

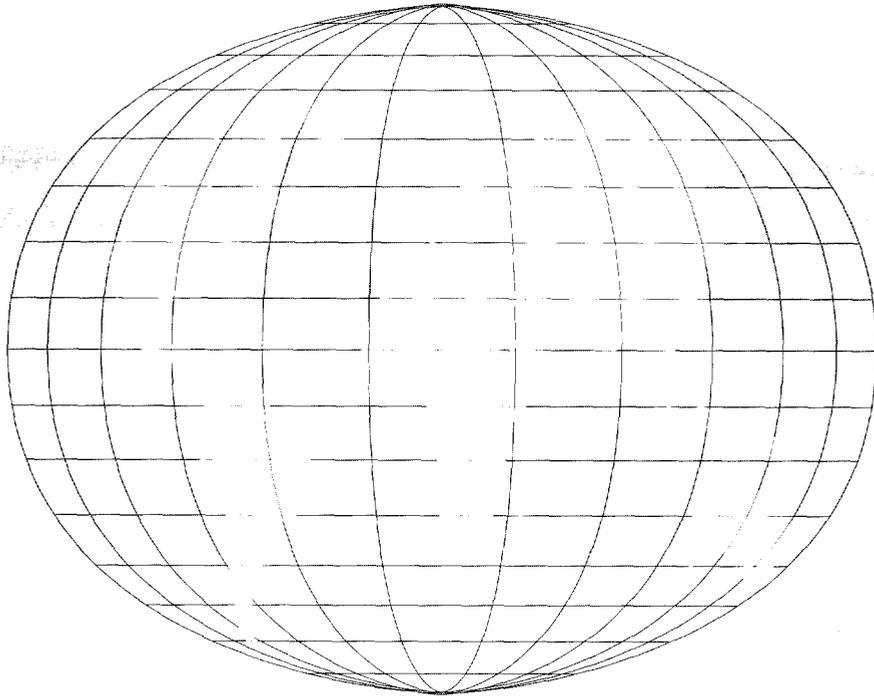
# Report of Audit

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Kenya Association of Manufacturers

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Report No. 4-615-97-002-N  
November 14, 1996



**OFFICE OF INSPECTOR GENERAL  
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

*Regional  
Inspector General  
for Audit/Nairobi*

November 14, 1996

## MEMORANDUM

TO: Director, USAID/Kenya, George Jones

FROM: RIG/Pretoria, *Jim M. Elkins for* Joseph Farinella

SUBJECT: Agency-contracted Preaward Audit of the Kenya Association of Manufacturers (Audit Report No. 4-615-97-002-N)

Attached are three copies of an Agency-contracted preaward audit of the Kenya Association of Manufacturers (KAM). The accounting firm of Deloitte & Touche, Nairobi, Kenya performed the audit.

KAM is a non-political, non-profit organization that represents private industrial organizations in Kenya. It currently has a membership of approximately 600 organizations. But its potential membership is estimated to be about 4,000. Recently, the KAM secretariat has been under pressure to increase services to its members, but due to a shortage of funds, KAM is unable to fully meet its members' demands. Therefore, KAM has submitted a request/proposal to USAID/Kenya for a \$1.5 million grant to finance its export promotion activities over a two year period. However, before providing the requested assistance, USAID/Kenya requested a preaward survey to determine whether KAM has the capacity to manage USAID funds effectively and efficiently.

The objectives of the survey were to:

- evaluate KAM's accounting, record keeping, and overall financial management systems and determine whether they meet applicable standards included in 22 CFR 226 (Regulation 26);
- determine whether KAM's system of internal controls is adequate;
- determine whether KAM's property management system and procurement system meet the standards included in Regulation 26;
- determine whether KAM has a travel policy which would conform to the U.S. Government/USAID travel regulations; and
- determine whether KAM has adequate personnel policies and procedures that would meet USAID requirements.

The report contains various recommendations to improve KAM's financial management system, property management system, procurement system, personnel policies, and travel policies. It is the responsibility of USAID/Kenya to ensure appropriate action is taken on all recommendations. However, we are including the following recommendation in the Office of the Inspector General's audit recommendation follow-up system.

**Recommendation No. 1: We recommend that USAID/Kenya include a provision in any grant agreement executed with the Kenya Association of Manufacturers (KAM) requiring KAM to implement the improvements needed in its financial management system, property management system, procurement system, personnel policies, and travel policies as a condition of continued USAID funding.**

We consider the recommendation unresolved until the Mission makes a final management decision to implement the recommendation. The recommendation can be closed when the Mission takes final action to implement the recommendation. Please respond to this report within 30 days indicating action planned or already taken to implement the recommendation.

Thank you for the cooperation extended to Deloitte & Touche auditors and the Regional Inspector General, Audit representative during the audit.

Attachments: a/s

PREAWARD AUDIT OF  
THE KENYA ASSOCIATION OF MANUFACTURERS

ATTACHMENTS

REVIEW OF THE FINANCIAL MANAGEMENT AND  
PROCUREMENT SYSTEMS OF  
THE KENYA ASSOCIATION OF MANUFACTURERS

USAID CONTRACT NO. 623-0000-I-00-4117-00

DELIVERY ORDER NO. 3

NOVEMBER 1996

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# TABLE OF CONTENTS

<b>1. INTRODUCTION.....</b>	<b>1</b>
1.1. BACKGROUND .....	1
1.2. REVIEW OBJECTIVES .....	2
1.3. RESULTS OF THE REVIEW AND CONCLUSIONS .....	3
1.3.1. <i>Comments based on the review objectives.....</i>	<i>3</i>
1.3.2. <i>We conclude that KAM has taken adequate corrective action on prior audit report recommendations.....</i>	<i>4</i>
1.3.3. <i>Comments on findings, recommendations and management comments.....</i>	<i>4</i>
<b>2. FINANCIAL MANAGEMENT SYSTEM .....</b>	<b>5</b>
2.1. KAM'S CURRENT ACCOUNTING, RECORD-KEEPING AND OVERALL FINANCIAL MANAGEMENT SYSTEM.....	5
2.1.1. <i>General accounting and reporting.....</i>	<i>5</i>
2.1.2. <i>Sources of finance.....</i>	<i>5</i>
2.1.3. <i>Accounting books and records.....</i>	<i>-</i>
2.1.4. <i>Cash transactions system.....</i>	<i>-</i>
2.1.5. <i>Nominal ledger system.....</i>	<i>8</i>
2.1.6. <i>Register of members.....</i>	<i>8</i>
2.1.7. <i>Fixed assets inventory cards.....</i>	<i>9</i>
2.1.8. <i>Payroll.....</i>	<i>9</i>
2.2. AREAS NEEDING IMPROVEMENTS.....	9
2.2.1. <i>General accounting and reporting.....</i>	<i>9</i>
2.2.2. <i>Sources of Finance.....</i>	<i>10</i>
2.2.3. <i>Accounting books and records.....</i>	<i>11</i>
2.2.4. <i>Cash transactions system.....</i>	<i>12</i>
2.2.5. <i>Nominal ledger system.....</i>	<i>13</i>
2.3. CURRENT INTERNAL CONTROL STRUCTURE.....	13
2.3.1. <i>The control environment.....</i>	<i>13</i>
2.3.2. <i>Accounting system.....</i>	<i>15</i>
2.3.3. <i>Control procedures.....</i>	<i>16</i>
<b>3. PROPERTY MANAGEMENT SYSTEM.....</b>	<b>23</b>
3.1. KAM'S CURRENT PROPERTY MANAGEMENT SYSTEM.....	23
3.2. AREAS NEEDING IMPROVEMENTS.....	24
3.2.1. <i>Fixed assets register.....</i>	<i>24</i>
3.2.2. <i>Monitoring of vehicle usage.....</i>	<i>25</i>
3.2.3. <i>Office equipment maintenance.....</i>	<i>25</i>
<b>4. PROCUREMENT SYSTEM.....</b>	<b>26</b>
4.1. KAM'S CURRENT PROCUREMENT SYSTEM.....	26
4.1.1. <i>Assets procurement system.....</i>	<i>26</i>
4.1.2. <i>Procurement of Consultancy Services.....</i>	<i>26</i>
4.2. AREAS REQUIRING IMPROVEMENTS.....	27
4.2.1. <i>Tendering process.....</i>	<i>27</i>
4.2.2. <i>Suppliers' accounts.....</i>	<i>27</i>

