



SACCO SECTOR CONFERENCE

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LAKE NAIVASHA RESORT



Presentation by:

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Who is Carol?



- Founder & Lead Consultant –Blue League Consulting
- Co-operative management Trainer/Consultant
- Banker by profession
- Certified financial literacy Trainer
- Credit &Risk Management expert with over 12 years career in senior lending.
- Certified Consultant for the SASRA-FSD Kenya core Sacco credit reform program for establish Individual Lending , loan delinquency management and Risk Management
- Entrepreneur



SACCO SECTOR CONFERENCE

Unlocking the potential for growth and
improvement in SACCOs





THEME:

**“Unlocking the potential growth
and improvement in SACCOs”**

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**“Unlocking the potential growth and
improvement in SACCOs”**



“The great thing is not so much where we are coming from, but in which direction we are heading”



SESSION



**Understanding the link
between financial
reporting and SASRA
regulations & guidelines**

Tool Kit of SACCO sector professionals



- Cooperative Act & Cooperative Rules
- SACCO Deposit taking Business **Regulations**
- SACCO Non -Deposit taking Business **Regulations**
- SASRA **Guidelines**
- Sacco By-laws,policies,strategic plans and Business plans
- Reconciliations/Management Reports/Board Minutes
- Annual SACCO Budget
- **SACCO Financial Reports**

Introduction



- According to **International Accounting Standard Board (IASB)**, the **objective of financial reporting** is “to *provide information about the **financial position, performance and changes in financial position** of an institution that is useful to a wide range of **users** in making economic decisions.*”
- Users - includes shareholders(SACCO members), creditors, governmental authorities and the general public.

Objectives of Financial Reporting



1. Providing information to the management of an organization which is used for the purpose of planning, analysis, benchmarking and decision making.
2. Providing information to investors, promoters, debt provider and creditors which is used to enable them to make rational and prudent decisions regarding investment, credit etc.

Objectives of Financial Reporting



3. Providing information about the economic resources of an organization, claims to those resources (liabilities & owner's equity) and how these resources and claims have undergone change over a period of time.

4. Providing information as to how an organization is procuring & using various resources.

Objectives of Financial Reporting



5. Providing information to various stakeholders regarding **performance management of an organization** as to how diligently & ethically they are discharging their fiduciary duties & responsibilities.

6. Providing information to the statutory auditors which in turn facilitates audit.

Importance of Financial Reporting



1. In help and organization to comply with various statutory and regulatory requirements.
2. It facilitates statutory audit. The Statutory auditors are required to audit the financial statements of an organization to express their opinion.
3. Financial Reports forms the backbone for financial planning, analysis, benchmarking and decision making.

Importance of Financial Reporting



4. Financial reporting helps organizations to raise capital.

5. On the basis of financials, the public in large can analyze the performance of the organization as well as of its management.

Financial reporting is therefore very important from various stakeholders point of view



SASRA REGULATIONS & GUIDELINES

Functions and Roles of SASRA



1. Licence Sacco societies to carry out business.
2. Regulate and supervise Sacco societies
3. Perform such other functions as are conferred on it by this Act or by any other written law

REGULATIONS



The SACCO
Societies(Deposit Taking
Business)Regulations,
2010

The SACCO
Societies(Non deposit
taking Business
)Regulations, 2020

Categories of SACCOs under SASRA



1. All deposit Taking SACCOs – Those operating FOSAs
2. Non-deposit taking SACCOs whose total non-withdrawable deposits from members is equal to or exceeds Kshs. 100,000(BOSA Only SACCOs)

Categories of SACCOs under SASRA



3. Non-deposit taking SACCOs who mobilises membership and subscription to its share capital through digital or other electronic payment platforms (**VIRTUAL OR DIGITAL SACCOs**).

4. Non-deposit taking SACCOs who mobilises membership and subscription to its share capital from persons who are ordinarily resident outside the country (**DIASPORA SACCOs**).

Purpose of Regulations



What does it seek to achieve ?.

- To provide minimum operational and prudential Standards required.

SASRA Regulations



Circular No.8 of 2011 –

Provisions

1. Sec. 40(3) of the SACCO societies Act, 2008 provides that accounts and other financial records shall comply with the International Financial Reporting Standards –IFRS and other requirements as provided by the authority

SASRA Regulations



Disclosures to be observed;

1. Loans and Advances
2. Investments
3. Members deposits
4. Core capital (As prescribed by the regulations)

Financial Reporting Template to be used by external auditors as they prepare the report was developed by ICPAK, SASRA, Ministry, C-operative College and KUSCCO.

