

REPUBLIC OF KENYA



**REPORT**

**OF**

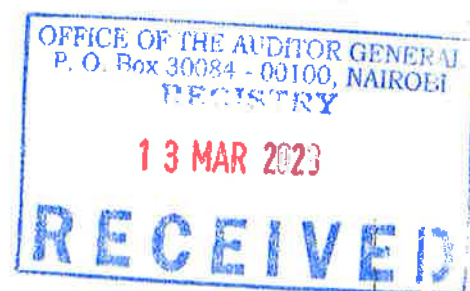
**THE AUDITOR-GENERAL**

**ON**

**SACCO SOCIETIES REGULATORY  
AUTHORITY (SASRA)**

**FOR THE YEAR ENDED  
30 JUNE, 2022**

**The Sacco Societies Regulatory Authority (SASRA)**  
**Annual Report and Financial Statements for the year ended June 30, 2022**



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**Sacco Societies Regulatory Authority (SASRA)**

**Annual Report and Financial Statements**

**For The Financial Year Ended**  
**30<sup>th</sup> June, 2022**

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**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 gazettment of the Sacco Societies (Deposit-taking Sacco Business) Regulations, 2010 (the Regulations 2010) on 18<sup>th</sup> 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**

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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 30<sup>th</sup> June 2022 with direct fiduciary responsibility were:

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

***The Sacco Societies Regulatory Authority (SASRA)***  
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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](mailto:info@sasra.go.ke)  
Website: [www.sasra.go.ke](http://www.sasra.go.ke)  
NAIROBI, Kenya

**Bankers**

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

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

**Independent Auditors**

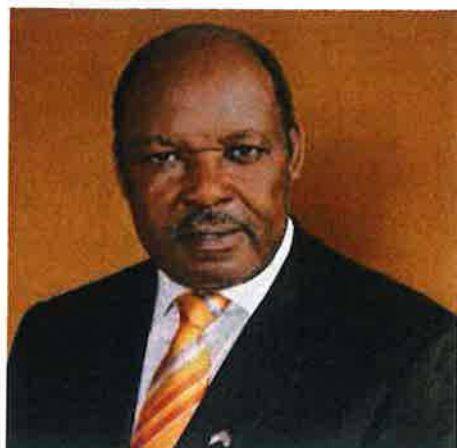
Auditor General  
Office of Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084 GPO 00100  
NAIROBI, Kenya

**Principal Legal Adviser**

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

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**Board of Director**



**Hon. Jackton Ranguma**  
*Non-Executive Chairman*  
Master of Science M.Sc. in Accounting and Finance

Mr Ranguma was appointed as the chairperson of the Authority on 10th February 2023.

He has a Master of Science M.Sc. in Accounting and Finance from the University of Illinois Urbana - Champaign.

Mr Ranguma is a Member of the Institute of certified Public Accountants of Kenya (CPA) (K) amongst other affiliations with Institute of Secretaries of Kenya (CPS) (K) and Kenya Institute of Management (KIM).

He has held key leadership positions with over 30 years' experience amongst them being the pioneer Governor of Kisumu county in 2013.



Prior to joining Kisumu County, CPA Ranguma was the first Commissioner of Domestic Taxes of the Kenya Revenue Authority where he was extensively involved in tax policy formulation and administrative reform, Public Finance, International and bilateral organizations and general oversight.

Previously, Mr Ranguma was a partner of BDO Binder, an International accounting firm for more than 25 years where he developed extensive networks as an Advisor, and Consultant with vast knowledge in Audit, Finance and development, Institutional restructuring, reconstruction, mergers and acquisitions, bad debt restructuring, receivership management, project management and divestiture planning.

Mr Ranguma also worked as a Joint Receiver Manager where he revived the Muhoroni Sugar company to successful operations.

CPA Ranguma brings on board a wealth of experience as a strategic leader with expansive knowledge in governance, Public Finance, policy and system reviews and Strategic Management that will propel the Authority in execution of its regulatory mandate to financial stability.

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 <p><b>Mr. George K. Murathe</b> Non-Executive Chairman Bachelor of Arts in Economics and Political Science</p>	<p>Mr. George Kuria Murathe was appointed as the Chairman of the Board of Directors of the Authority on 6th July, 2022. Mr Murathe was born on 28th August, 1960.</p> <p>Mr Murathe is an economist with over 20 years of experience. He holds a Bachelor of Arts degree in Economics and Political Science from the University of Nagpur, India.</p> <p>Prior to his appointment, Mr Murathe served in various Boards as an independent Director at Kenya Wine Agencies Limited and Kenya National Trading Corporation.</p>
 <p><b>Hon. John M. Munuve</b> Non-Executive Chairman until 8<sup>th</sup> February, 2022 Bachelor of Arts degree in Social Development and Administration and an M.A in Sociology.</p>	<p>Hon. Munuve served as the Chairman of the Board of the Authority from 12<sup>th</sup> September, 2018 to 8<sup>th</sup> February, 2022. He was born on 23<sup>rd</sup> December 1956. He previously served as a Member of the National Assembly for Mwingi North constituency from 2013 to 2017.</p> <p>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.</p> <p>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.</p>

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**Mr. Robert Mburu**  
*Independent Member*  
 Bachelor in Commerce (Accounting)

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

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

His other competencies are in leadership and entrepreneurship.



**Ms. Anne Waceke Wetangula**  
*Independent Member*  
 Bachelor of Psychology (Counselling) and  
 M.B.A (Strategic Management)

Ms. Waceke was appointed as a Member of the Board of Authority on 28<sup>th</sup> October, 2021. She was born on 10<sup>th</sup> August, 1983. She is the Chairperson of the Technical Committee of the Board. She holds a Master of Business Administration (Strategic Management) degree from Daystar University as well as a Bachelor of Psychology (Counselling) degree from the University of Nairobi.

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

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**Mr. Kelvin Mogeni**  
*Independent Member*  
 LLB, BA (Hons), Post Graduate  
 Diploma in Law

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

Mr. Mogeni previously served as the Chairman of the International Commission of Jurists - Kenya (ICJ).



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

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



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	<p>Mr. Nyaoma was appointed as an alternate to the Governor of the Central Bank of Kenya on 6<sup>th</sup> April, 2016. Mr. Nyaoma was born on 17<sup>th</sup> 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.</p> <p>He is CPA (K), CPS (K) and an Associate of the Kenya Institute of Bankers (AKIB).</p>
	<p>Mr. David Obonyo was appointed to the Board of the Authority on 17<sup>th</sup> June, 2021. Mr. Obonyo was born on 4<sup>th</sup> October 1966. He is the current Commissioner for Cooperatives Development. He holds a Masters of Arts in Rural Economics and Co-operation from Bundelkhand University and a Bachelor of Arts in Sociology and Political Science from Agra University.</p> <p>Mr. Obonyo has over 27 years working experience in Co-operative Movement having worked in various positions at the Ministry including being the Ag. Chief Executive Officer/ Secretary at the Ethics Commission for Co-operative Societies Board.</p>

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

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

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**Ms. Eunice Nyambura**

*Independent Member upto 16<sup>th</sup> August, 2021*

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 13<sup>th</sup> December, 2018. She was born on 26<sup>th</sup> November 1979. She was 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.



**Dr. Sammy Letema**

*Independent Member upto 16<sup>th</sup> August, 2021*

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

Dr. Letema born on 1<sup>st</sup> January 1971, was appointed as a Member to the Board of Authority on 13<sup>th</sup> December, 2018. He also served as the Chairman of the Board of Kenya Forestry Research Institute (KEFRI) and 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.

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**Hon. Silas Muriuki Ruteere**  
*Independent Member up to 13<sup>th</sup> December, 2021*  
 Bachelor of education.

Hon. Muriuki was appointed as a Member to the Board of Authority on 13<sup>th</sup> December, 2018. He was born on 12<sup>th</sup> January 1949. 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.



**Mr. Peter Njuguna**  
*Chief Executive Officer*  
 BSc in Mathematics, MSc. in Operations Research, and CPA(K), Certified Executive Leadership Coach(CELC).

Mr. Njuguna was appointed as the CEO on 18<sup>th</sup> August, 2021. He holds a MSc. in Operations Research from the London School of Economics, UK, and a BSc in Mathematics. He is a holder of CPA (K) a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and a Certified Executive Leadership Coach (CELC).

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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**Mrs. Roselyne A. Ragama**  
*Corporation Secretary/ Director  
Legal Services*

LLM (Corporate Governance) LLB (Hons) and Post Graduate Diploma in Law, and CPS (K), Certified Executive Leadership Coach(CELC)

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 LLM from University of Nairobi specializing in Corporate Governance, LLB (Hons) and Post Graduate Diploma in Law from Kenya School of Law, CPS (K) and Diploma in Cooperative Management. She is a member of the Institute of Certified Public Secretaries of Kenya, a Certified Executive Leadership Coach(CELC) and a member of the Institute of Directors of Kenya.

