2020 virtually facilitated by State Corporations Advisory Committee. The 2020/2021 Board Performance/Evaluation is set for 27th August, 2021 facilitated by SCAC as per the Board Almanac.

Conflict of Interest

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

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official duty of the Authority. The Board has also put in place a Conflict of Interest Policy. No interests were declared or reported during the 2020/2021 financial year.

Remuneration of Board Members

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

Table: Remuneration Rates of the Board members.

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

Ethics and Conduct Governance Assessment

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

Governance Audit

No Governance Audit was undertaken during the period under review.

Succession Planning

Board members of the Authority are appointed at different times pursuant to Section 6(3) of the Sacco Societies Act, to ensure their respective expiry dates of their terms fall at different times. The Chairman was appointed at a different time from the other independent Board Members as well as institutional representatives as illustrated below:

Table: Succession Planning of the Board members.

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NAME	DATE OF APPOINTMENT
Hon. John Munuve	W.e.f 20 th September, 2018
Hon. Silas Muriuki	W.e.f 14 th December, 2018
Ms. Eunice Nyambura	W.e.f 14 th December, 2018
Dr. Sammy Letema	W.e.f 14 th December, 2018
Mrs. Alice Mwololo	W.e.f 14 th October, 2015
Mr. Gerald Nyaoma	W.e.f 6 th April, 2016
Mr. Geoffrey Njang'ombe	W.e.f 2 nd August, 2019

Management Discussion and Analysis

Economic Review

From the Financial stability report, Kenya's economy performed way below its potential, but was generally resilient to the COVID-19 pandemic compared to her peers. It is estimated that real GDP growth for 2020 is 1.0% compared to 5.4% and 6.3% in 2019 and 2018 respectively. This is a better outcome compared with -1.9% for Sub Saharan Africa, -7.0% for South Africa and -1.8% for Nigeria.

The financial sector weathered the devastating impact of COVID-19 pandemic in 2020. Prior to the COVID-19 outbreak, the banking sector was strong, with all key indicators pointing to strong growth, driven by market-based consolidations, repeal of interest rates capping law. The Sacco sector too remained resilient manifested in the growth of the total assets from Kshs. 557 Billion in 2019 to Kshs. 628 Billion in 2020. The total deposits also grew from Kshs. 380 Billion to Kshs. 431 Billion in the same period.

In the East African Community (EAC) Region, the banking sector was characterized by rising Non-Performing Loans (NPLs), flight to safe government securities and rising credit concentration, mainly in household, manufacturing, trade and real estate sectors. However, capital and liquidity buffers were strong enough to absorb existing and emerging risks. In the outlook, the Bank sector's stability depends on the evolution of the COVID-19 pandemic, efficacy of fiscal, monetary and financial policies and economic recovery. The EAC Partner States' Monetary and Fiscal players should be ready to deploy financial and monetary policy measures to mitigate risks in the medium term if COVID-19 persists in the face of new variants to ensure economic recovery.

Moving forward the impact of rising Non-Performing Loans (NPLs) in the economy will be; no funding to SME's and small traders, slowing down the economy since the masses in the economic pyramid will be neglected and less circulation of money in the economy

Sacco Industry Review

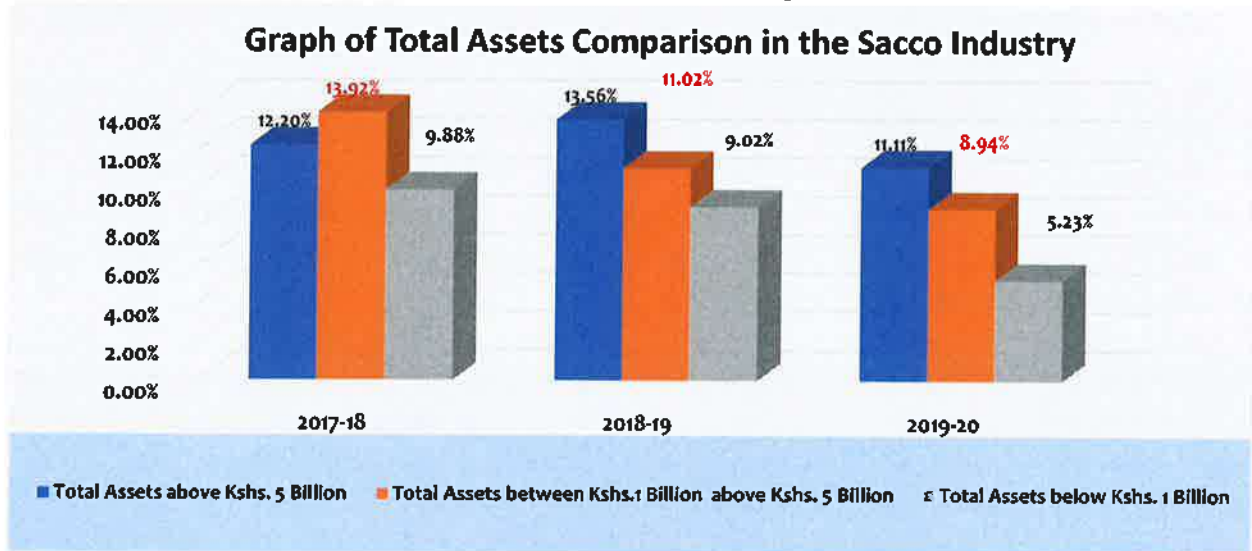
The table below provides a summary of the comparative growth and performance trends among the 175 DT-SACCOs licensed during the period as compared to the previous years.

Table : Comparative growth and performance Trends of DT-SACCOs (2018 - 2020)					
PARAMETER	2018	Y-to-Y Change % (2018/2019)	2019	Y-to-Y Change % (2019/2020)	2020
Number of DT-SACCOS	174		172		175
FINANCIALS	KSHS (BILLIONS)		KSHS (BILLIONS)		KSHS (BILLIONS)
Total Assets	495.25	12.41%	556.71	12.75%	627.68
Total Deposits	341.91	11.27%	380.44	13.41%	431.46
Gross Loans	374.29	12.09%	419.55	13.16%	474.77
Allowance for loans Loss	15.27	26.95%	19.38	24.78%	24.19
Net Loans & Advance	359.02	11.46%	400.16	12.60%	450.58
Capital Reserve	83.76	16.47%	97.55	18.18%	115.28
Core Capital	74.37	6.49%	79.20	23.41%	97.74
Source: SASRA Database					

From the above table, despite the impacts of COVID-19 pandemic on the national economy, the 175 DT-SACCOs were able to register an impressive growth in key performance

measurement parameters. The Deposit taking Saccos recorded growth rate of 12.75% in total assets to Kshs 627.7 Billion from Kshs 556.7Billion recorded in 2019. This growth was funded principally by members' deposits which also grew by 13.4% to Kshs 431.5Billion in 2020 from Kshs 380.4Billion in the previous year.