E

<b>5. PERSONNEL POLICIES.....</b>	<b>30</b>
5.1. KAM'S CURRENT PERSONNEL POLICIES.....	30
5.1.1. Recruitment.....	30
5.1.2. Termination of service.....	30
5.1.3. Remuneration.....	31
5.2. AREAS REQUIRING IMPROVEMENTS.....	32
5.2.1. Job descriptions.....	32
5.2.2. Promotions.....	32
5.2.3. Staff appraisals.....	33
5.2.4. Organisation structure.....	33
5.2.5. Staff qualifications.....	33
<b>6. TRAVEL POLICIES.....</b>	<b>35</b>
6.1. KAM'S CURRENT TRAVEL POLICIES.....	35
6.2. AREAS NEEDING IMPROVEMENTS.....	36

**APPENDICES**

Appendix I      KAM Management Comments and Implementation plan

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## 1. INTRODUCTION

### 1.1 Background

The Kenya Association of Manufacturers (KAM) is a representative organisation of industrial establishments in Kenya. It is a non-political, non-profit making organisation and currently has approximately 600 members. The total potential membership however, is estimated to be about 4000.

KAM was constituted as a corporate body in 1959 to encourage investment and develop Kenya's industrial potential through involvement in:

- (a) promoting and protecting members' interests through lobbying for positive policy changes and initiatives in such areas as taxation, tariffs, licences, and other investment incentives;
- (b) providing guidance on potential export and local markets for, and marketing of, manufactured goods by way of trade fairs and exhibitions and dissemination of information related to trade;
- (c) giving technical advisory services, conducting specialised training courses and seminars with a bearing to the promotion of trade and investment in Kenya; and
- (d) maintaining quality to be commensurate with the prices charged.

Within the last decade, major policy changes have occurred in the Kenyan economy mainly as a result of World Bank/IMF - sponsored Structural Adjustments Programmes (SAPs), which recently culminated in the liberalisation of the economy. As a result, competition has increased and the KAM secretariat has been faced with a demand to increase its services to members. However, due to inadequate financial and operational capacity, KAM is unable to meet fully the members' requirements. As a result, KAM has requested United States Agency for International Development (USAID) to provide financial assistance of US\$ 1.5 million to finance KAM's export promotion activities over a two year period.

These activities include:

- (a) building and strengthening the capacity of KAM's secretariat;
- (b) providing firm level assistance to exporters; and
- (c) studying export policies, regulations and market surveys to enhance exports.

However, before the financial assistance can be granted, USAID would like to have assurance as to whether KAM has the capacity to manage USAID funds effectively and efficiently. To provide the required assurance, Deloitte & Touche (D&T) were commissioned by USAID to review KAM's financial management, procurement, personnel and travel systems and report thereon.

## 1.2 Review Objectives

The main objective of this review is to look at KAM's financial management, procurement, property management and personnel systems and provide assistance in setting up sound and practical systems which will enable KAM to manage USAID funds and its activities prudently and effectively.

The specific review objectives were to:

- (a) evaluate KAM's accounting, record keeping and overall financial management systems and assess whether they meet applicable standards included in 22 CFR 226 (Regulation 26).
- (b) assess whether KAM's system of internal control is adequate by considering KAM's internal control structure and reporting on significant internal control deficiencies and material weaknesses.
- (c) assess whether KAM's property management system and its procurement system meet the standards included in 22 CFR 226 (Regulation 26).
- (d) assess whether KAM has a travel policy which would conform to the US Government/USAID travel regulations.
- (e) ascertain whether KAM has adequate personnel policies and procedures that would meet USAID requirements. These encompass having people with the necessary professional and technical experience and competence to implement the grant and meet USAID requirements.
- (f) determine whether KAM has taken adequate corrective action on prior audit report recommendations.

D&T was to report on the existing systems and procedures, areas needing improvements, and make the necessary recommendations to improve the systems and procedures.

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### 1.3 Results of the Review and Conclusions

#### 1.3.1 Comments based on the review objectives

- (a) **Evaluate KAM's accounting, record keeping, and overall financial management systems and assess whether they meet applicable standards included in 22 CFR 226 (Regulation 26).**

We concluded that KAM's accounting, record keeping and overall financial management systems meet the requirements of the applicable standards included in Regulation 26 of 22 CFR 226.

The accounting system is on a cash basis which is an acceptable basis of accounting, and on which the monthly income and expenditure reports are prepared. However, the accruals basis of accounting is more comprehensive as it provides management with a complete picture of the financial status of the organisation which includes contracted commitments and outstanding receipts. This is the recommended basis.

- (b) **Assess whether KAM's system of internal control is adequate by considering the internal control structure and reporting on significant internal control deficiencies and material weaknesses.**

Based on our review, we arrived at the conclusion that the internal control structure is reasonably adequate but is limited by the size of the Secretariat's human resources establishment and the accounting system described in (a) above.

- (c) **Assess whether KAM's property management and its procurement systems meet the standards included in 22 CFR 226 (Regulation 26).**

We conducted a review of KAM's property management and procurement systems and concluded that these systems meet the standards prescribed in 22 CFR 226, except for the lack of:

- (i) a fixed assets register
- (ii) a system to monitor and control the usage of motor vehicles and the related expenditure other than fuel
- (iii) regular and contracted maintenance of office equipment
- (iv) tendering process other than for consultancy services (however, due to the nature of KAM's operations, an elaborate process may not be practical).

Further, the limitations noted in (b) above also hinder the implementation of effective systems.

- (d) **Assess whether KAM has a travel policy which would conform to the US Government/USAID travel regulations.**

We concluded that KAM has a travel policy which would conform to the US Government/USAID travel regulations. However, for per diem accounting, some components not currently being accounted for, for KAM funds, would be required to be accounted for when USAID funds are used.

- (e) **Ascertain whether KAM has adequate personnel policies and procedures that would meet USAID requirements which encompass having people with the necessary professional and technical experience and competence to implement the grant and meet USAID requirements.**

We concluded that KAM has adequate personnel policies and procedures that would meet USAID requirements, except for the following areas:

- (i) detailed job descriptions are not in existence
- (ii) career development and appraisal policies for staff including policies for promotions have not been formulated
- (iii) the size of the human resources establishment is small especially at senior levels
- (iv) lack of adequately qualified personnel in the accounting function

- (f) **Determine whether KAM has taken adequate corrective action on prior audit report recommendations.**

We conclude that KAM has taken adequate corrective action on prior audit report recommendations.

### 1.3.2 Comments on findings, recommendations and management comments

Detailed findings, recommendations and the KAM's management comments on the above are set out under Sections 2 to 6 of this report.

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## 2. FINANCIAL MANAGEMENT SYSTEM

### 2.1 Kam's Current Accounting, Record-Keeping and Overall Financial Management System

#### 2.1.1 General accounting and reporting

Currently, KAM operates a manual and simple accounting and record-keeping system which has so far been able to produce reasonably adequate information and reports required for the overall financial management of the Association.

The system is operated in such a way that separate bank accounts and books of account are kept for:

- (i) KAM's own funds
- (ii) Project-specific funds financed by donors

This allows for proper accountability of all sources of funds. However, no financial statements for the organisation as a whole are prepared.

The accounting system and the monthly management income and expenditure report are prepared on a cash basis as opposed to an accruals basis. The cash basis is a comprehensive basis of accounting.

