



DRAFT MEDIUM TERM COLLECTIVE MANAGEMENT ORGANISATIONS (CMOs) POLICY FRAMEWORK

DEFINITIONS

- a. **CMO:** This refers to an Organization established under section 46 of the Copyright Act. CMOs is the plural form.
- b. **MCSK:** This means Music Copyright Society of Kenya, a CMO representing authors, composers and publishers of musical works.
- c. **KAMP:** This means the Kenya Association of Music Producers, a CMO for Producers of phonograms.
- d. **PRISK:** This refers to the Performers Rights Society of Kenya, a CMO for Performers.
- e. **KECOBO:** This is the short form for Kenya Copyright Board, a body corporate established under section 3 of the Copyright Act No. 12 of 2001. In some instances, the term Board is used.
- f. **The CMO Board** refers to the Board of any of the existing CMOs.

EXECUTIVE SUMMARY

The Collective Management Organizations (CMOs) have in the recent past been accused of failing to fulfil their function of collecting and distribution of royalties by both members and users of copyright works.

The Kenya Copyright Board has undertaken a review of the probable causes of the underperformance resulting in this policy paper which seeks to address observed challenges by setting standards and policies. The policy will hopefully ensure the organizations work in a more transparent and efficient manner.



This document has been developed internally by KECOBO drawing from lessons, interactions and experiences gained from its oversight role from over a decade of oversight and administration.

BACKGROUND AND INTRODUCTION

The Collective Management Organizations (CMOs) established under section 46 of the Copyright Act are critical organizations that support the Copyright Industry by collecting and distributing royalties from users of copyright works in public and business places. In addition to their traditional roles, CMOs play a welfare role by supporting the provision of health and funeral costs to its members.

HISTORY OF CMOS IN KENYA

During the colonial period Kenya was served by PRS for Music (a CMO from the UK). In 1983 the Music Copyright Society of Kenya (MCSK) was formed to replace the PRS for Music.

Later the Kenya Association of Music Producers (KAMP) and Performers Rights Society of Kenya (PRISK) were formed in 2009 and 2010 to serve the Music Producers and Performers Rights.

The oversight framework set out in section 46 to 48 Copyright Act, 2001 and the Copyright Regulations 2004 was the first licensing regime for CMOs.

From the first license issued in 2007, the Board has accumulated knowledge on the management of CMOs that informed this policy document.

RATIONALE AND LEGAL FOUNDATION FOR THE POLICY

The policy is intended to support the CMOs develop management structures in key areas of governance and administration of royalties. The basis of the policy is based on the provisions of the following sections of the Copyright Act, 2001:

- Section 46G 46E & S.46F;

- Section 47; and



- Section 49 of the Copyright Act.

OBJECTIVES OF THIS POLICY

The objectives of the policy are to:

- a. Guide CMOs on best corporate practices
- b. Establish system and policy standards in key areas of CMOs impacting the management of Royalties
- c. Provide for a KECOBO Monitoring and Evaluation tool for CMO Oversight
- d. Provide guidelines on filling of posts critical for the three societies and
- e. Provide timeline for implementation of measures identified

SITUATIONAL ANALYSIS

During the execution of its oversight function, the review of CMO documents and staff interaction with the CMO, the Kenya Copyright Board found a lot of gaps in CMOs administration that required to be sealed.

The identified issues have remained a concern to KECOBO having remained unaddressed for many years leading to this policy statement. This policy therefore sets standards in those critical areas as a few of them are considered as existential threats to the CMOs.

The Board identified thirteen key issues and recommended action. At the end of this document there is a proposed Monitoring and Evaluation tool.

In terms of scope, the policy is designed with the circumstances found existing within the three licensed CMOs and intended for implementation.

The policy covers the following areas:

1. MANAGEMENT OF SOCIO-CULTURAL FUNDS AND FOUNDATIONS

Socio-cultural funds were established by MCKS and PRISK founding documents to serve welfare interests of their members.

The Socio-cultural funds are provided for by the Memorandum and Articles of Association of the two societies. Kenya Association of Music Producers does not have a fund of this nature. A percentage of royalties is set aside each time for this fund. The MCKS foundation was set up to manage the funds from MCKS sociocultural funds.



However, KECOBO did not find any guidelines nor records to show how these funds are utilized by the two societies and accounted for.

RECOMMENDED ACTION

The policy recommends that the provision of funds for Socio-cultural purposes by MCSK and PRISK cease until a policy on its expenditure and accountability is developed.

2. BOARD AND CORPORATE GOVERNANCE

The CMOs are run by Board of Directors comprising of 7 to 9 members each assisted by the management. The Board of Directors are key for the success of the organizations as they provide oversight and policy direction.

There has been evidence of the Boards' interference with management affairs raising the Board expenses without proper justification.

It has also been observed that CMOs have been conducting Board business in many cases without the advice of Corporation Secretaries resulting in mishandling of issues and loss of Board Documents.

This has led to recurring agenda, too many unnecessary meetings, missing, incomplete or unsigned minutes and many legally doubtful decisions. In some instances, the Board oversight has been either poor or non-existent in areas of Audit, Finance and Statutory compliance.

From information in KECOBO possession it has been established that the CMO Boards lack key skills necessary in the running of the Board affairs due to its composition that cannot be addressed by training alone.

The situation is exacerbated by lack of continuous in-depth induction and training of the CMO boards as well as gender inclusion.



Furthermore, CMO Boards have been involved in turf battles with management indicating a dangerous tendency towards micromanagement. This demonstrates either a lack of awareness of Board roles or a structural flaw in the CMO structure.

In the recent times, it was noted the PRISK and KAMP have not established a system of retirement by rotation at the Board of Director level to support continuity at the Board level. As a result of this, no member from the previous Board of PRISK was retained at the last election.

RECOMMENDED ACTION

KECOBO intends to place good Corporate Governance standards at the Centre of the CMOs management by proposing a number of recommendations and directives as follows;

- i. The policy directs the use of Corporation Secretarial services in all committees, the development of Board Service Charter, Annual Work Plan and Conduct annual Board Performance Evaluation. The Corporation Secretary shall be responsible for keeping Board Records and management of meetings.
- ii. KECOBO recommends co-option of skills via changes in Memorandum and Articles of Association to bring not more than four professional members into the CMO Boardroom with key skills that are missing in the CMO Boards. To avoid co-option of politically aligned professionals, the policy recommends that KECOBO will propose the candidates from a long list submitted to it by the CMOs.
- iii. To reduce the incidence of mismanagement of CMO elections a pre-vote clearance at the end of the nomination process and KECOBO presence in AGMs will be established.
- iv. The PRISK and KAMP boards shall be required to decide on director's retirement on rotation to avoid the whole Board being swept aside in elections where they are eligible.



- v. Starting immediately, KECOBO to facilitate regular CMO Board training and capacity building in consultation with the CMOs.
- vi. CMOs establish procedure for the discharge of Board functions and managing the relationship between CMO management and Board is attached in ANNEX ONE.
- vii. Similarly, the CMO Boards must comply with Director Allowances agreed from time to time with the KECOBO.
- viii. In view of the critical role the Internal Audit plays in relation to the CMO Board of Directors, it is recommended that the CMOs jointly recruit one staff to serve the three CMOs.

Annex Two is a guideline for the management of the Audit function including the Board Audit Committee. Annex three is the conflict declaration Policy and Form to assist CMOs manage Conflict of Interests effectively.

3. RECRUITMENT OF STAFF IN ICT, PROCUREMENT AND AUDIT ROLES

The three CMOs currently do not have procurement, ICT and Audit professionals Staff in place. The absence of Procurement staff places the Organizations at risk of costly and unplanned procurement. The lack of ICT staff exposes the organization to risk of data loss and over-reliance on external consultants. The absence of Audit staff means the CMO Board cannot exercise its Audit role.

RECOMMENDED ACTION

To ensure the staff are in place without upsetting the salary structure at the CMOs, KECOBO is proposing the joint recruitment of ICT, Procurement and Audit function personnel in the three CMOs.

The staff so recruited shall offer services to the three CMOs concurrently.



4. MANAGEMENT OF INFORMATION, COMMUNICATION AND TECHNOLOGY (ICT) FUNCTION

The CMOs at the moment do not have an ICT policy to manage their affairs. The situation is compounded by the fact that none of the three CMOs have qualified ICT Staff in Place.

As a result, there is poor management of ICT assets, poor ICT security and no inventory of ICT assets in place.

On current trend, the future of CMO survival shall hinge on the decisions and investment made now going forward.

RECOMMENDED ACTION

The CMOs shall be required to use the CMO ICT system for monitoring the collection and distribution of royalties.