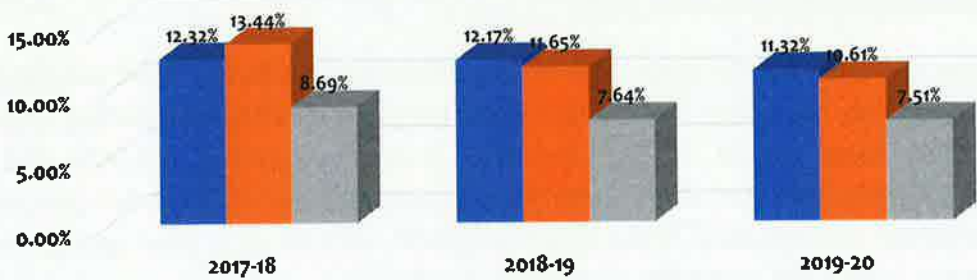
On average the DT-SACCOs with total assets above Kshs 5Billion have always registered a faster growth rate than the rest of the pack between 2017/2018 period and 2019/2020 period. These large tiered DT-SACCOs have grown at 12.20%, 13.56% and 11.11% in 2017/2018, 2018/2019 and 2019/2020 periods respectively. At the same time, it is apparent that the average growth rates of the small tiered DT-SACCOs with total assets below the Kshs 1Billion have continued to shrink over the three (3) years comparative period resting with an average growth rate of 5.23% in 2020. This trend is highlighted in the chart below:



Equally, the average growth rates in total deposits showed a similar trend in which the DT-SACCOs with deposits above Kshs 5 Billion attracted additional savings at a faster rate than the DT-SACCOs with total deposits of below Kshs 5 Billion. For the period ended December 2020, the average growth rate in total deposits for DT-SACCOs with total deposits above Kshs 5 Billion was 11.32% compared to an average growth in deposits of 10.61% for the DT-SACCOs with total deposits of between Kshs 1 Billion and Kshs 5 Billion. The DT-SACCOs with total deposits below Kshs 1 Billion reported the lowest growth rates over the three (3) year periods at 8.69% in 2017/2018; 7.64% in 2018/2019 and resting at a low of 7.51% in 2019/2020. This is shown in the table below:

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2021

Graph of total deposits comparison in the Sacco industry

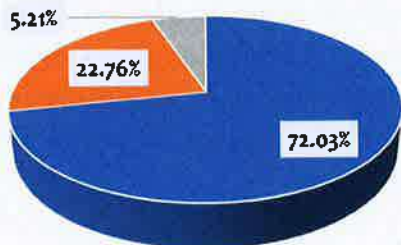


■ Total Deposits above Kshs. 5 Billion ■ Total Deposits between Kshs. 1 Billion and above Kshs. 5 Billion ■ Total Deposits below Kshs. 1 Billion

Based on the distribution of the total assets within the DT-SACCO system, the 34- large tiered DT-SACCOs with total assets above Kshs 5 Billion controlled 72.03% of the total assets' portfolio of DT-SACCOs. The 57-mid-tiered DT-SACCOs with total assets of between Kshs 1 Billion and Kshs 5 Billion controlled 22.76% of the total assets market share. This leaves the majority 84-small tiered DT-SACCOs with total assets of below Kshs 1 Billion to share a paltry 5.21% of the remaining total assets share.

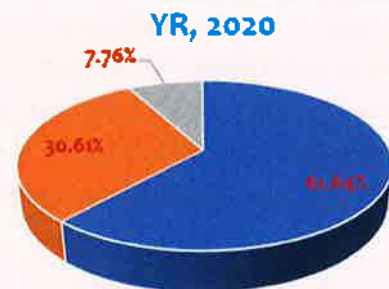
Based on the distribution of the total deposits within the DT-SACCO system, a similar scenario obtained with regard to the market share of the total deposits, with 23-DT-SACCOs with deposits are above Kshs 5 Billion controlling 61.64% of the total deposits market share. The 53-DT-SACCOs with total deposits between Kshs 1 Billion and Kshs 5 Billion controlled a total deposits market share of 30.61%. This left the majority of 99-DT-SACCOs with total deposits of below Kshs 1 Billion to controlling a market share of just 7.76% of the total deposits' market share.

Market share of DT-SACCOs peer-grouped by total Assets - 2020



- 34 DT-SACCOs with Total Assets above Kshs. 5 Billion
- 57 DT-SACCOs with Total Assets between Ksh. 1 Billion and Kshs. 5 Billion
- 84 DT-SACCOs with Total Assets below Kshs. 1 Billion

Market share of DT-SACCOs peer-grouped by total Deposits - 2020



- 23 DT-SACCOs with Total Deposits above Kshs. 5 Billion
- 53 DT-SACCOs with Total deposits between Kshs. 1 Billion and Kshs. 5 Billion
- 99 DT-SACCOs with Total deposits below Kshs. 1 Billion

Key Projects and Investment Decisions

The Authority in response to regulatory and industry challenges has initiated various projects which are either in initiation stage, ongoing or completed. Below is a highlight of various projects undertaken by the Authority during the financial year:

Operationalization of The Sacco Societies Fraud Investigation Unit (SSFIU)

In July 2019, the President issued a Directive for the establishment of a SACCO Societies Fraud Investigations Unit (SSFIU) to be domiciled within SASRA. In implementing the presidential directive, the Authority in consultation with the Directorate of Criminal Investigations operationalized the SSFIU with effect from March 2020. The key and principal mandate of the SSFIU include the -

- a) detection, prevention and apprehension of offenders perpetrating fraud within the SACCO subsector;
- b) collection, analysis and dissemination of relevant criminal intelligence, within the SACCO subsector; and
- c) investigation and recommendation for prosecution of detected / reported cases relating to fraud within the SACCO subsector.

Risk Based Supervision (RBS)

The objective of the project is to improve on the efficiency of the supervision and regulatory function through implementation of a Risk Based Supervision System (RBSS) and Electronic Document Management System (EDMS) that would automate all the supervisory activities such as licensing, corporate approvals, financial analysis and monitoring, inspections planning among others. The project is currently at the implementation stage.

Shared Services and the Central Liquidity Fund (CLF)

The Authority through a multi-agency team comprised of State Department of Cooperatives, Central Bank of Kenya, the National Treasury, Kenya Law Reform Commission and SASRA technical staff developed policy and legal framework on shared services and central liquidity facility.

The facility will enable SACCOs pool their resources together and form an independent legal entity which will specialize in provision of various business services to the member SACCOs. A critical service is a shared technology platform member saccos so as to efficiently offer business services. Draft Policy and legal framework for Shared services have been developed and approved by SASRA Board. Steering Committee and two technical committee working groups have been formed and facilitated to guide the process and ensure industry ownership. In addition, the By-laws for the proposed secondary SACCOs SDC have been developed with the support of SDC and same submitted to the Commissioner for cooperatives and development for review and concurrence before registration.

