

**Minutes of the Safaricom Sacco 19<sup>th</sup> Annual General Meeting Held on Saturday 29<sup>th</sup>  
February 2020 At All Africa Conference of Churches (Desmond Tutu Conference  
Centre) – Waiyaki Way, Westlands.**

**Attendance:**

1. SACCO Members
2. SACCO Regional Champions
3. SACCO Board of Directors
4. SACCO Staff
5. SACCO Supervisory Committee
6. SACCO Nominations Committee
7. Sacco Auditors for the Year 2019
8. Invited Guests

Master of Ceremonies;

- Alex Okoth
- Joseph Njoroge

**Min 1/29/2/2020: Preliminaries**

The meeting was called to order by the Chairman at 0900Hrs upon constitution of quorum as per the Sacco by-laws. A confirmation of the AGM Notice of at least 14 days was done. Tabby Masau led the opening prayer.

**Min 2/29/2/2020: Confirmation of the Agenda**

The secretary read the agenda of the meeting as below:

1. Confirmation of the 2019 Annual General Meeting Minutes and matters arising
2. Report from the Chairman
3. Remarks from Chief Guest
4. Report from the supervisory committee

5. Presentation of the 2019 Audited Financial Statements
6. Presentation of the year 2020-2021 Budget
7. Appointment of Auditors
8. Resolutions
9. Elections
10. Any Other Business (A.O.B)

The agenda was adopted as proposed by Michael Borino and seconded by Chris Oduor.

#### **Min 3/29/2/2020 Review and adoption of the 2019 AGM minutes**

The Honorary Secretary Alex Okoth reaffirmed to the members that the minutes were circulated prior to the AGM to enable the members read through. There being no amendments, the minutes were adopted as recorded and proposed by Michael Borino and seconded by Chris Oduor.

#### **Min 4/29/2/2020 Matters arising from previous minutes**

Having no matters arising from the previous meeting's minutes, the Hon. Secretary –Alex Okoth - acknowledged the members present by the common bonds they represented as well as those not represented by any common bond.

#### **Min 5/29/2/2020 Chairman's Report**

The Chairman - Paul Msava welcomed the members and guests to the Annual General Meeting (AGM). His remarks had the following highlights;

- The Sacco membership growth reduced by -6% attributed to cleaning the membership database to get rid of dormant members and retain only quality members.
- Apart from the Core Capital, which registered a -10% growth, all other parameters reported a significant growth. The significant drop was due to the shares drive refund in March 2019, that the Sacco implemented after the members in FY2018 Annual General Meeting passed a resolution.

- He informed members that the Sacco was keen in observing the data protection policy to protect members' information.
- The People pillar and customer service was to be part of his key agenda in 2020.
- He mentioned that there were several fraud incidences that were reported in the year 2019 some involving senior managers who were dealt with decisively.
- He reassured members that the recruitment process for Senior Managers was thorough and was conducted by Board members and involved thorough background checks.
- In 2019, SASRA targets on Institutional Capital parameters were successfully met.
- On PAR, the Chairman noted that there is need to strengthen our securities and informed members of the frustration that is currently being experienced when recovering from guarantors.

Motion to adopt the Chairman's report was proposed by Josiah Mache and seconded by Samuel Karanu.

### Reactions to the Chairman's report

MEMBER	REACTION	RESPONSE
Dr.Harry Osore:	Sought clarification why there seemed to be no progress with The Kenya Mortgage Refinance Corporation (KMRC) – a registered arm of the Government of Kenya - engagement and how the project would benefit Safaricom Sacco members since its target market was the low-income earners.	-KMRC was targeting the middle class to meet the governments' housing agenda for members earning Kes.150,000 and below. -Safaricom Sacco was a registered member of KMRC with Kes.10M shares and among the pilot team - KMRC was setting the framework in 2019, a process that was to be implemented.