In addition the CMOs shall be required to develop an ICT Policy preferably a joint one to guide on strategy on future investment in ICT and ICT security. Further the three CMOs are required to merge the ICT function with the employment of common staff.

The draft ICT policy outline is in Annex Four offers the guideline for the development of such a policy.

5. PROCUREMENT MANAGEMENT

KECOBO noted CMOs do not have a procurement Policy to manage and oversee their procurement requirements. To make matters worse, none of the three CMOs has trained procurement professionals managing procurement function. This position results in poor record keeping; no asset Register kept and poor management of procurement of goods and services with additional risk of improper disposal of CMO Assets.

RECOMMENDED ACTION

The CMO must draft a procurement policy according to the standard set out by KECOBO in Annex Five.

There is a further need to automate the procurement functions and recruit joint resource to establish the office and maintain procurement records.



The policy outline will guide the CMOs in the development of their procurement policy that links annual procurement plans to the CMO budget as well as establishing the procedure for approval and oversight by the CMO Board.

6. BUDGET AND FINANCE MANAGEMENT

KECOBO noted that the CMOs Board do not have full control and oversight of Budget function resulting in poor budget management, poor debt management and poor financial discipline. In all three organization the non-adherence to annual Budgets was observed.

There was non-segregation of functions undertaken by the staff working in the CMO Finance Department creating a great risk to financial integrity of the CMO financial systems.

KECOBO has designed a Finance reporting tool intended to summarize the finance position in not more than two pages to assist members of the CMO better understand the financial position not possible currently due to the bulky nature of the Financial Statement..

RECOMMENDED ACTION

The CMO shall be required to set up internal financial control as per KECOBO policy direction set out in Annex Six. The Reporting tool is Annex Seven. This policy recommends automation of the finance function and the minimum requirements in a policy.

7. HUMAN RESOURCE MANAGEMENT

KECOBO found that there were no valid Human Resource policies in place in the three CMOs.

The lack of policy has led to:-

- a) Haphazard recruitment and Separation of staff
- b) No appraisal system in place
- c) Limited staff Development
- d) Manual and poor payroll management
- e) Poor Leave Administration
- f) Poor alignment between staff needs and the organizational Strategy
- g) Lack of a CMO Remuneration policy



This has led to termination of staff contracts in improper manner exposing the CMO to risky litigation.

To manage Human Resource function, KECOBO has developed a policy outline which is attached as Annex Eight to cover key Human Resource Procedures required for the management of this critical function.

On a practical basis, the CMOs are required to automate Payroll Records.

8. MANAGEMENT OF ROYALTY PAYMENTS

The Board noted the poor record keeping and high costs of royalty collection and distribution. The Board further noted a preference by CMOs for General Distribution rather than Scientific Distribution.

The existing distribution rules were found to be complicated and out of date. The noted errors or incompleteness of member records raised the likelihood of royalty payment not reaching the intended beneficiaries.

RECOMENDATION

The royalty management going forward shall be solely run through the CMO ICT system using data from Media monitoring system. This will significantly ensure that a big portion of the royalties shall be subject to scientific distribution and at the same time reduce costs of distribution.

The CMOs shall be required to revise and put distribution rules for approval at its next Annual General Meeting.

9. MANAGEMENT OF ANNUAL GENERAL MEETINGS

The CMO AGMs are generally not being run effectively due to poor preparation and time management. At their most recent AGMs, KAMP and PRISK failed to present annual financial reports. MCSK AGM saw fracas disrupting the proceedings.

KECOBO received complaints from a number of members that the agenda items submitted were not incorporated despite being acknowledged as received within stipulated time.



Detailed reports required to be submitted to KECOBO from the CMOs AGM were not prepared in time. The elections in one CMOs was poorly managed to the extent that results were being delivered past midnight.

RECOMMENDED ACTION

The KECOBO by this policy intends to ensure regular and focused annual General meetings that allows members to ventilate and make decisions in a democratic manner.

As provided by the Copyright Act, CMOs must take note that the AGM Agenda has to be approved and event monitored by a designated KECOBO representative.

Furthermore the election and nomination rules will require involvement of KECOBO to ensure efficiency of the process.

10. MANAGEMENT OF LICENSING AND ROYALTY COLLECTION

The CMOs are running the collection of royalties without licensing policy. The collection allows includes manual invoicing of clients. KECOBO noted that there is no segregation of roles in Key accounts raising risk of under invoicing and collusion.

RECOMMENDED ACTION

The Copyright Board recommends that all licensing is automated by ensuring use of the CMO ICT System.

In addition, the CMOs are required to establish a comprehensive licensing policy and segregation of roles of staff handling Key Accounts.

11. HANDLING OF MEMBER RECORDS

Member records in the three CMOs are not fully authenticated. KECOBO found some member records incomplete or duplicated. In some instances where member records were complete the works of the listed members were missing.

The risk of this that non-members may have received payments and some genuine members may have missed payments due to those errors. In addition, incomplete records poses risk that the CMO cannot remit tax expected to be deducted on account of its members.



The Board found that one of the CMOs still runs a Manual Membership registration process and so far, the member records are not presented in a standard way.

RECOMENDATION

- i. KECOBO has therefore directed that the CMOs cleanup of Member Registers and establish hard and soft copies for verification (Master Roll) with all details and rights;
- ii. The CMOs are required to fully automate membership application process and create full proof vetting infrastructure;
- iii. The CMOs shall be required to have regular review of the records with a General Annual Update by all members;
- iv. The Member Register must have Standard Details as set out below:-
 - Name
 - ID/Passport number
 - Kenya Revenue Authority
 - Contacts (postal, email addresses and phone numbers)
 - Next of kin name and contact details

12. TAXATION AND OTHER STATUTORY COMPLIANCE MATTERS

KECOBO noted that there is poor tax compliance and the payment of NHIF, NSSF and Pension payments by the CMOs was lagging. This non-compliance represents an existential risk to the CMOs.

RECOMMENDED ACTION

There is need to review exposure and provide a payment schedule

In future, the CEO's salary shall be deducted and paid as per Schedule. This is also included on Compliance Checklist.



13. NEW POLICIES REQUIRED

To support the implementation of the standards and directives set out above , the CMOs shall be required to develop the following policies in line with the relevant KECOBO Policy outlines:-

- (a) Procurement Policy
- (b) ICT policy
- (c) Finance Policy
- (d) Human Resource Policy
- (e) Licensing policy
- (f) Risk policy
- (g) Remuneration policy
- (h) Conflict of interest policy
- (i) Royalty Distribution policy including the management of unpaid royalties in line with CMO regulations

Draft Policy outlines setting out the minimum standards for Procurement, ICT, Finance, Human Resource and Conflict of Interest are annexed in this document.

14. MONITORING AND EVALUATION

The monitoring and evaluation of the policy will be conducted by KECOBO through the execution of CMO Compliance Checklist twice a year to obtain Compliance Documents This will go in tandem with the compliance check for Adherence to CMO Regulations.

The document in ANNEX 9 shall be deployed in the monitoring and evaluation.

KECOBO also recommends that CMOs undertake specialized Audits especially Legal and Governance Audits

ANNEXES

ANNEX ONE- BOARD AND MANAGEMENT SEPARATION GUIDELINES

For effective management of CMOs the separation of roles and responsibilities of their Boards and management teams is very critical. Good governance should be at the center of CMOs since these are organizations that handle other people's monies.



ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

“COMMON GOALS, SEPARATE ROLES”

Board and Management have a crucial role in CMO success. Responsibilities are different and roles separate but both very important.

The chair leads the Board, CEO leads the company. The role of the board is primarily on policy formulation, and the role of management is on policy implementation.

A. THE BOARD'S ROLE

1. Mission, Vision and Values

- a) The Board of Directors is responsible for defining and reviewing the guiding principles of the CMO including the mission, vision & values.
- b) The Board needs to set a direction for the CMO by exercising leadership, enterprise, integrity and sound judgments in directing so as to achieve continuing prosperity and to act in the best interest of the members of the CMO while respecting the principles of transparency and accountability.

2. Strategy

The Board of Directors must oversee the process of:-

- a) Strategic planning, setting long-term goals on how to achieve the mission, vision and values of the CMO
- b) Setting yearly priorities regarding the prevailing right issues
- c) Determine the strategy to achieve its purpose in order to ensure that the CMO survives and thrives, and ensure that procedures and practices are in place that protect the CMO's assets and reputation;
- d) Monitor and evaluate the implementation of strategies, policies, management performance criteria and business plans



3. Reporting

The Board must receive timely reports from the Chief Executive, study and analysis of reports and make decisions and actions on strategic corrective actions as needed by the recommendations offered in the reports.