Market Conduct Policy

This policy envisages protection of Sacco members. This will be achieved by setting standards of conduct, regulation of products and services provided by regulated SACCOs, ensure compliance through oversight and taking remedial action on poor conduct among the

regulated SACCOs. Draft regulations of the market conduct have been developed and submitted to the Cabinet Secretary for concurrence to pave way for stakeholders' consultation.

Future Development

The Government policy objective under the SACCOs legal and regulatory framework is to facilitate a thriving Sacco subsector to compete with the very best in the financial market. This can only be achieved through collective efforts of the Sacco sector stakeholders to ensure SACCOs develop and provide relevant, attractive and competitive financial services to their members. The Authority notes that a shared vision and purpose as articulated in the National Co-operative Development Policy should be the rallying point for all the stakeholders. We will continue implementing our strategies to ensure stability of the Sacco sector by:

- a. Long term capacity development programmes for Sacco societies given the increasing sophistication of Sacco businesses and the on boarding of Non-Withdrawable deposit Taking SACCOs into the prudential regulatory regime. Key to this is standard training and education programmes specific to the needs of SACCO societies in order to professionalize the management of Sacco business and ensure that the reform agenda is sustained.
- b. Development of a Sacco Societies financial system to ensure vibrancy through:
 - Shared Services and Central Liquidity management facility;
 - Credit Information Sharing; and
 - Deposit Guarantee Fund

Risk Facing the Authority

The COVID-19 pandemic created a challenge to the Authority in fully executing its mandate. The financial regulations as designed entails physical assessment of the SACCOs through onsite inspections and also approvals which require interactions with physical documents. Due to the risk involved, the Authority scaled down its onsite inspection activities and relied on online processing of approvals for requests received from the SACCO societies.

Financial Performance of the Authority

The Authority's total revenue for the period under review was Kshs. 438.1 Million. This was a drop of Kshs. 69Million compared to Kshs. 477Million in the previous financial year. The drop in total revenue was occasioned by lack of donor and exchequer support in the current Financial year. However, the component of the total revenue consisting of levies and license fees increased marginally by 1.6% and 16.84% respectively which is attributed to growth in total deposits in the sacco subsector in the year 2020/21.

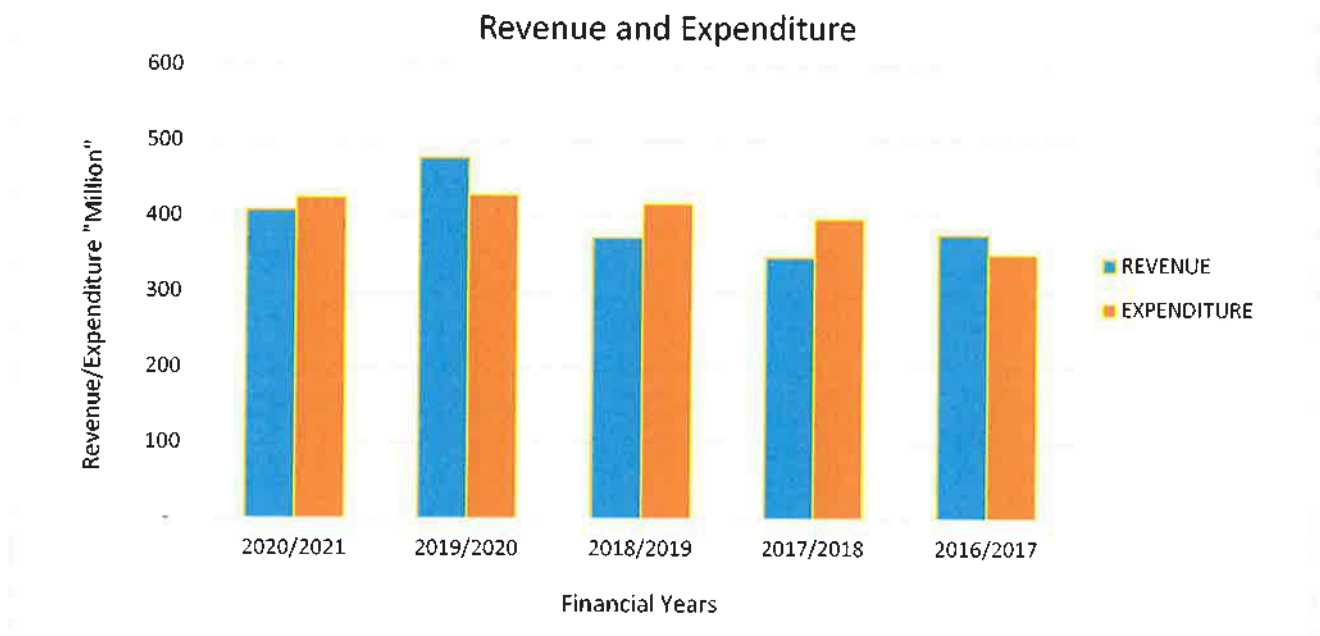
Total recurrent expenditure for the Authority for the FY 2020/21 was Kshs 425.3 Million against a recurrent revenue of Kshs 408Million resulting to a deficit of 16Million. During the previous financial year, total recurrent expenditure was Kshs 430.8 against total recurrent

The Sacco Societies Regulatory Authority (SASRA)
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revenue of Kshs 477 Million thus resulting to a surplus of Kshs.46.3 Million which was occasioned by non-implementation of strategic activities due to the effects of Covid-19 pandemic. The Authority expenditure was within budget and where appropriate reallocations were done during the period to cater for emerging expenses that were not foreseen at the time of developing the budget.

The graphical highlights below summarize the Authority performance in terms of recurrent revenue and expenditure for the five year period from the year 2016/2017 to the year 2020/2021.

Graph: Analysis of revenue and expenditure



Compliance with Statutory requirements

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

The Authority is continuously reviewing its Internal Risk Management framework that will monitor risks faced by the Authority and provide for mitigation strategies for the identified risks.

Environmental and Sustainability Reporting:

At the Authority, we believe in achieving a balance between today and tomorrow to enable us sustain implementation of our mandate. We have therefore designed several policies outlined below that promotes sustainability:

Sustainability Strategy and Profile:

The Authority employs various strategies to enable it operate within limited financial resources to ensure sustainability of its operations. The Authority's activities are mainly funded by levies from licensed Sacco Societies. With prudential regulations, these Saccos are expected to be stable to guarantee sustainable funding of the Authority.

The ongoing onboarding of the Non-Withdrawable Deposit Taking SACCOs requires additional resources. This calls for a new levy order to the NWDT SACCOs to ensure smooth operations. In addition, the Authority will continue engaging development partners and the Exchequer for additional funding.

Devolution has also brought about challenges due to lack of clarity in responsibilities of the two levels of government as far as regulating and supervising the SACCO societies are concerned. While it is the common understanding that regulation of national financial entities such as deposit taking Saccos is a national government responsibility, there has not been a clear policy that defines the roles of the two levels of government thus causing conflicts. Various initiatives geared towards addressing this challenge have been undertaken. These include development of National Co-operative Development Policy which aims at defining responsibilities of the two levels of government.