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**Management Team**

	<p><b>Peter Kahunyo Njuguna</b></p> <p>Chief Executive Officer</p> <p>MSc. Operations Research, BSc. Mathematics, CPA (K), Certified Executive Leadership Coach(CELC)</p>
	<p><b>Roselyne Adoyo Ragama</b></p> <p>Director, Legal Services and Corporation Secretary</p> <p>LLM Corporate Governance, LLB, Dip. Law, CPS (K), Dip. Cooperative Management, Certified Executive Leadership Coach(CELC)</p>
	<p><b>Peter Owira Onunga</b></p> <p>Director, Compliance, Market Conduct and Regional Coordination</p> <p>MBA (Finance), BA (Economics)</p>




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	<p><b>Boniface Wambua Musumbi</b></p> <p>Manager, Human Capital and Administration</p> <p>MBA (Human Resource Management and Strategic Management), BA (Economics and Geography), CHRM</p>
	<p><b>Flora Nyambere Kimari</b></p> <p>Manager, Finance and Accounts</p> <p>MBA, BA (Economics and Sociology), CPA (K)</p>
	<p><b>Yvonne Kinya Gatobu</b></p> <p>Manager, Corporate Communications</p> <p>MA (Diplomacy and International Relations), BA (Public Relations), MPRSK</p>

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	<p><b>Anne Wambui Kago</b></p> <p>Manager, Market Conduct Supervision</p> <p>MBA (Corporate Management),BA (Political Science and Sociology), M- ACAMS, M-CIPR(UK), M-PRSK</p>
	<p><b>Joseph Gogo Osoro</b></p> <p>Manager, Compliance</p> <p>MBM, BSc, AGEK, CPA(K)</p>
	<p><b>Norah Chemutai Biomndo</b></p> <p>Manager, Risk and Quality Assurance</p> <p>MBA (Strategic Management),BA(Economics), CPA(K) CFE</p>

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	<p><b>Dr David Gitonga Kahuthu</b></p> <p>Manager, Licensing and Regulation</p> <p>PhD (Finance), MBA (Finance), Bcom (Accounts and Finance), CPA(K), Dip. Cooperative Management</p>
	<p><b>Jeremiah Otieno Were</b></p> <p>Manager, Sacco Supervision</p> <p>LLM, LLB, Dip. Law</p>
	<p><b>Stephen Michubu Lairenge</b></p> <p>Manager, Information Communication Technology</p> <p>MSC (ICT Policy and Regulation), BSC (Information Technology)</p>



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	<p><b>Julius Thairu Muraguri</b></p> <p>Manager, Supply Chain Management</p> <p>MBA, BA (Economics &amp; Sociology), MCIPS</p>
	<p><b>Sammy Kipruto Korir</b></p> <p>Manager, Internal Audit</p> <p>MBA, BBM (Accounting), CPA(K),</p>
	<p><b>Sophie Mukiri</b></p> <p>Manager, SASRA Fraud Investigation Unit</p> <p>Dip. Police studies, Mgmt Course, GTI</p>

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**Chairman's Statement**

Dear Stakeholders,

It is my pleasure to present to you our annual report and financial statements for the year ended 30th June 2022.

**Overview**

An overview of the performance of the SACCO subsector indicates that despite the external shocks that negatively impacted various sectors of the economy, the SACCO subsector was able to withstand the shocks and record significant growth in key performance indicators such as total assets, total deposits and gross loans. During the year 2021, the subsector's total assets, total deposits and gross loans and advances grew by 9.93%, 9.80% and 9.67% respectively. Total membership also increased from 5.82million to 5.99million in the year signifying the relevance of the SACCO subsector in Kenya. This underscores the social-economic impact a sound and safe SACCO industry has, in deepening access to affordable credit to ordinary citizens in Kenya.

The annual report provides a snap shot of how the Authority put to use its financial resources to enhance value addition in the Sacco Subsector during the year under review. In addition, it provides an overview of the strategies employed by the Authority to achieve the intended outcomes of the legal and regulatory framework. Further, it spells out the operational, financial and governance performance for the Authority for the financial year beginning 1st July, 2021 to 30th June, 2022. The Financial Year (FY) 2021/2022 marks the final year of implementing the Authority's Strategic Plan for 2018- 2022. During the year a number of strategic initiatives were implemented towards achieving the objectives and mandate of the Authority.

**Strategic Achievements**

**Establishment of the SACCO Societies Fraud Investigations Unit (SSFIU)**

The government established the Sacco Societies Fraud Investigation Unit which is domiciled at the Authority's offices. The Unit conducts criminal investigations in instances of theft, fraud and embezzlement of SACCO funds. The unit has since opened investigations in over 20 cases; several arraignments in court; and caused recoveries of funds lost within the

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SACCO subsector. This complements the prudential supervision to enhance governance and soundness of the Sacco industry.

**Central Liquidity and Shared Services Legal Framework**

The Authority has been championing the formation of a Shared Services and Central Liquidity Facility for the SACCO subsector in Kenya. A policy for the establishment of Shared Services to facilitate the licensing and supervision of a Central Liquidity facility was approved by the Cabinet office and is awaiting processing to Parliament. This will be a transformative policy initiative that aims to establish a regulatory framework for shared technology amongst the SACCOs and thus, efficient and effective operations management in the SACCO subsector.

**Sources of finance to the Authority**

Levies and license fees constitute the major source of funding for the Authority. The other source is development partners working through the National Treasury to support the financial sector development. Total revenue earned from levies and license fees during the year under review was Kshs. 495 Million which was applied for recurrent expenditure whereas revenue in form of donations from development partners through FSSP of National Treasury was Kshs. 171.4 Million.

The Sacco Societies (Non-Withdrawable Deposit- Taking business), Regulations, 2020 became effective from 1<sup>st</sup> January, 2021. The effect of the Regulations, 2020 coming into force required the Authority to on board an additional 185 Non-Withdrawable Deposit Taking SACCOs, that were hitherto not regulated, into the regulatory regime. Despite the additional responsibility, the Authority utilized the available resources including license fees collected from NWDTs to onboard them as measures were being put in place to engage the new regulated entities to contribute their portion of the levy to support financing of the Authority's activities.

**Future Outlook**

Looking into the future, the Authority will soon be embarking on journey to develop its strategic plan by setting out the strategic objectives to be pursued for the next five years. The



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strategic initiatives envisaged in the plan will be aimed at improving the Authority's operational efficiency, enhancing regulatory compliance, modernizing our risk-based supervisory systems and processes to ensure effective delivery of our mandate.

**Appreciation**

May I pass my special gratitude to the Cabinet Secretary, Ministry of Agriculture, Livestock, Fisheries and Co-operatives, Principal Secretary for the State Department for Cooperative Development, the Commissioner for Co-operative Development and the various County Departments of Cooperatives for the support granted which enabled the Authority to achieve the milestones stated herein. I also wish to appreciate the various stakeholders for the collaboration towards attaining the shared vision for the Sacco subsector. Specifically, we thank the following stakeholders namely; SACCOs, National Co-operative Organizations (NACOs) for the support during the various stakeholder's engagement forums which were geared towards development and implementation of regulatory policies meant to catapult the sector to the next level of development.



**Hon. Jackton Ranguma**  
**Chairman, Board of Directors.**

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**Chief Executive Officer's Statement**

I am pleased to present the Authority's Annual Report for the Financial Year 2021/22.

**Licensing and Authorization Status**

During the year ended 30th June 2022, the Authority onboarded 185 Non-Withdrawable Deposit Taking SACCOs (NWDT-SACCOS) which were subsequently issued with Authorization certificates to undertake Non-Withdrawable Deposit Taking business. In addition, five (5) new DT-SACCOs were licensed to undertake deposit taking Sacco business in Kenya while Four (4) previously licensed DT-SACCOs failed to maintain the required minimum standards for a SACCO to undertake deposit Taking Sacco business and consequently their licenses were not renewed. This brought the number of licensed DT-SACCOs to 176.

**Membership in the SACCO Subsector**

The total membership in the SACCO subsector spread across the 361 regulated SACCOs stood at 5.99 million as at 31<sup>st</sup> December 2021 compared to 5.82million reported in 2020, a marginal increase of 3%. The increase in membership is largely attributed to the onboarding of an additional 185 NWDT-SACCOs into the regulatory regime.

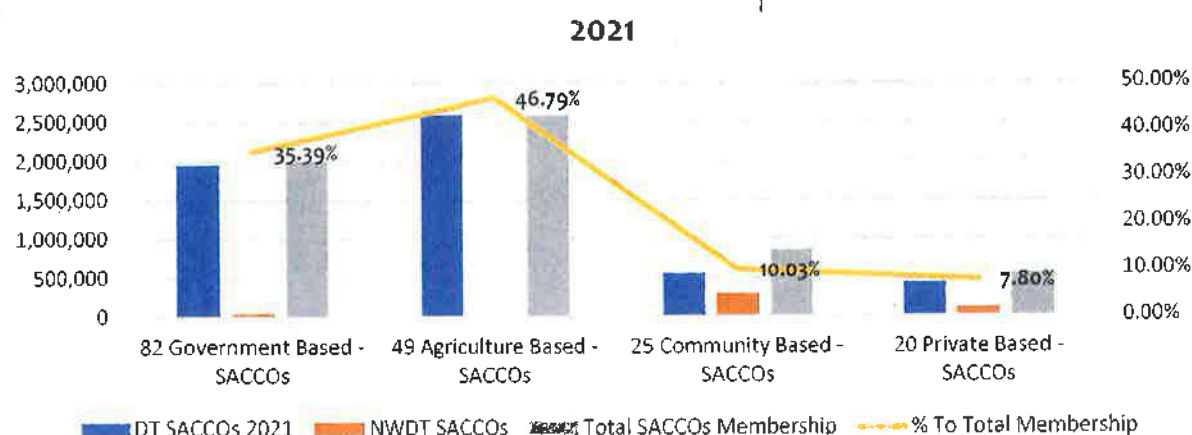
**Membership in the SACCO Subsector based on Common bond clusters**

The 361 regulated SACCOs are clustered into four (4) main categories based on the field of membership; namely, Agriculture based, Government based, Community based and Private based SACCOs. A majority of members of the regulated SACCOs are domiciled within the 49 Agriculture-based DT-SACCOs whose membership stood at 2,591,344 representing 46.79% of the total membership. The 117 Government based SACCOs are the second highest cluster with a membership of 2,009,117 representing 35.39% of the total membership. 82 DT-SACCOs dominate in membership among the 117 Government based SACCOs with a membership of 1,960,056 while 35 Government based NWDT-SACCOs have a paltry 49,061 members. For Community based SACCOs, there are 25 DT-SACCOs with 555,299 members and 63 NWDT-SACCOs with 296,988 members, all totaling to 852,287 representing 10.03% of the total membership. The last cluster is comprised of private based SACCOs where 20 DT-

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SACCOs have a membership of 432,090 while 87 NWDT-SACCOs have a membership of 114,736, all totaling to 546,826 representing 7.8% of the total membership as presented in Figure 1 below:

**Figure 1: Sacco's Market Share based on Common Bond**



### Financial Performance of the SACCO subsector

Despite the harsh economic times witnessed due to the impact of COVID-19 pandemic, the SACCO subsector maintained an average growth trajectory of above 9% in the key performance indicators of total assets, total deposits and gross loans and advances. For instance, the subsector's total assets grew by 9.93% from Kshs.734.2billion in 2020 to Kshs. 807.11billion as at 31st December, 2021. Similarly, the Subsector's total deposits grew by 9.8% from Kshs.514.46billion in 2020 to Kshs.564.89billion as at 31st December 2021. On Gross loans and advances, the subsector registered a growth rate of 9.67% in the year 2021, increasing from Kshs.555.05billion in 2020 to Kshs.608.75billion as at 31st December 2021.