4. Budget and Finance

The Board has a key role in:-

- a) Approving the budget;
- b) Adopting the Annual Audited reports and financial statements for onward transmission to the AGM;
- c) Oversee the budget implementation and ensure adequate financial resources for the set priorities.

5. Human Resource Management

The Board of Directors shall:-

- a) Appoint the Chief Executive Officer and the appointment of senior management, ensure the motivation and protection of intellectual capital intrinsic to the CMO, ensure that there is adequate training in the CMO for management and employees, and a succession plan for senior management;
- b) Regularly assess its performance and effectiveness as a whole, and that of the individual directors, including the Chief Executive Officer;
- c) Monitor the overall management performance;
- d) A summary of the major findings together with a statement confirming that the Board has carried out a self-assessment exercise should be made to the Annual General Meeting.

6. Communication & PR

The Board must participate in the:-

- a) Lobbying for the stakeholders' support of the CMO;



- b) Be ambassadors protecting the CMO's image and identity;
- c) Guide management in crisis situation and channel communication to address concerns of stakeholders.

7. Operations (licensing & distribution)

The Board shall guide the:

- a) Approval of tariffs as presented by management
- b) Participate in public participation on tariffs before gazettelement;
- c) Set up equitable and legally compliant measures for the distribution of royalties to members;
- d) Ensure that all technology and systems used in the corporation are adequate to properly run the CMO and for it to remain effective for the interest of the right holders;

8. Internal Controls & Risk Management

The Board must:-

- a) Ensure that internal controls and risk management policy is in place mapping all risk and disaster potential areas including but not limited to legal, technological, financial and environmental

- b) Identify key risk areas and key performance indicators (KPIs) of the CMO and monitor these factors against the set expectations;

- c) Regularly review systems, processes and procedures to ensure the effectiveness of its internal systems of control so that its decision-making capability and the accuracy of its reporting and financial results are maintained at the highest level at all times;



B. CHIEF EXECUTIVE OFFICER (CEO)/MANAGEMENT

The CEO and his management Team shall support the Board as follows:-

1. Mission, Vision and Values

- a) Actively participate in defining the guiding principles of the CMO;
- b) Applying the guiding principles in everyday operations;
- c) Lead the operations in the direction set by the board.

2. Strategy

- a) Implement the strategy into day-to-day activities and operations
- b) Monitor the effectiveness of the set strategies and advise the board in case of need to change a particular strategy;

3. Reporting

- a) Regular reporting (to Board) at agreed intervals
- b) Reporting of unexpected outcomes

4. Budget and Finance

- a) Preparing the annual budget;
- b) Managing operations according to the approved budget;
- c) Monitor all the expenditure and ensure that cost of management is minimized.

5. Human Resource Management

- a) Recruitment of the staff in accordance with the budget and the approval of the board;
- b) Implement all staff related policies including but not limited to career development, promotion, remuneration and welfare.

6. Communications & Public Relations

- a) Regular communication on areas of concern to the stakeholders
- b) Primary responsibility for communication in crisis situation



- c) Ensure that the CMO communicates with rights holders and other stakeholders effectively

7. Operations (Licensing and Distribution)

- a) Manage the day-to-day operations (negotiations, licensing, collection, distribution);
- b) Lead the staff in discharging in the management of the affairs of the CMO;
- c) Ensure that all technology and systems used in the corporation are adequate to properly run the business and for it to remain effectively competitive;

8. Internal Controls & Risk Management

- a) Report to the board on audit issues and risk management policy implementation;
- b) Delegate assignments to other staff and ensure accountability of the delegated work;
- c) Regularly review processes and procedures to ensure the effectiveness of internal systems of control, so the decision-making capability in the CMO and the accuracy of reporting and financial results are maintained at a high level at all times.

C. SHARED RESPONSIBILITY OF THE BOARD AND MANAGEMENT

- i. Shared responsibility to act in the best interest of the rights holders;
- ii. Ensure compliance of copyright laws and disclosure requirements;
- iii. Seek for annual operational license and approvals;
- iv. Shared role as the guardian of rights holder's money;
- v. Ensure statutory, legal and regulatory compliance as well as good governance practices;
- vi. Serve the legitimate interest of the rights holders and account to them fully;
- vii. Ensure compliance with accounting and auditing standards.



D. THE FUNCTIONS OF THE BOARD CHAIRPERSON

- i. Schedule Board meetings and set agenda in consultation with the CEO/Corporation Secretary
- ii. Chair and coordinate Board of Director meetings;
- iii. Lead and guide the Board in decision making; and
- iv. Facilitate internal & external relationships in consultation with the CEO.

E. BOARD COMMITTEES

The Board shall work through committees and full board meetings that shall be held regularly.

The Board of the CMO can have as many committees as the law can permit.

It is recommended that the CMO should have committees as follows:

1. Audit, Risk and Legal Committee
2. Finance, HR and Admin Committee
3. Membership, PR and Marketing Committee
4. Licensing committee

The functions of the recommended committees shall be as follows:-

1. Audit, Risk and Legal Committee

- a) Monitor integrity of the financial statement of the Board
- b) Review the Board's internal control systems and the role of managers
- c) Recommend to the Board the appointment of external auditors and counsels where appropriate
- d) Develop and implement a policy on how to engage an external auditor and external counsel
- e) Oversee the risk management infrastructure
- f) Monitor and address appetite and strategy of the Board
- g) Monitor compliance with legal and regulatory requirement
- h) Monitor procedures in legal reforms

1. Finance, Human Resource Committee

- a) Monitor the Board's financial position



- b) Create and implement the financial control systems
- c) Monitor the implementation of HR policies and strategies
- d) Analyze, oversee and advice on the Board's annual budget
- e) Create value-based systems and monitor compliance with performance requirements

2. Membership, Public Relations and Marketing Committee

- a) Monitor all the media communication initiatives
- b) Create and implement marketing and PR initiative and strategies
- c) Create and implement policies for public participation and stakeholders' engagement
- d) Oversee public awareness trainings and practices

4. Licensing Committee

- a) Advise the Board on standards and qualifications for licensing
- b) Monitor and review licensing policy and manuals
- c) Advise the Board on expiry and revocation on licensing
- d) Tariff approval for onward transmission to the board
- e) Handle complaints in respect of licensing and advise the boards on decision-making.

Tabular representation of relative roles:

	BOARD	CEO/MANAGEMENT
MISSION, VISION VALUES	<ul style="list-style-type: none"> ➤ Defining and reviewing the guiding principles of the CMO (mission, vision and values) ➤ Setting a direction for the CMO 	<ul style="list-style-type: none"> ➤ Active participation in defining the guiding principles of the CMO. Applying them in everyday operations ➤ Leading the operations in the set direction
STRATEGY	<ul style="list-style-type: none"> ➤ Strategic planning, setting long-term goals ➤ Setting annual priorities 	<ul style="list-style-type: none"> ➤ Implementing the strategy into the day-to-day activities and operations



