



Institute of Certified Public Accountants of Kenya

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GUIDELINES ON OFFICE MANAGEMENT AND PROCEDURES FOR PUBLIC PRACTITIONERS

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Office management and procedures

1.0 General introduction

This publication offers guidance to members on matters relating to management of the firm's office. The issues raised can be used to rationalize the procedures already in existence or for starting new ones. It is expected that every member firm shall have in place a detailed document to offer guidance on its operations. Such a document may be referred to as "staff manual", "The firm's policy document", "professional firm's handbook" etc.

The publication may not be exhaustive but is intended to provide the minimum requirement on the issues relating to office management and procedures especially for those putting up a new practice.

2.0 Management and personnel guide

It is useful for the member firm to have a management and personnel guide. Such a guide should always start with a brief history of the firm containing details such as when, how and by whom it was started. It should discuss in general the growth pattern and clearly outline the following issues:

2.1 Current status of the firm

The Guide should provide an updated of the practice with details such as the number of partners, professional and administrative staff, the current management style, branch network if any, the various departments and their relationships among other issues. The firm's status with regard to other firms in the country and outside should be included, since it gives a more global perspective.

2.2 The firm's mission statement

It is important for both new and existing staff to be made aware of why the firm exists. This awareness is achieved through the mission statement. The mission statement should broadly refer to the profession as a whole, the clientele, the community at large and what is also expected of staff in order to achieve the mission. It should be phrased simply and in a personalized manner.

The mission statement should be reviewed annually as a collective effort by the entire firm so as to adopt any changes that may have taken place in the year and ensure that all staff are aware and personally own the mission. This gives a sense of purpose and direction to each individual and collectively to the firm. It also has a tremendous effect on the clientele of the firm and other third parties who interact with the firm.

2.3 Organisation structure

This is the key to personal and firm development. It should preferably be in the form of a chart. It is possible to have two or more organisation charts especially where the reporting structure and the remuneration structure differ. As a result, any new member of staff will be able to see the potential career growth and the firm, as a whole will be able to evaluate its human resource base in terms of its growth potential. It also serves as a uniform tool for evaluating staff and appraising them.

2.4 Job description and levels of responsibilities

There should be a general guideline which should differentiate between professional and

administrative staff. An example of the general professional structure with job descriptions and level of responsibilities is as follows:

- (i) **Partner(s):** Comparable to that of a chief executive in a company, that person is, responsible for the firm's decisions.
- (ii) **Managers:** Comparable to a financial controller in a company, that is, responsible to partners for directing several client engagements simultaneously, having certain office administrative function and also supervising seniors.
- (iii) **Assistant Managers:** Comparable to on-the-job supervisors in a company. They serve as intermediaries between managers and seniors and can be required to alternate between both roles depending on the size of the assignment.
- (iv) **Seniors:** They direct the day to day execution and completion of the client engagement. They also supervise the work of assistants, thus playing an integral role in the firm's on-the-job training programme. They must have sufficient knowledge of accounting, tax, and general business matters to make constructive suggestions regarding client affairs. They thus contribute significantly to the overall impression of the firm held by the client personnel. They can be at various seniority levels depending on the size of assignments they are able to handle.
- (v) **Assistants:** This level handles more complex accounting, auditing and tax problems as experience is gained and also assume increasing supervisory duties. There can be various assistant levels depending on experience gained.

3. Professional qualifications

Obtaining a full professional qualification should be made a necessity for advancement within the firm. Staff should be encouraged to qualify and obtain membership to the Institute of Certified Public Accountants of Kenya (ICPAK). By the time a member of staff is a manager, he should ideally have had at least three years post - qualification experience and have the potential to become a partner. A senior should ideally have recently qualified. All other lower levels will be at different stages in their examinations. Professional staffs, other than audit staff, who have engaged for work primarily outside the field of accountancy, are expected to have an academic or professional qualification appropriate to their discipline.