### Comparative market share between DT-SACCOs and NWDT-SACCOs

The 176 DT-SACCOs continue to dominate the largest market share compared to 185 NWDT-SACCOs by total assets, deposits and gross loans. For instance, out of the subsector's total assets of Kshs.807.11billion as at 31st December 2021, the 176 DT-SACCOs held assets

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amounting to Kshs.691.01billion representing 85.6% while the 185 NWDT-SACCOs held the remaining share of assets amounting to Kshs.116billion representing 14.4%.

A similar dominance trend was also observed in the market share of deposits where deposits amounting to Kshs.474.25billion representing 84% of the subsector's total deposits were held by the 176 DT-SACCOs while the 185 NWDT-SACCOs held the remaining share of deposits amounting to Kshs.89.64billion representing 16%.

On gross loans and advances, the 176 DT-SACCOs also dominated in the market share by reporting outstanding loans and advances amounting to Kshs.522.25billion as at 31<sup>st</sup> December 2021, representing 86% of the subsector's total gross loans and advances. The 185 NWDT-SACCOs on the other hand reported outstanding gross loans and advances amounting to Kshs.86billion representing 14% of the subsector's total gross loans and advances as 31<sup>st</sup> December 2021.

#### **Financial Performance of the Authority**

The total current assets increased by 26% to Kshs. 300 million in 2022 from Kshs. 239 million in 2021. This was occasioned by receipt of donations during the year under review from FSSP. In addition, there was a net fall in deposits and prepayments by Kshs. 5.3 million. On the other hand, non-current assets increased by 29% to Kshs. 259 million in 2022 from Kshs. 200 million in 2020 due to the purchase of additional Computer hardware, software and motor vehicle during the year.

Levies, license permits and fees constitute the main source of funding for the Authority's activities. During the year under review levies increased from Kshs. 420 million in 2020 to Kshs. 495 million in 2021 due to the increase in the rate of deposit levy from 0.15% to 0.175% effective January 2022 and the increase of the deposit liabilities of DT SACCOs which form the basis for the determination of the levies payable by the DT SACCOs.

License renewal fees increased twice fold to Kshs. 35 million in the year under review from Kshs. 16 million in the comparative year 2020. This was due to the onboarding of NWDT-

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SACCOs in 2021 following the commencement of Sacco Societies (Non Deposit -Taking Sacco Business) Regulations 2020 on 1<sup>st</sup> January 2021. In addition, there was an increase of 50% in the license application fees from Kshs. 711,000 in 2021 to Kshs. 1,652,001 in 2022.

Use of goods and services by the Authority increased from Kshs. 135 million in 2021 to Kshs. 179 million in 2022, an increase of about 33%. This was occasioned by the increased mandate of the Authority due to the onboarding of an additional 185 Non-withdrawable Deposit Taking SACCOs into the regulatory regime. Employee cost increased by 5% from Kshs. 226 million in the year 2021 to Kshs. 237 million in the year 2022 due to the increase in the number of employees. Depreciation and amortization expenses increased by 61% from Kshs. 69 million in 2021 to Kshs. 111 million in 2022 due to the acquisition of additional computer hardware and software and motor vehicles during the year under review.

### **The Future Strategic Priorities**

#### **Shared Services Platform and Central Liquidity Facility:**

The Cabinet on its sitting on 12th May, 2022 approved the policy on the proposed Legal Amendments to the SACCO Societies Act to Facilitate Licensing and Regulation of a Central Liquidity and Shared Services Platform (SACCO Central) for the SACCO Societies in Kenya for onward transmission to Parliament. In addition, the Kenya Sacco Shared Services and Central Liquidity Co-operative Society (SACCO Central) was registered by the Commissioner for Co-operative Development (CCD) during the year under review. The mandate of the Sacco Central will be to provide a shared service to member SACCOs including shared technology services and related business services to enhance the competitive and sustainability of the SACCO industry.

#### **Deposit Guarantee Fund**

The Authority continues to pursue policies that will enhance market confidence in the Sacco subsector. Subsequently, the Authority prepared a policy on Legal Amendments to the SACCO Societies Act to Facilitate operationalization of the Deposit Guarantee Fund (DGF) for SACCOs in Kenya. The policy was approved by Cabinet for onward transmission to parliament. This fund will provide a safety net mechanism for depositors in the event of failure of a prudentially regulated SACCO.

### **Risk Based Supervision System**

Risk Based Supervision is a critical tool in proactive monitoring, identification and management of risks before they manifest. Towards this end, the Authority is implementing a Risk based Supervision system for efficient and effective supervision of the industry.

### **Appreciation**

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

I single out my appreciation to management and staff of the Authority for their support towards implementing the various policies aimed at enhancing efficiency of the Sacco subsector. In addition, I thank our stakeholders for believing in us to deliver the key milestones that we have achieved thus far.



**Peter Njuguna**

**Chief Executive Officer**

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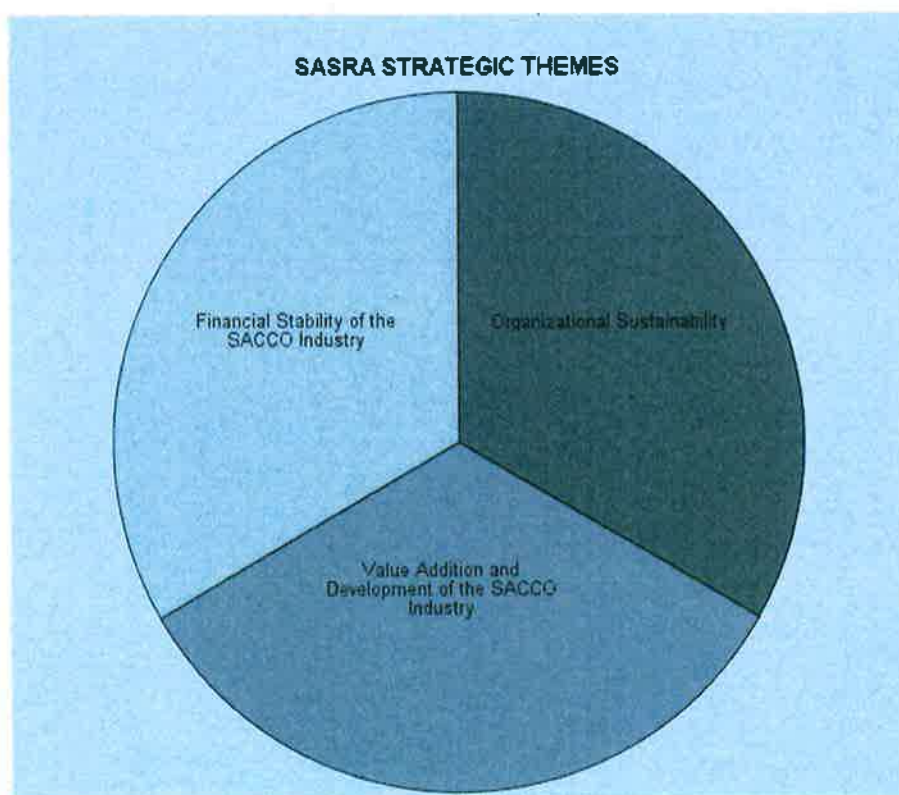
**Statement of Performance Against the Set Objectives**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Since inception in 2010, the SACCO Societies Regulatory Authority (SASRA) operations have been guided by Strategic Plan documents which clearly define the vision, mission and set directions aimed at meeting the set strategic goals to ensure efficient fulfillment of its mandate.

SASRA refined its Vision and Mission to align them with the aspirations of Vision 2030, the Medium-Term Plan III framework and the Big Four Agenda as well as the relevant regulations within the Financial services Sector. It envisaged positioning Kenya's SACCO industry as the best for savings mobilization and investments in socio-economic activities at the household level and thereby promoting financial inclusion in a more sensitive and responsive manner.

The Authority has had three Strategic Plans; (2010-12) - First Strategic Plan; (2013-2017) - Second Strategic Plan; and (2018-2022) - Third and current Strategic Plan. This Strategic Plan was premised upon three key thematic areas to facilitate effective realization of the Authority's core mandate. These are;



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For the realization of the above themes, the Authority develops its annual work plans which set out successive activities to be implemented by respective functions. Assessment of the Authority's performance against Annual Work Plan is done on a quarterly basis. The Authority's annual objectives are aligned to performance contracts and are closely monitored on a quarterly basis, with reports shared with the parent Ministry of Agriculture, Livestock, Fisheries and Co-operative -Staté Department of Co-operatives and the Performance Contracting Management Unit under the Presidency.

These Strategic Themes are cascaded into SMART Strategic Objectives under them with corresponding strategies which will enable the Authority to build on its achievements and lessons learnt to effectively respond to the ever-changing environment. These are;

1. Fully implement an integrated risk-based supervision framework in line with the ICURN guiding principles for effective supervision by 2021;
2. Enhance compliance with prudential standards to a Marginal rating (rating of below 3) by both DTSS and Non-DTSS by 2022;
3. Develop a functional legal framework for a deposit protection scheme by 2022;
4. Establish a functional legal framework for a central liquidity facility by 2021;
5. Ensure continuous full compliance with the relevant provisions of the Mwongozo Code by 2022;
6. To determine and improve SASRA's brand perception rating by 2022;
7. To determine and improve operational efficiency rating by 2022;
8. Increase internally generated financing of recurrent expenditure by 5% annually;
9. Have a competent and motivated workforce;
10. Ensure efficient and effective supply chain management services
11. Conduct research on thematic areas and disseminate findings to the industry every two years.
12. Continuously create awareness on market performance and emerging issues over the planning period.
13. Develop and implement a market conduct framework by 2022.
14. Facilitate increased opportunities for access to financial services by 2022.
15. Review and improve the policy, legal and regulatory framework for SACCO Societies biennially.
16. Facilitate capacity building on governance and management of SACCOs over the plan period.