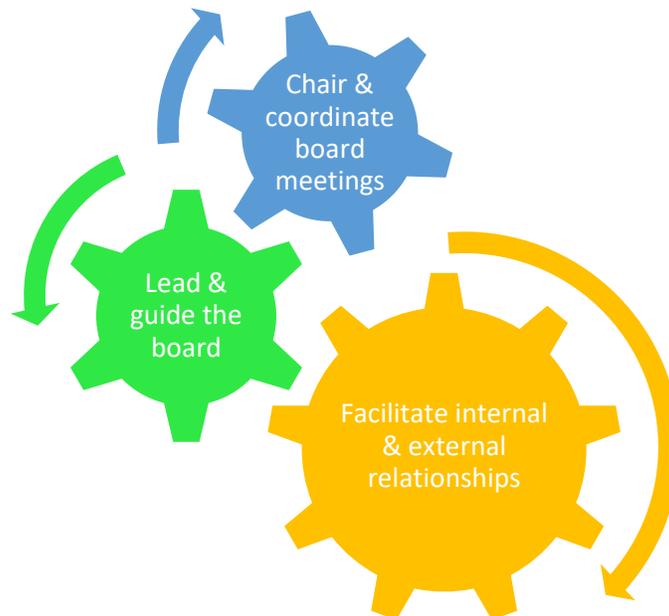
	➤	➤
REPORTING	<ul style="list-style-type: none"> ➤ Study and analysis of reports ➤ Strategic corrective actions as needed 	<ul style="list-style-type: none"> ➤ Regular reporting (to the board) at agreed intervals ➤ Reporting of unexpected outcomes
BUDGET AND FINANCES	<ul style="list-style-type: none"> ➤ Approving the budget ➤ Adopting the annual Audited reports and financial statements for onward transmission to the AGM ➤ Oversee budget implementation and ensure adequate financial resources 	<ul style="list-style-type: none"> ➤ Preparing the budget ➤ Managing operations according to the approved budget
HUMAN RESOURCE MANAGEMENT	<ul style="list-style-type: none"> ➤ Recruitment of CEO and HODs ➤ Adopt HR manual and policies 	<ul style="list-style-type: none"> ➤ Recruitment of staff in accordance with the budget
COMMUNICATIONS AND PUBLIC RELATIONS	<ul style="list-style-type: none"> ➤ Lobbying ➤ PR ambassadors for the CMO ➤ Guidance in crisis situation 	<ul style="list-style-type: none"> ➤ Regular communication ➤ Primary responsibility for communication in crisis situation
OPERATIONS (LICENSING & DISTRIBUTION)	<ul style="list-style-type: none"> ➤ Tariff Approval ➤ Setting distribution principles ➤ Back up in negotiations 	<ul style="list-style-type: none"> ➤ Managing the day-to-day operations (negotiations, licensing, collection, distribution) CEO leads the staff
INTERNAL CONTROLS & RISK MANAGEMENT	<ul style="list-style-type: none"> ➤ -Ensure internal controls and risk management policy in place 	<ul style="list-style-type: none"> ➤ Reporting to the board on audit issues and risk management policy implementation ➤ Delegation by CEO to staff and their accountability



JOINT BOARD AND MANAGEMENT RESPONSIBILITY



FUNCTIONS OF THE BOARD CHAIRPERSON





THE KECOBO RECOMMENDED BOARD COMMITTEES



NOTE

The appointment of a qualified Corporation Secretary to support and advise the Board cannot be overemphasized. It is essential that each society has a CS present in all its meetings.

ANNEX TWO- PROPOSED CMO INTERNAL AUDIT AND AUDIT COMMITTEE MANAGEMENT OF INTERNAL AUDIT FUNCTION

Introduction

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Audit: is an examination or review that compares "what is" with "what should be" and provides feedback for corrective actions.



The role of Internal Auditor

- a) Review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes.
- b) Give reasonable assurance on the state of risk management, control and governance within the organization.
- c) Review the effectiveness of the financial and non-financial performance management systems of the organization.
- d) Auditing of all revenue streams and expenditure of the board.
- e) Monitoring compliance level with relevant legal, regulatory and policy issues within the organization
- f) Evaluate effectiveness of internal control processes and make recommendations on their improvement.
- g) Follow-up on implementation of external auditor's recommendations.
- h) Secretary to the Audit Committee of the board.

THE AUDIT COMMITTEE

a. Objective of Audit Committee

The purpose of the audit committee is to provide assistance to the accounting officer or governing body. An audit committee's roles and responsibilities will be set out in its charter and will be determined after consideration of entity specific factors. An audit committee can involve all or a combination of the following duties and responsibilities:-

- a) Obtain assurance from management that all financial and non-financial internal control and risk management functions are operating effectively and reliably.
- b) Provide an independent review of an entity's reporting - functions to ensure the integrity of financial reports.
- c) Monitor the effectiveness of the entity's performance management and performance information.
- d) Provide strong and effective oversight of an entity's internal audit function.
- e) Provide effective liaison and facilitate communication between management and external audit.



- f) Provide oversight of the implementation of accepted audit recommendations.
- g) Ensure the entity effectively monitor compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behaviour.

b. Rationale of having an Audit Committee

The existence of an independent audit committee is recognised internationally as an important ° feature of good corporate governance. An audit committee can benefit an entity by:-

- a) Acting as a forum for dialogue between the accounting officer or governing body, executive management and the internal and external auditors. The communication helps facilitate \ better awareness 'of each party's' responsibilities and provides a more efficient and coordinated audit process.
- b) Promoting the integrity and quality' of internal and external reports by providing a high level of assurance and check.
- c) Fostering and promoting a more effective and efficient audit process by providing an independent review of the internal audit annual work plan and reports.
- d) Providing a 'no surprises' environment in an entity, particularly with regard to the prompt identification of risks and threats to the entity.
- e) Providing a 'depth of knowledge that assists management discharge its responsibilities in the most effective and efficient manner.

c. Capacity Building

i. Induction

Newly appointed members will undergo an induction training in order to acquire knowledge on duties, roles and responsibilities of audit committees generally.

ii. Continuous Training

Serving audit committee members should be entitled for training on emerging trends about audit committees, internal audit, external audit, governance, risk and internal controls funded for by the entity



d. Mandate and Roles

i. Mandate

- a) The audit committee should drive the assessment of the performance of the head of internal audit.
- b) The audit committee should review the effectiveness of the entity's internal audit function, in this regard the audit committee should:
 - i. Ensure the internal auditor has direct access to the board chairman, to the audit committee and is accountable to the audit committee.
 - ii. Review and assess the annual internal audit plan.
 - iii. Review reports on the results of the internal auditors work on a regular basis.
- c) The Audit Committee should approve the appointment and/or termination of appointment of the head of internal audit with sufficient reasons provided for the same.
- d) Examine internal and external audit reports and recommendations to ensure action is taken.

ii. Roles

- a) The Audit Committee plays a key role with respect to the integrity of the entity's financial information, its system of governance, risk and internal controls, and the legal and ethical conduct of management and employees.
- b) Depending upon circumstances affecting an entity, the functions undertaken by an Audit Committee will generally encompass the following areas:
 - i. Evaluating whether processes are in place to address key roles and responsibilities in relation to risk management.
 - ii. Evaluating the adequacy of the control environment to provide reasonable assurance that the systems of internal control are of a high standard and functioning as intended.
 - iii. Performing an independent review of the financial statements to ensure the integrity and transparency of the financial reporting process.



- iv. Monitoring the effectiveness of an entity's performance information and compliance with the performance management framework and performance reporting requirements
- v. Evaluating the quality of the internal audit function, particularly in the areas of planning, monitoring and reporting.
- vi. Engaging with external audit and assessing the adequacy of management response to issues identified by audit
- vii. Reviewing the effectiveness' of how the entity monitors compliance with the relevant legislative and regulatory requirements & promotes a culture committed to lawful and ethical behaviour.

e. Membership

- a) The board of the entity should establish an audit committee of at least three members and a maximum of five.
- b) The chairman should be an independent member and have the relevant qualifications and expertise in audit, finance, accounting, risk management etc.
- c) The committee may co-opt a member with specialized skills on a need basis where such skills are not within the committee.

f. Quorum

The quorum of the meeting shall be as established by the Memorandum and Articles of Association of the CMO.

3.7 Meetings

The meetings should be held at least four times in a financial year or as may be necessary.

ANNEX THREE: CMO CONFLICT OF INTEREST POLICY AND FORM

1.0 Introduction

The purpose of this Policy is to ensure that all potential conflicts of interest are identified and addressed in an appropriate and timely manner. The policy shall apply to employees and



to all paid and unpaid consultants, contractors and interns that provide supplies, services or support to CMO.

This Policy also applies to CMO's partners, vendors and other third parties, where it is included or referenced in relevant bid or tender documents, agreements, memorandums, purchase orders or contracts.

2.0 Policy Statement

It is the policy of CMO to conduct our work in an honest, open and ethical manner and in compliance with applicable law.

Conflict of interest shall arise where an officer's ability to act impartially and objectively is or appears to be compromised for reasons involving private interest relating to family, personal life, financial interests, or other interests outside of CMO's or public service's interest.

3.0 Objective

This policy seeks to achieve the following objectives:

- a) To Protect the integrity of CMO's decision-making processes;
- b) To Protect the integrity and reputation of staff and board of directors of the CMO
- c) To Underpin and ensure stakeholder trust and confidence in CMO as a company
- d) To Set out CMO's responsibilities and the responsibilities of those working for or on behalf of CMO, in relation to observing and upholding CMO's position on conflicts of interest;
- e) To provide information and guidance to those working for or on behalf of CMO on how to identify and report potential conflicts of interest.

4.0 Approach

This policy adopts a disclosure approach and not the approach of prohibition of transactions that may give rise to a conflict of interest. That is, in case of a potential conflict of interest, the affected party shall have the responsibility to disclose the same. Once disclosed, potential conflicts of interest will be considered and appropriate actions to address conflicts of interest will be decided on a case-by-case basis. In deciding the magnitude of the



potential effect of the conflict of interest in question, the legal department shall offer an opinion based on the prevailing law.