The monthly report, which is actually a receipts and payments account, is submitted to the Finance Sub-committee of the Executive Committee through the Chief Executive. The report incorporates comparison of actual performance against the budget and explanations for significant variances given.

The accrual basis of accounting is, however, adopted at the financial year end and the audited financial statements are therefore, on accruals basis.

Except for the cash-based income and expenditure report, no other monthly report is produced such as a statement of financial position or balance sheet. However, this is included in the financial statements at the financial year end.

### 2.1.2 Sources of finance

The main source of finance for KAM is the annual membership subscriptions and related entrance fee which is paid once when a member first joins KAM. Entrance fee is usually half of the annual subscription.

Currently, KAM has three categories of membership. These, together with their applicable annual subscription rates are as follows:

Category	Annual Subscription	Number of members to-date
	Sh	
Large scale industries	18,750	395
Medium scale industries	12,500	118
Associate members	15,625	<u>28</u>
		541
		===

Large scale members are those whose annual turnover is in excess of Ksh. 10 million, while medium scale members have an annual turnover of less Ksh. 10 million.

Associate members are those with a direct interest in the development of industry in Kenya, such as banks and other financial institutions.

Subscription and entrance fee income accounts for about 80% of total annual income. Other sources of income for KAM include:

- (i) Revenue from sale of and advertising in the members' index/directory
- (ii) Revenue from members' functions
- (iii) Secretarial fees
- (iv) Interest on short term deposits
- (v) Donations in kind for fixed assets
- (vi) Donor funds for specific projects

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### 2.1.3 Accounting books and records

Currently, the following accounting books and records are maintained by the accounting section which has two members of staff:

- (i) Cash receipts book
- (ii) Cash payments analysis book
- (iii) Main cash book
- (iv) Petty cash book
- (v) Nominal ledger
- (vi) Register of members
- (vii) Fixed assets inventory cards
- (viii) Payroll
- (ix) Journal

### 2.1.4 Cash transactions system

- Cash receipts book

This is a record of all cash received by KAM. It is maintained in columnar form to allow for an analysis of the sources of cash or income. Total receipts for the day are transferred to the main cash book.

On quarterly basis, the various income accounts in the nominal ledger are posted from the cash receipts book (CRB). However, monthly totals are determined on the CRB for the purposes of preparing the monthly management income and expenditure account.

- Cash payment analysis book

Cheque payments are recorded in the main cash book and then analysed into the various expense categories in the cash payments analysis book.

At the end of each quarter, the expenses are totalled and posted to the nominal ledger. Monthly expense totals are determined on the cash payments analysis book to facilitate the preparation of the monthly income and expenditure account.

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- Main cash book

Daily totals from the cash receipts book are entered here as are all cheque payments. The purpose of the main cash book is to enable a determination of a daily running balance of the cash position and facilitate the preparation of the bank reconciliation at the end of each month.

- Petty cash book

A petty cash float of Ksh. 10,000 is maintained for small routine day to day office expenses. A petty cash book is kept in columnar form to enable allocation into the various expense categories.

At the end of each quarter, total petty cash expenses are transferred to the cash payments analysis book. Petty cash expenses together with cheque payment expenses are then posted to the nominal ledger.

On monthly basis, petty cash expenses are totalled and added to cheque payment expenses for inclusion in the monthly income and expenditure account.

### **2.1.5 Nominal ledger system**

The nominal ledger is a record of control accounts which are posted quarterly from both the cash receipts book and the cash payments analysis book. Other accounts in the nominal ledger include the capital and fixed assets accounts. These, however, become useful only at the year end because during the year, reports are on cash basis, but at the year end, the audited financial statements are prepared on accruals basis.

### **2.1.6 Register of members**

A register of members is maintained by the accounts section. The register indicates when a member joined the Association as well as the annual subscription applicable to each member. It is promptly updated with subscriptions received from members. A listing of unpaid-up members is occasionally produced from the register.

### **2.1.7 Fixed assets inventory cards**

These are maintained for each major fixed assets item, including motor vehicles, office furniture and equipment.

As control and accounting records, the cards as currently kept, are not very useful as they lack important details and it would be difficult and time consuming to draw up a complete and comprehensive fixed assets listing from them.

Major items of fixed assets such as motor vehicles are purchased through finance lease arrangements with the National Industrial Credit (NIC).

Fixed assets are only accounted for at the year end in the audited financial statements. This, as noted earlier, is due to the fact that only the cash based income and expenditure account is prepared during the year.

### **2.1.8 Payroll**

The monthly payroll is prepared on the Kalamazoo business systems stationery. It is a record of monthly staff salaries, deductions and net pay.

## **2.2 Areas Needing Improvements**

### **2.2.1 General accounting and reporting**

The system of maintaining separate bank accounts and separate accounting records both for KAM's own funds and for project-specific funds should be continued as this enhances accountability and monitoring of all resources at KAM's disposal.

As noted on 2.1.1, only one report, the cash based income and expenditure account, is produced on monthly basis. Although little other information is given in memorandum form, management do not get enough information to allow them respond adequately to the financial needs and challenges facing the Association as would be facilitated by the accruals basis of accounting.

In addition, no financial statements are prepared for the organisation as a whole, which would incorporate both KAM's own and project funds. Consequently, the final financial picture of the Association is not clear.

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**Recommendation 1**

In order to provide more useful information to management, monthly management accounts, prepared on accrual basis should be introduced. This should be able to provide more detailed, complete and comprehensive information for financial control and planning.

The reports should have comparative figures for the previous month or period (eg quarterly) and budgeted figures to enable a better understanding of KAM's financial performance and aid management in decision making.

Significant variations from previous month's and budgeted performance should be investigated and explained.

**Management comments**

An accrual basis of accounting will be introduced. This is one of the recommendations in the unsolicited proposal to USAID. KAM needs to engage services of a qualified Accountant to do this.

**Recommendation 2**

The annual financial statement should be prepared for the organisation as a whole, to incorporate the project activities since they are under the responsibility of the Association.

**Management comments**

Agreed.

**2.2.2 Sources of Finance**

As noted on 2.1.2, KAM's main source of funds for its day to day operations is the members' annual subscription.

With KAM's current membership of under 600, the financial base of the Association is weak.

KAM has had to rely heavily on bank overdraft to finance its operations and overheads. As at the time of this review (September 1996) the Association had already exhausted its overdraft facility of Ksh. 2.2 million and the total overdraft stood at about Ksh. 4 million.

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**Recommendation 3**

Management should consider both short and long term ways of enhancing the regular financial resources of the Association. of the measures which should be considered include:

- i. Seeking to raise the annual subscription levels which currently appear to be very low.
- ii. Instituting stringent measures to reduce expenditures to manageable levels.
- iii. Appealing to donors of specific-project funds to include a component of general administration in their funding.
- iv. Stepping up the recruitment of new members and speedy recovery of subscriptions from existing members.
- v. Policy shift from immediate settlement of supplier accounts in order to enjoy some credit period.
- vi. Organising seminars and symposiums for members and charging a reasonable fee for it.

**Management comments**

All the above recommendations are being looked into.

**2.2.3 Accounting books and records**

The current KAM's accounting books and records appear to be reasonably adequate for the Association's level and nature of transactions, except that a proper register of fixed assets is not in place.

**Recommendation 4**

We recommend that a proper and reliable fixed assets register is put in place.

**Management comments**

Accepted.

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#### 2.2.4 Cash transactions system

The system currently in place is satisfactory except in the following areas where duplication of effort was noted:

- Cash receipts are recorded in the cash receipts book and then daily totals are transferred to the main cash book.
- Cash payments are first individually recorded in the main cash book and then similarly transferred to the cash payments analysis book for allocation among various expense categories.
- While the petty cash book is maintained in columnar form to allow for expense allocation, the same information is transferred to the cash payments analysis book at the end of each quarter where totals are determined for posting into the nominal ledger.