The achieved performance targets set for the FY 2021/2022 period for the Authority's strategic themes is as indicated in the table below:



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STRATEGIC PILLAR	OBJECTIVES	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
<b>FINANCIAL STABILITY OF THE SACCO INDUSTRY</b>	To fully implement an integrated risk-based supervision framework in line with the ICURN Guidelines by 2021	<ul style="list-style-type: none"> <li>• Review of the existing RBS framework</li> <li>• Build staff capacity on the RBS framework</li> <li>• Legal review to incorporate the proposed changes</li> <li>• Automate and integrate supervision processes</li> <li>• Enhance the collaboration with ICURN through peer learning and exchange programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Acquire, customize and Install, and integrate the RBSS system</li> <li>• Building staff capacity on revised RBS</li> <li>• Automate supervision processes</li> <li>• Enhance collaboration with ICURN through peer learning and exchange programs</li> <li>• Automate and Integrate supervision processes</li> </ul>	<ul style="list-style-type: none"> <li>-Risk based supervision policy manual reviewed in line with ICURN Principles and Supervision policy developed</li> <li>-Participated in ICURN activities and programs during the period</li> <li>-Supervision process reviewed, documented and system specifications developed</li> </ul>

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STRATEGIC PILLAR	OBJECTIVES	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
	To enhance compliance with prudential standards above satisfactory levels	<ul style="list-style-type: none"> <li>Undertake risk-based supervision programs</li> <li>Strengthen corporate governance and management systems in SACCOs</li> <li>Sensitization of SACCO members on their rights and obligations</li> <li>Enforcement actions taken</li> <li>Workshops coordinated</li> <li>Performance report</li> <li>Revised guideline</li> <li>IEC materials developed</li> <li>Informed Sacco membership</li> <li>List of scheduled meetings</li> <li>Concept Paper</li> </ul>	<ul style="list-style-type: none"> <li>Initiate or undertake an enforcement or criminal investigation action in respect of any complaint raised by or received by the Authority</li> <li>Coordinate the sensitization of DT-Saccos on cyber security risks and associated mobile money transfer risks</li> <li>Monitor the governance performance of the SACCOs</li> <li>Disseminate Revised governance guideline 2021</li> <li>Develop information, education and communication materials</li> <li>Organize Stakeholder forums</li> <li>Introduce SASRA's service week stemming from the</li> </ul>	<ul style="list-style-type: none"> <li>Conducted five capacity building workshops for non-withdrawable deposit taking Saccos</li> <li>preparation and dissemination of the annual Sacco Supervision report 2020</li> <li>implementation of complaints resolution and business conduct tool</li> <li>establishment of a database for County Co-operative Offices for referral of complaints from non-prudentially regulated Saccos</li> <li>development of draft guidelines for approval and appointment of external auditors by regulated Saccos</li> <li>initiated and undertook criminal investigations against criminal activities in Saccos</li> </ul>

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STRATEGIC PILLAR	OBJECTIVES	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
			international day of credit unions.	where there 6 active cases under investigations.
	To develop a functional legal framework for a deposit protection fund by 2022	•	• Review the framework for the design and implementation of DGF.	
	To establish a functional legal framework for Central Liquidity Facility and Shared Services	•	• Identify workable option in consultation with stakeholders on establishment of CLF	-Developed the functional and technical requirements for the shared technology platform for SACCOs which was accomplished with the assistance of Market Edge

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STRATEGIC PILLAR	OBJECTIVES	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
				<p>consultants funded by the World Bank through the National Treasury.</p> <p>- SACCOs which had expressed interest in participating in the platform were successfully facilitated to participate in scoping of shared services platform by sponsoring three workshops</p>
	Implementation of Regulation on Non-deposit taking Saccos	<ul style="list-style-type: none"> <li>• Application assessment reports for each Sacco.</li> <li>• Onsite inspection reports</li> <li>• Automated Authorization Process</li> </ul>	<ul style="list-style-type: none"> <li>• Carry out onsite inspections for Non-Complying Withdrawable Deposit Taking Saccos.</li> </ul> <p>Develop and test the authorization module for non-deposit taking Saccos within the risk-based supervision system</p>	<p>-185 Non-Withdrawable Deposit Taking SACCOs were Authorized.</p> <p>- Approved 24 branches and 8 SACCOs agency services.</p>

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STRATEGIC PILLAR	OBJECTIVES	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
	To develop and Implement Non-Deposit Taking Sacco's Levy Policy.	<ul style="list-style-type: none"> <li>Evidence of public participation</li> <li>Draft Levy Order</li> <li>Submit to CS</li> </ul>	<ul style="list-style-type: none"> <li>Undertake public participation</li> <li>Draft the Draft Levy Order</li> <li>Submit to CS</li> </ul>	<ul style="list-style-type: none"> <li>undertook and completed public participation and stakeholder consultations and engagement on the Draft Levy Policy on financing by Non-WDT-SACCOs.</li> <li>The final levy order was submitted to the Cabinet Secretary for onward submission to parliament.</li> <li>It is expected to be implemented with effect from January 2023 as requested by SACCO leaders</li> </ul>
<b>ORGANIZATIONAL SUSTAINABILITY</b>	To ensure continuous full compliance with relevant provisions of Mwongozo Code	<ul style="list-style-type: none"> <li>To undertake Governance audit</li> <li>Contract award</li> <li>Governance Audit Report</li> <li>Implementation Report</li> </ul>	<ul style="list-style-type: none"> <li>Develop ToRs for the review exercise</li> <li>To undertake governance and legal audit</li> <li>Continuous capacity building for Board and Management</li> <li>Sensitize staff on core values of Authority and Mwongozo Code</li> </ul>	<p>Fully implemented through:</p> <ul style="list-style-type: none"> <li>Governance and legal audit conducted and the Authority is addressing the identified gaps</li> <li>Quarterly financial reports prepared and presented to the Board and submitted to the National Treasury through the</li> </ul>

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STRATEGIC PILLAR	OBJECTIVES	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
			<ul style="list-style-type: none"> <li>• Prepare quarterly financial reports</li> <li>• Engage a consultant</li> <li>• Monitor and collaborate with the consultant</li> <li>• Implementation of Audit Findings</li> </ul>	State department of Co-operatives
	To improve operational efficiency rating by 2022	Optimize the ICT infrastructure  Re-engineered Processes IS Audit Report Systems Implementation Report Integrated Systems Monitoring and evaluation reports	Automate the re-engineered processes Undertake information systems audit Implement recommendations of the audit Fully integrate existing ICT systems in the operations of SASRA Monitor and evaluate the implementation progress.	Undertook process mapping of departmental processes under the Service Charter Upgraded the ERP System
<b>VALUE ADDITION AND DEVELOPMENT OF THE SACCO INDUSTRY</b>	To Conduct research and disseminate findings	Report List of potential partners Research report	Identify research topic Identify partners for research Conduct research	

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<b>STRATEGIC PILLAR</b>	<b>OBJECTIVES</b>	<b>KEY PERFORMANCE INDICATORS</b>	<b>ACTIVITIES</b>	<b>ACHIEVEMENTS</b>
	To Prepare and disseminate Year 2021 Annual SACCO supervision Report and contribute to FSSR	Data reports Report Published Report	Data collection Analyze performance compliance Conduct relevant Policy analysis Draft Report and subject to internal approval process Publish and disseminate report	
	To Review the legal and regulatory framework for the market conduct	List of attendance at sensitization workshops	Conduct sensitization workshops on the draft market conduct guidelines	
	To Operationalize Shared Digital Services Platform and Central Liquidity Facility (CLF)	Stakeholder engagement report Validated Systems requirements and organization structure. Registered Secondary Sacco ready to undertake CLF & Shared services platform	Engage stakeholders in the development of system requirements and Specifications for SACCO Central Organization Validate System requirements and specifications through the project management Committees	

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STRATEGIC PILLAR	OBJECTIVES	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
		<p>On-line licensing renewal applications</p> <p>On-line insider lending returns</p> <p>On-line application and approval of requests.</p>	<p>Coordinate the DT-Saccos that expressed interest on shared services to commence the establishment of the Sacco shared services organization.</p> <p>Automate licensing and Authorizations</p> <p>Automate the insider lending reports</p> <p>Automate corporate approval requests</p>	
	To Review and implement guidelines on registration of Auditors for SACCOS	Draft Criteria Approved guidelines	<p>-Develop and implement a criteria or guideline for the registration of Auditors by SASRA</p> <p>-Roll out the criteria or guideline to SACCO sector and the auditors</p>	Developed draft guidelines for approval and appointment of external auditors by regulated SACCOs.



### **Corporate Governance Statement**

Corporate Governance is the framework that defines how an institution is governed, providing transparency and accountability for decision making. It provides the basic principles that enable the Board to provide requisite oversight in the running of the Authority.

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 in execution of its mandate.

### **Responsibilities and Functions of the Board**

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

#### **b) Tenure of Board Members**

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

#### **c) Removal of Board Members**

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

## **Board Committees**

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

### **1. Technical Committee**

#### **a) Committee Function**

The Technical Committee assist the Board in fulfilment of its oversight responsibilities through consideration and recommendation to the Board all matters focused on delivery of the core mandate of the Authority. These include functions under Regulations, Licensing, Legal, Compliance, Enforcement, and corporate communication.

Overall mandate of the Committee is to ensure there are policies and procedures to support appropriate operational activities and supervision by the Authority of its regulated entities in line with the Authority's long-term strategy and to ensure that the Authority keeps abreast with best practices in the regulation of the Sacco sector.:

#### **b) Members of the Technical Committee**

- ii) Mrs. Anne Wetangula – Chairperson
- iii) Mr. Robert Mburu
- iv) Mr. Kelvin Mogeni
- v) Mr. Gerald Nyaoma

### **2. Corporate Services Committee**

#### **a) Committee Function**

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

#### **b) Members of the Corporate Services Committee**

- i) Mr. Kelvin Mogeni- Chairman
- ii) Mr. David Obonyo
- iii) Mrs. Anne Wetangula
- iv) Ms. Alice Mwololo

### **3. Audit, Risk Management and Corporate Governance Committee**

#### **a) Committee Function**

The Audit, Risk Management and Corporate Governance Committee assist the Board in fulfilling its oversight responsibilities with regard to the audit and risk and corporate governance

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functions of the Authority. Overall scope of the Committee is to ensure that the Authority is governed in line with best practice in matters of Governance, audit and risk management.

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

- i) Mr. Robert Mburu -Chairman
- ii) Ms. Alice Mwololo
- iii) Mr. Gerald Nyaoma
- iv) Mr. David Obonyo

**Board Meetings**

The Board conducts its meetings in accordance with the Sacco Societies Act, 2018 and as guided by code of governance for state corporations "Mwongozo", circulars issued by the National Government from time to time and its charter. The Board operates under a work plan (almanac) approved by the Board before commencement of every financial year.