5.0 Interests' Register

The Chief Executive Officer shall keep a register of all disclosed interests. The register shall be accessible to the board and top management. The register shall contain all the filled Conflict of Interest Disclosure Forms (which form shall be designed by the CEO).

6.0 Approval

Where there is a potential material benefit to any party subject to this policy, the party shall be excluded from the transaction but can participate if approved by the Audit, Finance & Risk committee of the Board.

7.0 Penalty

Violations of this policy may amount to misconduct and be subject to CMO's disciplinary procedures up to and including dismissal.

8.0 Monitoring

CMO shall monitor the implementation of this policy on a regular basis (minimum annually). This policy will be periodically reviewed and updated as appropriate.

CONFLICT OF INTEREST DISCLOSURE FORM

Date:

Name:

Position (employee/volunteer/board member):

Please describe below any relationships, transactions, positions you hold (volunteer or otherwise), or circumstances that you believe could contribute to a conflict of interest between CMO and your personal interests, financial or otherwise:-

- I have no conflict of interest to report



- I have the following conflict of interest to report (please provide details and insert additional points where necessary)

- 1.....
- 2.....
- 3.....

I hereby certify that the information set forth above is true and complete to the best of my knowledge (having made reasonable enquiries).

I have reviewed, and agree to abide by, the CMO Conflict of Interest Policy.

Signature: Date:

ANNEX FOUR: CRITICAL COMPONENTS OF AN ICT POLICY FOR CMOS IN KENYA

#	COMPONENTS	MINIMUM STANDARDS	CHECK LIST
1	ICT security policies	<ul style="list-style-type: none"> • Internet and Email policy • Network access policy • Password policy • Antivirus policy • Mobile device policy • BYOD policy • Firewall policy • Remote access policy • Encryption policy 	<ul style="list-style-type: none"> • Acceptable use statements • Unaccepted activities • Policy enforcement mechanisms
2	ICT Organization	<ul style="list-style-type: none"> • ICT Capacity in terms of staff numbers and skills • Reporting structure • ICT related management committees 	<ul style="list-style-type: none"> • Number of staff in ICT department • Competence of ICT staff • ICT reporting structure • Existence of ICT related committees e.g. ICT strategy committee, ICT steering committee, Information security



			management committee, project steering committee
3	ICT systems procurement, maintenance and disposal	<ul style="list-style-type: none"> • ICT outsourced service management • End user (help desk) support • ICT change management • ICT Incident management • ICT assets management • ICT asset disposal 	<ul style="list-style-type: none"> • SLAs in place for ICT outsourced service. • ICT maintenance schedules and reports • Policy on end user support in ICTs • Policy on ICT change management • Policy on ICT incident management • Policy on ICT asset disposal
4	Human resource security policy	<ul style="list-style-type: none"> • Policy on information/cybersecurity training and awareness of all staff prior, during and on termination/change of employment 	<ul style="list-style-type: none"> • Frequency and the number of information/cybersecurity training and awareness programs conducted
5	Physical and environmental security policy	<ul style="list-style-type: none"> • Physical and environmental security policy 	<ul style="list-style-type: none"> • Policy on ICT secure areas and equipment
6	Protection against malware policy	<ul style="list-style-type: none"> • Backup policy • Network monitoring, logging and security audits • Technical vulnerability management policy 	<ul style="list-style-type: none"> • Frequency of conducting systems backups • Backups testing • Documented Disaster Recovery Plan(DRP) • Location of offsite backups and DRP document • Vulnerability and penetration tests done
7	ICT Compliance	<ul style="list-style-type: none"> • ICT compliance areas 	<ul style="list-style-type: none"> • Compliance with legal, regulatory and contractual requirements



ANNEX FIVE: CMO PROCUREMENT POLICY STANDARDS

I. Development of Procurement Manual

A CMO is required to provide a Procurement manual to provide guidance regarding procurement activities within the CMO.

The framework shall include the following;

- i.** An overview of the procurement regulatory framework for CMOs and also outlines the organization structure of the Supply Chain Department.
- ii.** Preparation of procurement plans
- iii.** The procurement process while emphasizing that only designated procurement personnel are authorized to procure goods and services for the CMO. The chapter gives practical guidelines of the procedure that must be followed by users in order to have goods, works, or services procured for their use.
- iv.** Open tendering as the preferred method of procurement. The chapter outlines the activities involved in open tendering including advertisement, drawing up specifications, tender opening, technical and commercial evaluation of bids, and awarding of tender. The technical evaluation stage is described in detail for the benefit of the ad hoc committees that are appointed from time to time.
- v.** Alternative procurement procedures and the circumstances under which each is applicable.
- vi.** Discusses the e- procurement process in the CMO if any
- vii.** The composition, mandate and role of the Ad-hoc Tender Committees: tender opening, Evaluation Committee, Inspection and Acceptance Committees, and the Disposal Committee.
- viii.** Management of stock records and stock control procedures.
- ix.** The Asset registers
- x.** Supplier evaluation, to identify competent, reliable, and credible suppliers that the CMO can do business with and obtain value for money.
- xi.** Contract management and administration at the CMO
- xii.** The ethical practices that are expected of employees involved in procurement.



II. Development of Supply Chain Procedures

The Procurement policy manual should provide detailed guidance regarding step-by-step procurement activities within the CMO. A framework shall include the following;

- a) Preparation of Procurement Plans
- b) Prequalification of Suppliers
- c) Implementation of Procurement Plan
- d) Work Instructions, flow of documents
- e) Procurement Related Committees
- f) Request for Procurement
- g) Request for Quotations/Tenders
- h) Award of Quotation/Tenders
- i) Delivery, Inspection and Acceptance of Goods
- j) Stores Control Management and Issuance of Stores/Materials
- k) Disposal of Unserviceable, Obsolete or Surplus Stores and Equipment

V. DEVELOPMENT OF SUPPLY CHAIN WORK DOCUMENTS AND FORMS

The CMO Policy shall include Supply Chain documents and forms. These are the documents to be filled with relevant and necessary information to facilitate processing of transactions and acquiring necessary approvals. For example;

Purchase requisition forms, Quotation forms, Tender documents, Evaluation documents, standard contract documents etc.

VI. DEPARTMENTAL STRUCTURE AND CHART

The Departmental Chart provides details of the transactional relationship amongst officers in the supply chain department, the reporting lines and hierarchy.

VII. DEVELOPMENT OF ASSET REGISTER

The Master Asset Register is used to record all assets of the organization including their quantities, condition and values. Departmental asset registers are used to capture the assets in each department and office and the relevant asset holder.



ANNEX SIX: FINANCE AND ACCOUNTING POLICY

Purpose

The purpose of this procedure is to define the steps, controls, and related responsibilities of all processes within the Finance and Accounts Department of CMO.

Scope

This procedure applies to all Finance and Accounts Department procedures. The core functions of the Department are:

- i. Budgeting
- ii. Revenue Collection
- iii. Expenditure Accounting
- iv. Petty Cash Control
- v. Payroll Administration
- vi. Financial reporting
- vii. Bank Reconciliation

The Head of Department and staff members within the Accounts Department are responsible for ensuring that these procedures are effectively implemented. The overall responsibility however rest with the Chief Executive Officer.

SECTION 2: Objectives of accounts and budgeting policy

- 1 It is imperative that the financial management system in the CMO be strong enough to provide timely, reliable, and useful information for accountability and effective decision-making.
- 2 The objective of financial management will be to describe the main features of the financial accounting system of the CMO which shall be based on double entry system of bookkeeping and accounts.



- 3 The CMOs accounting structure and controls is an integral component in the overall management whose aim is to ensure provision of a single common database for financial information.
- 4 This guideline will therefore establish how the operations/transactions will be recorded to achieve uniformity and comparability of accounting data.
- 5 Allocated funds are to be utilized for the purposes for which they are budgeted. The authority to incur expenditures shall be vested with the CEO and the CEO shall appoint Deputy in writing as the alternate A.I.E holder.

3. Budgeting

A. Budgetary Controls

The board-approved strategic and long-term plans shall provide CMO management with high level financial costings/estimates. These coupled with the provided limits on level of allowed maximum administration fees, the management shall make annual budgets. The CMO shall budget based on reforecast of at least 2 years. The budget process must take note of the great need to ensure the net amount available for distribution to members & rights holders is fair and equitable.