4. Activities

4.1 Accounting

This involves writing the books and records of a client up to the production of the final accounts. It can vary in size from "shoe box" accounting where the client brings in all the input documents in a box and the accounts are done in the firm's office, to where some of the primary books are already done and the firm completes the exercise either at the client's premises or in the firm's office. In both cases, there is a measure of dealing with incomplete records.

4.2. Auditing

Auditing should be carried out in accordance with the requirements of International Standards on Auditing (ISAs), a fact which should be stated on the face of the audit report. As from 1st January 1999 financial statements in Kenya are required be in compliance with International Accounting Standards and other local legislation. IAS 1 Paragraph 1 requires that an enterprise whose financial statements comply with International Accounting Standards should disclose that fact. An audit is aimed at the expression of an opinion on the truth and fairness of the financial statements. The firm's

audit approach should be documented in an audit reference manual for consistency and completeness.

3.3 Tax advisory services

This should include all aspects of corporation and personal tax. It should include compliance work and consultancy work. The latter is distinguished from the former in that it includes local tax planning advice, international tax planning and special work such as arbitration and forensic accounting. One of the tasks in compliance work is reviewing the audit working papers to ensure that tax provisions are fairly stated. Taxes include corporation tax, income tax, stamp duty, value added tax and such other taxes.

4.4 Management Consultancy

This covers a wide range of services relating to planning, organising, controlling and reporting activities in corporate operations. It is specialized in that the staff in this section should be specialised in areas such as general management, marketing, finance, accounting, capacity building, human resources law and computerization.

4.5. Insolvency

This is a specialised area dealing with receiverships and liquidation. A comprehensive service should be provided to whatever type of organisation, which seeks to recover loans and advances which are secured on companies' assets.

4.6 Company secretarial services

The current legislation states that only an individual qualified and registered as a Certified Public Secretary, can be a company secretary. The duties are covered by the companies act and regulated by the Institute of Certified Public Secretaries, and is a requirement for all companies with a share capital of more than Ksh.100,000. This function involves a range of advisory services on corporate governance.

5.0 Terms of employment

5.1 Salary policy

This should include an overall policy on what the firm offers as compared to other firms in the profession. The salary review policy should be spelt out, for example, having annual reviews except for exceptional performance based on staff appraisal. The date when monthly salaries are expected to be paid should be specified. With regard to salary advances, the staff eligible for it, the method of requesting it and date of payment should be specified.

5.2 Overtime

Overtime is the time in excess of standard hours in any week or specified period. It must be approved in advance by the appropriate manager or partner. All overtime is chargeable to the client. Traveling time between home and client's office on a normal working day, does not constitute overtime, unless expressly authorised. The staff eligible to claim overtime should be specified, normally seniors and below, and administrative staff. The time of payment and when the claim forms should be submitted should be stated. Also possibility of taking time off in lieu of overtime payment should be explored.

5.3 Office hours

These should be clearly outlined, that is, the working hours and lunch hours, in the terms of employment. When working at a client's office which observes different working hours the client's hours should be adhered to where possible. A normal working day can be completed by adjusting starting and finishing times or by curtailing the lunch break.

5.4 Acceptance of terms, resignation, retirement and death

The acceptance of terms and resignation should explicitly be set out in the letter of employment. The retirement age should also be explicitly stated. Employment may continue, however at the discretion of the partners. Such continuation may be concluded by one month's notice on either side. Any amount paid with respect to the death of an employee will be based on any insurance policy that the firm has taken as benefits to staff otherwise it will not form part of the terms of employment.

5.5 Leave policy

This will be in accordance with the terms of employment. It should also spell out the terms of long-term sickness which is normally available after the probation period. Sick leave will be given after production of a medical certificate, for a continuous period of thirty days, during which one will be on full pay and thereafter half pay for 15 days per month in one year. Generally, leave will accrue over a 12 month period and not more than five days can be carried forward to the following year without the prior permission of the staff partner. Leave applications must be completed and approved by the staff partner before leave is taken. It should be clearly stated whether leave should be taken in certain busy periods. Maternity leave should also be spelt out and must not be less than that stipulated in the Employment Act.