Recently, Intergovernmental Relations Technical Committee gazetted a delineation of the co-operative functions via Kenya Gazette supplement No. 106 legal notice No. 85 providing direction on the responsibilities of regulations of the Co-operative Societies in Kenya. This initiative has provided that the regulations of Deposit Taking Saccos is domiciled at the National Government.

Environmental Performance

The Authority is committed to conserve the natural resources and the ecosystem within our geographical jurisdiction.

To enhance a sustainable environment, the Authority in the fourth quarter of the year in collaboration with Kenya Forest Service - Machakos County, had a successful tree planting exercise in Katangi Primary school in Mua Hills. SASRA managed to plant a total of 2,500 tree seedlings through a local community initiative known as General Mua Environmental Initiative (GMEI)



Tree planting exercise in Mua Hills, Machakos

Paperless Economy

E Board

The Board of the Authority embraced a paperless system through adoption of E Board management software that has continuously improved operational efficiency and reduced printing of bulk pages hence enhancing environmental sustainability.

Printing Papers on both sides

The Authority embraced a corporate culture of printing less and in instances where printing had to be done, the staff were encouraged to print on both sides of the paper.

The advantages of use of both E board and printing on both sides resulted to the following: -

- i) Saving on paper
- ii) Reduction of storage spaces
- iii) Less garbage disposal
- iv) Time saving
- v) Improved Efficiency
- vi) Reduction of carbon footprint

Reduction of carbon emission

During the year, there was a lock down due to the Covid 19 pandemic. Due to this reason, there were reduced staff travels hence that led to low carbon emission.

Employee Welfare

The Authority has ensured compliance with the 1/3 gender rule with the current ratio of Female to Male standing at 38%: 62% respectively. The Authority also promotes tribal diversity when conducting recruitments for various positions as well as inclusivity for people living with disability.

The authority has put in place measures to mainstream gender into its policies and programmes in all areas and at all levels to ensure gender equity and equality. The Authority during the period under review trained all the Board members, gender mainstreaming committee and management and staff on gender mainstreaming. The Authority also revised its gender mainstreaming policy to conform with the emerging trends.

Through the training needs assessment, the staff are offered opportunities for Continuous Professional Development training to improve their skills.

	TRAINING	TRAINER	DATE	VENUE	PROFESSION
1	Fundamentals of auditing the Supply Chain and Procurement function	Capabuil	26 th -30 th July 2019	Mombasa	Supply Chain Management
2	Board Operations and Processes	Kenya School of Law	16 th – 20 th November 2020	Mombasa	Legal
3	Modern Fraud and Digital Forensics & Cyber Security investigations strategy	Capabuil	7 th -12 th December 2020	Mombasa	Sacco Compliance
4	Public Sector HR Audit & Legal Risk Management	Kenya School of Law	9 th – 13 th November 2020	Kisumu	Legal
5	Leadership and Change Management	Public Relations Society of Kenya	9 th - 13 th November 2020	Kisumu	Communications

Some of the Continuous Professional Development courses the Authority undertook in the year 2020/21

On safety and compliance with the Occupational Safety and Health Act (OSHA) of 2007, the Authority has a policy in place and has ensured the OSHA committee members have undergone training in fire marshalling, First Aid applications, safety and health management, workplace, health hazards and methods of control.

Earlier in the year 2020, the Authority established a COVID committee that would look into ways of firming up the MOH guidelines at the work place. This was achieved through several response efforts such as; enhancing work from home strategies, ensuring COVID protocols

were observed in the office premises, working hand in hand with the Authority's medical providers and constant communication with staff on COVID related matters.

The Authority has created a conducive environment with gender sensitive facilities. The Authority has in this regard refurbished the lactation room with modern equipments and facilities that are more conducive.

In line with the Health Act, 2017 which requires all employers to establish lactation rooms in the workplace, the Authority set aside a mothers'/lactation room on the 18th Floor. The facility is adequately fitted with all the necessary equipment. This breastfeeding-friendly workplace has supported SASRA's new mothers to successfully combine work and breastfeeding. The room was customized in quarter 4 of the year 2020/21 and is championed by the Gender Mainstreaming committee and Human Capital and Administration Department.



The Authority's mothers'/lactation room

Responsible Competition practice

The Authority established a Market Conduct department whose primary responsibility among others is to oversee Governance drivers, social action, and economic enablers in the Sacco subsector since these regulatory practices constitute market conduct regulation and supervision. The Market Conduct function is influenced by three factors: -

1. Institutional framework – the law, regulatory infrastructure, and institutions
2. Supply-side factors – established Sacco culture, best practices and conduct of saccos
3. Demand-side factors – member expectations, member trust and financial capability.

SASRA is working towards having in place market conduct policies to enhance these three factors and create a more sustainable, fair, and sound financial ecosystem for Sacco members. On the supply side, the Authority protects the members of public from unfair market practices by setting requirements and overseeing a Sacco's market entry, market activities and market exit, through licensing, monitoring on-site inspections and other supervisory processes.

Collaboration with financial agencies that that have set up and are regulating the Market conduct space and through competition enforcement where need be.

Responsible Supply Chain and supplier relation

The Authority has continued to ensure the business opportunities available are advertised to capture the widest viewership. We ensure that the information and tender documents are free to access thereby reducing the cost of doing business. The requirements for supply of required goods or services are also clearly provided to all interested suppliers. The Authority has maintained communications or feedback to suppliers as prompt and in the most convenient medium e.g. email and letters.

During tendering for complex projects, the Authority has organized pre-bid conferences or site surveys in order to share information with suppliers and build consensus on the bid requirements.

The Authority has also ensured that suppliers contracted to provide goods and services are supported to perform their obligations through provision of necessary space, information, and project teams.

In numerous occasions, the Authority has given reference letters to suppliers with ongoing or previous contracts, to support their bid applications or due diligence checks by other agencies.

On payments to suppliers, the Authority has maintained the recommended turnaround time.

Responsible Marketing and advertising

Authority's efforts to maintain ethical marketing practices

The Authority has no products and services to market but randomly, we do advertise, guided by the Government Advertising Agency (GAA).

During the placing of these advertisements, the Authority has been very keen on good corporate governance which has given our stakeholders the confidence that we operate with integrity.

Our internal stakeholders are also are guided by the core values which include;

Integrity- We endeavor to be honest, truthful and transparent in all our services and actions.

Accountability We endeavor to uphold a high level of probity in our operations

Innovation and Creativity We are driven by continuous improvement, finding new ways to make things better, optimize results by working smarter, empowered to take risks, learn and grow from our failures & successes.

Professionalism We are qualified, skilled and committed to high-quality work and delivering exceptional service internal and external stakeholders.