The annual budget shall be the primary source of reference for all expenditure of the CMO. It is an acceptable method to allocate available resources to implement the CMO's policies and programs. The budgeting process will perform three essential functions:-

i. Monitoring and Control

As a control tool, the budget shall establish key points to assist the management in ensuring operations of the Organization are within legal and policy limits.



ii. Management

As a management decision making process, the budget will set and eventually assist in achieving the Board`s set targets with the help of other inputs, which include manpower and equipment.

iii. Planning

As a planning document, it will assist the Board to plan for sourcing its funds, recurrent and development expenditures.

B. Budget Preparation Procedures

CMO shall prepare its budgets guided by the needs of its stakeholders. The budget shall be prepared by the CEO and presented to the Finance Committee shall deliberate on the budget and forward to the Full Board for approval.

Once the CMO Board approves the budget, the CEO shall sign the budget for submission, by at least a month prior to end of current financial period, to the Kenya Copyright Board. The CEO and his finance team shall prepare the revised budget as may be necessary but not before 6months lapse since the start of the budget cycle/Accounting period, then forward it to CEO, who shall forward it to finance committee and the board for their approval. Regular analysis of actual expenditure versus budget amounts should be carried out to alert the Board`s management of possible areas for tightening control, reduction of waste, and should bring to light the need, if any, for a request for supplementary budget. Deviations from the budget should be reported on a timely basis and prior approvals obtained for budget reviews.

At the beginning of the financial year vote books shall be opened for each of the budgetary line items against which all commitments and payments will be made. The Board's accounting and internal control systems should ensure that the fund expenditure is in line with approved budget. Specifically, the CEO/his or her designate should ensure compliance with the budget before approval or disbursement of payment requests.



All payments should be recorded in a vote book to allow comparison of budget to actual expenditure. This comparison should be related to performance for evaluation purposes whenever appropriate.

4. Revenue Management

Receipt of Funds

All funds received by the CMO must be receipted using the Official Receipt. The same shall be posted to the relevant cashbook by the Accounts department. All payments to the CMO shall be by RTGS, EFT, Mpesa or cheques from reputable organizations.

For greater efficiency, the measures below must be put in place:-

1. Documents for recording of incomes from license) and membership fee received
2. System of Confirmation of receipt of funds received at Bank
3. The respective officer shall issue an official receipt to acknowledge all cash/bank slip/Cheque receipts at the time the transaction occurs with the original copy of the receipt shall be issued to the client while the duplicate shall be used to post in the relevant books of original entry before posting to the cashbook. The triplicate shall remain as a counterfoil for audit trail purposes.
4. All cheques, Bank Slips, Mpesa notification received, shall be kept in fireproof safes, within the CMO offices
5. All cash/cheques collection shall be banked promptly to CMO bank accounts.
6. All receipts shall be recorded in the nominal book of original entry before being posted in the Cash Book on a daily basis using copies of receipts issued as source documents. Entries of receipts shall be entered in the relevant cashbook ruled to indicate cash receipts and cheque receipts
7. Each entry shall show a receipt number and the amount received shall be entered in the relevant analysis column



8. Ledgers shall be maintained in Kshs. Such ledgers shall be used to keep a record of revenue receipts (sales ledger), debtors (debtor's ledgers), Creditors (Creditor's Ledger), General Ledger etc.
9. Cashbooks shall be kept to record all banking and withdrawals of cash as they occur. Copies of receipts, bank pay-in slips shall be used to record the revenue, which will be kept based on currencies used. Bank interest(s) and direct payments are also posted in the cashbook. The cashbooks shall be analyzed at the end of each month and a bank reconciliation done after which they are posted to the relevant ledgers
10. Cash and Bank Reconciliation Bank reconciliation shall be carried out on a monthly basis not later than the 10th of the following month.
11. An internal control system shall be operated to ensure that there exists adequate "separation of duties" between cash collection, custody, banking, and verification of records. The Internal auditor shall have access to all records pertaining to revenue transactions, together with explanations that may be considered necessary at any time. Spot counts of physical cash Cheques and other revenue instruments shall be carried out at least twice a month.

5. Expenditure Accounting

A. Imprest system

- ii. The CEO shall establish an imprest system. An imprest is a form of cash advance or a "float" which the CEO may authorize to be issued to officers who in the course of their duty are required to make payments, which cannot conveniently be made through the cash office.



- iii. In determining the level of an imprest many factors need to be considered, but in the interests of economy and as a matter of prudence, an imprest allowance should be fixed for staff and Board of Directors for control purposes.
- iv. There are three types of imprest: Temporary (safari), imprest Standing imprest and Special imprest:
- v. Standing Imprest will be given to officers who will be required to make payments, which cannot conveniently be made through the cash office. It shall be controlled through recording receipt and usage in the petty cash register/cashbook and shall only be utilized for the specified purposes.
- vi. Temporary or Safari imprest shall be of temporary nature to be provided to officers on official duties outside the workstation or when need arises to meet any incidentals including but not limited to motor vehicle running expenses. These imprests shall be surrendered after the return of the officers from the field to station and in any case not later than 48 hours. Failure to surrender the imprest on the due date shall call for disciplinary action against the defaulter.
- vii. Tea imprest shall be of temporary nature and will be used to cater for purchase of items such as beverages, snacks, and others small purchases.
- viii. All imprest issued shall be posted immediately into the vote book until it is accounted for.

B. Imprest Issuance Policy

The CEO shall make policy on issuance, Surrender and reimbursement for Imprests for control purposes.



C. Payment to suppliers

To ensure transparency and accountability the Board shall adhere to the following policy when dealing with the suppliers.

1. Establish a Credit Policy should always be stated in the contract documents with the suppliers to ensure the CMO shall meet its obligations within the shortest time possible subject to availability of funds.
2. The CMO shall minimize the physical contact between the suppliers and the Board's staff. All invoices and other support documents shall be delivered at the CMO's procurement office for onward transmission to the Accounts Department for processing of payments. All payments are processed on first come first served basis.

D. Cheques

The CEO shall establish a cheque raising policy including raising and recording in the Cheque Register of sufficient particulars. Particulars of payee of Cheque number.

Once the cheques are signed, the system of dispatch must be documented. All cheques shall be dispatched from one central point and a register must be maintained to record all the relevant details.

The Board and CEO shall set the amount beyond which no cash payments shall be made by cheque except to the extent that each disbursement is authorized by the Chief Executive Officer. The mechanism to ensure the safe custody of cheques and other instruments of payment and ensuring that counterfoils are kept in a safe as evidence of payments.

E. Petty Cash Control

The CEO must ensure the CMO has established a cash management system.

The purpose of the cash management system is to ensure that:

- a. All cash received is promptly and accurately accounted for, and banked intact.
- b. All payments are properly verified and approved before payment.



- c. All vouchers and supporting documentation are properly stamped "paid" immediately after payment is done.
- d. There is adequate segregation of responsibilities
- e. All cash transactions are properly captured by the General Ledger system.
- f. Bank and Cash reconciliations are done on timely basis
- g. Cash position is determined and any surplus or shortage of funds established.

F. Cash and Banking

The CMO shall establish a cash and banking policy. The policy must ensure

- a) The cashbook should be written up and updated daily and cash in hand verified.
- b) The cash book should be checked by a senior officer weekly, who should sign at the last entry signifying the correct entry of all entries made since the last signature
- c) Cash on hand should be counted and verified with cash analysis, accounting Records. Any deficiency or surplus or noncompliance with instructions revealed by the checks must be investigated immediately and be reported to the HOD Finance.
- d) All paid out and received cheques must be accounted for in the cashbook.
- e) Dishonored cheques shall be treated as receipt of cash and contra-entries made in the cashbook from bank to cash accordingly.
- f) All monies received by the Board should be banked promptly. All receipts and payments will be recorded in the cashbook. At the end of the month, all receipts and banking will be compared.
- g) The officers charged with the responsibility for banking must ensure the following;
 - i. That every cheque bears CMO`s bank details at the back.
 - ii. All banking slips bear the receipt number for the respective cheque deposited for ease of reconciliation, where the system banking slip is in use.
 - iii. The CEO shall give authority for any cash withdrawal and investments



- iv. All cheques shall bear a minimum of two authorized signatures. The Accountant should ensure that: The cheque books issued are kept under lock and key.
- v. The cheque book received should be verified and entered in the counterfoil receipt book register
- vi. The cheques are recorded in the cashbook in their serial running number.
- vii. Cancelled cheques should be entered in the register and filed

G. Bank reconciliation

Operation of Bank Account should be subject to the following standards:

