



REPORTS AND DISCLOSURES REQUIRED BY SASRA

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Overview



- 1. Legal framework**
- 2. Sarsa Reports**
- 3. Issues of importance within the regulations**

Legal framework

- The SACCO Societies Act was enacted on 24th December 2008 and the SACCO Societies Regulations were gazzeted on 18th June 2010 and are now effective
- The Regulations 2010 provide the minimum operational regulations and prudential standards required of SACCOs operating Front Office Savings Activity (FOSAs) or DTS.
- Supervision by SASRA under SSA 2008, registration by CCD under CSA 1997

Licensing (Schedule 1 part 1)

- DTS apply for a license from SASRA, Yearly renewal
- FORMS (**Application for license & Fit and proper test**)
- The application will have the following documents:
 - ▣ Registration certificate (former and present name)
 - ▣ Letter of notification of its registered office & Address
 - ▣ Certified copy of its bylaws
 - ▣ Three year business plan
 - ▣ A feasibility study
 - ▣ Capital (core, institutional, paid up)

Licensing req. cont

- AGM minutes : resolutions to apply for the license.
- Particulars for senior management & Directors
- Audited accounts of the previous three years.
- Letter that the SACCO has met the minimum capital
- An application fee of three thousand shillings.
- Plan on the adequacy of space and facilities
- IMS to produce the monthly reports, give an audit trail,
- Adequate risk management policies
- Complete internal control systems

Part 2,...9 (Sasra reports)

FORM	CODE	REPORT	DUE DATE
Form 1	SASRA1/001	CAPITAL ADEQUACY RETURN	15 th of next month
Form 2	SASRA1/002	LIQUIDITY STATEMENT (comp every Wednesday)	15 th of next month
Form 3	SASRA1/003	STATEMENT OF DEPOSIT RETURN	15 th of next month
Form 4	SASRA1/004	RISK CLASSIFICATION OF ASSETS AND PROVISIONING	Quartely
Form 5	SASRA1/005	INVESTMENT RETURN	Quarterly
Form 6	SASRA1/006	STATEMENT OF FINANCIAL POSITION	Quarterly & Within 3 months of next year
Form 7	SASRA1/007	STATEMENT OF COMPREHENSIVE INCOME	Quarterly & Within 3 months of next year
Form 8	SASRA1/008	OTHER DISCLOSURES	On need basis

Capital Adequacy Return

SACCO shall maintain adequate capital:

Core capital of ten million shillings for a SACCO establishing a FOSA.

That with FOSA;

- Core capital of 10 % of total assets
- Core capital of 8 % of total deposits
- Institutional capital of 8% of total assets
- A SACCO may be required to increase its capital due to losses, Higher risk, poor quality assets, Rapid growth ,

Liquidity statement

- **Total liquid assets/ (Total deposits and ST Liabilities)**
- Formulate Liquidity and asset liability management, be reviewing and adjusting its liquidity policy annually
- The policy shall prescribe;
 - a) Person responsible for liquidity management
 - b) Person to access lines of credit for liquidity
 - c) Person to monitor liquidity
 - d) Max & min levels of liquidity (Rec 15%)
- The cash holding limit
- Contingency plans

Prohibited business

- A SACCO Society shall not do the following:
 - a) Foreign trade operations
 - b) Trust operations
 - c) Investment in enterprise capital
 - d) Purchase of land other than for SACCO business
 - e) Transacting SACCO business with non members
- A SACCO Society seek Sasra approval for Branch opening & closing, opening agency, relocation, closure of business.

Shares

- The SACCO shall prescribe the minimum shares a member may have.
- Shares form part of core capital and shall not be pledged as collateral for a loan.
- Shares are not refundable to a member on withdrawal but are transferrable to a nominee or member
- Shares may earn dividends paid from surplus

Statement of deposit return

- **The Sacco to disclose the various types of deposits offered, the terms, the interest rates by 15th of following month.**
- Non withdraw able deposits may be used by a member as collateral for loans.
- They may be refunded within 60 days of a member giving notice to withdraw from the SACCO .
- Non withdraw able deposits shall attract interest rates as fixed by the SACCO from time to time.
- Withdraw able deposits shall be evidenced by a receipt or statement stating the terms.