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

Type of Meeting		Full Board	Technical Committee	Corporate Services Committee	Audit, Risk Management & Corporate Governance Committee
<b>Total Number of Meetings</b>		<b>14</b>	<b>4</b>	<b>7</b>	<b>3</b>
<b>Name of Board Member &amp; Meetings attended</b>	Mr. Robert Mburu	6	2	-	2
	Mrs. Anne Wetangula	4	2	3	-
	Ms. Alice Mwololo	12	-	7	3
	Mr. Gerald Nyaoma	12	4	-	2
	Mr. David Obonyo	8	2	5	2
	Hon. John Munuve	9	-	-	-
	Hon. Silas Muriuki	8	2	5	-
	Ms. Eunice Nyambura	5	1	-	1
	Dr. Sammy Letema	5	1	2	-
	Mr. Geoffrey Njang'ombe	4	-	1	1

### **Board Retreats**

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

- a) Highlights of the Institutional and Legal Reforms under the National Co-operative Development Policy, 2020
- b) Revised Human Resource Policy and Procedures Guidelines
- c) Revised Career Guidelines
- d) Non- Financial Assets Policies and Procedure Manual
- e) Finance Policy and Procedures Manual
- f) Gender Based Violence Policy
- g) Records Management Policy
- h) Alcohol and Drug abuse Policy
- i) Revised HIV & Aids Policy
- j) Complaints Management Policy

### **Board Capacity Development**

#### **a) Board Induction**

The Authority has a guideline in place that ensures all newly appointed members participate in an induction programme. The induction process includes meetings with other board members, Management and all staff. It involves being taken through the mandate of the Authority, their responsibilities as Board members, status of the institution, general principles of governance and Board practices. During the year under review, there were appointments of three (3) new Board Members and an internal board induction programme was carried out from 8<sup>th</sup> – 10<sup>th</sup> June, 2022. Further, the Board attended an induction workshop facilitated by the State Corporation Advisory Committee (SCAC) and the Kenya School of Government from 6<sup>th</sup> – 8<sup>th</sup> December, 2021.

#### **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 2021/2022 financial year which enhanced their knowledge in the industry and governance trends:

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No.	Name Of Training	Training Institution	Dates	Attendees
1.	Regulatory Affairs, Finance for Non-Finance Managers and IT Governance and Emerging Trends	Institute of Directors (K)	15 <sup>th</sup> - 17 <sup>th</sup> September, 2021	Hon. John Munuve Hon. Silas Muriuki Mr. Gerald Nyaoma Ms. Alice Mwololo Mr. David Obonyo Mr. Geoffrey Njang'ombe
2.	Induction Workshop for Newly Appointed Board Members	The State Corporation Advisory Committee (SCAC)	6 <sup>th</sup> - 8 <sup>th</sup> December, 2021	Hon. John Munuve Hon. Silas Muriuki Mr. Robert Mburu Mrs. Anne Wetangula
3.	2 <sup>nd</sup> Board Audit Risk Committee Master Class	The Institute of Certified Public Accountants of Kenya (ICPAK)	21 <sup>st</sup> - 25 <sup>th</sup> February, 2022	Mr. Robert Mburu

#### **Board Performance Evaluation**

The Board reviews its performance and that of the Chairperson, individual directors and the Corporation Secretary every year in compliance with the Mwongozo Code of Governance. The 2020/2021 Board Performance Evaluation was carried out on 27<sup>th</sup> August, 2021 virtually facilitated by State Corporations Advisory Committee. The 2021/2022 Board Performance Evaluation was carried out on 25<sup>th</sup> August, 2022. The table below shows the results of the 2021/2022 Board performance evaluation as conducted by the State Corporations Advisory Committee (SCAC):

#### **Conflict of Interest**

The Board is bound by good corporate governance practices and maintains a conflict-of-interest register which is available at every Board meeting for declaration of any interest on the agenda items of the meeting. The Board members further declare existence of any interests at the time of appointment and commit not to be in a position where personal interest conflict with those of official duty of the Authority. The Board has also put in place a Conflict-of-Interest Policy. No interests were declared or reported during the 2021/2022 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 23<sup>rd</sup> 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

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allowance to Chairmen and Board Members of State Corporations. The regular allowances for the Board are as follows:

**Table: Remuneration Rates of the Board members.**

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

#### **Ethics and Conduct Governance Assessment**

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

#### **Legal and Compliance Audit**

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

The Board pursuant to Executive Order No. 7 Code of Governance for State Corporations (Mwongozo), Article 8.4 is required to disclose the extent of compliance with Laws, Regulations and Standards. It is required that a comprehensive and independent legal audit should be carried out, at least every two years by an external consultant. During the financial year under review, the Authority through a consultancy contract, engaged the Kenya School of Law to carry out the external legal audit.

#### **Governance Audit**

No Governance Audit was undertaken during the period under review. However, a consultant was procured within the financial year to carry out a Governance Audit for the next financial year.



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**Succession Planning**

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

**Table: Succession Planning of the Board members.**

NAME	DATE OF APPOINTMENT
Mr. George Murathe	W.e.f 6 <sup>th</sup> July, 2022
Mr. Robert Mburu	W.e.f 28 <sup>th</sup> October, 2021
Mrs. Anne Wetangula	W.e.f 28 <sup>th</sup> October, 2021
Mr. Kelvin Mogeni	W.e.f 27 <sup>th</sup> May, 2022
Mrs. Alice Mwololo	W.e.f 14 <sup>th</sup> October, 2015
Mr. Gerald Nyaoma	W.e.f 6 <sup>th</sup> April, 2016
Mr. David Obonyo	W.e.f 17 <sup>th</sup> June, 2021



### **Management Discussion and Analysis**

The global economy, ravaged by COVID-19, contracted by 3.2 percent in 2020 according to the IMF World Economic Outlook (WEO). This global pandemic strained all sectors of the economy. Economic recovery was expected in 2021 with the reopening of the global economy and travel. The IMF projected the global economy to grow at 6 percent in 2021 before moderating to 3.6 percent in 2022. In the developing economies, growth is projected at 3.8 percent in 2022 attributed to the increase in oil prices.

Kenya's economy performed below its potential but was resilient to the pandemic compared to her peers. According to the Economic Survey 2022, the Kenyan economy rebounded strongly in 2021 supported by recovery in non-agriculture activity following the easing of COVID-19 restrictions and Government measures. Real GDP grew by 7.5 percent in 2021 from a contraction of 0.3 percent in 2020.

The Financial Sector Stability Report 2020 anticipated that the easing of COVID-19 containment measures by the Government, allowing reopening of businesses, enhanced vaccination drives, policy interventions and recovery in exports would put the economy back on the recovery path to contribute to financial sector stability.

The Authority will continue to monitor and remain vigilant to the risks posed in the domestic and global environments particularly the General Elections of August 2022, Cyber risks, evolving COVID-19 pandemic, and the Ukraine-Russia War.

Looking into the future, global growth could worsen further due to the high inflationary pressures, Ukraine-Russia Conflict, the evolution of COVID-19, and the higher food and energy prices experienced.

Locally, the high inflation in food prices like maize, General Election uncertainties, the evolution of the COVID-19 pandemic will put pressure on the economy. According to the Economic Survey 2022, the outlook for economic growth in 2022 remains positive despite the heightened global uncertainty.

## **Environmental and Sustainability Reporting:**

### **Sustainability Strategy and Profile**

Kenya's financial sector was resilient to the impact of COVID-19 and other global and local shocks. According to the SACCO Supervision Annual Report 2021, despite external shocks that continued to negatively impact the various sectors of the national economy such as the COVID-19 pandemic and erratic weather patterns, it was encouraging to see that the SACCO subsector was able to withstand such shocks to record relatively impressive growth rates in the key performance parameters. The subsector's total assets grew by 9.93%, the gross loans grew by 9.67%, and the total deposits grew by 9.80% in 2021 thereby underscoring the resiliency of the Kenyan SACCO business model even in the wake of external shocks.

Growth in the total assets, deposits and gross loans are the key metrics for measuring the performance of SACCOs. The SACCOs total assets increased from Kshs 734.22 billion in 2020 to reach Kshs 807.11 billion in 2021 representing a cumulative average growth of 9.93%. The total deposits held by the SACCO subsector during the year 2021 also increased from Kshs 514.46 billion recorded in 2020 to Kshs 564.89 billion recorded in 2021 representing an average growth rate of 9.80%. This indicates that even with the pandemic, the SACCOs are well capitalized to withstand adverse effects and the prudential ratios-maintained assist in enhancing stability (The SACCO Supervision Annual Report 2021).

The SACCO sector remained stable and resilient with strong liquidity and capital adequacy ratios. The SACCOs average liquidity and capital adequacy ratios stood at 16.85 percent and 38.5 percent in December 2021. Credit risk was elevated with the ratio of gross non-performing loans (NPLs) to gross loans stood at 8.99 percent in 2021, an increase from 8.39 percent recorded in December 2020 mainly driven by COVID-19.

In the FY 2021/2022 the Sector remained resilient, underpinned by adequate capital and liquidity buffers, as well as improved regulatory oversight. The Authority has continued to implement measures aimed at enhancing stability in the Sector. To better monitor the performance of the SACCO industry, the Authority developed enhanced monitoring measures. These included; SACCOs are required to submit daily liquidity reports; and, to assess the risk levels of the SACCOs, the Authority evaluates the risk profile of each individual SACCO and submits a Quarterly report. The SSFIU has increased confidence in the industry while also helping to reduce extreme cases of frauds in the SACCOs. These measures have been instrumental in monitoring the performance of the Sector to enhance resilience and stability while mitigating the risks that may be experienced.

As the country heads into the General Election in August 2022, SACCOs will be required to remain vigilant in the election cycle noises, their risk assessment and appetite, Corporate Governance weaknesses, cyber-attacks and maintenance of Statutory Prudential Ratios given their implications on the households, the economy, and financial sector stability.

Despite the many down-turns which continues to negatively impact on the performance of SACCOs, the Authority projects a sustained growth rates in key parameters of growth and

stability in 2022, driven by the relaxation of the COVID-19 protocols and restrictions which shall allow the economy to operate at its full potential.

To enhance confidence in the sector, SACCOs must embrace mechanisms for their members to lodge complaints and further provide quick, simple and efficient complaint resolution mechanisms, devoid of the lengthy court processes (SACCO Supervision Annual Report 2021). The Authority will enhance this by adopting Consumer protection and fair treatment of customers by SACCOs by using a Market Conduct complaint handling tool in SACCO inspections. This has been earmarked to form the substratum of activities earmarked by the Authority for the MTP IV.