<b>Dr.Harry Osore</b>	He also sought to know the Sacco preparedness on the looming threat of COVID-19 pandemic that was spreading fast in China and its impact on the Sacco financials.	The impact of COVID-19 pandemic was to be measured and if the economy were impacted negatively, it would result to job losses and consequently increased default rate. The Sacco had a strong financial base to weather the storm.
<b>George Ochido</b>	He enquired the sum amount of money that was defrauded and if the Sacco was seeking compensation through fidelity guarantee, and how much would be the compensation.	The money that was lost was Kes.7.6M and the fidelity cover was Kes.6M. There was an indication to pay 3M by the Insurance a matter that was appealed to the insurer.
<b>Charles Karanja</b>	He raised a concern on the fact that banks were giving mortgage at a lower interest rate compared to the Sacco rate of 13% and felt the product need to be revised.	The Sacco would be able to get funds from KMRC at a lower interest rate and eventually review the mortgage rates to about 8%.
<b>Barbara Nyambura</b>	Raised a concern on the high staff turnover rate during the preceding year	Staff compensation, remuneration package, & working conditions were to be improved. The priority was given to improving technology and measure its impact to operational efficiency.
<b>Elizabeth Ngure</b>	She sought to know how well equipped the Sacco was to handle KMRC mortgage.	The Hon. Secretary Alex Okoth informed members that the Chairman Paul Msava was a member of KMRC, which gave the



		SACCO confidence being part of the decision-making process.
<b>Jones Nyakoe</b>	Sought clarification on members who were removed from the membership register during the clean-up exercise - if they had any outstanding loans	The Chairman clarified that the affected members didn't have shares, deposits or loans
<b>Vincent Okanga</b>	Commented on SafCIRI mobile app that it was not user friendly and had no benefit to members due to hidden charges. He also needed an explanation why the system was implemented before proper testing.	He explained to members that initially the Sacco had a system from a third party that was hacked and limited accessibility from Mon to Friday 8:00am to 5:00pm. Initial go live plan for the new system was August 2019 but the project missed on some timelines and the actual go live was on 1 <sup>st</sup> Nov 2019. The system was implemented with minimum features and gradually built on additional features. Communication to members on applicable charges were made prior hence no hidden charges were implemented.

**Min 6/29/2/2020: Acknowledgement of and Brief Remarks by the Invited Guests**

**Cooperative Bank - Benson Kilonzi – representing the Director, Vincent Marangu.**

- He applauded the Sacco for being one of the strongest in the country and congratulated the Board for the direction they had taken to ensure Institutional Capital was met.

- On Portfolio at Risk (PAR), he noted that since Sacco's used the guarantorship model while lending, guarantors should follow up on the defaulters to ensure they pay up their loans. He stated that 7% PAR was good but could be improved, since the market standard was 10%.
- He encouraged the members to save more and for the Sacco to embrace mobile-based products.
- He advised the Sacco to consider reviewing its Mortgage interest rate to avoid competition from the banks as the latter offers lower rates.

#### **Cyrus Musa representing the Government:**

- He commended the Sacco for being financially & cash flow stable since some Sacco's queue member loans due to inadequate liquidity ratios.

#### **Arnold Munene – Senior Regional Manager - Kenya Union of Savings & Credit Cooperative (KUSCCO)**

- He applauded the Sacco for maintaining a steady growth over the years and for having two (2) Safaricom Sacco Board Members as KUSCCO delegates- Alex Okoth and Connie Khayundi.
- He explained that KUSCCO was a defender of Sacco's and had continued to block any intention by the Government to interfere with their operations i.e. through increasing Withholding Tax for Rebates & Dividends from 10% to 5%.
- He informed the members that Safaricom Sacco had collaborated with KUSCCO to offer a competitive last expense/ benevolent cover to the members.
- He encouraged members to take loans since returns on investment would be increased if the society lent funds rather than keeping them at the bank.

#### **Margret Kamau Westlands Sub-county Cooperative Officer**

- She noted that the Sacco had shown significant growth and advised members to borrow and invest wisely.



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- She informed members that there was a policy being developed to align county functions and the National Government i.e. "**The National Development Cooperative Policy**"

### **Chief Guest David Obonyo representing the Permanent Secretary for Cooperatives- Ali Noor**

- He applauded members for turning out in big numbers for the AGM, which gave them an avenue to review the past performance and plan for the coming year.
- He noted that Safaricom Sacco is one of the largest Sacco's in Kenya with a promising future since majority of its members were young.
- The National Government had recognised the Co-operative movement as a key economic driver with 32% of the GDP being contributed by Sacco's.
- He added that the highest saver in Nairobi had saved Kes.80M and encouraged members to embrace a savings culture without fear since Sacco's were regulated and governed just like banks.
- He commended Safaricom Sacco for being among the 11 Sacco's that the Government was working with to establish KMRC.
- He urged the board to have products that were tailored towards financing sectors in line with the Government big (4) four agenda.
- He applauded the Sacco for the system changeover, which had improved service delivery to members but cautioned the society to be vigilant on Cybercrime and strengthen the system security to safeguard member's savings.

