**SUPERVISORY COMMITTEE REPORT TO THE MEMBERS OF ANCHOR PREMIER SACCO LIMITED DURING THE 9TH ANNUAL GENERAL MEETING HELD ON 11TH JULY 2024 AT TAJI GARDENS, ALONG GATANGA ROAD**

**1.0 Preamble**

The County Director of Cooperatives and your team, the Board, members of staff, distinguished members, Ladies and Gentlemen. It brings the Supervisory Committee members great pleasure to present to you the Supervisory Committee report of Anchor Premier Sacco Limited for the year ended 31st December 2023. We commend you members for the continued commitment to the vision and mission of the Sacco and your confidence in the Sacco.

**2.0 Mandate of the Supervisory Committee**

The duties of the Supervisory Committee as enshrined in the Cooperatives Society Rules no. 28(3) is to verify all the transactions of the Society, write periodic reports of its findings to be tabled at joint meetings with the Board, present its report to the General Meeting. By-Law 60(p) also gives the Supervisory Committee power and duty to prepare and present reports to the Management Committee and General Meeting.

Consequently, in accordance with the Cooperative Society’s Act, Cap 490 and Anchor Premier Sacco (APS) By-Laws the Supervisory Committee is pleased to present to members its annual report for the financial year ended 31st December, 2023.

**3.0 Report to Members**

**3.1 General Meetings**

Section 27(2) of the Cooperative Societies Act, Cap 490 states “……a cooperative society shall hold an annual general meeting within four months after the end of each financial year. This is also noted in By-Law 32(b) on General Meeting. Although APS is going through teething times of laying down structures and bringing back members’ confidence compliance with the Act and By-Laws is paramount. The Board should thus ensure General Meetings are held as per the Act and By-Laws that is within four months after the end of the financial year or by 30th April of each year.

**3.2 Authorization by SASRA**

Saccos with non-withdrawable deposits of more than one hundred million shillings (Kshs 100M) and Saccos mobilizing deposits from persons not resident in Kenya (Diaspora) and Saccos mobilizing deposits using electronic platforms and media (virtual) are required to obtain authorization from SASRA. Regulation 5(1) of the Sacco Societies (Non Deposit Taking Business) Regulations, 2020 says it is illegal for any Sacco Society to undertake specified non deposit taking business in Kenya without valid authorization from the Authority. As at 31-12-2023 APS non withdrawable deposits stood at Kshs 288,582,325 above the SASRA minimum limit of Kshs 100M and thus the Board should actively seek authorization from SASRA.

**3.3 Policies and Procedures**

APS has the following eight policies and procedures manuals

 Effective Remarks

1. Procurement policy and procedures 2021
2. Human resource policy and procedures 2021 reviewable after 2 years
3. Dividend policy 2021
4. Liquidity management policy 2021
5. Customer Service policy and procedures 2021 reviewable after 2 years
6. Investment policy 2021
7. Credit policy and procedures 2020
8. Accounting & Financial policy procedures 2021

The policies and procedures were supposed to be reviewed in the year 2023. The Board should prioritize the review of the policies and procedures before the end of year 2024 to ensure they are current.

**3.4 Internal Controls**

During the year, the Supervisory Committee reviewed the payment process and noted that most of the vouchers were being prepared by Finance Manager or Assistant Accountant and recommednded that they be checked and authorized as per requirement. The was addressed by separating the roles of the Finance Manager as checker and Assistant Accountant as Preparer. The authorizing part is being done by Treasurer and signing of cheques is being done by all the three Executive Committee members. To further strengthen the internal controls, APS renewed the Internal Audit Services Agreement with Chenge Gikonyo Associates in January 2024 to ensure robust assurance services on internal controls, risk management and governance. The Internal Auditor has also drafted the Internal Audit Procedures Manual which the Board should review and approve for implementation

**3.5 Risk Management**

APS is facing a reputational risk due to failure by UHCSL to deliver plots to some of APS members who purchased UHCSL plots through loans. Out of APS loan portfolio of Kshs 246M, loans relating to UHCSL plots is Kshs 165.7M which is about 67% of the loan portfolio. Supervisory Committee is recommending the Board to expedite the reconciliation exercise between APS and UHCSL accounts. This will enable APS to know the plots that secured these loans and UHCSL to deliver these plots to APS and in order to enable members reactivate their loans with APS.