1. All receipts or monies to the CMO shall be banked promptly and shall be supported by stamped pay-in-slips for the day.
 2. The Payment Vouchers and other supporting documents shall be made available to the signatories for verification prior to signing the cheques/payment orders.
 3. Signing and countersigning blank cheques is strictly prohibited.
 4. All requests for new cheque books shall be approved in writing by the authorized bank signatories at the request of the head of accounts. All cheque books shall be stored securely by the accountant in charge to guard against misuse. Loss of any cheque book shall be immediately brought to the attention of the CEO and subsequently reported to the bank for cancellation. The matter should also be reported to the Police as soon as is practicable.
 5. Payment for goods and services shall be made by means of RTGS, EFT, cheques except where petty cash (amounts less than 3,000 only) is involved.
 6. It is mandatory for every payment/cheque to have two signatories one of which shall be the Head of the Accounts Department. To avoid delays in cheque signing at least four cheque signatories shall be appointed by the Board/CMO.
- ### **3.3.5 Bank reconciliation**



H. Payroll administration

The payroll management shall be subject to the following standards:

1. The payroll for the CMO shall be within the approved budget. All benefits and allowances paid with the salary shall be in conformity with the local tax laws and other government regulations. All officers shall be paid through the payroll except casual staff that will be paid in accordance with existing rules.
2. Staff salaries shall be paid in arrears i.e. at the end of every month.
3. HR Department shall be responsible for the preparation of the payroll. Accounts Department shall ensure: -
 - Accuracy and completeness of the payroll. Existence of persons shown therein.
 - Accuracy of changes communicated by the HRM.
 - Computation of the statutory dues, including income taxes.
 - Monthly payroll reconciles with the accounting records.
4. Every change, which affects a person's pay other than increments, will be communicated to the Accounts by the HR.
5. An Officer's details to be included on the computer payroll must contain the following: Full name, salary scale and the point at which the officer is in the scale; Job grade and designation; any allowances or deductions applicable Incremental date.
6. Staff leaving the CMO shall be removed from the payroll immediately. The CEO shall communicate this to the HRM who shall ensure that all amounts due from the staff, including outstanding advances, are recovered before final dues are paid.
7. Ensure all statutory deductions; savings and credit Cooperative Society; Life insurance; Repayment of loans e.g. car loans etc and Court orders and surcharges for attached salary will be deducted.



8. The CMO must have a policy on Issuance of Pay Change Advice, issuance of pay slips showing basic salary, allowances, deductions, and net pay and Post payroll and file Preparation of salary clearances

I. **Financial reporting**

- a. Record Keeping-The general ledger is the primary source of the CMO's financial information. To achieve any meaningful reporting levels, the general ledger should be updated regularly, preferably on a daily basis with all the financial transactions that have occurred. Further, it is imperative that the data inputted in the computer system should be subjected to prior and post review procedures to minimize errors and omissions. It shall be the responsibility of the Finance HOD to ensure that routine, monthly, and year-end financial reports are prepared and presented to the CEO within the stipulated deadlines. The CMO shall carry out monthly reconciliations on the following:
 - Preparation of reconciliations of the bank account
 - Preparation of the cash reconciliation and review of the cash book
 - Payroll reconciliation
 - Debtors Reconciliation
 - Creditors reconciliation
 - Reconciliation/analysis of other general ledger accounts.
- b. Preparation of the quarterly reports; Preparation of the budget execution report (Actual expenditure/income versus budgeted expenditure/income) and any other report or management information that the CEO may request.
- c. **Annual Report and Accounts-** The CMO shall prepare an annual report, which shall be completed for submission to the Board of Directors and Kenya Copyright Board by 31st March of every year. It is the responsibility of the CEO in conjunction with the head of accounts and the management to ensure the report is prepared by this date. The BOD shall deliberate and adopt the report before it is published.



- d. Management Reports-** The Accounts Department shall prepare Quarterly management reports of the financial status of the operations of the CMO. This is in addition to other reports that may be required.
- e. Audit-** External and internal audits of the CMO`s finances and systems shall be undertaken in accordance with relevant legislation including the Copyright Act and Regulations.
- f.** Issues raised in the audit report shall be responded to, implemented, or dispensed before the next audit.
- g. Internal Audit-** The Internal Audit Unit is a management function established with regard to responsibility of offering advisory, consultancy, and other services to the management to ensure effectiveness, efficiency, transparency, and accountability in the operations of the Board/CMO. The internal Audit thus, will assist in reviewing the systems, procedures and practices of the Board and give specific recommendations for improvement.

h. Annual Accounts

At the end of each financial year, the CMO will share with the auditor appointed during Annual General Meeting:

- A statement of income and expenditure during that year (Statement of Financial Performance)
- Balance Sheet (Statement of Financial Position)
- Cash Flow Statement
- Statement of Comparison of Budget and Actual amounts
- Any other statements that disclose relevant financial information of the Board.

The Auditor shall report on the examination and audit of the accounts to the CMO Finance Committee, Board and the Annual General Meeting. The CMO shall submit the audit report before the KECOBO Board within three months under this section.



The Annual Financial Statements must conform to the Financial Reporting tool under ANNEX SEVEN below.

ANNEX SEVEN- KECOBO FINANCIAL REPORTING TEMPLATE

PRINCIPAL FACTOR	PARTICULARS	PREVIOUS TWO YEAR COMPARISON	<u>REMARKS (IF ANY)</u>
INCOMES AND REVENUES	Performance in Public Royalties		
	Media royalties		
	Member application fees		
	Sponsorships		
COSTS	Personnel costs		
	Board expenses (Sitting allowances)		
	Board loans and advances		
	Other costs (Domestic Subsistence Allowances, Taxi and other Board costs)		
	Cumulative personnel costs		
ROYALTIES PAID	Foreign and digital		
	Public performance		
	Other Sources		
	Unclaimed royalties		



COMPLIANCE	KRA		
	NSSF		
	NHIF		
	Pension		
	Staff and BOD Check off		
DEBT POSITION	Compliance amounts		
	Current debt in the books		
	Contingent		
ASSET POSITION	Current asset position supported by Register		
CREDIT POSITION	Write Offs		

Auditor's Opinion

.....

Signed by:

Audit Partner:

ANNEX EIGHT: PROPOSED HUMAN RESOURCE STANDARDS FOR CMOS

The Kenya Copyright Board, as the Government agency mandated to administer and enforce copyright and related rights in Kenya has a major responsibility of ensuring that relevant institutional framework is put in place for the Collective Management Organizations (CMOs) to ensure that the creative artists' rights are fairly administered and protected. One of the critical elements of the required institutional framework is development of comprehensive HRM policy tools that will allow attraction and retention of qualified, competent and desired specialized skills to effectively address and cope with emerging



challenges in the creative industry. This element entails development of three (3) critical Human Resource Management (HRM) policy guidelines that include:-

1. Human Resource Management Policy and Procedures Manual
2. Employee Career Progression Guidelines
3. Employee Code of Conduct and Ethics

Part A: Human Resource Management Policy and Procedures Manual

This policy manual seeks to address challenges of employee sourcing (recruitment strategy), terms and conditions of service (staff welfare & Benefits), training and development, retention, and separation for sustainable organization development.

The expected content in this policy manual includes:

Section 1: General Provisions

- (i) General, specific and strategic objectives
- (ii) Mandate or purpose of the CMO
- (iii) Vision, mission and core values
- (iv) Management Responsibility

Section 2: Terms and Conditions of Service

- (i) Staff recruitment policy and procedure
- (ii) Powers to make appointments
- (iii) Terms of employment
- (iv) Leave administration
- (v) Transport policy

Section 3: Salary and Employee Benefits Administration

- (i) Salary and Allowances
- (ii) Employee benefits

Section 4: Performance Management

- (i) Performance management procedures



- (ii) Staff appraisal procedure
- (iii) Performance rating, sanctions and reward criteria

Section 5: Staff Training and Development Policy

- (i) Staff training procedure
- (ii) Categories of staff training
- (iii) Training Sponsorship policy

Section 6: Staff Discipline

- (i) Staff Discipline policy
- (ii) Official working hours
- (iii) Dress code
- (iv) Disciplinary offenses
- (v) Disciplinary Procedure
- (vi) Disciplinary powers
- (vii) Disciplinary appeal procedure
- (viii) Disciplinary Appeal

Section 7: Employee Separation Policy

- (i) Categories of separation
- (ii) Exit clearance procedure
- (iii) Terminal benefits

Section 8: Occupational Safety

- (i) General guidelines
- (ii) Emergency preparedness
- (iii) Accident and occupational diseases
- (iv) Compensation policy
- (v) Risk and security management policy

Section 9: Official Communication Policy

- (i) General guidelines



- (ii) Information security management policy
- (iii) Information, Education and Communication Policy

Section 10: Handling of Complaints and Grievances

- (i) General guidelines
- (ii) Complaints management procedure

Part b: Employees Career Progression Guidelines Manual

The career progression policy guidelines provide the organization be declared positions for appointment, grading structure and qualifications for appointment to any position for purposes of job specification during advertisement/ recruitment/appointments and placement upon appointment. The guidelines are used during processing of all appointments and promotion of serving employees to ensure fair administrative practice and compliance with labour regulations. The expected content in this policy manual includes:

Section 1: Introduction

- (i) Aims and objectives
- (ii) Responsibility for administration
- (iii) Scope of training requirements
- (iv) Scope of provision of posts
- (v) Placement for serving officers
- (vi) Conversion to approved schemes of service
- (vii) Advancement within the career guidelines

Section 2: Job descriptions, Specifications and Grading Structure

Outlines detailed job description and requirements for appointment to every position declared in the respective organizations approved staff establishment.