The above procedure indicates duplication of effort and loss of efficiency.

#### Recommendation 5

To enhance the efficiency of the cash transactions recording system, we recommend that:

- i. The main cash book which is essentially a duplication of the information contained in the cash receipts book and the cash payments analysis book, can be dispensed with without any loss of continuity.
- ii. The purpose of the main cash book of matching receipts against payments can be achieved by setting total receipts against total payments at the end of each month. This can be done either on the cash receipts book or the cash payments analysis book. The book selected for this purpose should be used consistently.
- iii. After eliminating the main cash book, it will no longer be necessary to record cheque payments twice. They will only need to be recorded in the cash payments analysis book where allocation to the various expense accounts will be immediate without the risk of errors that might take long to detect as is the case currently.
- iv. The process of transferring petty cash expenses from the petty cash book to the cash payments analysis book before posting to the nominal ledger should be discontinued. This should be done directly from the petty cash book.

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**Management comments**

Accepted.

**2.2.5 Nominal ledger system**

During the year, the nominal ledger is not a particularly useful record because it is rarely, if at all, used to generate any information for management reporting purposes. As noted in section 2.1.1 only one cash based report is produced on monthly basis and this is extracted from the cash receipts book and the cash payments analysis book.

The nominal ledger is only posted quarterly and no specific quarterly financial reports and statements are required to be produced.

**Recommendation 6**

The nominal ledger should be posted monthly to enable the monthly management accounts to be produced.

**Management comments**

Agreed.

**2.3 Current Internal Control Structure****2.3.1 The control environment**

The highest decision and policy making organ of KAM is the Executive Committee (Board of Directors) which is headed by a non executive chairman. The Executive Committee meets once every month to review various aspects of the operations of KAM.

The day to day running of the Association is vested in the Secretariat under the Chief Executive. Currently, this position is held in an acting capacity after the previous incumbent left KAM in July 1996.

The Chief Executive is responsible for the general administration of the secretariat than , ensuring that KAM's assets are safeguarded and ensuring laid down policies and procedures are adhered to.

At management level, the Chief Executive is assisted by a deputy (position currently vacant) and three executive officers each of whom heads a specialised service namely, technical, economic and marketing.

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Management philosophy and operating style are guided by the vision provided by KAM's objectives which are fully spelt out in its Memorandum of Association. Management are aware that they serve a wide cross section of industrialists and their vision is to continue lobbying for improvement and sustainability of the investment environment for the expansion of domestic and export trade.

Several sub committees of the Executive Committee have been formed to enhance the realisation of the management vision.

The finance sub committee was formed to oversee the KAM's financial policies. The sub committee meets every month and its main objectives are to:

- receive and review the monthly income and expenditure account;
- consider and approve any financial proposals made by the Secretariat; and
- review the general financial status of the Association with a view to improving it.

The decisions of the finance sub committee are submitted to the Executive Committee for ratification during the latter's monthly meeting. The Chief Executive serves as secretary to the finance sub committee and is also a member of the Executive Committee.

On the operations side, the Executive Committee has formed many sub committees, some of the most important ones being:

- Investment environment.
- Public relations.
- Treasury/KAM.
- Membership.
- East African Cooperation.
- Security.

These sub committees have a long term perspective within the framework of KAM's vision and objectives. The Chief Executive and/or one of the executive officers serves as secretary to the sub committees.

In addition to sub committee activity, other management control methods include:

- Budgeting and monitoring

Monthly and annual income and expenditure budgets are prepared and regularly reviewed against actual performance by the Executive Committee.

Significant variances from planned performance are analysed and explanations given for the variations.

- Cash flow forecasting

This is done by the Accountant in conjunction with the Chief Executive and regularly reviewed by the Executive Committee.

- Receipts and disbursements

All cash receipts and disbursements pass through the Chief Executive for acknowledgement and/or approval.

Disbursement cheques are signed by any two of the following four signatories:

- Chief Executive
- Chairman, Executive Committee
- Chairman, finance sub committee
- Member, Executive Committee

The secretariat's top management consists of personnel who are well educated and experienced. All of them are university graduates and have subsequently received substantial specialised training in various field directly relevant to their assignments at KAM. Management positions are advertised in the media when a vacancy occurs. Currently, the secretariat's management is made up of:

- Acting Chief Executive
- Executive officer, technical services
- Executive officer, marketing services
- Executive officer, economic services

These are reinforced by a team of support personnel, including accounting staff, secretarial staff, drivers/messengers. The whole establishment has about 18 members of staff.

- Annual audit

The annual statutory audit provides management with an independent check of KAM financial performance. The Executive Committee reviews the audited financial statements before approving them.

### **2.3.2 Accounting system**

The accounting and financial management system operates as described in Section 2.1. Areas needing improvements and recommendations are contained in the same section.

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### 2.3.3 Control procedures

- Receipts

Receipts are mainly in cheques. Cash receipts are rare and are mainly from the sale of members' directory to non-members. Cheque receipts are mainly in respect of members' subscriptions.

All mail is received and opened by the secretary to the Chief Executive who enters the details into the daily Mail Received Register before passing the mail to the Chief Executive.

The Chief Executive reviews the mail and indicates destination. The mail is returned to the secretary who distributes according to the destination indicated on each. Cheques are sent to the Accountant who immediately issues a receipt for each cheque and updates the cash receipts book.

Banking is done by the Accountant on the day of receipt or the following working day.

- Payments

Payments are mainly in cheque except for petty cash expenditure.

Payments are largely in respect of office stationery and utilities (electricity, telephone, water).

Invoices and bills are approved for payment by the Chief Executive who also signs on the payment voucher. The Chief Executive is also a cheque signatory.

To the payment voucher are attached the relevant supporting documents such as invoice.

Upon payment, the invoice or bill is stamped "PAID" to prevent re-submission for payment. Once raised, payment cheques are entered into the main cash book.

All cheques are crossed "A/c Payee Only".

- Petty cash

A petty cash float of Ksh. 10,000 is maintained to meet the day-to-day routine office expenses. Petty cash expenses are accounted for with suppliers' receipts. The float is replenished when it is exhausted.

- Bank reconciliation

This is performed at the end of every month by the Accountant, and is reviewed by the Chief Executive.

- Members' subscriptions

Members' subscription year is the calendar year. In November of each year, letters are written to all members requesting them to remit the following year's subscriptions. Subscriptions received in the current year relating to the subsequent subscription year are treated as current liabilities at the balance sheet date.

Members who do not remit their annual subscriptions by mid October of any year are struck off the register and services to them are discontinued.

No subscription debtors accounts are maintained: only memorandum information is kept of the members whose annual subscriptions are outstanding.

In order to speed up collection of outstanding members' subscriptions and recruitment of new members, KAM has recently enlisted the services of Express Communications Ltd at a commission rate of 18% of collections.

A register of members is maintained by KAM, with the appropriate annual subscription indicated against each member's name.

- Other controls

Other specific control procedures are covered in sections 3, 4, 5 and 6 of this report.

## **2.4 Areas Needing Improvements**

### **2.4.1 Control environment**

The current KAM secretariat is very small with only the Chief Executive and three Executive Officers, though the Chief Executive is on an acting capacity. The position of Deputy Chief Executive is currently vacant, hence further limiting the operational capacity of KAM.

Although the Executive Committee meets every month to review the Income and Expenditure report, among other KAM activities, available records and minutes indicate that these reviews are limited in scope as a result of:

- lack of a proper information system at the secretariat which would make KAM more proactive in operation than reactive as is the case currently. This would be solved by establishing an information data bank to harness all data and information at KAM's disposal.
- the monthly accounting data/information provided being based on cash accounting rather than accrual basis. This does not provide information which could be important in management and committee decision and policy making. In addition, only one statement, the Income and Expenditure account is produced, further constraining the scope and depth of any meaningful review of the financial status of the Association.

