

INSTITUTE OF CERTIFIED PUBLIC
ACCOUNTANTS OF KENYA

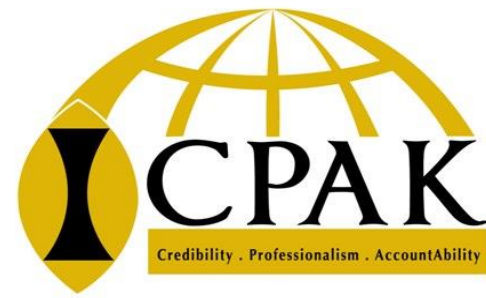


FINANCIAL REPORTING FOR SACCOS

“FINANCIAL REPORTING IN CO-OPERATIVES”

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MOUNT KENYA BRANCH
BY:
CPA SOLOMON A. ATSIAYA

KENYA SACCO PERSPECTIVE



The Sacco movement has evolved in the past over 45 years into a formidable force for the social and economic transformation of Kenyan people.

In Kenya we have over 7,000 registered Sacco's i.e. 41% of total 17,000 Co-operatives

KENYA SACCO PERSPECTIVE



Out of the 7000 Saccos 177 (2.5%) have FOSAs offering basic banking services across the country and are licensed.

All Sacco's have mobilised over KSH.600 Billion in savings i.e. more than 20% of the National Domestic savings.

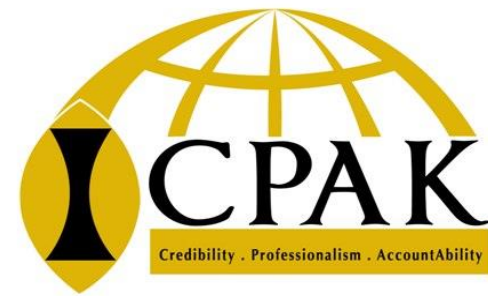
The 177 SACCOs with FOSAs have mobilised over 80% of the savings *KSH.480 Billion*

SACCOS MISSION



- ✓ Mobilize savings,
- ✓ Provide diversified financial products & services
- ✓ Maximize returns to stakeholders
- ✓ Vehicle for Investments

REGULATORY FRAMEWORK



- S.91 of CSA envisioned the need to regulate operations of Sacco's.
- Sacco Societies Act, 2008 primary purpose is to:
 - Enhance Governance through transparency and accountability in the management of Sacco societies;
 - Mainstream Sacco's as significant players in the Kenya financial system;
 - Deepen financial access in Kenya in an efficient and convenient manner;
- **SSA regulates** both DTS and Non DTS

WHY FINANCIAL REPORTING



- ✓ Financial reporting is the act of reporting on the financial performance, and the financial handling of a specific Co-operative
- ✓ It provides the owners with information on how funds are used and allocated.
- ✓ It provides a level of transparency in the a Co-operative financial system

RATIONALE



- ✓ Measure financial soundness & growth
- ✓ Measures profitability/loss of the business
- ✓ Analyzed & interpreted-reflect areas of strengths & weakness
- ✓ Indicate periodic performance/growth
- ✓ Prepared at the end of the financial year in preparation of the General meeting
- ✓ Legal requirement

LEGALITY-

CSA s.25/SSA sec 40



Every Co-operative society shall keep proper accounts which shall;

- ✓ Prepared in accordance with IAS/IFRS
- ✓ Reflect true & fare state of the financial affairs
- ✓ Explain transactions i.e. receipts & payments, Assets & liabilities
- ✓ The auditor to submit the audited accounts to AGM/ADM within four months after the end of the accounting period.

LEGALITY

SSA 41 & Reg 55:



- A Sacco society shall, not later than three months after the end of each financial year, submit to the Authority, in the prescribed format approval to the Authority its audited financial statements, before publication and presentation to the Annual General Meeting
- Mkopo Reporting template aimed at sufficient disclosure and transparency in financial reporting
- Reporting template makes reference to standards on particular headings

RESPONSIBILITY



Reg.60 (2).