He highlighted below new developments in the governance of Co-operative movements.

- That those in Sacco leadership, both Board and Management, were now required to fill the wealth declaration form and return to SASRA. Those who did not file risk separation from their positions.
- The Co-operative Development policy was being developed and the Sacco Society investigation Unit would be domiciled in EACC.
- A professional body had been introduced requiring employees to subscribe.
- That any Sacco with over Kes.100M deposits would be regulated by SASRA.

### **SUPERVISORY COMMITTEE REPORT**

Pamela Nyakoah – The Secretary, Supervisory Committee, presented the report. She gave apologies for the Chairman, Patrick Nduati in absentia.

The Committee report highlighted below areas;

- Internal controls needing improvement including Bank reconciliation and payment processes.
- On the 2018 AGM processes, the Committee reported that the resolutions were implemented as had been passed.
- Membership was reviewed after noting high level of withdrawals and dormancy and there was a recommendation to reactivate dormant accounts.
- The committee benchmarked with other Sacco's on financial performance and noted that despite the strong liquidity ratios, the Sacco was lagging on Institutional Capital and PAR. Both need improvement.
- The Governance audit covered more on human resources, which revealed a high attrition in the preceding year.
- The Committee audited project CIRI implementation process, which included data migration, data integrity, financial reports, system functionality and performance.

The Supervisory report was proposed by Janeth Cheum and seconded by John Orutwa

### Reactions from the Supervisory report

MEMBER	REACTION	RESPONSE
John Orutwa	-Felt the share capital was not well addressed and members who had not attained the minimum requirement of 40,000 were to be informed to do so. He also raised a concern that Institutional Capital, should not be raised as a key agenda in the supervisory committee	The Treasurer responded that as part of the resolutions, members were required to pay their share capital in one year as opposed to the previous two years. Additionally, one would have to be a fully paid up member to access loans.





	report	
<b>Vincent Okanga</b>	Observed that the report highlighted the system as having integrity issues and some functionalities not meeting standards, but the Board went ahead to give assurance that the system will solve operational issues. He wanted to know if the Board tested the system before going live.	<p><b>The treasurer</b> responded that the previous system was in operation for 18 years and had gone through several changes to stabilise and make it fit for operations. He gave assurance that the new system will stabilise over time.</p> <p><b>The Vice Chairperson</b> clarified that the system was to go live in September, but the delay until end of October 2019 was to allow thorough testing. The target to closure was 90 days after go-live but there had been an overrun as the developer continued to work on stabilising the system.</p>
<b>Bernard Okoth</b>	Raised a concern on internal controls and why bank reconciliations were not done.	The Chairman of the Audit & Risk Committee pointed out that the issues detected as fraudulent in the year were due to the Committee's efforts. Bank reconciliation was pointed out as an area of improvement and system audits were to be done frequently. The Credit and finance policies were also to be reviewed.
<b>Reuben Atsulu</b>	Sought to know whether the money lost in fraud had been recovered and if not whether it would be recovered from Board indemnity.	The Hon Secretary explained that, of the total amount lost, the insurance would pay Kes.6M and the matter had been reported to the Director of Criminal Investigations.
<b>Joshua Kimani</b>	He raised a concern that contrary to the Supervisory report, the Business Development Committee stated that the system had been fully implemented. He sought to know which committee had the true status.	<p><b>The Secretary Supervisory Committee</b>, made it clear that the Supervisory Committee raised gaps to the Board which were worked on. The Board reported on the current status and some issues could be work in progress.</p> <p><b>The Chairman</b>, stated that the Supervisory report was as at 30<sup>th</sup> Dec 2019 and the Business Development Committee report was for the</p>