#### **Recommendation 7**

In order to enhance operational and financial control environment, KAM needs to expand its secretariat by filling existing but vacant positions and create important positions such as that of an Information/Data Analyst who will provide members with important market and other information. This should form part of the package of institutional capacity building recommended in the Strategic Corporate Plan of 1994.

#### **Management comments**

Accepted.

#### **2.4.2 Control procedures**

##### **a) Receipts**

While all receipts (cheques) are entered into the Mail Received Register, no review or check is performed to ensure that all cheques received are receipted in the Cash Receipts Book.

**Recommendation 8**

Efforts should be made to ensure that:

- i. a separate Cheques Received Register is maintained in order to ease an independent review of the same. Other mail received should also be recorded separately.
- ii. a regular review or check is performed by an independent official to ensure that all cheques received have been recorded in the Cash Receipts Book.

**Management comments**

Will be implemented once the accounts section is strengthened.

**b) Payments**

These are made on serially pre-numbered KAM payment vouchers, but these numbers are not used for control purposes. The Accountant uses his own numbering which he inserts with a pen on each payment voucher. Although this numbering also follows a sequential order, the procedure makes it difficult to account for all payment vouchers and raises the risk of payment voucher books being used at random.

Several cases were noted where the relevant Local Purchase Order (LPOs) were not attached to the invoice as evidence that the purchase or expense was duly authorised. Goods Received Notes (GRNs) are currently not in use.

**Recommendation 9**

- i. The current payment voucher numbering system should be discontinued and the pre-printed number system used to control the use of these important documents.
- ii. Before payment is made, all supporting documents such as LPOs and GRNs or supplier Delivery Notes should be attached as evidence to support the invoice.

**Management comments**

Accepted.

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c) Petty cash

The following weaknesses were noted in the administration of, and accounting for, office petty cash:

- Although petty cash voucher forms are stocked in the office, they are rarely used to release petty cash. Occasionally, petty cash is simply withdrawn for expenses and once spent, receipts are brought back as evidence of expenditure.
- Some receipts issued bear no supplier stamp or letterhead which makes it difficult to ascertain the validity of some of the expenditure. Also in use are supermarket cash register receipts which do not show any details except amounts.
- The petty cash book balance was sometimes noted to indicate a negative balance, suggesting commingling with personal funds.
- There was no evidence that petty cash is regularly counted by an independent official and reconciled with the petty cash book.
- The current petty cash float of Ksh. 10,000 appears to be inadequate as substantial travel advances to officers are paid out of it. This results in petty cash being replenished almost every two to three days with the resultant loss of administrative effort as the Accountant has to pay many visits to the bank and to signatories who are widely dispersed.

**Recommendation 10**

In order to improve control over petty cash, we recommend the following:

- i. Petty cash vouchers should be used each time petty cash is withdrawn. Appropriate authorisation should be secured.
- ii. Receipts without the supplier's letterhead or stamp and supermarket cash register receipts should not be used as supporting documents. Supermarkets, for instance, should be able to issue official receipts. Alternatively, where such receipts are used, a senior Secretariat official should provide an explanatory note as to why an official receipt could not be obtained.

- 
- iii. On a regular basis, an independent official should conduct surprise petty cash counts and reconciliation with the petty cash book balance performed.
  - iv. To eliminate inefficiency and loss of administrative effort, the petty cash float should be revised to a level appropriate for the operations of the Secretariat.

**Management comments**

Accepted.

**d) Bank reconciliations**

Although a bank reconciliation is prepared at the end of every month, there was no evidence that it is reviewed by the Chief Executive.

**Recommendation 11**

The Chief Executive or another senior official should review and initial the monthly bank reconciliations. Long outstanding reconciling items should be followed up and resolved promptly.

**Management comments**

Agreed.

**e) Members' subscriptions**

The current practice of de-registering members who do not pay their annual subscriptions by mid-October of the year appears to be ill-advised.

As at the time of this review (September 1996) about 34 members had not paid up their membership subscriptions amounting to over Ksh. 550,000. If they do not pay by mid-October 1996, they will be struck off the register. This does not appear to be appropriate because:

- the Secretariat will have serviced them for 10 months with other members' resources.
- this does not augur well for the Association which operates on a constrained financial base and with the bank overdraft having reached a critical level.

**Recommendation 12**

Debtors accounts should be maintained for unpaid-up members and effort made to follow up on collections. The current practice of employing the services of outsider debt - collection agency and for membership recruitment is appropriate in the short run, but the Secretariat should consider the longer term financial implications of this arrangement. Presently the agency is paid commission rate of 18% on collections.

The Association should consider introducing a credit period of 30 days and any subscription not paid within that period is subject to surcharge. The period of deregistration should be reduced to six months.

**Management comments**

Accepted.

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### 3. PROPERTY MANAGEMENT SYSTEM

#### 3.1 Kam's Current Property Management System

KAM has the following categories of fixed assets:

- Leasehold land and buildings
- Motor vehicles
- Furniture and fittings

Some of the fixed assets were acquired through KAM's funds while the rest were donated for example from USAID. The only fixed assets which have been procured in the last four years are motor vehicles. There has not been in place, therefore, a detailed procurement policy in relation to acquisition of fixed assets.

The fixed assets are recorded in fixed asset inventory cards, which are filed in a box file. This system was introduced in 1995. The cards contain the following information:

- Asset type
- Location
- Cost
- Useful life and depreciation rate
- Accumulated depreciation
- Net book value.

The day to day management of the fixed assets rests with the users. The overall responsibility of managing KAM's assets in the last two months has been vested in the Executive Officer - Technical. Previously this was the responsibility of the Chief Executive.

KAM's motor vehicles are in two allocation categories:

- Those which are allocated to the senior officers of KAM
- The pool vehicles used for the office.

The usage of the vehicles allocated to the officers is the responsibility of the individual officer. The Executive Officer - Technical, has set a monitoring sheet for fuel expenses for all the vehicles. The physical custody of the assets is with the users, while the title documents are in the custody of the Accountant.

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The insurance matters are also handled by the Accountant. Fixed assets are insured through Minet ICDC insurance brokers. Motor vehicles are comprehensively insured with United Insurance Company. The building is insured against fire with Madison Insurance who have also insure office equipment furniture and fittings against all risks.

There has been two thefts in the office in 1995 and 1996 and KAM has enhanced the security system at the secretariat by installing security alarm system. KAM has also employed night security guards.

The assets are physically verified annually by the Accountant. However, we did not find evidence of physical verification by the Accountant..

The only assets which have been disposed of so far are motor vehicles. The decision to dispose off assets rests with the Board of Directors. The disposal procedure followed involves:

- Valuation of motor vehicles by Automobile Association of Kenya (AA);
- The Board sets an acceptable selling price;
- The vehicles are offered for sale by inviting vehicle dealers to make offers.

KAM has maintenance accounts for motor vehicles with Concorde Service Station and Waithaka Diesel Workshops. KAM, however, does not have a maintenance account for its office equipments, meaning that the equipments are repaired when they are damaged rather than being maintained on a regular basis.

The capitalisation limit is Ksh 3,000. This lower limit covers telephone heads.

## **3.2 Areas Needing Improvements**

### **3.2.1 Fixed assets register**

The fixed assets register is a box file containing loose fixed asset inventory cards. Each of the card contains details of various equipments located in one office. These record may not be long lasting, as the cards could easily be misplaced.

#### **Recommendation 13**

A permanent fixed asset register should be implemented, giving specific details for the assets. The details should include the date of acquisition, the cost, location, serial number if any, accumulated depreciation, Net Book Value and details of disposal when the asset is disposed of.

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**Management Comments**

Agreed.

**3.2.2 Monitoring of vehicle usage**

There is no clear system for monitoring and controlling usage of office motor vehicles. Motor vehicle expenditures other than fuel consumption are not monitored. A vehicle usage log system has the advantages as it discourages misuse of motor vehicles and also ensures that only authorised journeys are taken. It also forms an input when preparing budgets.