5.6 Training and personnel development

The firm should have laid down procedures for evaluating and implementing on the job training. The firm should also ensure that its staff participate in the continuous professional education programme which is run by ICPAK.

5.7 Study leave

The firm should encourage the professional staff to go on study leave with a view to obtaining their professional qualification. For first attempts, firms should give staff members paid leave. For second and subsequent attempts, they may take up to two weeks of their annual leave and paid leave on examination dates. Staff sitting a referred paper after the first attempt may get fully paid leave.

Consideration should be given to unpaid leave. There should be a policy whereby members of staff are reimbursed their tuition costs after successful completion of a section of their exams. The firm should assess members of staff and review their grading and remuneration at this stage.

5.8 Other benefits

These should be stipulated in the letter of employment. Examples are medical, pension, insurance, payment of membership fees to professional bodies and clubs, car loans, house loans, etc. With regard to car loans or any other staff loans, a policy should be stated explicitly. Loans should be given with regard to individual members of staff's ability to make repayments within a specified period. Emergency loans of say, one month's salary payable over a three-month period should be considered.

5.9 Promotion policy and staff appraisals

The staff appraisals should include an evaluation of work performance, progress achieved in order to be considered for promotion, recommendations and adjustments to remuneration. Performing a self - appraisal and immediate-reporting-to appraisal produces excellent results and is more acceptable to the appraised during discussions.

5.10 Disciplinary procedures, including summary dismissal

All grievances brought up by staff should be dealt with by the staff partner. If not settled, then one other partner in the firm should act as arbitrator and so on. However, for disciplinary purposes a verbal warning from a partner should first be given when a staff member's work has fallen well below expectations. This will be noted in the staff file. A formal warning in writing will be given if this persists and thereafter a dismissal if

warnings are ignored. Summary dismissal will be the prerogative of the partner should the staff member have caused a breach of contract that is so serious and will render him unfit or incapable of further employment with the firm.

6.0 Office procedures and practice

6.1 Personal records

In order to keep individual personal files as current as possible and to ensure the firm has appropriate data for each individual, staff should be advised to provide current information concerning progress in studies, personal health, home address, telephone number, marital status, number of dependents, citizenship and telephone numbers of individuals to notify in the case of emergency.

6.2 Receipts of personal visitors

Staff should not receive personal visitors during office hours unless it is an emergency.

6.3 Departmental transfers

During their appraisals, a member of staff may request or be requested to move to a different department. This will be done with the agreement of both departmental partners.

6.4 Use of office equipment - telephone, fax, stationery, etc.

Staff are expected to use office equipment for the firm's use only. However, whether used for personal or company purposes, this should be noted on official forms, and charged according to the existing rates of the firm.

6.5 Authority to sign official letters

This should be clearly specified and limited only to managers and above. The letters that require specific partner approval are for example engagement letters and any letters in which an opinion of the firm is expressed. Managers, on the other hand, will normally sign letters, in their own name, containing details of arrangements such as acknowledgement or transmittal of documents.

6.6 Files and working papers

The firm's working papers and records are confidential. Staff members are individually responsible for safeguarding and maintaining the working papers, which must be locked in a safe or cabinet accessible only to the firm's representatives.

They should not be left in motor vehicles. The firm's working papers, letterheads and various forms are not to be used other than for the firm's business. All documents and papers thrown in the waste paper basket should first be properly shredded. On no occasion should correspondence files be removed from the firm's offices without the permission of a partner. Contents of files must not be removed from their covers.