Teamwork We aim to work together with synergy and collaborate with our stakeholders in executing our mandate

Product Stewardship

The Proposed market Conduct framework presents principles, concepts and core processes that shall be used for market conduct supervision to support and implement the following principles:

1. Sacco services and products should be designed to meet the needs of customers. Saccos should assess the financial capabilities and needs of customers before offering them a service, advice, or product. The provision of advice or selling of a Sacco product should consider the interest of the members, having regard to their profiles and the complexity of the services or products in question.
2. Saccos should set out and clearly explain the key features, risks, and terms of the products, including any fees, commissions, or charges applicable to Members. Appropriate information should be provided to the Members before, during and after the point of sale.
3. All promotional materials and information designed for Members should be accurate and understandable. Misleading interpretations or marketing practices should be avoided.
4. Saccos should provide members with reasonable channels to submit claims, make complaints, seek redress, and should not impose unreasonable barriers on Members when accessing their savings.
5. Saccos should work with other stakeholders in financial education for their members to promote financial literacy.

These five principles if adhered to will represent a major milestone in the development of an effective consumer protection regime.

Corporate Social responsibility / Community Engagements

SASRA believes that every citizen deserves to live in a clean and safe environment. In the year under review, the Authority spearheaded a tree planting exercise at Katangi Primary school in Mua hills. Further, the Authority donated pangas and watering cans as a way of enabling the community to take care of their environment.



The Authority donating pangas and watering cans to the community

Report of The Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Authority's affairs.

Principal activities

The principal activities of the Authority are indicated on Page 3

Results

The results of the entity for the year ended June 30, 2021 are set out on page 56-64 and the accompanying notes.

Directors

The members of the Board of Directors who served during the year are shown on page 7.

Dividends/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 Authority did not report any surplus during the year under review 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


Corporate Secretary
Nairobi
Date:.....

Statement of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs as at the end of the financial period ended on June 30, 2021. 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 Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments 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, 2021, and of the Authority's financial position as at that date. The Directors further confirms 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 20th September 2021 and signed on its behalf by:


For: Hon John Munuve.

Board Chairman


Peter Njuguna

Chief Executive Officer

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON SACCO SOCIETIES REGULATORY AUTHORITY (SASRA) FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Sacco Societies Regulatory Authority (SASRA) set out on pages 56 to 89, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget

Report of the Auditor-General on Sacco Societies Regulatory Authority (SASRA) for the year ended 30 June, 2021

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 the Sacco Societies Regulatory Authority (SASRA) as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), and comply with the Public Finance Management Act, 2012 and the Sacco Societies Act, 2008.

Basis for Opinion

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

Key Audit Matters

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

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, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else 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

1. Irregularities in Board Expenses

The statement of financial performance and as disclosed under Note 12 to the financial statements reflects Board expenses of Kshs.24,082,968. However, examination of the related expenditure records revealed the following irregularities.

1.1. Irregular Payments to Other Government Representatives in the Board

An amount of Kshs.4,276,698 was paid to Board Members representing The National Treasury, State Department for Cooperatives, Central Bank of Kenya and Inspector General of Corporation contrary to the Office of the President Circular No. OP/CAB.9/IA

of 3 February, 2016 which nullified appointment of state officers and public officers to boards of state corporations in their individual capacities.

Further, the payment also contravenes the Attorney General's letter dated 22 August, 2013 which affirmed that the Inspector-General (Corporations) and his staff who routinely attend virtually all Board and Committee meetings of State Corporations should not be paid board allowances as the attendance of the Inspector General (Corporations) in meetings is pursuant to his mandate and therefore part of the normal duties of the inspectorate.

1.2. Committee Members Exceeding a Third of Full Board Membership

The Authority had seven (7) Board members in the year under review and constituted three (3) Committees of four (4) members each. However, the Committee membership exceeded three (3) members which is one third (1/3) of the full board membership contrary to Office of the President Circular of March, 2020 which require that the number of members to any Committees should not be more than one third (1/3) of the full Board to obviate the risk of a Committee conducting its business within the framework of a full Board structure. Further, approval from the Cabinet Secretary seeking to exceed the one third membership was not provided for audit verification.

Consequently, the Management was in contravention of the Office of the President Circular.

2. Irregular Payment of Final Dues

The statement of financial performance and as disclosed under Note 11 to the financial statements reflects employee costs totalling Kshs.226,509,926 which includes an amount of Kshs.8,683,200 paid to the former Chief Executive Officer (CEO) for gratuity for service. However, included in the payment is an amount of Kshs.648,000 being leave allowance for thirty-six (36) days not taken as at the end of his contract period. This is contrary to the Office of the President circular dated 23 November, 2004 on Guidelines on Terms and Conditions of Service for State Corporations' Chief Executive Officers that requires leave allowance to be paid at the rate of Kshs.50,000 or one-third (1/3) of basic salary, whichever is less, once in a calendar year.

In the circumstances, the Management was in contravention of the Office of the President Circular.

3. Electronic Document Management System and Related Hardware Infrastructure Project Implementation

The Authority implemented an Electronic Document Management System (EDMS) and Related Hardware Infrastructure (RHI) at a contract sum of Kshs.206,422,869. The contract was signed on 21 February, 2020 for a period of six (6) months as indicated in the project schedule, payments plans and agreed milestones as shown below.

Milestone	Description of Project Schedule	Payment Percentage (%)
II	Completion and acceptance of supply, installation of a test environment and demonstration of the bidder's standard RBSS & EDMS package to the Authority.	10
III	Configuration, customization, testing and commissioning of RBSS integrated to EDMS completion and acceptance.	30
IV	Supply, configuration, testing & commissioning of related hardware infrastructure completion & acceptance.	40
V	Integration of RBSS to ERP Completion and acceptance.	15
VI	Six months after final signoff of the project.	5

However, the following inadequacies were observed.

- i. The Work plan was revised thrice, the final one on 22 March, 2021, while the performance bond expired on 21 June, 2021.
- ii. As at 30 June, 2021, the vendor had only delivered milestone II and IV and had been paid a total of Kshs.103,211,435 even though the contract had been cancelled and the Authority has not advertised for the tender for the remaining scope of the project.
- iii. The hardware delivered, though connected to the power source, has never been used for the purpose for which it was acquired but consumes power thereby raising utility cost and depreciates without a corresponding economic value flowing to the Authority.
- iv. The three (3) servers were supposed to have raid controller with a capacity of 8GB cache to support both internal hard drives of compute sled as well as the hard disks in the storage sled. It was however noted that the supplied capacity was 2GB leading to a discrepancy by 6GB.
- v. The unified storage solution was designed to deliver at least 130 terabytes usable capacity in two (2) tiers. However, the vendor delivered only 77.37 terabytes resulting in a deficit of 53.43 terabytes.

In the circumstances, the Authority has not got value for money from this project and is likely to incur additional costs to have it completed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and Board of Directors

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

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

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

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

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how 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 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sacco Societies Regulatory Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the 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 the 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.