**Recommendation 14**

A motor vehicle usage log should be implemented for each vehicle. A record of other costs per motor vehicle should also be maintained.

**Management Comments**

We have not noticed any serious incident of misuse, however, the recommendation will be looked into.

**3.2.3 Office equipment maintenance**

Office equipment (eg computers, photocopies, telephone etc.) are not maintained on a regular basis. This could lead to a break down of the equipment, especially in the assets requiring regular maintenance such as the photocopiers and computers. Rehabilitation of these equipments in the case of break down may be very expensive for KAM.

**Recommendation 15**

KAM should endeavour to open maintenance account(s) for its office equipment with reliable maintenance firms.

**Management Comments**

Agreed.

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## 4. PROCUREMENT SYSTEM

### 4.1 Kam's Current Procurement System

#### 4.1.1 Assets procurement system

The main procurement made at KAM is for office supplies and stationery. Office equipment, motor vehicles, furniture and fittings were purchased at the inception of KAM or have been donated, and there is no procurement policy for such.

Procurement for office stationery is done through LPOs. The LPOs are prepared in duplicate by the Accountant who passes them to the Chief Executive for checking and signature. In the absence of the Chief Executive, the LPOs are checked and signed by one of the Executive Officers.

The original copy of the signed LPO is despatched to the supplier through the messenger, who brings back with him the ordered goods.

The goods are received by the Assistant Accountant who inspects them to ensure that they are the items ordered. He then signs against the LPO as evidence that the goods have been checked and enters the details of the purchase in the office supplies record book. These details include the quantity received and the delivery number.

KAM deals with registered suppliers, who have been proved to be reliable over time. However, KAM does not maintain accounts with the suppliers and purchases are in cash.

When items are issued to the members of staff, the users sign for them indicating quantity of item collected. The stock is kept by the Assistant Accountant in a cupboard under lock and key. Since the office supplies record book was only introduced in 1996, there have been no reconciliations between the physical stock and the books of account.

#### 4.1.2 Procurement of Consultancy Services

When there is need for consultancy services, KAM places an advertisement in the daily newspapers detailing out the type of consultancy service required, the terms of reference and the duration of the assignment. The KAM Technical Committee comprising four Executive Committee members then shortlist the most suitable firms, based on the personnel involved and their experience in similar assignments as well as the financial standing of the consultancy firms.

The firms are then ranked according to their eligibility. Negotiations on price with the suitable firms are done starting with the most suitable firm. On the basis of this, a contract is signed. The contract contains the following details:

- Activity to performed.
- Duration.
- Personnel to be used.
- Cost.
- Mode of payment.

#### **4.2 Areas Requiring Improvements**

The following areas need to be improved in order to enhance the procurement system.

##### **4.2.1 Tendering process**

Previously, there has not been clear tendering process. The recently documented procurement systems manual however has detailed tendering process, especially in regard to fixed assets.

##### **Recommendation 16**

Implement the recently documented procurement systems manual which is yet to be implemented.

##### **Management Comments**

The Executive Committee has agreed to implement the new procurement procedures as recommended in the manual.

##### **4.2.2 Suppliers' accounts**

KAM purchases its stock in cash as it has not negotiated for credit with its main suppliers. Opening accounts with suppliers would ensure that KAM takes advantage of credit facilities offered and reduce constraint on cash. KAM could also purchase in bulk, thus taking advantage of economies of scale.

##### **Recommendation 17**

We recommend that KAM should open credit facilities with the main suppliers.

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### Management Comments

Agreed.

#### 4.2.3 Recording

The main documents for the procurement system are the Local Purchase Orders (LPOs) and the Payment Vouchers and the recently introduced Office Supplies Book. There are no Goods Received Notes (GRNs) in place.

The LPOs are prepared in duplicate with the original going to the supplier and the duplicate copy remains in the book. The LPOs are not attached to the payment vouchers, therefore, it would be impossible to determine whether an order is authorised.

The LPOs do not bear the name of KAM and are not serially controlled in that all the books used have the same sequence numbering, e.g., 1-100. As a result, the control of LPOs is impaired.

Payment vouchers are serially numbered yet the numbers are not used for accounting. The Accountant enters different serial numbers in ink. The latter are then used for accounting.

Stock orders are placed in some instances when stock is completely depleted. This could lead to inefficiency in performance of secretariat duties during the intervening period.

**Recommendation 18**

- i. Procurement documents such as Goods Received Notes should be introduced.
- ii. KAM should have LPOs in their name. For accounting purposes, the LPOs should be prepared in triplicate with a copy being attached to Payment Vouchers during cheque preparation to indicate the authenticity of the order.
- iii. All LPOs should be serially numbered. This means that when one LPO book is exhausted, the next book should contain serial numbers continuing from the previous one.
- iv. At the year end, the physical stocks should be reconciled with the books of account.
- v. Re-order levels should be introduced.

**Management Comments**

Accepted.

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## 5. PERSONNEL POLICIES

### 5.1 Kam's Current Personnel Policies

Until recently KAM's personnel policies were not documented. Below we summarise the personnel policies in existence, regarding recruitment, termination of service and remuneration.

#### 5.1.1 Recruitment

The recruitment procedure for the Chief Executive and the Executive Officers is stated in KAM's Articles and Memorandum of Association. The recruitment of the officers is done through advertisements in the daily newspapers. The Chief Executive and the other executive officers then shortlist about 10 candidates who best meet the requirements, to be interviewed by the Executive Committee. The committee then shortlists three candidates for the final interview with the Finance Committee. The three candidates are ranked in order of preference and the highest ranked candidate is offered the job. Should the selected candidate decline the offer, the second ranked candidate is offered the position.

An appointment letter is signed, indicating acceptance of the terms and conditions of employment. The probation period is usually three months, after which the candidate is confirmed. The confirmation letter details out the responsibilities, notice of resignation, termination of service, remuneration package etc. For the other members of staff, recruitment is the responsibility of the Chief Executive.

At the moment one of the Senior Executive Officer/Personal Assistant to the Chief Executive is the acting Chief Executive. The position of the Chief Executive became vacant in July 1996. The position of the Senior Executive Officer, who is the deputy to the Chief Executive is also vacant.

#### 5.1.2 Termination of service

As outlined in the Articles and Memorandum of Association, the appointment and termination of service of the Chief Executive and the other Executive Officers is the responsibility of the Executive Committee. An assessment form is used to determine the performance of the officer before termination of service. Letters of warning are issued to the officers prior to termination and termination is only exercised if the officer does not heed. The Executive Committee may give the officer an option to resign rather than be sacked.

As in recruitment, the termination of services for the other staff members is the responsibility of the Chief Executive. Warning letters are also used for this category of staff. The staff member may also be given an option to resign rather than be sacked.

The termination dues for all categories of staff depend on whether the staff member was sacked or resigned.

### **5.1.3 Remuneration**

The details on remuneration are contained in the letters of appointment and of confirmation. In addition to the basic salary, the Chief Executives gets the following benefits:

- A fully maintained company car.
- Membership to two social clubs.
- Payment for utilities that is, electricity, water and telephone.
- Medical cover for self and family.
- Life and Personal accident cover.
- Contribution to pension fund at a rate of 10% of the basic salary.

The Senior Executive Officer/Personal Assistant to the Chief Executive gets similar benefits other than payment for utilities. Club membership is also restricted to one club.

The other Executive Officers get the following benefits:

- A fully maintained company car.
- Medical cover for self and family.
- Life and Personal accident cover.
- Contribution to pension fund at a rate of 10% of the basic salary.

For the other members of staff, the remuneration package include a basic salary, 10% of salary contribution to the provident fund, personal accident cover and medical cover for the employee.

## 5.2 Areas Requiring Improvements

We are satisfied with the personnel system except in the following areas, which require improvement.

