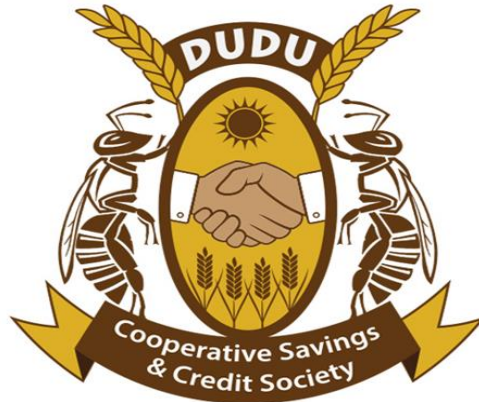


Dudu Co-Operative Savings & Credit Society Ltd
P.O BOX 30772-00100 Nairobi, Kenya



SUPERVISORY COMMITTEE
Annual Report (1st January 2018 to December 31st,2018).

Supervisory committee members

Eunice Musyoka Chairperson

Silas O'Ojwang Secretary

David Mbuvi Member

“Save Regularly, borrow wisely and Repay Promptly”

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PREAMBLE

The Supervisory Committee (SC) is grateful to the honorable members of the DUDU Sacco for the privilege that you have accorded us to serve as your watchdog in the year 2018. We also wish to commend you for the continued commitment to the mission of the Sacco for the past 35 years.

The SC also commends the Board for their commitment in directing the business of DUDU Sacco during the year 2018. We also recognize the efforts of the DUDU Sacco Management and Staff and commend them for their hard work.

Mandate

The supervisory committee draws its mandate from rule 28 of the cooperative societies' rule 2004 and the co-operative By-Laws. These provisions require that the Supervisory Committee (SC) verifies Society's transactions, monitors the implementation of policies and make periodic reports on its findings to the Board. The goal is to ensure that the board serves the interest of the society, members as well as safeguards the resources entrusted to them.

Scope

The Supervisory committee has been conducting quarterly inspection in the Sacco office and presenting its findings and recommendations on the operations of the Sacco to Management.

Below are the highlights that the SC wishes to share with members in our annual report for the year 2018:

BOARD AND SC WORKING RELATIONSHIP IN THE YEAR 2018

There has been a positive interaction between the board/Management and SC guided by objective of upholding the mission of the SACCO and ultimately the interests of the members.

The SC continues to encourage the board not to perceive the SC as competitors in any context but rather as teammates in delivering the vision and mission of DUDU Sacco. However, this does not take away the distinct role of the SC as the oversight body for the members.

GOVERNANCE AND LEGAL COMPLIANCE

The good governance of any organization is essential to the achievement of its goals and objectives. The Supervisory committee wish to recognize efforts by the board/management to conduct the business of the Sacco within the rules and regulations of the Co-operative act and the Sacco by-laws.

The Society complied with all the statutory requirements for year 2018.

MEMBERSHIP

Whereas there was an increase of membership from 415 to 440 in the year 2018, the dormant Sacco members increased from 62 to 75.

Member participation in Sacco activities

a) Sacco AGM

We encourage more members to purpose to attend the AGM meetings since it is during this crucial yearly meeting when resolutions are passed, and members also get the updates on the general Sacco performance.

AGM attendance in the last 2 years.

Year	2016	2017
Members Attendance	243(Nairobi- 231, Mbita- 30)	255 (Nairobi 170, Mbita 55)

b) Sacco education Days

We call upon members to show up for such activities for they are planned with the members in mind.

Year	2017	2018
Members Attendance	162 (Nairobi- 121, Mbita- 41)	188 (Nairobi- 121, Mbita- 49)

MEMBERS PERSONAL ACCOUNTS(MPAS)

The Supervisory Committee verified Members personal accounts for the period ended 2018.

Observations;

Deposits

During the period under review, we observed that some members have stopped remitting monthly deposits. We wish to emphasize that, one can only be a bona fide member upon fulfilling the following conditions;

- Share capital – Ksh:5,000.00
- Monthly deposits -ksh:4,000.00
- Loan repayment

Therefore, it is paramount that all members subscribe to the rules and regulations governing Sacco operations.

Defaulters

In 2018, Eleven (11) loans amounting to Ksh:2,886,565.30 were defaulted. The amount has gone up compared to 2017 where only five (5) loans amounting to Ksh:1,072,220.35 were defaulted.

No of loans	Amount	Status
2	Ksh: 224,667	Transferred to guarantors
3	Ksh: 563,629.30	Resumed payment -irregularly
1	Ksh: 61,389	Member paid
5	Ksh:2,098,269	Guarantors written to, awaiting loans transfer to guarantors

The Supervisory committee wish to call upon members to exhibit high level of honesty and respect to guarantors. It is member's obligation to service loans and honor relationships.

Arrears

In 2018, the arrears stood at Ksh: 1,157,772.40. (From payroll check off 636,278.40 and from standing orders Ksh: 521,494.00).

Standing orders

The Society is facing challenges on members accounts with standing orders. During the year 2018, a total of Ksh: 521,494.00 was defaulted in this category. Standing order is a requirement introduced to enable members access credit and is usually considered during loan approval. As your watch dog, we wish to advise members to stop cancelling standing orders. It is our collective responsibility to curb loan delinquency.

Remittance

From the icipe check off system the funds were received in good time.

Credit Reference Bureau (CRB)

The SC acknowledge the effort management has put in place to ensure that the new loan applicants sign the CRB commitment letters. However, the service has not been rolled out as part of Sacco loans management since it was approved by members during year 2017 AGM. We wish to call upon management to fast track this process and have all defaulters listed.

The SC advises members to be diligent in repaying their loans to avoid adverse consequences of negative listing under CRB regulations.

