

INSTITUTE OF CERTIFIED PUBLIC  
ACCOUNTANTS OF KENYA



## FINANCIAL REPORTING FOR SACCOS

**“SASRA REGULATORY REPORTS”**

**4<sup>TH</sup> MAY 2015**  
**MOUNT KENYA BRANCH**  
**BY:**  
**CPA SOLOMON A. ATSIAYA**

# REGULATORS (SASRA) OBJECTIVE



- ✓ To achieve a sound and efficient SACCO system in the interest of members
- ✓ To promote safety, soundness and stability of member assets
- ✓ To create an enabling environment for sustainable development of SACCOs
- ✓ To ensure the autonomy and independence of the supervisory authority

# LEGAL PROVISION



Provided in the 2<sup>nd</sup> Schedule of the Sacco Societies Regulations, 2010

- ✓ Form 1- Sasra2/001-Capital Adequacy Return
- ✓ Form 2- Sasra2//002-Liquidity Statement
- ✓ Form 3 –Sasra2/003-Statement of Deposit Return
- ✓ Form 4 –Sasra2/004 –Risk Classification of assets and provisioning

# LEGAL PROVISION



- ✓ Form 5- Sasra2/005-Investment Return
- ✓ Form 6- Sasra2//006-Statement of Financial Position
- ✓ Form 7 –Sasra2/007-Statement of Comprehensive Income
- ✓ Form 8 –Sasra2/008 –Other Disclosures



# CAPITAL ADEQUACY- PART III



Reg. 9-12;

✓ To ensure that each SACCO Society maintains a level of capital which is adequate to protect or cushion member deposits and creditors against losses resulting from business risks that the SACCO, as a financial institution faces.

# CAPITAL ADEQUACY- PART III



- ✓ Core capital NOT less than 10% of total assets
- ✓ Core capital Not less than 8% of deposits
- ✓ Institutional Capital NOT less than 8% of total assets

The Authority may require higher minimum capital ratios

# CAPITAL ADEQUACY- PART III



- ✓ Core Capital = Fully paid up members' share capital + statutory reserves + retained earnings + disclosed reserves + grants/donations;
- ✓ Institutional capital = core capital less the members' share capital i.e. Institutional capital refers to the portion of the core capital that belongs to the Sacco society as an institution such that no one member can individually lay claim on it.
- ✓ Authority return at end of every month on or before the 15 day of the following month



# WHY CAPITAL ADEQUACY



- ✓ Achieve the legal requirement for core capital of 10% of the total assets
- ✓ Enhance liquidity position of the society (15%)
- ✓ Finance the Society's major projects
- ✓ The Members will earn higher returns
- ✓ Long-term loans i.e. Mortgages
- ✓ The society can consider reviewing the multiplier effect.

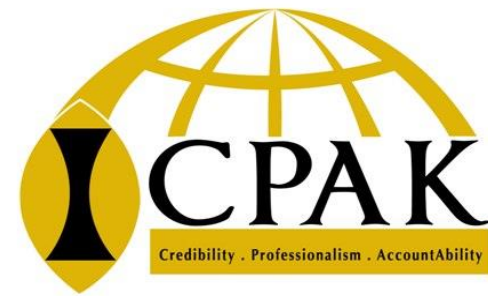


# Part IV- LIQUIDITY MGT



- ✓ Reg. 13-14
- ✓ Liquidity is simply the ability of a Sacco to pay short-term obligations – members loans demand, Savings withdrawals, creditors etc
- ✓ It is usually expressed as a ratio or % age of current assets over current Liabilities (Deposits for a Sacco)
- ✓ Authority return end of every month on or before the 15 day of following month

# RATIONALE



- ✓ Liquidity is the life blood of all financial institutions
- ✓ It is the key daily indicator of the health of the institution
- ✓ Liquidity is a prime concern in a ‘**BANKING**’ environment and a shortage of liquidity has often been a trigger for ‘**bank**’ failures

# LEGAL PERSPECTIVE



- ✓ Reg.13-Liquidity & Asset Liability Management
- ✓ Reg.13(1)-Board shall be responsible
- ✓ Reg.13 (2)-15% Requirement of savings & short-term liabilities (exclude members non-withdrawable deposits)
- ✓ Reg.13(3)-Defines liquid assets i.e. cash, Bank balances, Short-term investments, Time deposits
- ✓ Reg.13(4)-Contingency plan for liquidity

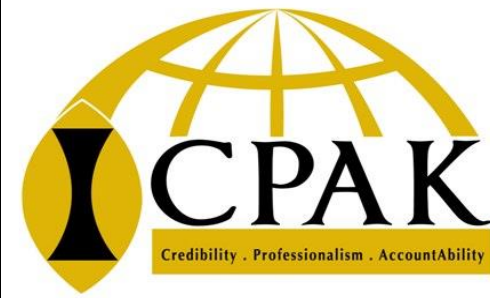


# MONITORING & EVALUATION



- ✓ Liquidity indicators
  - Ratios i.e. 15%
  - Absolute limits (figure)
- ✓ Liquidity reports
  - Daily reports
  - Monthly reports
  - Monitoring trends and cycles