### 5.2.1 Job descriptions

KAM does not have detailed job descriptions for its staff members. There are however, summaries of responsibilities for each position. Lack of clear and detailed job descriptions could lead to staff failing to identify their duties and responsibilities.

#### Recommendation 19

Job descriptions for all positions should be prepared detailing the required qualifications, reporting lines, duties and responsibilities of the position holder.

#### Management Comments

KAM is a small organisation and some of this may not be possible. However, an attempt has been made to prepare job descriptions.

### 5.2.2 Promotions

There has not been promotions for the KAM staff to more senior positions. In addition, there is no clear policy on promotion and no clear positions to which the staff can be promoted.

#### Recommendation 20

KAM should review the organisation structure to identify position gaps and possible paths for promotion. KAM should develop promotion policies indicating the basis for such promotions. We also recommend that KAM implement the recently documented personnel manual.

#### Management Comments

To be considered.

### 5.2.3 Staff appraisals

Salary reviews are done annually, however, performance appraisals which were being done previously, have not been undertaken for the last two years. The reviews have previously been done by the Chief Executive who recommends to the Executive Committee a rate of increment. The committee evaluates the proposal based on KAM's ability to pay, and set an acceptable rate.

#### Recommendation 21

Salary reviews should be based on performance. This requires that performance appraisal system be re-introduced.

Salary ranges should also be indicated especially for entry levels.

#### Management Comments

The salaries are reviewed by the Finance Committee and are felt to be objective.

### 5.2.4 Organisation structure

Gaps have been identified in the organisation structure, indicated by the inability of the current staff to meet some KAM objectives. For instance, KAM has been unable to collect and disseminate information to members. This, according to the senior officers, is due to staff shortage especially in the marketing section.

Due to shortage in personnel especially in the senior officers level, most senior officers have accumulated leave days.

#### Recommendation 22

The organisation structure should be reviewed to identify possible gaps to be filled for KAM to achieve its objectives. The position of the Chief Executive and the Senior Executive Officer should be filled/confirmed.

#### Management Comments

KAM's Ability to pay should also be considered.

### 5.2.5 Staff qualifications

The senior KAM officials seem to be adequately qualified for their position. A gap has however been identified in the accounting section, where a Chief Accountant needs to be recruited to assist the current Accountant and his assistant. A chief Accountant would streamline the accounting and management of the proposed USAID funds.

#### **Recommendation 23**

KAM should hire a qualified Chief Accountant, who could also perform the office management tasks currently being performed by the technical officers. This would ensure that the technical officers become more effective in their core tasks.

#### **Management Comments**

Agreed. The Executive Committee would implement this recommendation at once if the funds are available.

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## 6. TRAVEL POLICIES

### 6.1 Kam's Current Travel Policies

KAM allows its personnel to proceed on local and international travel. The local travel is undertaken by the senior officers in:

- attending regional meetings for members;
- recruiting new members; and
- visiting government authorities to highlight problems affecting members.

For the local travel outside Nairobi, the executive officers get Ksh 4,500 per diem per night which is not accounted for. Expenditures above this amount must be accounted for with receipts. In addition, the officers receive Ksh 1,000 for fuel, which has to be accounted for with receipts.

When the Chief Executive travels, he may seek the services of a KAM driver. In this case, the driver gets Ksh 2,000 non accountable per diem per night.

International travel is undertaken by the senior officers to:

- attend international meetings;
- attend short term training courses;
- coordinate trade fairs and exhibitions; and
- coordinate foreign selling missions for KAM members.

The officers are allowed to travel economy class only. The officers are given US\$ 150 per diem per day in advance to cover accommodation, meals and other incidentals. This amount is not accounted for but expenditure above this must be accounted for with receipts.

The per diem amount received by a KAM officer may be varied by the chairman of the Executive Committee depending on the country of travel and the purpose.

## 6.2 Areas Needing Improvements

We are satisfied with the travel policies. However, should KAM get USAID funds, the travel policy will need to be reviewed to be in line with USAID conditions for all USAID funds. These are detailed out in the USAID hand books. In particular, whenever USAID funds will be used for international travel, this has to be approved by USAID contracting officer.

### Recommendation 24

For all USAID funds, KAM should follow the USAID regulations. KAM should obtain on a regular basis the updated regulations regarding travel policies especially in regard to per diem accounting. USAID regulations require that all accommodation expenses should be accounted for with receipts and the costs must be within the set limits for each city. Meals and incidentals need not be accounted for with receipts but the amount received must be within the limits for each city.

A time limit for the period in which the travel advances should be accounted for should be set.

### Management Comments

Agreed.

**APPENDIX I: KAM MANAGEMENT  
COMMENTS AND IMPLEMENTATION PLAN**



# THE KENYA ASSOCIATION OF MANUFACTURERS

(A company limited by Guarantee)

Chairman  
MANU CHANDARIA  
Ag. Chief Executive  
Z. N. KAHURA

P.O. Box 30225  
NAIROBI  
Tel: 746005/7 746021/2  
Fax: 746028/30

November 5, 1996

Mr. Sammy Onyango,  
Deloitte & Touche,  
P.O. Box 40092,  
NAIROBI.

Dear Sir,

**RE: IMPLEMENTATION PLAN ON RECOMMENDATIONS  
FROM YOUR REVIEW OF THE FINANCIAL  
MANAGEMENT AND PROCUREMENT SYSTEMS OF  
KAM/USAID CONTRACT NO. 623-0000-1-00-4117-00**

Attached please find the Implementation Plan of the recommendations contained in the above review.

We hope this will now enable you to go back to USAID.

Yours faithfully,

SIMON N. IHIGA  
for: CHIEF EXECUTIVE

Encl.

**IMPLEMENTATION OF RECOMMENDATIONS ARISING FROM THE REVIEW OF FINANCIAL MANAGEMENT & PROCUREMENT SYSTEMS OF KAM/USAID CONTRACT NO. 623-0000-1-00-4117-00; DELIVERY ORDER NO. 3: CARRIED OUT BY DELOITTE & TOUCHE**

**IMPLEMENTATION PLAN**

CHAPTER	RECOMMENDED ACTION	REQUIRED ACTION FROM KAM	PERIOD OF IMPLEMENTATION	RESPONSIBILITY BY
2. FINANCIAL MANAGEMENT SYSTEM	(1) Page 10: Production of monthly management accounts on accrual basis	(a) Employment of a fully qualified Chief Accountant  (b) Setting up the System of an accrual basis of accounting	As soon as the KAM unsolicited proposal for Export Promotion Programme is signed with USAID.  NB: This provision is made under the budget for Institutional Capacity Development	(a) KAM Executive Committee  (b) KAM Executive Committee  (b) KAM Chief Accountant (once recruited)
	(2) Page 10: Preparation of Annual Financial Statement to incorporate project activities	Current accounting staff to start this activity	The Annual Financial Statement prepared in January (i.e. after end of a calender year) will incorporate project funds.	Accounting Staff

*Handwritten mark*

		-Stepping up Recruitment of new members and speedy recovery of subscriptions from existing members	On-going	KAM Membership Sub-Committee
		-Policy shift from immediate settlement of supplies accounts in order to enjoy some credit period.	January 1997	Finance Sub-Committee
		-Organizing Seminars and Symposiums for members and charging a reasonable fee for them	On-going. But Finance Sub-Committee to work out the reasonable fee structure in early 1997	KAM Finance Sub-Committee in conjunction with KAM Secretariat
	(4) Page 11: Putting into place a proper and fixed assets register	To be done	Immediately	KAM Executive Officer - Technical Services in charge of KAM Assets in conjunction with Accounting Staff.
	(5) Page 13: Enhancing Transactions Recording System	-Dispensing of the main cash book since the information is contained in the cash receipts book	November 1996	Accounting Staff
		-Choosing between the Cash Receipts Book and the Cash Payments Analysis Book so that total monthly receipts can be set against total monthly payments instead of using two books at the same time.	November 1996	Accounting Staff
		-Eliminating the main cash book so that cheque payments will only be recorded in the cash payments analysis book	November 1996	Accounting Staff