CREDIT MANAGEMENT

Loans application, approval and disbursement

The supervisory committee verified loans applications, appraisals and disbursement to ensure that they are prudent and comply with the Sacco by-laws.

To enhance the operations, we shared the following recommendations with the board during the year 2018.

- Approval procedure should be followed strictly considering members status on the following areas;
 - Monthly deposits must be up to date.
 - No arrears in loan repayment either from check off or standing orders.
 - Deposits must be in the Sacco for at least 6 months before they earn a member a loan.
- Integrity of the member should be scrutinized as well as member's past trends.
- Internal controls to be enhanced.
- Credit and loan policy should be reviewed.
- The board to adopt the delinquency report "Risk _Loan _Loss_ provision report" to categorize performance of loans.
- Real time information be passed to member(s) on status of loan applications.
- Written commitment by member(s) regarding obligations to be filed with the Sacco.

Approval mandate

To strengthen controls, the Sc recommended the following measures regarding approval of short-term loans;

- A ceiling of up to Ksh:100,000 for a single approval. More than Ksh 100,000 to go for a second approval.
- The Sacco manager to give his comments on all applications based on member's personal accounts before the applications are forwarded to the board for approvals. The recommendations were adopted by the board.

FINANCIAL AND MANAGEMENT REPORTING

The committee audited and examined the financial and management accounts on quarterly basis and presented its reports to the board. Areas covered and presented to the board included financial statements, financial performance review, cash and bank reconciliations. The Sc examined accounting documents as listed herein (cashbook, receipt books, cheques books, EFT's, bank statements and petty cash vouchers) and wish to report that the operations were procedural.

Petty cash expenses

The petty cash expenses for the period ended 31st December 2018 were approved, reasonable and accounted for using adequate supporting documents. Reimbursements sought during the period were authorized and accompanied by relevant payment vouchers. The kitty had no balance at the close of the period.

Sacco expenditure vis a vis the budget

The expenditure was within the budget. We noted the internet services were not charged by the service provider during the year 2018. However, there was a provision for the same in year 2018 budget.

Review of financial performance year 2018.

The Sc would like to share with members the following highlights from our audited financial statements,

Element	2017- Actual	2018- Actual	Remarks
Member deposits	111,790,745	126,456,018	Part of growth is attributed to the deposits given to members as loan deposits through Dusco Advance facility. We urge the members to consider increasing their monthly deposits
Share Capital	2,891,577	3,147,196	We call upon the Sacco members to consider increasing share capital to meet the threshold set
Total loans	127,434,438	146,930,789	
Loan Disbursement During the Year	108,287,881	138,984,155	The loan portfolio increased. Part of the growth was made possible by Dusco advance.
Loan repayment during the year	126,441,771	118,405,280	Despite the increased number of loans, the repayment went down. We urge the members to repay their loans promptly.
Operating Expenses	8,626,045	9,018,120	The expenses slightly went up. This was attributed to the Provision for Bad debts expense.
Provision for Bad debts (1.5 %)	165,000	1,082,524	Requirement according International Accounting Standards Board
Investments	6,738,982	5,846,646	There was a slight drop.

The Supervisory committee wish to commend Management for the effort they have put during the year 2018 to ensure that the Sacco performance exceeds year 2017. However, a lot more can be achieved if all Sacco members support and adhere to the rules and regulations governing Sacco operations.

STRATEGIC PLAN IMPLEMENTATION

We wish to call upon Management to review the implementation progress of the strategic plan (2016-2020). This document was launched three years (3) ago with an aim to guide Sacco operations in the next four years. Since the document is nearing the end of the implementation period, it is important to assess the strides the Sacco has made since the launch.

PRODUCT REVIEW AND RECOMMENDATIONS AND SERVICE

Dusco Advance

- In September 2017, Dudu Sacco launched “Dusco advance” facility. This is a loan given in form of deposits to a member who does not have enough deposits to enable him/her to qualify for a higher loan.
- In 2018 Ksh:2,403,300 was disbursed in form of Dusco advance and earned an interest of ksh 72,099 at 3% one off. It’s expected to earn additional income at a rate of 1% or /1.5%pm based on the product the loan is attached to.
- During our review we observed that the product is hindering the principle of Savings and Credit.

Therefore, we recommended review of the of the product to align it with the core business of the Sacco. We wish to report that the board came up with new terms shared with members effective March 2019.

- We further called upon Management to do periodic performance review of Sacco products to rebrand the products that not performing well.

COMMITTEE SITTINGS ALLOWANCES

Committee meetings held during the year 2018 had budget allocations, notices were issued, attendance registers duly signed, agendas were relevant, and the allowances were taxed. The meetings were held to advance Sacco policies and operations.

MINUTES AND REPORTS

During the year under review, we noticed that there was inconsistency in filling minutes and reports with the office. We shared our concern with the Board and called upon them to ensure that such important documents are filed on time.

DUDU SACCO WEBSITE

The SC noted that the website is not up to date. We called upon Management to find lasting solution to this problem.

REVIEW OF POLICIES

We recommended to the board to come up with policies and operational manual to guide the operations of the Sacco and also consider updating the existing ones.

The following were recommended amongst others;

- Financial policies and procedures manual
- Asset Management policy
- Risk Management policy
- Procurement policy
- Investment policy
- Loans and credit policies -review
- HR Manual -review

CONCLUSION

We must all strive to build trust amongst ourselves as members of one Sacco. The success of Dudu Sacco is dependent on upholding transparency and accountability through constant engagement between the members and the board.

Thank you, God bless you, God bless Dudu Sacco.

Report compiled by:

Eunice Musyoka



Chairperson

Silas O'Ojwang



Secretary

David Mbuvi



Member