Going forward, the SACCO Sector is projected to remain resilient and stable supported by enhanced supervisory standards. Credit risks are expected to remain elevated, while liquidity risk is expected to remain stable. The Authority will continue to monitor and remain vigilant to the risks posed in the domestic and global environments particularly the General Elections of August 2022, Cyber risks, evolving COVID-19 pandemic, and the Ukraine-Russia Conflict.

### **Environmental Performance**

The authority exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/citizen first, delivering relevant goods and services, and improving operational excellence.

In line with this, the authority purposes to improve the lives of communities across the country. In efforts to do so, the authority has undertaken measures and steps towards ensuring environmental sustainability.

### **Environmental Sustainability Policy**

The authority is guided by an environmental sustainability policy which was approved by the Board of Directors on the 27<sup>th</sup> of January 2022.

Below, is an insert of the approved page of the policy signed by the Authority's Chair of the Board of Directors and the Chief Executive Officer.

**The Sacco Societies Regulatory Authority (SASRA)**  
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**APPROVAL OF THE POLICY**

The Board of Sacco Societies Regulatory Authority (SASRA) approved this Environmental Sustainability Policy 2022 at a meeting held on 27/11/2022. The Policy shall come into effect on 28/11/2022.

This policy may be reviewed from time to time and all amendments arising from the review shall be communicated in writing. The Board will ensure that the Policy shall remain consistent with SASRA's Mandate and Vision.

**Chair, Board of Directors**



**Chief Executive Officer**



*An insert of the Environmental Sustainability Policy*

**Environmental Sustainability Committee**

The authority has an environmental committee which comprises of staff from different departments.

During the year under review, committee had capacity building session with the National Environment Management Authority (NEMA) on the 18<sup>th</sup> to the 22<sup>nd</sup> April of 2022.

The committee in turn sensitized the Authority's staff during a strategic staff retreat in the month of June on matters environmental sustainability.

### **Green Office Project to enhance bio diversity**

In efforts to ensure to going green even in our office spaces, the environmental committee put in place indoor plants to ensure a green outlook from the Authority reception entrances. This is in addition to reap the other benefits that come with the indoor plants.



*Two good luck plants and two yellow butterfly plants beautifully sit at the entrance of the Authority offices*



### **Tree Planting**

The Authority collaborated with the Kenya Forest Service in Machakos County to secure 1,000 tree seedlings that were donated and planted in Kaiani area at Malia Education Centre on the 13<sup>th</sup> of May 2022.



*SASRA staff assist a pupil from Malia Education centre plant a tree seedling.*



~SASRA

*staff pose with Pupils and a KFS officer, before the tree planting exercise*

**Waste management policy**

The authority is committed to put in place a practical and efficient healthy work environment to positively impact on employee production and clean office environment.

A waste management policy embedded in the main policy guides the authority on the best ways to manage waste in ensuring a clean work environment. This will be guided by the implementation plan in place.

The waste management policy provides that the authority is committed to install waste segregation bins for efficient waste management.

The authority has also installed energy saving bulbs in addition to promoting a lifecycle approach to the procurement of goods and services and a recycle culture to ensure resources are not wasted.

The authority also aims to automate its processes through revamping exercise of Enterprise Resource planning ( ERP)to ensure minimal use of paper by going paperless to encourage zero paper wastage around our offices.



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## **CORPORATE SOCIAL RESPONSIBILITY/ COMMUNITY ENGAGEMENTS**

The authority recognises the need to make a positive contribution to the welfare of the society.

In the year under review, Corporate Social Responsibility Committee extended support to Malia Children's Home in Kaiani area, Machakos County.

The Authority donated foodstuffs, essential commodities and stationery to the home of 36 orphans.

The authority shall continue to support needy projects with an aim of making a difference to communities and the society at large.



*SASRA officials pose with the Directors of Malia Children's home in Machakos County*



*SASRA officials donate foodstuffs to the Children's home*

### **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.

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	TRAINING	TRAINER	DATE	VENUE	PROFESSION
1	Fundamentals of auditing the Supply Chain and Procurement function	Capabuil	26 <sup>th</sup> -30 <sup>th</sup> July 2019	Mombasa	Supply Chain Management
2	Board Operations and Processes	Kenya School of Law	16 <sup>th</sup> – 20 <sup>th</sup> November 2020	Mombasa	Legal
3	Modern Fraud and Digital Forensics & Cyber Security investigations strategy	Capabuil	7 <sup>th</sup> -12 <sup>th</sup> December 2020	Mombasa	Sacco Compliance
4	Public Sector HR Audit & Legal Risk Management	Kenya School of Law	9 <sup>th</sup> – 13 <sup>th</sup> November 2020	Kisumu	Legal
5	Leadership and Change Management	Public Relations Society of Kenya	9 <sup>th</sup> - 13 <sup>th</sup> 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 18<sup>th</sup> 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 over a year ago with the primary focus being to oversee Governance drivers, social action, and economic enablers in the Sacco subsector since these regulatory practices constitute market conduct regulation and supervision. Generally, market conduct regulation at SASRA 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.

In execution of this regulatory practice, SASRA has embraced the Seven-member protection principles given that putting member protection into practice is accelerating quickly, moving from endorsing the principles to mainstreaming concrete action. These principles are summed up as follows: -

1. Appropriate product design and delivery
2. Prevention of over-indebtedness
3. Transparency
4. Responsible pricing
5. Fair and respectful treatment of clients

6. Privacy of client data

7. Mechanisms for complaint resolution

### **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 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.

***The Sacco Societies Regulatory Authority (SASRA)***  
***Annual Report and Financial Statements for the year ended June 30, 2022***

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**Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 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, 2022 are set out on page 62-70 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

  
**Roselyne A. Ragama**  
**Corporation Secretary**

Date: 10/03/2023



### **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, 2022. 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, 2022, 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 10/03/2023 and signed on its behalf by:



**Hon. Jackton Ranguma**  
Board Chairman



**Peter Njuguna**  
Chief Executive Officer



# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON SACCO SOCIETIES REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of the Sacco Societies Regulatory Authority (SASRA) set out on pages 65 to 98, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229

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*Report of the Auditor-General on Sacco Societies Regulatory Authority (SaSRA) for the year ended 30 June, 2022*

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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Sacco Societies Regulatory Authority (SASRA) as at 30 June, 2022, 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 Qualified Opinion**

#### **Unsupported Prior Year Adjustments**

The statement of changes in net assets for the year under review reflects prior year adjustments of Kshs.7,465,158 (2021: – Kshs.3,165,926) under retained earnings. However, there is no disclosure note to the financial statements indicating the nature of adjustment, the financial statement lines affected, the period when the error occurred, circumstances that led to existence of the condition, and a description of how and from when the error has been corrected as required in Paragraph 54 of the International Public Sector Accounting Standards (IPSAS) 3 – Accounting Policies, Changes in Accounting Estimates and Errors.

In addition, the adjustments were made through the statement of changes in net assets as opposed to retrospective restatement of prior years' balances as required in Paragraphs 47 and 48 of IPSAS 3

In the circumstances, the accuracy, completeness and fair presentation of financial statements could not be confirmed.

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 qualified 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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

*Report of the Auditor-General on Sacco Societies Regulatory Authority (SaSRA) for the Year Ended 30 June, 2022*

## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance 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 controls, risk management and overall governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and



systems are in place to address key roles and responsibilities in relation to 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls.

- 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 Authority's ability 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 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**

**16 May, 2023**





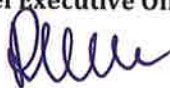
**The Sacco Societies Regulatory Authority (SASRA)**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Statement of Financial Performance for Period ended 30<sup>th</sup> June 2022**

	Notes	2021-2022	2020-2021
<b>Revenue</b>		<b>K.shs</b>	<b>K.shs</b>
Levies	6	495,221,058	420,961,506
Public Contributions and Donations	7	6,101,600	-
Licenses, Fees and Permits	8	36,974,901	17,374,000
Other income	9	141,150	
<b>Total Revenue</b>		<b>538,438,709</b>	<b>438,335,506</b>
<b>Expenditure</b>			
Use of goods and services	10	198,792,050	135,171,885
Employee costs	11	235,730,785	226,509,926
Board Expenses	12	21,328,675	24,082,968
Depreciation and amortization expense	13	111,701,190	69,180,648
Repairs and maintenance	14	3,725,005	5,357,699
		-	-
<b>Total Expenditure</b>		<b>571,277,706</b>	<b>460,303,125</b>
<b>Surplus/ (Deficit) for the period</b>		<b>(32,838,997)</b>	<b>(21,967,619)</b>

The notes set out on pages 71 to 99 form an integral part of these Financial Statements.  
The Financial statements set out on pages 64 to 70 were signed on behalf of the Board of directors by:

**Peter Njuguna**  
Chief Executive Officer



Date 10/3/2023

**Flora Kimari**  
Manager Finance & Accounts  
ICPAK No. 9582



Date 10/3/2023

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



Date 10/3/2023

**The Sacco Societies Regulatory Authority (SASRA)**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Statement of Financial Position as at 30th June 2022**

		2021-2022	2020-2021
<b>ASSETS</b>	<b>Notes</b>		
<b>Current Assets</b>		<b>Kshs</b>	<b>K.sh</b>
Cash & Cash Equivalents	15(a)	294,886,305	235,249,341
Receivable from Non Exchange transactions	16	9,828,440	4,146,075
<b>Total Current Assets</b>		<b>304,714,745</b>	<b>239,395,416</b>
<b>Non-current Assets</b>			
Property, plant and equipment	22(a)	247,825,559	186,958,895
Intangible assets	22(b)	12,143,220	13,768,405
		<b>259,968,779</b>	<b>200,727,300</b>
<b>Total Assets</b>		<b>564,683,524</b>	<b>440,122,716</b>
<b>FUNDS &amp; LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	17	19,702,546	41,670,442
Provisions	18	11,319,932	4,751,790
		<b>31,022,478</b>	<b>46,422,232</b>
<b>Funds &amp; Reserves</b>			
Capital Reserves	19	796,243,608	630,909,209
Accumulated surplus/deficit	20	(275,582,562)	(250,208,725)
Revaluation	21	13,000,000	13,000,000
<b>Total Funds and Reserves</b>		<b>533,661,046</b>	<b>393,700,484</b>
<b>Total Funds and Liabilities</b>		<b>564,683,524</b>	<b>440,122,716</b>

The Financial Statements set out on pages 65 to 72 were signed on behalf of the Board of Directors by:

