



ICPAK FINANCIAL SERVICES SECTOR SEMINAR
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VIRTUAL



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
- MBA- Strategic Management from JKUAT

Topic

Recent Developments and Commentary

**from Representatives of Regulated
Services – Financial Services Sector**

Session



New Developments
in the SACCO Sector

Target Group



EXTERNAL AUDIT
PRACTITIONERS

Who Regulates SACCOs

SASRA

The SACCO SOCIETIES REGULATORY AUTHORITY (SASRA) is the Government's Principal Agency responsible for Supervision and Regulations of SACCO societies.

REGULATIONS



The SACCO
Societies(Deposit Taking
Business)Regulations,
2010

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

Legal Mandate of SASRA

SASRA is charged with the role of **regulating, licensing and supervising deposit taking and Non – Withdrawable deposit taking Sacco Societies in Kenya.**

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.

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.

Mandate of External Auditors

- Examine financial statements according to International Standards on Auditing and issue an opinion thereon in relation to compliance with the International Financial Reporting Standards (IFRS);
- Prepare Management Letter on the review of internal controls and other matters arising from the audit which should be brought to the attention of the Society's Management and Board of Directors.

Mandate of External Auditors

- Present Interim And Final Audited financial Report to Society's Management and the Board of Directors through board's Audit Committee;
- Comply with various reporting responsibilities for SACCO external auditors to SASRA as set out in:- a) Sec 44 of the Sacco Societies Act, 2008 b) Sec. 56 of the Sacco Societies (Deposit-Taking Sacco Business) Regulations, 2010 c) Subsequent SASRA Circulars on external audit;

Mandate of External Auditors

- Routine consultation with the SACCO's financial team on developments in accounting, tax and new pronouncements/promulgated by accounting standard setters, SASRA, and other relevant regulators, where these are considered applicable to the SACCO.
- Sign the audited financial reports under the name of the firm, Submit Final audit report

Diagnostic questions

Where is the SACCO in terms of the regulation ?.

Which Gaps exist

Where are they suppose to be as far as the regulations are concerned ?.

What generic recommendations do we need to give as professionals?

SASRA COMPLIANCE FOR NON- WITHDRAWABLE DEPOSIT TAKING SACCOs CHECKLIST

Requirement	Yes	No
By-laws aligned/compliant with SASRA Regulations 2020.		
Existing/reviewed by-laws been sent to SASRA for a pre-application “no objection” and subjected to AGM/SGM approval		
Resolution to apply for registration under SASRA Regulations 2020 including approval of any amendments to by-laws.		
Risk management Framework		

SASRA COMPLIANCE FOR NON- WITHDRAWABLE DEPOSIT TAKING SACCOs CHECKLIST

3-year Business plan	YES	NO
Fit and Proper test for Directors, CEO and Supervisory committee.		
Capital of KES 5 million and above		
Capital at 8% of total assets and above		
Capital at 8% of total non-withdrawable deposits		
50% of core capital from retained earnings & disclosed reserves.		

SASRA COMPLIANCE FOR NON- WITHDRAWABLE DEPOSIT TAKING SACCOs CHECKLIST

Liquid assets at 10% of total non-withdrawable deposits	YES	NO
Technical liquidity management team exists/established		
Liquidity monitoring and contingency plan established		
10% of investment or less in land, property & equipment		
5% of investment or less in land		

Summary

- ✓ Capital Adequacy
- ✓ Liquidity statement
- ✓ Sectoral loan classification
- ✓ Insider lending Report
- ✓ Statement of deposits
- ✓ Risk classification of Assets and provisioning
- ✓ Statement of comprehensive income
- ✓ Statement of financial position
- ✓ Statement of other disclosures

Key responsibilities of every Professional

Compliance

- We must ensure that a SACCO complies with ALL regulatory and legal requirements as well as internal policies and bylaws.
- A failure in compliance can result in **litigation, financial penalties, regulatory constraints and reputational damage**, all of which can strategically affect our SACCO.

Key responsibilities of Professionals



Advisory

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

Case for Non - Compliance

- SASRA revoked the licenses of 7 DT-SACCOs between the periods 2014 to 2017 and rejected audited annual financial statements for non compliance of IFRS and inadequate disclosure of material issues in their audited annual financial statements (The SACCO Supervision Annual Report, 2017).

Conclusion



Q & A



END

CONTACTS



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