# WHY POOR/LOW LIQUIDITY



- ✓ Weak Capital base
- ✓ The Sacco Model of 3 times or 4 times deposits factor for credit
- ✓ High appetite for borrowing more than savings
- ✓ Introduction of many & long-term products
- ✓ Engagement of funds in non-earning assets
- ✓ Multiple channels for distribution i.e. Branches, ATM, Mobile & internet Banking.
- ✓ Weak policy direction i.e. approvals

# INDUSTRY CHALLENGES



- ✓ High liquid assets tend to reduce the **INCOME** from that asset i.e. cash
- ✓ Low/poor savings culture i.e. hand to mouth
- ✓ Clarity i.e. Members deposits
- ✓ Lack of financial instruments
- ✓ Expensive Bank loans

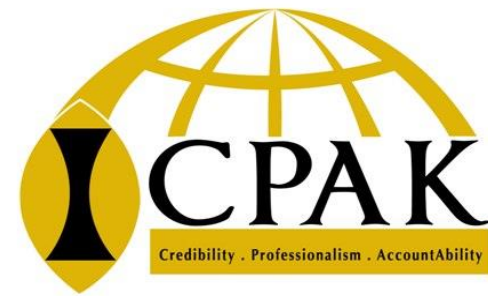


# REMEDIES



- ✓ Capitalization i.e. Financial Capability
- ✓ Patronize/Leverage on FOSA activity.
- ✓ Embrace ICT platforms
- ✓ Introduce other financial instruments i.e. Sacco bonds, overnight lending, inter-Sacco borrowings
- ✓ Alternative **cheap** financing
- ✓ Match Credit & savings
- ✓ Managing member perceptions

# POLICY



- ✓ Develop financial instruments raise capital-internal & external
- ✓ Create a 'stock market' to encourage permanent capital
- ✓ Clarity i.e. members deposits
- ✓ Deposits from non-members
- ✓ Control the developments in the market

# Part V- Shares, Savings & Deposits



✓ Reg. 21-27

Terms of members shares prescribed, i.e. minimum, cannot pledge as collateral, transferability, earn a dividend

**Disclosures on;**

✓ Non withdraw able deposits

✓ Withdraw able deposits

✓ Authority return end of every month on or before the 15 day of the following month



# CLASIFICATION & PROVISIONING

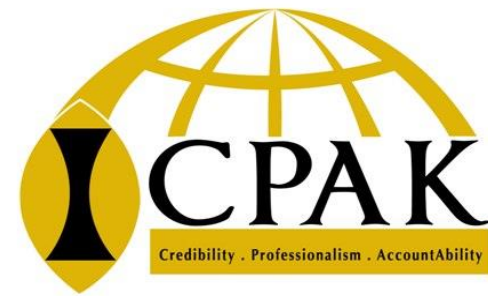


✓ Reg. 39-46

**Issues;**

- ✓ Computing delinquency
- ✓ Basic Classification
- ✓ Loan loss allowances
- ✓ Authority return at end of every quarter on or before the 15 day of the following month.

# CLASIFICATION & PROVISIONING



- Reg. 41:**  
Basis for classification Performance of an account against contract
- ✓ Performing-
  - ✓ Watch-one installment outstanding 1-30 days
  - ✓ Substandard-Unpaid 30-180 days
  - ✓ Doubtful-Unpaid 181-360 days
  - ✓ Loss-Unpaid for over 360 days

# WHY IS DELIQUENCY A CONCERN



- ✓ Loans to members make the largest single asset
- ✓ Loans are made from member deposits
- ✓ Loans form largest earning asset
- ✓ Hence Loan portfolio quality must be a **PRIORITY** for a safe and sound SACCO



# Part VIII- INVESTMENTS



✓ Reg. 47-51

**Issues;**

- ✓ Develop an Investment policy
- ✓ Limits investment in non-earning assets -Not more than 10% of total assets
- ✓ Restricted investments transactions
- ✓ Authority return at end of every quarter on or before the 15 day of the following month

# Part IX-FINANCIAL PERFORMANCE REPORTING



✓ Reg. 52-58

## Issues;

- ✓ Internal Auditor-review internal controls & financial matters of the society
- ✓ External Auditor appointment -3 years
- ✓ Submission of audited accounts within 3 months after the end of the year, before publication-
- ✓ Authority return at end of every quarter on or before the 15 day of the following month.

# Part IX-FINANCIAL PERFOMANCE REPORTING



- ✓ Authority return on Statement of Income & Expenditure and a Statement of financial position showing results of its operations for the preceding month by the 15 day.
- ✓ The Sacco shall submit to the authority on the quarter date & year date Financial Statements in the prescribed format without deviating from Form 6,7& 8.





# LONG LIVE THE CO-OPERTAIVE MOVEMENT IN KENYA

Contacts-mail [solotsa@gmail.com](mailto:solotsa@gmail.com)

Mobile; 0722-381327