SASRA Regulations



2. Sec 44(4a) of the SACCO societies Act, 2008 stipulates that external auditors are required to submit reports containing information's on;

- The solvency of the SACCO(*capacity to meet its long-term financial commitments*).
- Any concerns with respect to its financial conditions

SASRA Regulations



- **Reg. 55** of the SACCO societies
Regulations – Societies to submit 3 copies of their audited financial statements which must comply with provisions set out in **Reg.55(2)** within 3 Months after the end of financial year- before the AGM.
- **Reg. 56** of the SACCO societies
Regulations sets out the duties and responsibilities of the external auditor



SASRA REGULATIONS ON FINANCIAL PERFORMANCE REPORTING

FINANCIAL PERFORMANCE REPORTING (Reg. 52-58)



Financial returns – A Sacco Society shall submit to the SASRA by the 15th day of the subsequent month a monthly statement of income and expenditure and statement of the financial position showing the results of its operations.

Financial statements as prescribed shall also be submitted on 31st march, 30th June, and 31st December.

Financial accounts shall also be submitted as prescribed in these regulations.

FINANCIAL PERFORMANCE REPORTING (Reg. 52-58)



Employment of internal auditor –

A Sacco Society shall have an internal auditor whose responsibility is reviewing and reporting on the adequacy of the internal control systems. He must be a fully qualified accountant and he will report to the audit committee.

Appointment of external auditor –

The board of a Sacco Society shall forward for approval three names of external auditors to the AGM that will select one to audit its books. The selected auditors will be from a list approved by SASRA . The Sacco will change or rotate an auditor who has served for three years every 3rd year.

FINANCIAL PERFORMANCE REPORTING (Reg. 52-58)



Submission of audited accounts – Three copies of audited accounts shall be submitted to the SASRA for approval three months after the end of the financial year.

Publication of audited accounts – A Sacco shall display in a conspicuous place in every place of business the approved audited statement of financial position at least two weeks before holding the AGM.

Convening AGM – A Sacco Society will hold its AGM within four months after the end of the financial year.

FINANCIAL PERFORMANCE REPORTING (Reg. 52-58)



Responsibility of the auditor –

To provide an opinion to the authority whether the Saccos practices and procedures are enough to safeguard members funds.

Establishment of the audit committee –

The audit committee shall be constituted by the board to review the financial conditions, internal controls, performance and findings of the internal auditor and recommend remedial action to the board once every three months. The chairman of the board shall not be a member.



Required reports

- 1. Liquidity reports** (every 15th day of the following month)
- 2. Deposits reports** (every 15th day of the following month)
- 3. Capital adequacy reports** (Every 15th day of the month)
- 4. Insider lending and loan performance report** (Every 15th day of the month)



Required reports

5. Return on loan risk classification –

A Sacco shall submit to the SASRA a return on the risk classification of its assets and provisioning at the end of every quarter and not later than the 15th day of the subsequent month.

6. Investment return –

A Sacco shall submit to the SASRA a return on its investments every quarter latest by the 15th of the consequent month.

7. Audited reports - within 3 Months after the end of financial year- before the AGM.

Key responsibilities of SACCO Professionals



1. Administrative

- Providing financial information to management by compiling and presenting reports, budgets, business plans and financial statements (including monthly and annual reports)
- Auditing financial information
- Financial forecasting and risk analysis

Key responsibilities of SACCO Professionals



2. Compliance

- Ensures that a the SACCO complies with ALL regulatory and legal requirements as well as internal policies and bylaws.
- Investigation of irregularities and non-compliance issues.
- A failure in compliance can result in **litigation, financial penalties, regulatory constraints and reputational damage**, all of which can strategically affect a financial institution.

Key responsibilities of SACCO Professionals



3. Advisory

- Insights on business conditions and trends
- Financial assessment
- Operational assessment



Conclusion

- **Financial reporting forms the basis for regulatory reporting.**
- Whereas financial reporting is mainly targeted **towards investors and creditors**, the main target of regulatory reporting is the **Management**.

Conclusion



Long live the co-operative
Movement, for through it ,lives
have been transformed globally.

Q & A



END

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