**Peter Njuguna**  
Chief Executive Officer

Date: 10/3/2023

**Flora Kimari**  
Manager Finance & Accounts  
ICPAK No. 9582

Date: 10/3/2023

**Hon. Jackson Ranguma**  
Chairman of the Board

Date: 10/3/2023

**The Sacco Societies Regulatory Authority (SASRA)**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Statement of Changes in Net Assets for the Period Ended 30<sup>th</sup> June 2022**

	Capital fund	Retained earnings	Revaluation reserve	Total
	Kshs	Kshs	Kshs	Kshs
<b>Balance as at 30 JUNE 2019</b>	<b>607,349,669</b>	<b>(206,027,995)</b>	<b>13,000,000</b>	<b>414,321,674</b>
Surplus/Deficit for the period	-	46,318,216	-	46,318,216
Remission to National Treasury		(23,238,158)	-	(23,238,158)
Donations	23,559,540		-	23,559,540
<b>Balance as at 30 JUNE 2020</b>	<b>630,909,209</b>	<b>(182,947,937)</b>	<b>13,000,000</b>	<b>460,961,272</b>
Surplus/Deficit for the period	-	(21,967,619)		(21,967,619)
Remission to National Treasury		(42,127,240.00)		(42,127,240)
Add: Prior year adjustments		(3,165,926.40)		(3,165,926)
Transfers to capital				-
<b>Balance as at 30th June 2021</b>	<b>630,909,209</b>	<b>(250,208,723)</b>	<b>13,000,000</b>	<b>393,700,483</b>
Surplus/Deficit for the period	-	(32,838,997)		(32,838,997)
Add: Prior year adjustments		7,465,157.89		7,465,157.89
Donations	165,334,399			165,334,399
<b>Balance as at 30th June 2022</b>	<b>796,243,608</b>	<b>(275,582,562)</b>	<b>13,000,000</b>	<b>533,661,046</b>

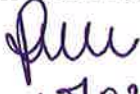
**The Sacco Societies Regulatory Authority (SASRA)**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Statement of Cash Flows as at 30<sup>th</sup> June 2022**

	Notes	2021-2022	2020-2021
<b>Cash flows from operating activities</b>		<b>Kshs.</b>	<b>Kshs.</b>
<b>Receipts</b>			
Levies - Sacco Deposits	6	495,221,058	420,961,506
License application fees	8	36,974,901	17,374,000
Other income	9	141,150	
<b>Total Receipts</b>		<b>532,337,109</b>	<b>438,335,506</b>
<b>Payments</b>			
Use of goods and services	10	157,429,790	96,477,230
Rent paid	10	41,362,260	38,694,654
Employee Expenses	11	229,629,185	226,509,926
Board Expenses	12	21,328,675	24,082,968
Repairs and maintenance	14	3,725,005	5,357,699
<b>Total Payments</b>		<b>453,474,916</b>	<b>391,122,478</b>
<b>Surplus/Deficit before working capital changes</b>		<b>78,862,193</b>	<b>47,213,029</b>
<b>Working capital changes</b>			
Decrease/(Increase) in current receivables	19	(5,682,365)	9,003,630
Increase/(Decrease) in current payables	20	(15,399,754)	27,987,084
<b>Net changes in working capital</b>		<b>(21,082,119)</b>	<b>36,990,714</b>
<b>Net cash flows from operating activities</b>		<b>57,780,074</b>	<b>84,203,743</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangibles		(5,608,270)	(111,489,649)
<b>Net cash flows used in investing activities</b>		<b>(5,608,270)</b>	<b>(111,489,649)</b>
<b>Cash flows from financing activities</b>			
Surplus paid to KRA			(42,127,140)
Prior year adjustments		7,465,158	(3,165,926)
Transfer to capital			(11,785,789)
<b>Net cash flows used in financing activities</b>		<b>7,465,158</b>	<b>(57,078,855)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>59,636,962</b>	<b>(84,364,761)</b>
Cash and cash equivalents at 1st July (B/f)		235,249,342	319,614,103
<b>Cash and cash equivalents at 30 JUNE</b>		<b>294,886,304</b>	<b>235,249,342</b>

The Financial Statements set out on pages 65 to 72 were signed on behalf of the Board of Directors by:

**Peter Njuguna**  
Chief Executive Officer

  
Date: 10/03/2023

**Flora Kimari**  
Manager Finance & Accounts  
ICPAK No. 9582

  
Date: 10/03/2023

**Hon. Jackson Ranguma**  
Chairman of the Board

  
Date: 10/03/2023

**The Sacco Societies Regulatory Authority (SASRA)**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Statement of Comparison of Budget and Actual Amounts as at 30<sup>th</sup> June 2022**

Details	Original Approved Budget 2021/22	Adjustments	Revised budget 2021/22	Performance 2021/22	Performance difference	% Performance	Notes
<b>Recurrent Revenue:</b>	Kshs	Kshs	Kshs				
Deposit Levy	461,868,606	18,852,450	480,724,059	495,221,058	(14,496,999)	103%	
License Fees	18,000,000	14,162,900	32,162,900	36,032,900	(3,870,000)	112%	
License Application fees	525,000	1,082,000	1,607,000	942,001	664,999	59%	
Revenue from disposal of assets		-	-	141,150	(141,150)	-	
				6,101,600	(6,101,600)	-	
<b>Total Income</b>	<b>480,393,606</b>	<b>34,100,353</b>	<b>514,490,956</b>	<b>538,438,709</b>	<b>(23,944,750)</b>		
<b>Expenses</b>							
Use of goods and services	179,599,457	15,794,542	195,393,999	198,792,050	(3,398,051)	102%	
Employee costs	227,384,559	12,357,350	239,741,909	235,730,785	4,011,124	98%	
Board Expenses	22,334,590	2,763,610	25,098,200	21,328,675	3,769,525	85% a	
Depreciation and amortization expense	-	-	-	111,701,190	(111,701,190)	0%	
Repairs and maintenance	16,075,000	3,040,051	19,115,051	3,725,005	15,390,046	19%	
<b>Total Recurrent Expenditure</b>	<b>445,393,606</b>	<b>33,955,553</b>	<b>479,349,159</b>	<b>571,277,706</b>	<b>(91,928,547)</b>		

	Original Approved Budget	Adjustments	Revised budget 2021/22	Performance	Performance difference	% Performance	Notes
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**The Sacco Societies Regulatory Authority (SASRA)**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Details	2021/22			2021/22		
<b>Capital Expenditure</b>						
Motor Vehicle	5,000,000	144,800	5,144,800	5,144,800	-	100%
Staff Car loan and Mortgage	30,000,000	-	30,000,000	30,000,000	-	100%
<b>Total Expenditure</b>	<b>480,393,606</b>	<b>34,100,353</b>	<b>514,493,959</b>	<b>606,422,506</b>	<b>(91,928,547)</b>	
<b>Deficit for the period</b>	-	-	-	<b>(67,983,797)</b>	<b>67,983,797</b>	

**Development Revenue**

Deposit Levy	14,500,000	-	14,500,000	14,500,000	-	100%
Rolled over RBSS Fund	103,550,308	-	103,550,308	103,550,308	-	100%
RBSS and Performance security		20,842,287	20,842,287	-	(20,842,287)	0% <b>b</b>
<b>Total revenue for development</b>	<b>118,050,308</b>	<b>20,842,287</b>	<b>138,892,595</b>	<b>118,050,308</b>	<b>(20,842,287)</b>	

**Development expenditure**

Office partitioning	14,500,000	-	14,500,000	-	(14,500,000)	- <b>c</b>
Implementation of RBSS	103,550,308	-	103,550,308	-	(103,550,308)	- <b>d</b>
RBSS and Performance security		20,842,287	20,842,287	-	(20,842,287)	- <b>e</b>
<b>Total development expenditure</b>	<b>118,050,308</b>	<b>20,842,287</b>	<b>138,892,595</b>	-	<b>(138,892,595)</b>	



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

- a) This is a savings in the board expenses as a result of some of exit of board members leaving whose replacement did not take place immediately.
- b) This is a budget for the RBSS which was supposed to be a refund from the bank guarantee but had not been received by end of the financial year.
- c) This is a budget for the office partition which was not spent due to the late approval and is rolled over for utilization in the financial year 2022/2023 .
- d) This is a budget for the RBSS which was not spent due to contract issues and is rolled over to FY 2022/2023.

## **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.

### **3. Adoption of New and Revised Standards**

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.  
IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023
- 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:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></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.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p>

**The Sacco Societies Regulatory Authority (SASRA)**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact:
	<p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <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>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>

**The Sacco Societies Regulatory Authority (SASRA)**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2021/2022.

**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% and 0.175% of the total deposits held by licenced SACCO's as per balances held as at 31st December 2019 and 31st December 2020.

#### **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.

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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 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                       | 8 years (12.5%)    |
| • Computer, hard wares and accessories | 3.33 years (30.0%) |
| • Office equipment                     | 8 years (12.5%)    |
| • Furniture and Fittings               | 8 years (12.5%)    |
| • Intangibles                          | 3.33 years (30%)   |

**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, 2022.



**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.

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

The Authority regards any receivable that is older than one year and has reasonable doubt on its collectivity as a doubtful debt and hence made 100% provision for such a receivable.