		<p>current status.</p> <p><b>John Orutwa</b> also clarified that Supervisory reports were periodic and not daily but the Audit Committee did audit continuously and should respond.</p>
Dennis Okore	<p>Raised a concern that the Kisumu land issue was not mentioned.</p> <p>He also stated that the issue of poor customer service could call for additional staff or rolling out a CRM.</p>	<p>-The treasurer informed the members that the owner passed away and that the Sacco was pursuing the letter of administration and there was good progress.</p> <p><b>John Orutwa</b> advised that the Board should have kept members in constant communication on the land issue</p> <p><b>George Hunja</b> encouraged members to make use of the alternate channels the Sacco had provided in accessing Sacco services. He reassured members on the security of the current USSD code since it is owned by the Sacco as compared to the previous one that was owned by a third party.</p>

**Min 8/29/02/2020: Treasurer's and Auditor's Report**

The Treasurer asked for member's consensus to have him present in tandem the Treasurers report, Audited books of account and 2020/2021 budget, Q&A session to be taken thereafter.

**Treasurers report:**

Proposer: Barbara Nyambura

Seconder: Safia Isak

### Audited books of account

Proposer: Tete Kisenya

Secunder: Elizabeth Nderitu

### 2020 Annual budget

Proposer: Jackson Mulwa

Secunder: Yusto Omondi

- The Treasurer's report highlighted that the Sacco stopped the sale of land and had to look for other avenues to generate revenue. The mortgage product introduced in 2019 didn't pick up well. More focus was now on money markets, long-term and short-term fixed deposits and all other monies put on call deposits.
- PAR and loan provisioning affected the Sacco's income and pleaded with members to help pursue defaulters to pay their loans.
- SASRA directed the Sacco in 2018 to grow Institutional Capital at 1.5% to 2.0% annually until they achieve the expected 8%. The Sacco was at 4.7% in 2019.
- The Treasurer emphasised on the need for members to take loans as this would increase the return on investment, he alluded that majority of members did not have loans.

### REACTIONS TO TREASURER'S REPORT

MEMBER	REACTION	RESPONSE
Edwin Kamar	<ul style="list-style-type: none"> <li>• Sought to know why other Sacco's were paying better returns to their members' investments</li> <li>• On the 2020 annual budget-he thought that it was too optimistic</li> </ul>	<p><b>The Treasurer</b> observed that despite other Sacco's seemingly appearing as if they were better than ours, there was need to know their financial strength and he reiterated the need to meet the Institutional Capital ratios.</p> <p>He explained that the optimistic budget</p>



	<ul style="list-style-type: none"> <li>Audit fees had grown significantly from the previous budget</li> </ul>	<p>was achievable if members patronised the Sacco products.</p> <p><b>The Chairman</b> clarified that the increase in audit fees was due to forensic investigations that were conducted after the fraud and that the System changeover also needed more controls</p>
<p><b>Chris Oduor</b></p>	<p>Appreciated the Board and Management for the good work they continued to do and encouraged members to nurture the Sacco and show patience as some of the processes were being changed.</p> <p>He proposed to have dormant members activated and followed up so that they do not get back to dormancy.</p> <p>He relayed a message of gratitude from Malindi members on the new system since it had given them solutions.</p> <p>On compliance, he urged members to support the Board to comply with all regulations.</p>	<p>Compliments were noted and appreciated</p>
<p><b>Tete Kisenya</b></p>	<p>Was concerned on the high PAR and felt ex staff who were defaulters from the common bonds should be followed through HR by adding an exit clause for the Sacco to be informed when the staff showed intention to quit employment.</p> <p>On the mortgage product she proposed partnership with construction companies.</p>	<p><b>The Chairman</b> highlighted that the Sacco had covered great milestones on PAR as follows;</p> <ul style="list-style-type: none"> <li>- Increased debt collectors to 10 companies.</li> <li>- Increased staff in credit.</li> <li>- Handover debt to other collection agents</li> <li>- Above all, commitment of members to pay their loans even after exiting</li> </ul>



	She sought clarification on the budget - why tax expenses proposed were Kes.4.5M in 2019 with actuals of Kes.7.3M and 2020 the proposed budget was Kes.2.8M.	common bonds The mortgage product will be re-designed to align it to market expectations <b>The Treasurer</b> responded that Tax expense varies when the Sacco deals with some investments like call deposits
<b>Isaac Oduor</b>	Sought to know the impact on PAR if all defaulters were to pay their loans. He noted that the Treasurer should not sound frustrated but should guide on how the money would be collected.	<b>The Treasurer</b> stated that PAR should be a collective responsibility between members, Board and Staff
<b>Harry Mwachoki</b>	Highlighted on an error in Capex reading Kes.633,805,790 instead of Kes.9,135,150	The error was acknowledged and reported that some items that were removed especially the office block expense that had not been update accordingly.