Savings

- The SACCO shall prepare a savings policy disclosing terms and conditions of opening , operating, and closing of accounts; interest rates, penalties and charges.
- Savings disclosure- terms and conditions of accounts shall be disclosed and must not be misleading to members and must reflect min. interest bearing business, interest rate and fees applicable, penalties, maturity terms

Deposits and savings

- Dormant account-account where no transaction has been done for six months.
- Abandoned savings- where a member has not contacted the SACCO about the deposits within five years.
- Notice to member- The SACCO shall give a 90 days notice to a member at his last known address about the deposits.
- Transfer to public Trustee- Deposits shall be transferred to the public Trustee if not claimed and after authorization by general meeting **vs UFAA**

Credit management

- The SACCO shall formulate a credit policy The SACCO Board shall ensure regular update of the credit policy .
- Written notice of 60 days shall be given to members in case of change in terms of loans.
- Loan statements- a member shall be given a loan statement once every six months or on request.
- **Limit on interest recoverable-** interest recovered from a delinquent loan shall not exceed the amount owing when the loan became delinquent.
- **Insider lending prohibited**

Credit management

- Loan security-A loan shall always be adequately secured
- Guarantors-A guarantor shall be informed of his level of guarantor ship and none should be allowed to over guarantee.
- Shares- they shall not be used as security for loans.
- **External borrowing capped at 25% of assets unless with Sasra approval**
- **Lending to one member capped at 10% of core capital**
- **Fore closed assets disposed off within one year by public auction**
- **Sacco to appoint debt collectors Vs cop tribunal**

Risk classification and provisioning

- ❑ **Guides on risk assessment , delinquency and requisite provisioning for loans**
- ❑ Loan is **Delinquent** if not serviced on due dates. Categories of loan **classification**- There are five categories
 - a) Performing –well paid as per terms
 - b) Watch-unpaid for up to 30 days
 - c) Substandard-unpaid for up to 180 days
 - d) Doubtful-unpaid up to 360 days
 - e) Loss-unpaid for over 360 days
- ❑ Accrued interest-Interest on substandard, doubtful and loss loans shall be suspended.
- ❑ Collaterals to be charged
- ❑ Return filed quarterly

Risk classification and provisioning

- Loan loss allowance-**provisioning** be as follows:
 - a) Performing-1%
 - b) Watch- 5 %
 - c) Substandard-25%
 - d) Doubtful-50%
 - e) Loss-100%
- Loan write off- loan may be written off if the SACCO loses contractual rights over the loan eg the Court ruling against the SACCO, or collateral failing to cover the loan or member is judged bankrupt.
- Shall be made to the Authority every quarter.

Investment Return

- **Develop investment policy, Guide investment from non earning assets, restrictions**
- Investment policy-The board shall formulate and be reviewing it regularly. It shall state the following:
Objectives of the investment activities, Types of investments that can be made, persons authorized to make investments
- **Limitation from investing in property or non earning assets not in excess of 10 % of total assets.**
- **Investments in Land and buildings shall not exceed 5% unless a waiver is given by the Authority.**

Investment Return

- **A SACCO shall not make financial investments in non government securities in excess of 40% of its core capital or 5% if its deposits.**
- Purpose of investments- To hold to maturity the financial investments and not to trade the securities for profits.
- Restricted investments- A SACCO may not sell, lease premises to or from board , employees, or family or businesses where they have interests.
- Investment return- The SACCO shall submit a return on its investments to the Authority every quarter.