		-Discontinuation of process of transferring Petty Cash expenses from Petty Cash book to the cash payments analysis book before posting to the nominal ledger. Petty Cash book will be used in future to record petty expenses.	November 1996	Accounting Staff
	(6) Posting of Nominal Ledger from quarterly to monthly to enable monthly management accounts to be produced	Current Accounting Staff to start this activity	November 1996	Accounting Staff
	(7) Expand KAM Secretariat by filling vacant positions and creating other necessary positions e.g. of information/ data analyst, so as to enhance operational and financial control environment.	<ul style="list-style-type: none"> <li>-Identify vacant posts</li> <li>-Identify other posts that should be created</li> <li>-Work out the necessary remuneration package for various posts.</li> <li>-Fit the costs of remuneration package within the KAM Annual Budget.</li> <li>-Advertise for vacant posts.</li> </ul>	January 1997	KAM Management (Secretariat) in close consultation with the KAM Executive Committee

41

	<p>(8) (a) Opening of a Cheques Received Register separate from other mail received</p> <p>(b) Regular review to ensure that cheques received are recorded in the Cash Receipts Book</p>	<p>As per recommendation</p> <p>As per recommendation</p>	<p>Immediately</p> <p>As soon as the Accounts Section is strengthened through recruitment of a Chief Accountant</p>	<p>Secretary to the Chief Executive</p> <p>KAM Chief Executive</p>
	<p>(9)(a) Discontinuation of the current payment voucher numbering system and introduction of a pre-printed number system to control use of payment vouchers.</p> <p>(b) Attaching of LPOs and GRNS to the invoice before payment is made</p>	<p>Implement the recommended system</p> <p>"</p>	<p>Immediately</p> <p>Immediately</p>	<p>Accounting Staff</p> <p>Accounting Staff</p>

SP

	(10) Improve on the control over petty cash			
	-Using of Petty Cash Vouchers each time petty cash is withdrawn and obtaining appropriate authorization.	As per recommendation	Immediately	Accounting Staff
	-Obtaining receipts with supplier's letterheads or stamp, e.g. from supermarkets. Alternatively, use of an explanatory note from a Senior KAM Officer as to why an official receipt could not be obtained.	As per recommendation	Immediately	Accounting Staff/Support Staff
	-Conducting surprise petty cash counts and reconciliation with petty cash book balance.	As per recommendation	Immediately	Chief Executive
	-Revising of petty cash float to an appropriate level	As per recommendation	November 1996	Chief Executive in consultation with KAM Finance Sub-Committee

53

	(11) Review and initialing of monthly bank reconciliations by the Chief Executive	As per Recommendation	Immediately	Chief Executive
	(12) (a) Maintaining of debtors accounts (for unpaid members) and following up collections by Secretariat.  (b) Introducing a credit period of 30 days and surcharging subscriptions not paid within this period.	As per recommendation  KAM Executive Committee to consider and approve	Immediately  Executive Committee Meeting of November 1996	KAM Secretariat  KAM Executive Committee
3. PROPERTY MANAGEMENT SYSTEM	(13) Opening of a permanent fixed asset register giving specific details of the assets e.g. date of acquisition, cost, location, serial number, accumulated depreciation, net book value and details of disposal (when disposed).	KAM to implement this system	November 1996	KAM Executive Officer - Technical Services

5/4

	(14) Opening of a motor vehicle usage log book for each KAM vehicle and keeping records of cost per vehicle.	KAM to consult other companies/ employers on system used	November 1996	KAM Executive Officer - Technical Services
	(15) Maintaining office equipments on a regular basis (e.g. computers, photocopiers, telephones etc) in order to guard against serious cases of equipment breakdowns. This will be done by opening a maintenance account for office equipment with reliable maintenance firms.	-KAM to tender to a maintenance contract for its equipments.  -Signing of a service/maintenance Contract with the firm which wins the tender based on cost and service.	The KAM Finance Sub-Committee to be consulted during its meeting of November 1996	KAM Chief Executive/Executive Officer Technical Services.

5/67

4. PROCUREMENT SYSTEM	(16) Implement the recently documented procurement systems manual	-Opening of a register of suppliers (both local and foreign)	This register has already been opened for suppliers of stationery and consultancy services. It will be updated (January 1997) to include suppliers of capital goods.	Accounting Staff
		-Attaching receipts to petty cash vouchers as an indication of purchases made and for accounting purposes.	Immediately	Accounting Staff
		-Starting a serially pre-numbered LPOs System.	January 1997	Accounting staff in consultation with the Executive Officer - Marketing Services
		-Starting purchases by tender procedures especially for capital goods (e.g. equipments), annual suppliers of office stationery, and establishing a tendering committee. NB: KAM Executive Committee has agreed to implement the new procurement procedures as documented.	January 1997	Finance Sub-Committee
	(17) Opening of credit facilities with main suppliers	Negotiate for Credit facility and open credit accounts with suppliers after going through the tendering procedures. This will be done on annual basis	January 1997	Executive Officer - Marketing in consultation with Finance Sub-Committee

1/10

	(18) (a) Introduction of Goods Received Notes	As per recommendation	As soon as the accounts section is strengthened through recruitment of a Chief Accountant.	Chief Accountant (once recruited)
	(b) All LPOs to bear KAM name; Preparation of LPOs in triplicate and attaching a copy of LPO to payment vouchers during cheque preparation.	As per recommendation	As soon as the Chief Accountant is recruited	Chief Accountant (once recruited)
	(c) Reconciling physical stocks with books of account at the year end.	As per recommendation	December 1996	Accounting Staff
5. PERSONNEL POLICY	(19) Preparation of job descriptions detailing the qualifications, reporting time, duties and responsibilities of each position.	As per recommendations. (However due KAM being a small organization, some responsibilities may overlap.	Immediately	Chief Executive

57

	(20) Review of KAM Organization Structure to identify vacant positions and paths for promotion; development of criteria for promotions, and implementation of personnel manual procedures.	Review to be done	Immediately	Executive Officer - Economic Services (who is in charge of staff matters).
	(21) Staff performance appraisal as the basis of salary reviews and promotions be re-introduced.	As per recommendation Re-introduction of annual staff appraisal forms	January 1997	Executive Officer - Economic Services (in charge of staff matters), Chief Executive, Executive Committee.
	(22) Confirmation of Chief Executive and Senior Chief Executive	As per recommendation	Ag. Chief Executive is confirmed after 6 months. The incumbent to be confirmed in December 1996. The position of Senior Executive Officer has been changed to Deputy Chief Executive, while 3 positions of Senior Executive Officers have been created to be filled or confirmed by December 1996. However, ability to pay will be a major consideration.	Executive Committee

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	(23) Recruitment of a Chief Accountant to also handle office management tasks.	KAM has already made this provision in the "unsolicited proposal for Export Promotion Programme under USAID/Kenya Export Development Support (KEDS) project".	As soon as the KEDS unsolicited proposal (Cooperative Agreement) is signed between USAID and KAM so that funds are available for the employment.	KAM Executive Committee
6. TRAVEL POLICIES	(24) For USAID funds, KAM should follow USAID regulations with regard to per diem accounting.	<p>-KAM to obtain USAID regulations with regard to per diem accounting on a regular basis once the cooperative agreement concerning the KEDS unsolicited proposal is signed.</p> <p>-KAM personnel traveling on USAID funding will keep within the cost limits set for each city.</p> <p>-A the time limit in which travel advance should be accounted for will be set (depending on USAID regulations).</p>	KAM actions will be implemented once the Cooperative Agreement for the unsolicited proposal on Export Development Programme which KAM has forwarded to USAID has been signed.	KAM Counterpart Officer for the KEDS Project.

49