Still on risk, the Sacco has 40 log books in its custody however some 3 from (2016) have not been jointly registered with the Sacco exposing APS to potential legal risk in case of default. In addition, the Board should insure all APS assets. Currently only loans and motor vehicle are insured.

**3.6 Membership**

Previously, most of APS membership was mainly from Urithi Housing Cooperative Society Limited (UHCSL) and this was due to the fact that members would access loans from APS to acquire plots/shambas from UHCSL Loss of confidence in Urithi Housing Cooperative Society Limited and failure of UHCSL to deliver plots/shambas to members has greatly affected APS membership as can be seen from the decreasing active membership and increasing dormant accounts as shown below

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2021 | 2020 |
| Active | 1,384 | 2,102 | 4,002 | 3,962 |
| Dormant | 8,639 | 7,811 | 5,858 | 5,488 |
| **Total** | **10,023** | **9,913** | **9,860** | **9,450** |
| **Increase in membership** | **110** | **53** | **410** |  |
| (Decrease)/ Increase in active members | (718) | (1,900) | 40 |  |
| Increase in dormant members | 828 | 1,953 | 370 |  |

To address declining membership and loss of confidence in APS, the Board approached UHCSL and together formed a joint committee to reconcile accounts between APS and UHCSL with a view of rescuing and securing plots/shambas that APS members had purchased from UHCSL. The Board should present the report to members when complete.

Further to market the Sacco and recruit new members APS has incurred Kshs 1,353,025 in the year under review as shown below. Since APS is cash constrained these costs should be scaled down and much effort should be on reactivating dormant accounts and retention of existing members by developing member friendly products. The key performance indicator for all branches should be on reactivation of dormant accounts and retention.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2021 | 2020 |
| Promotion and advertising | 423,225 | 357,111 | 104,800 | 735,400 |
| Member recruiting | 32,000 | 186,100 | 343,100 | 342,500 |
| Marketing expenses  | 871,800 | 440,000 | 141,500 | 2,327,400 |
| Education day expenses | 26,000 | 787,500 |  |  |
| **Total** | **1,353,025** | **1,770,711** | **589,400** | **3,405,300** |

The Board has actualized the formation of APS investment vehicle (Anchor Premier Venture Limited) with its first premier project Anchor Gardens Ndovoni selling at Kshs 499,000 per plot. The Board indicates this strategy will increase membership in the long run.

**3.7 Share Capital**

Share capital is one of the core capital of the Sacco and it represents members’ ownership of the SACCO. It is non withdrawable but transferable to another member of the SACCO and attracts lucrative and high returns. As per the audited financial statements the balance carried forward is increasing at a reducing rate and capital injection each year has been decreasing as shown below

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2021 | 2020 |
| Balance brought forward | 56,570,500 | 56,166,783 | 55,738,101 | 55,258,049 |
| Additions | 335,968 | 403,717 | 428,682 | 480,052 |
| **Balance carried forward** | **56,906,468** | **56,570,500** | **56,166,783** | **55,738,101** |

Section 26(a) of Anchor premier Sacco Society Bylaws states that “ every member shall hold at least 500 (five hundred) shares in the Society” This translates to Kshs 10,000 each”. From our earlier analysis on 3.6 where total membership is 10,023 this would mean share capital is supposed to be Kshs 100,230,000. This thus means several members are partly paid up (Kshs 43,323,532).