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 July, 2022

Statement of Financial Performance for Year ended 30th June 2021

	Notes	2020-2021	2019-2020
Revenue		Kshs	Kshs
Transfers from Other Government Entities	6	-	23,700,000
Levies	7	420,961,506	382,209,433
Public Contributions and Donations	8		54,080,838
License Fees	9	17,374,000	17,181,442
Total Revenue		438,335,506	477,171,713
Expenditure			
Use of goods and services	10	135,171,885	88,496,409
Employee costs	11	226,509,926	220,821,621
Board Expenses	12	24,082,968	25,848,445
Depreciation and amortization expense(non-cash)	13	69,180,648	33,312,309
Repairs and maintenance	14	5,357,699	8,293,875
Consultancy & capacity development - Donor	15		54,080,838
Total Expenditure		460,303,125	430,853,497
Surplus/ (Deficit) for the period		(21,967,619)	46,318,216

The notes set out on pages 65 to 88 form an integral part of these Financial Statements.
 The Financial statements set out on pages 56 to 64 were signed on behalf of the Board of directors by:


 Chief Executive Officer

Peter Njuguna

Date 23/09/2021


 Manager Finance & Accounts
 ICPAK No. 9582
 Flora Kimari

Date 23/09/2021


 For: Chairman of the Board
 Hon. John M. Munuve

Date 23/09/2021

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2021

Statement of Financial Position as at 30th June 2021

		2020-2021	2019-2020
ASSETS	Notes		
Current Assets		Kshs	K.sh
Cash & Cash Equivalents	16	235,249,341	319,614,103
Receivable from Non-Exchange transactions	17	4,146,075	13,149,705
Total Current Assets		239,395,416	332,763,808
Non-current Assets			
Property, plant and equipment	18(a)	186,958,895	146,632,508
Intangible assets	18(b)	13,768,405	-
		200,727,300	146,632,508
Total Assets		440,122,716	479,396,316
FUNDS & LIABILITIES			
Current Liabilities			
Trade and other payables	19	41,670,442	7,192,566
Provisions	20	4,751,790	11,242,582
		46,422,232	18,435,148
Funds & Reserves			
Capital Reserves	21	630,909,209	630,909,209
Accumulated surplus/deficit	22	(250,208,725)	(182,948,037)
Revaluation	23	13,000,000	13,000,000
Total Funds and Reserves		393,700,484	460,961,272
Total Funds and Liabilities		440,122,716	479,396,316

The Financial Statements set out on pages 56 to 64 were signed on behalf of the Board of Directors by:


Chief Executive Officer
Peter Njuguna

Date 23/09/2021


Manager Finance & Accounts
ICPAK No. 9582
Flora Kimari

Date 23/09/2021


For Chairman of the Board
Hon. John M. Munuve

Date 23/09/2021

Statement of Changes in Net Assets for the Year Ended 30th June 2021

	Capital fund	Retained earnings	Revaluation reserve	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 30 JUNE 2019	607,349,669	(206,027,995)	13,000,000	414,321,674
Surplus for the period	-	46,318,216	-	46,318,216
Remission to National Treasury		(23,238,258)	-	(23,238,258)
Donations	23,559,540		-	23,559,540
Balance as at 30 JUNE 2020	630,909,209	(182,947,937)	13,000,000	460,961,272
Surplus/Deficit for the period	-	(21,967,619)		(23,967,619)
Remission to National Treasury		(42,127,240)		(42,127,240)
Add: Prior year adjustments		(3,165,926.40)		(1,165,926.40)
Transfers to capital	-	-		-
Balance as at 30 June 2021	630,909,209	(250,208,723)	13,000,000	393,700,486

Statement of Cash Flows for the Year ended 30th June 2021

	Notes	2020-2021	2019-2020
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Government grants and subsidies -Recurrent	6	-	23,700,000
Levies - Sacco Deposits	7	420,961,506	382,209,433
Public Contributions and Donations	8	-	54,080,838
License application fees	9	17,374,000	17,181,442
Total Receipts		438,335,506	477,171,713
Payments			
Use of goods and services	10	96,477,230	51,003,495
Rent paid	10	38,694,654	37,492,913
Employee Expenses	11	226,509,926	220,821,621
Board Expenses	12	24,082,968	25,848,445
Repairs and maintenance	14	5,357,699	8,293,875
Consultancy and Capacity development	15		54,080,838.00
Total Payments		391,122,478	397,541,187
Surplus/Deficit before working capital changes		47,213,029	79,630,526
Working capital changes			
Decrease/(Increase) in current receivables	17	9,003,630	11,080,522
Increase/(Decrease) in current payables	19,20	27,987,084	(2,762,254)
Net changes in working capital		36,990,714	8,318,268
Net cash flows from operating activities		82,203,743	87,948,794
Cash flows from investing activities			
Purchase of property, plant, equipment and intangibles		(111,489,649)	(6,813,541)
Net cash flows used in investing activities		(111,489,649)	(6,813,541)
Cash flows from financing activities			
Surplus paid to KRA		(42,127,140)	(23,238,258)
Prior year adjustments		(3,165,926)	
Transfer to Capital		(11,785,789)	
Net cash flows used in financing activities		(57,078,856)	(23,238,258)
Net increase/(decrease) in cash and cash equivalents		(84,364,761)	57,896,991
Cash and cash equivalents at 1st July (B/f)		319,614,103	261,717,112
Cash and cash equivalents at 30 JUNE		235,249,342	319,614,103

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2021

The Financial Statements set out on pages 56 to 64 were signed on behalf of the Board of Directors by:


Chief Executive Officer
Peter Njuguna
Date 20/09/2021


Manager Finance & Accounts
ICPAK No. 9582
Flora Kimari
Date 22/09/2021


For: Chairman of the Board
Hon. John M. Munuve
Date 23/07/2021

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2021

Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2021

	Original Budget Kshs.	Adjustments Kshs.	Final Budget Kshs.	Actual on Comparable basis Kshs.	Performance difference Kshs.	% utilizat ion Kshs.
Revenue						
Levies	429,532,500.31	(11,455,994.15)	418,076,506.16	420,961,506.16	(2,885,000)	100.00
Licenses	18,200,000.00	1,874,000.00	20,074,000.00	17,374,000	2,700,000	86.55
Total Income	447,732,500.31	(9,581,994.15)	438,150,506.16	438,335,506.16	185,000	a
Expenses						
Recurrent Expenses						
Use of Goods and Services	192,160,612	(33,534,514.62)	158,626,097.38	135,171,884.76	23,454,212.62	85.21
Employee Costs	231,988,212	(4,624,301.30)	227,363,910.70	226,509,925.96	853,984.74	99.62
Remuneration to directors	13,000,000.00	11,896,352.80	24,896,352.80	24,082,967.80	813,385	96.73
Depreciation and amortisation	-	-	-	69,180,647.90	(69,180,647.90)	-
Repairs and Maintenance	18,440,000.00	(12,744,667)	5,695,333	5,357,699	337,633.99	94.07
Total Recurrent expenses	455,588,824.00	(39,007,130.12)	416,581,693.88	462,303,125.43	(43,721,431.55)	-
Capital expenses						
Purchase of Motor Vehicle	-	13,290,720.00	13,290,720.00	11,930,000.00	1,360,720.00	89.76
Laptop Computers	-	4,813,965	4,813,965	4,366,365	447,600	