✓The BOD shall ensure that management maintains proper and accurate records that reflect the true and fair position of the sacco society's financial condition.

BASICS



- ✓ Source documents: receipts, payments, purchases, sales, etc
- ✓ Processed/posted to General Ledger
- ✓ General Ledger summarised to produce trial Balance
- ✓ Trial Balance used to generate final accounts

THE FLOW



Trial Balance used to produce

- ✓ Statement of comprehensive Income
- ✓ Statement of Financial position
- ✓ Statement of Changes in Equity
- ✓ Cash Flow Statement

All system based on Double entry bookkeeping

STMNT OF INCOME



Matching Incomes and Expenses=Surplus(Loss)

- **Helps Invent ways to grow income;**

- Widen the product base with new products

- Introduce other activities i.e. FOSA, Microfinance, financial investments & otherwise,

- **Costs Management i.e. depressed costs**

- Budgetary controls i.e. Within budgetary limits

- Computerization i.e. Efficiency

- Economies of scale i.e. Increase Volumes

- Quality Management- Quality is free

FINANCIAL POSITION



A classified summary of the value of the society entity i.e. it depicts the business financial state of affairs or position.

A/Equation where $\text{Assets} = \text{Capital} + \text{Liabilities}$

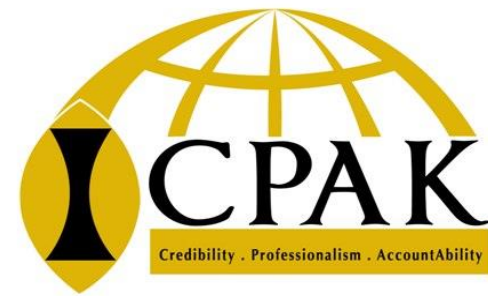
-Assets- Resources controlled by the society

-Capital- Contribution from the owners i.e. Share Capital, Retained earnings, Statutory Reserve fund, General Reserves e.t.c. It is very strategic to heavily capitalize your society.

Liabilities-Contribution from the outsiders i.e. Members deposits, external loans & otherwise

The financial strength of a society can be reflected through the Balance sheet items.

WHY IFRS



- Global standards used to prepare financial statements
- Standardized reporting framework for comparison
- High quality, reliable financial information is the lifeblood of Investors (capital markets).
- Provide a standardized way to describe the financial performance of an entity (companies, investors, regulators and Government).
- Provided investors and other users (lenders and Members) of financial statements with the ability to compare the financial performance of financial institutions (Saccos).

DISCLOSURES



SSA 42. Disclosure requirements

- (a) Members, if any, who hold more than twenty percent of the share capital and deposits in the Sacco society;
- (b) Any advances or credit facilities exceeding such limits of its core capital as may be prescribed by the Authority; and
- (c) Any lending to insiders.

AUDITORS DUAL RESPONSIBILITY



- S. 44 (3), requires auditors to submit a report to SASRA not less than 4 months after year end on financial condition of the Sacco audited.
- Specific information required as per S.44(4) are;
 - i. Solvency of the Sacco
 - ii. Any violation of prudential standard or a condition of the license
 - iii. Evidence of irregularity committed by staff BoD, staff or Sacco
 - iv. Failure by Sacco to provide information for audit
 - v. Opinion on management practices to safeguard members assets

KEY ISSUES



- ✓ Compliance with requirements of r.56 on solvency, irregularities, measures to safeguard assets and failure to receive necessary documents for their audit.
- ✓ Auditors exiting at the end of the financial year before audit, with no disclosure to the Authority for the reason thereof
- ✓ Format of the financial statements: level of disclosure, Management letters, *Key Audit matters*
- ✓ Inconsistency between the inspection reports findings and final audits (Audit reports in court post opinion)

CHALLENGES



- Un-reconciling accounts still made in the financial statements
- Less use of professionals
- Remuneration/Cost of external audit?
- Reporting infrastructure (MIS)?



LONG LIVE THE CO-OPERTAIVE MOVEMENT IN KENYA

Contacts-mail solotsa@gmail.com

Mobile; 0722-381327