Financial performance reporting

- Establish internal audit function and **internal audit committee reporting to board**
- Appointment of external auditor, name submitted to Sasra within 30 days of AGM, removal must be sanctioned
- **Submission of audited financial statements-** submitted to **Sasra within 3 months after** the end of the financial year and before presentation to the AGM , **(Statement of comprehensive income and financial position). Unaudited Financial statements also submitted monthly.**
- **Display of the accounts-** The accounts , after approval shall be displayed in prominent places including the SACCOs website, approved by AGM within 4 months of year end.
- External auditor to report irregularities to SASRA

Financial performance reporting

- Statement of comprehensive income
- Statement of financial position
- disclose any material amount written off with a resolution of the general meeting of the Sacco Society accompanied by satisfactory explanation;
- A signed statement of directors' responsibility;
- The auditor's opinion (include key audit matters);
- Statistical information;
- Cash flow statement;
- Statement of changes in equity

Other disclosures

- Solvency position of the society

$$\text{Solvency Ratio} = \frac{\text{Net Income (or After-Tax Profit)} + \text{Depreciation}}{\text{Short-Term Liabilities} + \text{Long-term Liabilities}}$$

- Non performing loans
- Insider loans and other activities
- Off balance sheet items like guarantees
- Capital strength
- Liquidity
- Statement of Corporate governance

Governance

- ADM & AGM -The supreme authority of the SACCO is vested in the members
 - Directors elected and non executive, runs the sacco.
 - Credible members are elected as board of directors
- (Vetting policy)**
- **Code of conduct** is applicable to directors, Chief Executive Officers and the Management of Sacco Societies registered and licensed under the Act. Do you do **Board evaluations?**
 - Conflict of interest declaration : Directors, Chief Executive Officers and Management should not engage directly or indirectly in any business activity that competes or conflicts with the Sacco's interest

Governance



- Meetings capped to 12 in a year
- To establish policies
- Responsible for appointment of CEO who is executive
- To constitute committees
- Indemnity cover for directors
- failure to comply with any direction of the Authority or permits a disqualified director to continue holding office shall be guilty of an offence.

Regulation and supervision by sasra : Part 1 1

- Supervision : Unlimited access to premises ,reports and documents and Report presented to board
- Directors to sign a certificate of awareness
- Sasra can institute administrative sanctions , MOU between Directors and Sasra, letter of understanding, cease and desist order, **prohibition from office for officers, removal from office =appeals to CS**. Acts may include loan default, conflict of interest, etc
- Society can be placed under **statutory management**
- Financial penalties for failing to file reports

Other Parts

- Information preservation and business continuity: **cold site**
- **Deposit guarantee fund** to compensate depositors in case of collapsed DTS Kshs 100,000 per depositor. Yearly premium Kshs 50,000 or 5% of total savings (higher)
- Miscellaneous provisions: Amalgamation and transitional clauses
- Under Schedule 3 is **Code of conduct**

Other Key decision making issues

- Off balance sheet items
- Dividend payment policy : affects capital structure, Liquidity, approval, tax positions, investment opportunities, Dividend militancy, Sacco politics, method of payment (Cash or bonus), dividend advance products, time value for money, capitalization, etc
- Borrowing powers
- Policies formulation and implementation
- Board stewardship
- FA: Reporting IFRS10, publication, Registration,

XYZ sacco reporting

Sacco XYZ Financials		Kshs
Total assets		3,813,172,599
Liquid Assets		82,965,745
Members' deposits		3,074,291,821
Total deposits & short term liabilities		3,342,302,945
Loans and Advances to members		3,386,794,238
<i>Investments?</i>		161,402,307
Core Capital (less invest in subs & Equities)		470,869,654
Share Capital		213,240,780
<i>Institutional Capital (less= acc losses, distributable ,revaluation)</i>		257,628,874
Total Revenue		411,855,502
Total Interest Income		403,233,205
Total expenses		351,151,521
Interest on members Deposits		239,819,556
Dividend on share capital		42,648,156

Xyz sacco reporting

Key ratios		
Capital Adequacy Ratio	Minimum Statutory	
Core capital/Total Assets	10.00%	12%
Core capital/Total Deposits	8.00%	15%
Institutional Capital/Total Assets	8.00%	6.80%
Liquidity ratio		
Liquid Assets/Total deposits & Long term liabilities?	15%	2.50%
Operating Efficiency/Loan quality ratios		
Total expenses/ Total revenue		85%
Interest on member deposit/ Total revenue		58%
Interest rate on members' deposits		8.25%
Dividend rate on members share capital		20%
Solvency Ratios?, Investment Ratios? PPE ratios?		

Q&A?



Management paradigms

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