6.7 Private work

Staff members are not allowed to undertake professional or other outside employment without a partner's consent obtained in advance in writing. It is in the staff members' own interest as well as that of the firm to devote their full energies to the firm. However, should one want to devote their free time to teaching or similar activities in accredited institutions, they can do so with prior approval.

6.8 Personal property

The firm should not accept responsibility for damage or loss of items of property belonging to members of staff. All items of the firm's property in the possession of employees must be returned to the firm upon termination of employment. This includes office equipment, stationery, calculators, technical books and manuals.

6.9 Message service

The whereabouts of all staff members during working hours must be known. Before leaving the office, each staff member is responsible for notifying the receptionist of his destination and expected time of return.

Absence from work for any cause should be reported immediately to the receptionist who in turn will notify the person in charge of the staff member's work. Absence for a consecutive period of two days caused by sickness will require a doctor's letter.

6.10 Newspapers and magazines

Relevant newspapers and magazines should be made available only to be used on the firm's premises.

6.11 Secretarial services

The filing clerks and secretaries are responsible for the care of all correspondence and working papers. It is important that correspondence and working papers be readily accessible at any time and therefore must be returned to the filing clerks or appropriate secretaries as soon as they can be released.

Staffs are not allowed to use the secretarial services for personal work. If necessary, they should request permission from the partner and written permission should be given including a charge or fee for the services being given. This should of course, be at the discretion of the partner.

7.0 Health and safety at work

7.1 First Aid

The firm should have a First Aid kit and should ensure staff know where it is situated. Some key staff should be trained on how to use it and these instructions should be included in the firm's guidelines.

7.2 Medical examination

It should be the policy of the firm to obtain a full medical report on each new employee before appointment letters are signed.

7.3 Fire and emergency

The firm should include in the guidelines, instructions on what should be done in case of a fire or any other emergency. In the event of injuries sustained while at work or while traveling between the staff member's home and the place of duty, details of location and time of accident must be notified promptly together with an estimate of the likely duration of absence.

7.4 Safety and security

Details on locking up the offices and access to the offices during non-office hours should be included in the personnel guidelines. Also included should be details on who and where to call if there is a security or other problem.

8.0 Professionalism and ethics

Detailed knowledge of the legal and professional framework within which the auditor is required to report is necessary. This is in order to ensure compliance with both the Companies Act Cap.486 and the professional ethics. ISA 250, Consideration of laws and regulations in an Audit of financial statements, offers explicit guidance to the auditor on issues the auditor should consider to satisfy himself that the entity has complied with laws and regulations governing its business and

operations. It also describes how instances of non-compliance are to be dealt with including the auditors responsibility to report non-compliance to the relevant parties. Where matters of governance interest are encountered, ISA 260, Communication of Audit matters with those charged with Governance, provides the relevant guidance on how the communication of such matters is to be approached. The professional code of ethics ensures that the member is displaying a high degree of professionalism in performing his duties. All members in practice are expected to familiarize themselves with the code of ethics and the Companies Act Cap 486 in so far as it relates to accounting practice. These offer guidance on various matters like obtaining professional work, advertising and publicity, independence, confidentiality, fees etc among others.

9.0. Arrangements to cover the incapacity or death of a sole practitioner

Unless appropriate arrangements have been made, the continuing incapacity or death of a sole practitioner will cause considerable difficulty and inconvenience to his family and clients. Furthermore, the resultant interruption of services will diminish the value of the practice and may even lead to its disintegration.

It is therefore appropriate for a sole practitioner in his own interests no less than in those of his clients to enter into such arrangements with another member firm as will enable the practice to be carried on with a minimum of dislocation in the event of his incapacity or death. Such arrangements should be made as soon as possible and should provide, so far as possible, for the practice to be continued as a going concern until such time as the sole practitioner recovers or he or his representatives decide to dispose of the practice.

10.0 Professional Indemnity

Every practicing member should take a policy to cover himself and the practice against any risks arising from professional work. This is in light of the increasing cases of professional negligence.