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2021

CCTV installation	-	2,367,327.00	2,367,327.00	2,670,839.12	(303,512.12)	90.7	d
APC Smart Ups	-	700,000.00	700,000.00	699,999.00	1.00	100.00	
Lactating Room	-	396,800.00	396,800.00	396,800.00	-	100.00	
Total Capital Expenses	-	21,568,812	21,568,812	20,064,003.12	1,504,808.88	93.02	
Total Expenditure				482,367,128.55			
Surplus for the period				(42,031,622.39)			
Development Revenue							
RBSS Funds	-	206,761,842.00	206,761,842.00	206,761,842.00	-	100.00	
Development Expenditure							
RBSS Prototype and Hardware	-	103,211,435.00	103,211,435.00	103,211,435.00	-	100.00	
RBSS Software	-	103,550,407.00	103,550,407.00	-	103,550,407.00	-	
Total Development Expenditure	-	206,761,842.00	206,761,842.00	103,211,435.00	103,550,407.00	49.92	e

The Sacco Societies Regulatory Authority (SASRA)
Annual Report and Financial Statements for the year ended June 30, 2021

Reconciliation	
Expenditure as per comparison of Budget and actual statement	480,367,128.55
Less capital expenses	(20,064,003.12)
Expenditure as per Financial Performance report	460,303,125.43

Explanation of difference between the actual and budgeted amounts- IPSAS 24.14

- a) The variance in actual licenses fees received and budgeted amount was as a result of overestimation during the budgeting process
- b) The cost savings under use of goods and services was due to reduction in legal costs as opposed to the budgeted cases and postponed consultancies as a result of change in strategic direction.
- c) Savings on acquisition of Motor vehicle was as a result of discount received from the vendor
- d) The estimated cost of CCTV installation was based on market survey at the time of budgeting. The amount increased due to change in market prices at the point of delivery.
- e) The under absorption under RBSS was as a result of non delivery by the vendor as per the terms of the contract agreement.

Changes between the original and final budget was due to reallocation of the budget to cater for expenditures that had not been foreseen at the time of budget preparation.

Notes to the Financial Statements

1. General Information

The Sacco Societies Regulatory Authority (SASRA) is a government agency established as a State Corporation pursuant to Section 4 of the Sacco Societies Act, 2008 and has been functionally operational since June 2010. It is charged with the responsibility of Licensing, Regulating and Supervising Deposit Taking and Specified Non-Withdrawable Deposit Taking Sacco Societies in Kenya. This is done through implementation of the Sacco Societies (Deposit Taking Sacco Business), Regulations, 2010 and Sacco Societies (Non-Deposit Taking Sacco Business), Regulations, 2020 respectively.

The ultimate objective is to ensure safety, soundness and integrity of the Sacco societies which are key players in the financial sector. This is done in order to protect the interests of Sacco members and ensure that there is confidence in the public towards the sector to spur economic growth through the mobilization of domestic savings.

2. Statement of Compliance and Basis of Preparation

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

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

Notes to Financial statements

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>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:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for

	<p>financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</p> <ul style="list-style-type: none"> • 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.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>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:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting

	<p>for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
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iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Public contributions & Donations

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

Transfers from other government entities

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

ii) 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 2019.

Notes to Financial statements

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.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

Notes to Financial statements

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) 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.

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

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

e) 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 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 so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter

Notes to Financial statements

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of the estimated useful life of the asset and the lease term. The Authority currently does not have a running finance lease

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.

f) 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.

g) 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 the asset 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.

h) 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

Notes to Financial statements

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.

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 a 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:

Notes to Financial statements

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The debtors or an 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)

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

Notes to Financial statements

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

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.

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.

Notes to Financial statements

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.

m) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees and directors. Defined contribution plans are postemployment 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.

Notes to Financial statements

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Related parties

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the 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 analyses 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 concessions arrangements were in place as at end of the financial period.

p) Cash and cash equivalents

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

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, 2020.

Notes to Financial statements

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 Authority. Such changes are reflected in the assumptions when they occur. 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
- Changes in the market in relation to the asset

Provisions

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

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.

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Notes to Financial statements

		2020-2021	2019-2020
		Kshs.	Kshs.
6	Government grants		
	Recurrent grants received	-	23,700,000
	Total	-	23,700,000
7	Levies		
	Deposit Levies from Sacco	420,961,506	382,209,433
	Total	420,961,506	382,209,433
8	Public Contributions and Donations		
	FSSP Support	-	53,975,253
	AFI Support	-	105,586
	Total		54,080,838
9	Licenses, Fees and Permits		
	Licence Renewal Fees	16,663,000	16,663,442
	License Application fees	711,000	518,000
	Total	17,374,000	17,181,442
10	Use of goods and services		
	Subscriptions staff club membership and software licenses	10,959,230	124,000
	Professional membership & AFI affiliation fees	2,084,625	2,306,250
	Provision for doubtful debts- Britam	-	7,535,583
	Security costs	690,000	720,000
	Advertising, promotion & corporate image	16,597,339	3,594,631
	Newspaper, cleaning services & drinking water	2,228,527	2,391,624
	Electricity	789,238	494,869
	Audit fees	487,200	487,200
	Consulting fees	6,750,321	1,210,659
	Office Consumables	1,864,075	1,679,286
	Legal expenses	98,140	1,388,975
	Postage expenses	187,200	155,796
	Printing and stationery	2,053,876	2,401,391
	Rent and rates	38,694,654	37,492,914
	Bank charges	353,127	384,336
	Telephone expenses	492,320	247,055
	Travel, subsistence, hospitality & supplies	11,990,482	21,642,290
	Stakeholder engagement costs	1,500,720	1,479,369
	Supervision & research activities costs	16,602,832	2,760,180
	Training (capacity development)	18,654,151	13,113,817

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	Fuel and oil	1,281,621	
	Insurance for motor vehicles	812,206	
	Total	135,171,885	88,496,409
11	Employee costs		
	Salaries and wages costs	190,527,682	167,960,657
	Employer contributions to pension	13,694,549	13,278,240
	Staff Medical expenses	16,695,668	16,424,062
	Staff Welfare activities	1,327,437	2,856,942
	Provision for outstanding leave days	4,264,590	7,187,903
	Total	226,506,926	220,821,621
12	Board Expenses		
	Sitting allowances for regular meetings	6,570,558	6,556,696
	Honoraria and airtime	1,020,000	1,020,000
	<i>Other Board Expenses:</i>		
	Other Board Expenses- Special meetings and workshops	16,492,410	18,271,749
	Total	24,082,968	25,848,445
13	Depreciation and amortization expense		
	Property, plant and equipment	62,306,766	33,312,309
	Amortization	6,873,882	
	Total	69,180,648	33,312,309
14	Repairs and maintenance		
	ICT Equipment & other maintenance costs	2,243,176	3,964,743
	Motor Vehicles	3,114,523	4,329,132
		5,357,699	8,293,875
15	Consultancy & capacity development - Donor		
	Consultancy costs FSSP Funded	-	44,141,488
	Capacity development costs		9,833,765
	Capacity development costs - AFI funded		105,586
	Total		54,080,838
16	Cash & Cash Equivalents		
	Bank	235,249,341	319,614,103
	Total	235,249,341	319,614,103