The board should urge members who are partly paid up to fully pay their shares in order to access the products of the Sacco. In any case Section **22(b)** of the Cooperative Society’s Act, Cap 490 says **-**A member of a co-operative society shall have the obligation to—

(a) observe and comply with all the society by-laws and decisions taken by the relevant organs of the co-operative society in accordance with the by-laws of that society;

(b) buy and pay up for shares or make any other payments provided for in the by-laws of the society;

**3.8 Loans**

During the year under review 117 members applied for loans worth Kshs 43,583,764 which was a drop when compared with year 2022 where 166 members applied for loans worth Kshs 47,613,210 as shown below. However advance loans normal loans and development loans increased during the year under review



The low uptake of Sacco products might be because of non-communication of all Sacco products, For example APS brochure lists eight Sacco products as

1. Development Loan,
2. Super Loan,
3. Bima Loan,
4. Car/Motor Bike Loan,
5. Top Up Loan,
6. Shamba Loan,
7. Emergenecy Loan and
8. Chama Loan but does not list following five products
9. Advance Loan,
10. Okoa Loan,
11. Normal Loan,
12. Scholar Loan and
13. Housing Loan.

In addition, the low uptake of Sacco products is attributed to non-availability of guarantors especially on normal loans and high costs of charging assets to secure loans

The Supervisory Committee recommends to enhance Sacco products uptake, the Board should review the brochure to include all APS products and these should be communicated to members regularly. Members are also requested to form groups, know your fellow member (KYM) in order to address issues of guarantorship. To address high costs of charging assets the Board should shortlist valuers and negotiate reasonable valuation fees for members

**3.9 Strategic Plan**

APS Strategic Plan lapsed in 2022 since it was for the period 2019-2022. The Supervisory Committee recommends the Board to have in place another five year Strategic Plan to guide and direct the Sacco for the future.

**3.10 Budget**

The budgeted income for year 2023 was Kshs 64,550,000and the realized was Kshs 31,508,537 which translates to 51% of the budgeted income. Budgeted expenditure for year 2023 was Kshs 63,005,000 while actual expenditure was Kshs 34,172,313 translating to 54% utilization. The Board is recommended to always prepare realistic budgets whose deviation is not more than 10%

**3.11 Projects**

Anchor Premier Ventures on behalf of Anchor Premier Sacco implemented the following projects

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Project**  | **Project name** | **Acreage** | **No. of plots** | **Price**  | **Plots fully paid** | **Plots being financed throup APS loans** | **plots booked but not paid** | **Plots remaining** |
| Malaa | Resettlement | 2.5 acres | 25 | Kshs 400,000 per 50x100 plot | 20 | 5 | 0 | 0 |
| Nanyuki | Resettlement | 2.5 acres | 22 | Kshs 400, 000 per 50x100 plot | 14 | 3 | 0 | 5 |
| Malindi |   | 18 acres | N/A | Kshs 150,000 per acre | SOLD AS A BLOCK |   |   |   |
| Joska | Anchor Gardens | 2 acres | 16 | Kshs 499,000 per 40x80 plot | 3 | 0 | 7 | 6 |
| Malindi | Resettlement |   | 32 acres | Kshs 250, 000 per acre | 12 | 22 | 10 | 5 acres |

Members are requested to take the remaining plots and the Board should come up with project names for (Malaa, Nanyuki and Malindi) like Anchor Gardens as this is a marketing strategy.

**4.0 CONCLUSION**

In our opinion the Sacco is operating well and based on the structures that have been laid down to address past issues the future can only be bright. The Supervisory Committee endeavors to continue over sighting the Board and staff with a view to enhancing transparency, accountability, integrity, financial reporting and compliance with applicable policies, procedures, laws and regulations.

We thank you all members for the mandate and trust you gave us to oversee the operations of the Anchor Premier Sacco Society Limited in 2023. We commit to continue serving you and giving assurance on APS internal controls, risk management and governance.

The Committee reiterates that Anchor Premier Sacco Society Limited is “Where You Belong”

Thank you all and God bless you

John Gathogo Nelius Muchoya Patrick Murimi

 

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Date: 12-07-2024