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**Notes to Financial statements**

		<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs.</b>	<b>Kshs.</b>
<b>6</b>	<b>Levies</b>		
	Deposit Levies from Sacco	495,221,058	420,961,506
	<b>Total</b>	<b>495,221,058</b>	<b>420,961,506</b>
<b>7</b>	<b>Public Contributions and Donations</b>		
	Donor FSSP	6,101,600	-
	<b>Total</b>	<b>6,101,600</b>	<b>-</b>
<b>8</b>	<b>Licenses, Fees and Permits</b>		
	Licence Renewal Fees	36,032,900	16,663,000
	License Application fees	942,001	711,000
	<b>Total</b>	<b>36,974,901</b>	<b>17,374,000</b>
<b>9</b>	<b>Other income</b>		
	Disposal of assets	141,150	-
	<b>Total</b>	<b>141,150</b>	<b>-</b>

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**Notes to Financial statements**

		<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs.</b>	<b>Kshs.</b>
<b>10</b>	<b>Use of goods and services</b>		
	Subscriptions staff club membership and software licenses	1,591,360	436,920
	Professional membership & AFI affiliation fees	2,361,188	2,084,625.00
	Security costs	839,977	690,000.00
	Advertising ,promotion & corporate image	16,714,306	16,597,339.39
	Newspaper ,cleaning services & drinking water	2,482,924	2,228,527.00
	Electricity	329,795	789,238.46
	Audit fees	500,000	487,200
	ICT Consumables	2,701,654	1,919,584
	Software Licenses	14,451,582	8,602,725.86
	Consulting fees	1,825,870	6,750,321
	Office Consumables	1,522,449	1,864,075
	Legal expenses	738,360	98,140
	Postage expenses	94,450	187,200
	Printing and stationery	2,289,779	2,053,876
	Rent and rates	41,362,260	38,694,654
	Bank charges	446,693	353,127
	Telephone expenses	283,081	492,320
	Travel,accommodation,subsistence and hospitality & supplies	21,412,523	11,990,482
	Stakeholder engagement costs	12,921,987	1,500,720
	Supervision & research activities costs	30,324,970	16,602,832
	Training(Capacity development)	40,566,125	18,654,151
	Fuel and Oil	2,237,382	1,281,621
	Insurance for motorvehicles and Equipments	793,336	812,206
	<b>Total</b>	<b>198,792,051</b>	<b>135,171,885</b>
<b>11</b>	<b>Employee costs</b>		
	Salaries and wages costs	194,399,758	190,527,682.15
	Employer contributions to pension	13,967,237	13,694,549
	Staff Medical expenses	15,724,400	16,695,668
	Staff Welfare activities	819,458	1,327,437
	Provision for outstanding leave days and gratuity	10,819,932	4,264,590
	<b>Total</b>	<b>235,730,785</b>	<b>226,509,926</b>

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**Notes to Financial statements**

		<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs.</b>	<b>Kshs.</b>
<b>12</b>	<b>Board Expenses</b>		
	Sitting allowances for regular meetings	8,314,625	6,570,558
	Honoraria and airtime	517,462	1,020,000
	<i>Other Board Expenses:</i>		
	Other Board Expenses- Special meetings and workshops	12,496,589	16,492,410
	<b>Total</b>	<b>21,328,675</b>	<b>24,082,968</b>
<b>13</b>	<b>Depreciation and amortization expense</b>		
	Property, plant and equipment	103,551,004	62,306,766
	Intangible assets	8,150,186	6,873,882
	<b>Total</b>	<b>111,701,190</b>	<b>69,180,648</b>
	The increase in Depreciation is attributable to fixed assets acquired during the year including those donated by FSSP. Total fixed assets acquisition was Kshs 170Million		
<b>14</b>	<b>Repairs and maintenance</b>		
	ICT Equipment & other maintenance costs	599,477	2,243,176
	Motor Vehicles	3,125,528	3,114,523
		<b>3,725,005</b>	<b>5,357,699</b>
	The Authority paid one-off license fees during the FY 2021/22 hence the increase in ICT equipment and maintenance costs.		
<b>15(a)</b>	<b>Cash &amp; Cash Equivalents</b>		
	Bank	294,886,303	235,249,341
	<b>Total</b>	<b>294,886,303</b>	<b>235,249,341</b>

<b>15(b)</b>	<b>Detailed Analysis of the Cash and Cash Equivalents</b>			
			<b>2021-2022</b>	<b>2020-2021</b>
	<b>Financial institution</b>	<b>Account number</b>	<b>Kshs.</b>	<b>Kshs.</b>
	<b>a) Current account</b>			
	Co-operative bank of Kenya	01120161308700	264,886,303	235,249,341
	KCB	1297552369	30,000,000	-
	<b>Total</b>		<b>294,886,303</b>	<b>235,249,341</b>

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**Notes to Financial statements**

		<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs.</b>	<b>Kshs.</b>
<b>16</b>	<b>Receivable from Non- Exchange transactions</b>		
	Oustatnding Levies	2,183,581	1,543,653
	Deposits and prepayments	6,806,772	4,669,355
	Other receivables	4,186,890	6,018,435
	Receivables from staff accounts	838,087	2,451,414
	Doubtful debts	(4,186,890)	(10,536,782)
	<b>Total</b>	<b>9,828,440</b>	<b>4,146,075</b>
<b>17</b>	<b>Trade and other payables</b>		
	Trade payables	18,891,926	37,042,163
	Other payables	810,621	4,628,279
	<b>Total</b>	<b>19,702,546</b>	<b>41,670,442</b>

<b>18</b>	<b>Current Provisions</b>				
		<b>Gratuity</b>	<b>Leave benefits</b>	<b>Audit Fees</b>	<b>Total</b>
		<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
	Balance at 1 July 2021	-	4,264,590	487,200	4,751,790
	Additional provisions raised	2,901,290	7,918,642	500,000	11,319,932
	Provision utilised	-	(4,264,590)	(487,200)	(4,751,790)
	<b>Balance as at 30 June 2021</b>	<b>2,901,290</b>	<b>7,918,642</b>	<b>500,000</b>	<b>11,319,932</b>

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**Notes to Financial statements**

		<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs.</b>	<b>Kshs.</b>
<b>19</b>	<b>Capital Reverse</b>		
	Balance b/f	630,909,209	630,909,209
	Donations	165,334,398.64	
	<b>Total</b>	<b>796,243,608</b>	<b>630,909,209</b>
<b>20</b>	<b>Accumulated surplus/deficit</b>		
	Balance b/f as July 2021	(250,208,725)	(182,947,940)
	Prior year adjustments	7,465,158	(3,165,926)
	Surplus paid to KRA		(42,127,240)
	Surplus/ (Deficit) for the Period	(32,838,997)	(21,967,619)
	<b>Total</b>	<b>(275,582,564)</b>	<b>(250,208,725)</b>
<b>21</b>	<b>Revaluation Surplus</b>	<b>13,000,000</b>	<b>13,000,000</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**22. Property, Plant and Equipment**

	MOTOR VEHICLES	COMPUTER HARDWARE	PARTITIONS	OFFICE FURNITURE	OFFICE EQUIPMENTS	TOTAL
Cost	KShs	KShs	KShs	KShs	KShs	KShs
<b>At 30 June 2020</b>	39,510,374	163,806,305	154,524,525	26,531,776	26,860,836	411,233,816
Additions						-
Disposals & Impairment	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-
<b>At 30th June 2021</b>	39,510,374	163,806,305	154,524,525	26,531,776	26,860,836	411,233,816
Additions	5,144,800	156,616,809	2,437,160	-	218,900	164,417,669
Disposals & Impairment	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-
<b>At 30th June 2022</b>	44,655,174	320,423,114	156,961,685	26,531,776	27,079,736	575,651,485
Depreciation						-
<b>At 1st July 2020</b>	19,061,924	63,247,028	47,191,383	13,696,743	18,771,079	161,968,157
Depreciation	4,535,863	34,558,236	18,567,464	2,897,626	1,747,575	62,306,764
Transfer/Adjustments						
<b>At 1st July 2021</b>	23,597,787	97,805,264	65,758,847	16,594,369	20,518,654	224,274,921
Depreciation	2,794,782	78,674,744	18,057,781	2,799,169	1,224,529	103,551,004
Transfer/Adjustments						
<b>At 30th June 2022</b>	26,392,569	176,480,008	83,816,628	19,393,538	21,743,183	327,825,925
Net book values						-
<b>At 30th June 2021</b>	15,912,587	66,001,041	88,765,678	9,937,407	6,342,182	186,958,895
<b>At 30th June 2022</b>	18,262,605	143,943,106	73,145,057	7,138,238	5,336,553	247,825,559



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**Notes to Financial statements**  
**22(b)**

<b>Cost</b>	<b>KShs</b>
<b>At 30 June 2020</b>	<b>26,829,042</b>
Additions	20,642,287
Disposals & Impairment	-
Transfer/Adjustments	-
<b>At 30th June 2021</b>	<b>47,471,329</b>
Additions	6,525,000
Disposals & Impairment	-
Transfer/Adjustments	-
<b>At 30th June 2022</b>	<b>53,996,329</b>
<b>Depreciation</b>	
<b>At 1st July 2020</b>	<b>26,829,042</b>
Depreciation	6,873,881
Adjustments	
Disposals & Impairment	-
<b>At 1st July 2021</b>	<b>33,702,923</b>
Depreciation	8,150,186
Additions	
Disposals & Impairment	-
<b>At 30th June 2022</b>	<b>41,853,110</b>
<b>Net book values</b>	
<b>At 30 June 2021</b>	<b>13,768,405</b>
<b>At 30th June 2022</b>	<b>12,143,220</b>

**22(C)**

Total additions of property, plant and equipment (PPE) OF Kshs. 170,942,669 is comprised of the following.

Additions of PPE through Donations	Kshs. 165,334,398.64
Additions of office equipment through AIA	Kshs. 218,900
Additions of computer equipment through AIA	Kshs. 244,570
Additions of motor vehicle through AIA	Kshs. 5,144,800

## **23. 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:

	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	13,000,000	13,000,000
Retained earnings	(275,582,562)	(250,208,725)
Capital reserve	796,243,608	30,909,209
<b>Total funds</b>	<b>533,661,046</b>	<b>396,700,484</b>
Total borrowings	-	-
Less: cash and bank balances	(294,886,305)	(235,249,341)
Net debt / (excess cash and cash equivalents)	238,774,741	158,451,143
<b>Gearing</b>	<b>45%</b>	<b>40%</b>

## **24. 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

### **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.

## **25. Events after the reporting period**

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

## **26. Ultimate and holding Entity**

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

## **27. Currency**

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

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**Appendix I: Progress on Follow Up of Auditor Recommendations**

There was 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:
1 Irregularities in Board Expenses	1.1 Irregular payment to other Government Representatives in the Board Kshs. 4,276,698				
	1.2 Committee members exceeding a third of full Board Membership. Full Board membership was (7) Board members and constituted three (3) committees of four (4) members each, instead of three (3) members each which is one third (1/3) of the full Board.				
2. Irregular Payment of final dues.	An amount of Kshs. 648,000 leave allowance for thirty-six				


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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	(36) days not taken as at the end of his contract period.				
3. Electronic Document Management system and related Hardware infrastructure project implementation	<p>The Authority implemented an Electronic Document Management System (EDMS) and Related Hardware Infrastructure (RHI) at a contract sum of Kshs. 206,422,869.</p> <p>The Authority has not got value for money from this project and is likely to incur additional cost to have it completed.</p>				

Chief Executive Officer

Sacco Societies Regulatory

Date.....12/3/2023

Peter Njuguna 



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