Notes to Financial statements

16b	(a) Detailed Analysis of the Cash and Cash Equivalents			
			2020-2021	2019-2020
	Financial institution	Account number	Kshs.	Kshs.
	a) Current account			
	Co-operative bank of Kenya	01120161308700	235,249,341	319,614,103
	Total		235,249,341	319,614,103

17	Receivable from Non- Exchange transactions		
	Outstanding Levies	1,543,653	1,448,348
	Deposits and prepayments	4,669,355	9,924,729
	Other receivables	6,018,435	6,018,435
	Receivables from staff accounts	2,451,414	369,975
	Capital GoK grant	-	5,925,000.00
	Doubtful debts	(10,536,782)	(10,536,782)
		4,146,075	13,149,705

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18(a). Property, Plant and Equipment

	MOTOR VEHICLES		COMPUTER HARDWARE		PARTITIONS		OFFICE FURNITURE		OFFICE EQUIPMENTS		TOTAL	
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
Cost												
At 30 June 2019	22,296,924	57,937,253	154,524,525	26,404,276	17,064,607	278,227,585						
Additions	5,283,450	18,233,540	-	-	6,856,089.88	30,373,079.87						
Disposals & Impairment	-	-	-	-	-	-						
Transfer/Adjustments	-	-	-	-	-	-						
At 30 June 2020	27,580,374	76,170,793	154,524,525	26,404,276	23,920,697	308,600,665						
Additions	11,930,000	87,635,512	-	127,500	2,940,139.12	102,633,151						
Disposals & Impairment	-	-	-	-	-	-						
Transfer/Adjustments	-	-	-	-	-	-						
At 30 June 2021	39,510,374	163,806,305	154,524,525	26,531,776	26,860,836	411,233,816						
Depreciation												
At 1st July 2019	15,816,924	56,390,283	28,623,919	10,775,216	17,049,507	128,655,849						
Depreciation	3,245,000	6,856,745	18,567,464.51	2,921,527.66	1,721,572	33,312,309						
	-	-	-	-	-	-						
At 1st July 2020	19,061,924	63,247,028	47,191,383	13,696,743	18,771,079	161,968,158						
Depreciation	4,535,863	34,558,236	18,567,464.45	2,897,626.00	1,747,575	62,306,765						
Adjustments	-	-	-	-	-	-						
Disposals & Impairment	-	-	-	-	-	-						
At 1st July 2021	23,597,787	97,805,264	65,758,848	16,594,369	20,518,654	224,274,922						
Net book values												
At 30 June 2020	8,518,450	12,923,765	107,333,142	12,707,533	5,149,618	146,632,507						
At 30 June 2021	15,912,587	66,001,041	88,765,677	9,937,407	6,342,182	186,958,894						

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Notes to Financial statements

18(b) Intangible assets

	Cost	KShs
	At 30 June 2019	26,829,042
	Additions	-
	Disposals & Impairment	-
	Transfer/Adjustments	-
	At 30 June 2020	26,829,042
	Additions	20,642,287
	Disposals & Impairment	-
	Transfer/Adjustments	-
	At 30 June 2021	47,471,329
	Depreciation	
	At 1st July 2019	26,829,042
	Depreciation	-
		-
	At 1st July 2020	26,829,042
	Depreciation	6,873,882
	Adjustments	
	Disposals & Impairment	-
	At 1st July 2021	33,702,924
	Net book values	
	At 30 June 2020	-
	At 30 June 2021	13,768,405

19	Trade and other payables		
	Trade payables	37,042,163	7,123,910
	Other payables	4,628,279	68,656
	Total	41,670,442	7,192,566

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NOTES TO THE FINANCIAL STATEMENTS

		2020-2021	2020-2021	2020-2021	2020-2021
		Kshs.	Kshs.	Kshs.	Kshs.
20	Current Provisions				
		Gratuity	Leave benefits	Audit Fees	Total
		Kshs.	Kshs.	Kshs.	Kshs.
	Balance at 1 July 2020	4,998,750	5,756,637	487,200	11,242,587
	Additional provisions	-	4,264,590	487,200	4,751,790
	Provision utilised	(4,998,750)	(5,756,637)	(487,200)	(11,242,587)
	Balance as at 30 June 2021	-	4,264,590	487,200	4,751,790

21	Capital Reserve		
		2020-2021	2019-2020
		Kshs.	Kshs.
	Balance b/f	630,909,209	607,349,669
	Donations		23,559,540
		630,909,209	630,909,209
22(a)	Accumulated surplus/deficit		
	Balance b/f as July 2020	(182,947,940)	(206,027,998)
	Prior year adjustments	(3,165,926)	
	Surplus paid to KRA	(42,127,240)	(23,238,158)
	Surplus/ (Deficit) for the Period	(21,967,619)	46,318,216
		(250,208,725)	(182,947,940)
22(b)	Prior Year Adjustments		
	Payroll deductions	(706,306)	
	Utilized Staff leave allowance	5,756,633	
	Gratuity expenses not provided in prior years	(1,362,450)	
	Supplier expenses not captured in prior years	(6,654,316.50)	
	Reversal of long outstanding unrepresented cheques	2,608,271.77	
	Rent expenses not captured in prior years	(2,753,759)	
	Total	(3,165,926.40)	
23	Revaluation Surplus	13,000,000	13,000,000

NOTES TO THE FINANCIAL STATEMENTS

24. 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

Notes to Financial statements

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:

The credit risk associated with 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.

NOTES TO THE FINANCIAL STATEMENTS

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

vi) 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:

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	13,000,000	13,000,000
Retained earnings	(250,208,725)	(182,948,037)
Capital reserve	630,909,209	630,909,209
Total funds	393,700,484	460,961,172
Total borrowings	-	-
Less: cash and bank balances	(235,249,341)	(319,614,103)
Net debt / (excess cash and cash equivalents)	158,451,143	141,347,069.13
Gearing	40%	31%

NOTES TO THE FINANCIAL STATEMENTS

25. 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

i. 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. There was no surplus in the financial year under review.

26. Events after the reporting period

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

27. Ultimate and holding Entity

The Authority is under the Ministry of Agriculture, Livestock, Fisheries and Co-operatives. It's ultimate parent is the Government of Kenya.

28. Currency

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

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Annual Report and Financial Statements for the year ended June 30, 2021**

Appendix I: Progress on Follow Up of Auditor Recommendations

There were no issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:

Chief Executive Officer
Sacco Societies Regulatory

Date.....

Peter Njuguna

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