



# Key Reporting Issues in Saccos

Presented by  
**CPA Francis Mwangi**



28<sup>th</sup> July 2021  
Lake Naivasha Resort,  
Naivasha

# Share of Financial Sector to GDP

Table 6: Share of Financial Sector Total Assets to national GDP

YEAR	2017		2018		2019		2020	
Nominal GDP (millions)	8,144,373		8,904,984		9,740,400		10,266,381	
Indicator/Industry	Total Assets (Kshs B)	Share of GDP (%)	Total Assets (Kshs B)	Share of GDP (%)	Total Assets (Kshs B)	Share of GDP (%)	Total Assets (Kshs B)	Share of GDP (%)
Banks (excluding MFBs)	4,002.74	49.15	4,408.59	49.51	4,832.3	49.61	5,420.1	52.79
Microfinance Banks (MFBs)	67.60	0.83	70.75	0.79	76.35	0.78	74.88	0.73
Insurance	590.95	7.26	637.41	7.14	705.84	7.25	761.34	7.42
Pensions	1,081.10	13.27	1,166.34	13.10	1,298.19	13.33	1398.95	13.63
SACCOs	442.90	5.44	493.82	5.55	556.71	5.72	627.68	6.11
<b>TOTAL</b>	<b>6,627.04</b>	<b>81.37</b>	<b>6,776.91</b>	<b>76.09</b>	<b>7,469.39</b>	<b>76.68</b>	<b>8,282.95</b>	<b>80.68</b>

Source: SASRA Database. \* The data from other financial sectors obtained from respective sector regulators



# Key Indicators

	2020	2019	Change	% change
Membership	5.47	4.51	0.96	21.29%
Total Assets	627.68	556.71	70.97	12.75%
Gross Loans	474.77	419.55	55.22	13.16%
Total Deposits	431.46	380.44	51.02	13.41%
Core Capital	97.74	79.2	18.54	23.41%
CCA	15.57%	14.23%		
ICA	11.39%	10.63%		
NPL	8.39%	6.15%		



# Case for Disclosure



21458

# Presentation Outline

1. Background
2. Sacco's reporting requirements
3. External Auditors' Responsibilities
4. Internal Controls
5. Key Reporting requirements in Saccos
6. Impact of dividends on Sacco's capital
7. Disclosure Requirements
8. Importance of adequate disclosures on all key items of SFP and SCI Taxation
9. Impact of Finance Act on Sacco Financial Performance



# Background

- ❑ S.25 of CSA provides that all Cooperatives must keep proper books of accounts which shall be prepared in accordance with IFRS. Such include SFP and SCI, Cashflow statement and SCE.
- ❑ Same is reinforced by S.40 of SSA which provides that accounts must comply with IFRS and provisions of the Act and Regulations made thereunder.
- ❑ DTS's submit monthly and quarterly returns which form basis of continued supervision by SASRA. End year audited financial statements are a summary of the returns submitted.



# Background Cont'd

- ❑ The Authority prepares the statutory report – SSR based on the submitted audited financial statements.
- ❑ S 51 (m) and Reg. 75(1)(b) mandate the Authority to impose penalties for submission of inaccurate returns.
- ❑ S 65 – “Any officer who wilfully falsifies and/or destroys any books of account, report, statement or document of the society commits an offence and shall on conviction be liable to a fine of not exceeding KShs. 100,000.00 or to imprisonment for a term not less than 12 months or both.”



# Saccos' Reporting requirements

- ❑ Reg 55(1) provides that within 3 months after end of financial year, the Sacco Society shall submit audited financial statements to the Authority for approval before publication and presentation to the AGM.
- ❑ The Sacco is also required by Reg. 55(4) to hold the AGM within four month after the end of the financial year.
- ❑ Sec. 45 - The financial statements must be audited by an independent external auditors from the list of Auditors approved and duly registered by the Authority.



# External Auditors' responsibilities

The responsibilities of the External Auditor as per Reg. 56 include:

- Communicate any evidence of irregularities or illegal acts committed by the directors, employees or the Sacco society itself.
- Inform the Authority if there are grounds to believe that the Sacco society is insolvent or that there is a significant risk that it may become insolvent.
- Report failure by the officers to provide all the necessary information and documentation to enable the Auditor perform audit duties,
- Provide an opinion as to whether the Sacco society management practices and procedures are sufficient to safeguard members' assets.



# Internal Controls

- ❑ The responsibility of establishing proper and adequate and effective internal controls lies with the Sacco board of directors – Reg. 60 (3).
- ❑ The Internal Auditor appointed under Sec. 43 of the SSA, shall report to the board – Audit committee - on the adequacy and effectiveness of the internal controls in the Sacco society.





# Key Reporting Requirements in Saccos

- SCI which focuses on performance of the Sacco, basically the income generated over the financial year.
- SCI lists the income mainly from funded and non-funded income.
- Expenses are financial, administrative provision for loan losses.
- Net effect is either surplus or loss. In case of a loss no distribution is made
- R. 21 (4) provides that dividends may be paid upon necessary transfers have been made various reserves account.
- Dividend policy required as a governance tool for Saccos as provided under regulation 60(4)



# Impact of Dividends on Sacco's Capital

- ❑ Reg 21(5) payment of dividends is restricted to compliance with capital adequacy requirements and any other requirements that the Authority may impose.
- ❑ Minimum capital requirements include compliance with CC, CCA, CCD and ICA
- ❑ Higher dividend payout has the effect of not growing the above capital requirements.
- ❑ Has the potential of reducing cost of capital compared to external financing



# Impact of dividends on Sacco's Capital

- ❑ Potential effect of undercapitalization S.51
- ❑ Potential of retaining existing members while attracting new ones
- ❑ Posterity and growth of institutions



# Disclosure requirements

Reg 55(2) - the Sacco society must disclose the following:

- Any material amounts written off with resolution of general meeting accompanied by satisfactory explanation
- Have signed statement of directors responsibility
- Auditor's opinion



# Disclosure requirements Cont'd

Other disclosures include:

- Insider lending
- Governance expenses
- Directors' earnings from the Sacco society
- All transactions with business associates or family members not specifically prohibited, conducted at arm's length
- Non-performing loans and advances
- Off-balance sheet items



## Importance of adequate disclosures on all key items of SFP and SCI Taxation

- Influence Government Policy
- Compliance with the law
- Reduce incidences of tax disputes
- Compliance with accounting standards
- Create awareness to members and other users of financial statements



# Impact of Finance Act on Sacco Financial Performance

Interactive session with participants  
being the frontline officers implementing  
the Act...



# End