**Min 9/29/02/2020: AGM Resolutions 2019**

1. Pay dividends on share capital at 12%.

Proposer – Collate Ongwen

Secunder – Elizabeth Mudogo

2. Pay interest on deposits at 7.5%.

Proposer – Joshua Kilel

Secunder – Mackrine Abukah

3. Share capital of 40,000Ksh to be attained with 12 months by new members and any member applying for a loan must be fully paid up.

Proposer – Yusto Omondi  
Secunder – Rosemary Chege

4. Borrowing power to be maintained at Kes.600M.

Proposer – Malachi Onyango  
Secunder – Maria Siranga

5. Appoint RSM as auditors for 2020.

Proposer – Mackrine Abuka  
Secunder – Richard Ogama

6. Payment of Honorarium of Kes. 2.2 M to the Board and staff bonus of Kes. 4.1M.

Proposer – Rosemary Chege  
Secunder – Willan Gitau Njenga

7. Benevolent fund be insured with KUSCCO Mutual Insurance (KUSCCO) - It was guided that a survey be done to establish the opinion of members as well as the Sacco to exhaustively compare with other competitor insurers

Proposer – Eunice Karanja  
Secunder – Peres Opiyo

#### **Min 10/29/2/2020: Staff of the year**

The staff of the year was Felix Ngugi – Teller in the Finance department.

#### **Min 11/29/2/2020: Elections**

The Nomination's Committee Chairman - Kennedy Auka - pointed out that for a member to be eligible for election, they must comply with Chapter 6 of the Constitution of Kenya,

have a minimum Share capital of Kes.40,000 and minimum deposits of Kes.1M. The skills gap in the Board were as follows;

### Board of Directors

- Human resource skills at an expert level to assist in reducing the staff turnover.
- Accountant to meet the minimum requirement of at least two accountants.
- Gender (lady) in line with the constitution to have 1/3 of either gender.

### Supervisory

- Accountant in line with the act where at least one member of the committee should understand accounts.

Below was the summary of applicant skills.

Category	Skills	No of applicants	Cleared
Board	Lady 1/3 Rule Gender adherence	Seven	Four
	Accountant	Five	Three
	Human Resource	Three	One
Supervisory	Accountant	Two	One

A member raised a concern that the shortlisting process was not fair where some members were elected unopposed and qualified candidates were left out. The Nomination's Chairman however clarified that the process was free and fair, and that the committee strictly sought to address skills gap in the Board.

The election was conducted electronically; Catherine Wambua from the State department of co-operatives oversaw the process.

Online voting was proposed by Felix Okuku and Seconded by: Peter Mbuya

The following were retiring from the Board;-

### **Board**

1. Collins Ogutu - retiring
2. Johnstone Kamunde - retiring
3. Bernadette Mutune – eligible for re election

### **Supervisory**

1. Patrick Nduati – eligible for re election

### **Supervisory:**

- Joshua Kimani was elected unopposed

Proposer – Richard Ogama

Secunder – Erick Owuor

### **Board:**

Human Resource category

- Pius Musyoki was unopposed

Proposer – Tete Kisiyenya

Secunder – Pharis Njuhigu

Accountant category:

- Fredrick Kiio – he was not present due to a bereavement
- Leonard Okoth
- Bernadette Mutune



Gender category:

- Janeth Cheum
- Elizabeth Mudogo
- Elizabeth Ngure
- Barbara Nyambura

The CEO took the members through the online voting process

**Voting results summary:**

Members who attended – 735

Members who voted – 312

CANDIDATE	VOTES
<b>GENDER</b>	
Elizabeth Mudogo	109
Janeth Cheum	83
Elizabeth Ngure	81
Barbara Nyambura	37
<b>ACCOUNTANT</b>	
Leonard Okoth	169
Bernadette Mutune	113
Fred Kiio	29

**Min 13/29/02/2020: AOB**

There being was no Any Other Business that had been received as stipulated by the by-laws on AGM. Director Peter Chege gave vote of thanks

Collate Ongwen offered the closing prayer at 1635hrs.



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**Signed:**

Chair:

Date:

Secretary:

Date:

Member:

Date: