



Financial Reporting Workshop for SACCOs and Cooperative Societies

***Theme: Changes in SACCOs & Cooperative Societies Reporting
for Decision Making***

VENUE: Hilton Hotel, Nairobi

DATE: 17th – 18th October 2019



PRINCIPLES OF GOOD CORPORATE GOVERNANCE FOR SACCOS & COOPERATIVE SOCIETIES IN KENYA

Governance



- Governance in a SACCO/Co-operative Societies context can be defined as generally **as set of relationships between the Society** on one hand, and its management, board of directors, members and other stakeholders on the other hand.

Corporate Governance



- Corporate governance therefore means the structure through which the objectives of the Society are set out and the means of attaining those objectives and monitoring performance are determined.

What does good governance do?



Functions of Corporate Governance

Accountability

Keeping the company accountable to stakeholders, investors, and the public.

Transparency

Remaining transparent about company operations, earnings, successes, and failures.

Ethics

Holding the company and all employees to a high ethical standard.



Compliance

Maintaining compliance with the laws and regulations set for the company.

Company Vision

Guiding the company toward future goals through strategic planning.

Annual Shareholders Meeting

elects members
annual discharge

provides yearly
information to

annual discharge

provides yearly
information to

Supervisory Board

appoints,
controls,
advises

Board of Management

regularly reports to

Indicators of bad governance



1. Exaggerated expenses
2. Unmanaged risks
3. Conflict of interest
4. Unachieved objectives
5. Stagnant growth
6. Poor flow of information
7. Lack of successful leadership.
8. Manipulation of members

How leaders get into trouble



- i. When they allow themselves to be drawn into unfortunate situations. E.g. Joining Boards they don't know too well.
- ii. When ignorant (lack of understanding of their roles and responsibilities).
- iii. When they lack independence

How leaders get into trouble



- iv. When there is conflict of interest (e.g. When one profits or benefits from a decision or action at the expense of the shareholders).
- v. When they fail to exercise the duty of care, they should endeavor to make the right decisions).

How leaders get into trouble



- vi. Poor business performance – hence the wrath of shareholders;
- vii. Lack of Board leadership
- viii. Inadequate or inappropriate involvement in management
- ix. Internal politics
- x. Ineffective Boards
- xi. Conspiring in or tolerating legal

Attributes and characteristics of Societies professionals



1. Innovativeness and entrepreneurial skills
2. Willingness to learn
3. High ethical standards, both in business and socially
4. Commitment and devotion to duty
5. Wide perspective of the Sacco/cooperative business
6. Common sense
7. Business acumen



WAYFORWARD

Principles of corporate governance Cont



- The leaders should ensure a **proper management structure** (organization, systems and people) is in place and make sure that the structure functions to maintain corporate integrity, reputation and responsibility.

- The leaders should monitor and evaluate the implementation of strategies, policies and management performance and plans of the co-operative societies, as well as the viability and financial stability of the enterprise – at least every year.



- The leaders must ensure that the societies **complies** with the relevant laws, regulations, governance practices accounting and auditing standards.



- The leaders should serve the legitimate interests of all members and account to them fully.
- *The survival of the Board depends on how well they can increase shareholder value.*

- The leaders should ensure that no one person or group of persons has unfettered power and that there is an appropriate balance of power on the Board so that it can exercise objective and independent judgment.
- *With balance of power, integrity, transparency and good judgment will always prevail.*



- The leaders should regularly review systems, processes and procedures to ensure the effectiveness of its internal systems of control so that its decision-making capability and the accuracy of its reporting and financial results are maintained at the highest levels at all times.
- *Effective internal control procedures detect and prevent fraud and corruption.*



- The leaders must recognize that to survive and thrive, the technology, skills and systems used in the society is adequate and reviews are done frequently in order to remain competitive.
- *Internal controls based on the current technologies (including trails left by electronic transactions) are capable of highlighting inconsistencies*



- The leaders **must identify key risk areas and key performance indicators of the co-operative societies' business and constantly monitor these factors.**

Principles of corporate governance Cont.



- The society must operate within the mandate entrusted corporate societies and should **its social responsibility.**
- It should not short-change beneficiaries or members, exploit labor, pollute the environment, evade taxes, fail to conserve resources and neglect the needs of the local community.



- The leaders must recognize and encourage professional development and seek independent professional advice when necessary.
- *This places the Board in a strategic position.*

Conclusion



➤ It takes good people to do nothing for evil to prevail”