Section 3: Approved Organization Structure and Staff Establishment

This section declares the approved reporting structure at the entity and optimum staffing numbers required at each level in the approved staff establishment.



Part C: Employee Code of Conduct and Ethics

The guidelines in this policy document are developed to assist the employees understand the standards of personal and professional behavior they are required to maintain while performing their duties. It is a staff induction document, which is expected to guide their conduct and interactions with the clients/customers, members of the public, stakeholders and fellow employees. The key objective for developing a standard code of conduct and ethics for any organization is to ensure that justice, equity and good conscience is applied across the organization at all times. The expected content in this policy document includes:-

Section 1: Introduction and General Provision

- (i) Legal framework
- (ii) General provision on compliance and consequences of failure to comply

Section 2: Approved Code of Ethics

- (i) Established List of “Do’s and “Do not” in the organization
- (ii) Integrity commitment to the established code of ethics

Section 3: Approved Code of Conduct

- (i) Employees commitment to the approved code of conduct at work-place
- (ii) Classification of offenses under the approved code of conduct

Section 4: Disciplinary Code

- (i) Disciplinary Procedure for misconduct
- (ii) Approved Disciplinary measures and Actions

Section 5: Powers to Discipline and Right to Appeal

- (i) Powers to Discipline
- (ii) Right to Appeal



Schedules: Integrity Pact Commitment Form

The integrity Pact commitment form is signed by employees after induction on code of conduct and ethics to enforce compliance with the code

ANNEX NINE- BI-ANNUAL CMO COMPLIANCE CHECKLIST

This is a tool to be applied by a team from KECOBO on a fact finding visit to the CMO to verify implementation and reported compliance of the CMO policy as well as other provisions in the Copyright Act and Regulations.

FREQUENCY OF COMPLIANCE AUDIT

The tool shall be applied on visits twice a year during the license year

	ISSUE	CHECKLIST	CHECK FOR
1	Board	Notices of Meeting	<ul style="list-style-type: none"> • Timeliness • Agenda setting • Frequency • The issuer of notices of meeting
		Board and committee papers	Level of preparation
		Board and Committee minutes	<ul style="list-style-type: none"> • Record Keeping • Time keeping • Signing • Manipulation
		Board of Director Payment vouchers	Adherence to the policy and Control
		Number of times chairmen and Directors visit and handle CMO affairs	Chairman and Director involvement in affairs of the Society
		Board Training	Number Relevance
		Board Evaluation	Whether done or scheduled Tool used
		Attendance by Co-opted Directors	Inclusion
		Annual General Meetings	Frequency management
		Number of Committees	Number Relevance Frequency of meetings
		Length of meetings	Time Management/Preparation



		Extra claims, advances, loans	Policy adherence
Finance		Approved Budget	<ul style="list-style-type: none"> • Board involvement • Reporting • Board approval minutes
		Quarterly Budgets Report	<ul style="list-style-type: none"> • Board Monitoring function • Management accounts to the Board (Analysis and reporting of budgets performance)
		Quarterly Income and Expenditure Report to the CMO Board	As above Quarterly financial reports
		Bank Reconciliation	Monthly bank reconciliation statements
		Revenue Recognition (Accrual)	<ul style="list-style-type: none"> • Real Financial Position • Monthly revenue reports
		Approval and control measures	<ul style="list-style-type: none"> • No of staff • Separation of roles
		Account Records	<ul style="list-style-type: none"> • Validity of accounts • Cash book, ledgers and payment vouchers
		Financial Reports	<ul style="list-style-type: none"> • As above • Monthly, quarterly and annual
		Separation of Account Roles	Board monitoring functions
		KRA PAYEE, NHIF, NSSF, etc Statutory deductions and submissions	<ul style="list-style-type: none"> • Statutory compliance • Risk mitigation • Payment statements and receipts • Monthly remittance analysis • Analysis of deductions • Certifications
		Staff Pensions and other Deductions	<ul style="list-style-type: none"> • As above • Monthly report
		Bank Signatories	<ul style="list-style-type: none"> • Separation of Board and Management roles • Number of Accounts
		Finance Management Systems	<ul style="list-style-type: none"> • Systems in place/automation • Digitization of the system
	Internal Audit		Cash Management Policy
		Payment to members	<ul style="list-style-type: none"> • Evidence of payments • No cash policy • Payment through the ICT system
		Bank accounts	
		Audit Committee performance	End of Year Appraisal



	Internal Audit Function	Establishment of the office
	Implementation of Internal Audit reports	Filed reports
	Audit Committee membership	<ul style="list-style-type: none"> • Composition • Qualification of Chair (Independence/Finance Background) • Meetings attended
	Qualification of the Internal Audit personnel	<ul style="list-style-type: none"> • Minimum • Degree in Finance • CPA(K) • Consider common resource
	Separation of Functions	Functional reporting to the Board and the CEO (Audit Committee reports)
	Quarterly meetings	Minutes
	TORs for Audit Committee	Approved TORs Document
	Internal Audit Plan	Approval by the Committee
	Internal Audit Charter	The approved document (signed/validated)
Human Resource	HR manuals and Policy	<p>a) Updated (signed) and comprehensive HR Policy and Procedures Manual which should cover the following:</p> <ol style="list-style-type: none"> Recruitment procedure/appointment/promotion Salary administration procedure Leave management Disciplinary procedure Separation procedure <p>b) Staff Career Progression Manual</p>
	Payroll management	<ul style="list-style-type: none"> • Use of relevant Payroll software • Validated payroll • Clear salary scales for various job groups
	Leave Management	<ul style="list-style-type: none"> • Use of relevant software • Leave roster • Approved leave application forms
	Staff training within the budget	<ul style="list-style-type: none"> • Number of trainings • Budget approvals for trainings • Record of trainings conducted • Staff training and development policy • Approved Staff training projections (Approval by the BOD)
	Disciplinary Procedures	<ul style="list-style-type: none"> • Updated (signed) HR manuals and policies



		<ul style="list-style-type: none"> Two step process for disciplinary process procedure (one of the HODs and another lower cadre) Compliance with a Staff Discipline Procedures/Code of conduct Manual or pursuant to HR manual
	Staff Separation	<ul style="list-style-type: none"> As above Exit interviews Documented separation letters Payment of Dues Disciplinary letters/minutes of the disciplinary committee Staff clearance form Handing-over reports
Procurement	Asset Management	<ul style="list-style-type: none"> Asset register Movement register
	Procurement Policy	<ul style="list-style-type: none"> Adherence to policy Procurement procedure manual Service Charter
	Annual Procurement Plan/Annual Disposal Plan	<ul style="list-style-type: none"> Budgetary allocations Procurement policy Disposal Policy & Necessary approval
	Requisition	<ul style="list-style-type: none"> As above Necessary approvals
	Processing and Payment	<ul style="list-style-type: none"> As above Digitization and consolidation of procurement and payment system Necessary approvals
	Asset/Stock Control	<ul style="list-style-type: none"> As above Posting of records Necessary approvals Stock Audit
	Quarterly Procurement Report	Filed report
	Separation of Roles	<ul style="list-style-type: none"> Adherence to procurement policy Departmental management structure Duty Allocation
Public Communication	Public Communication Policy	Public Communication policy Reports
	Stakeholder identification	Policy document
	Stakeholder Engagement	<ul style="list-style-type: none"> List of attendance for events No. of events



			<ul style="list-style-type: none"> • Social Media Activity • Procurement engagement • Tenders, Adverts, notices and articles(magazine) • Web site activity
ICT	ICT Policy		<ul style="list-style-type: none"> • Copy of the ICT policy <p><u>Existence of the following policies:</u></p> <ol style="list-style-type: none"> i. IT organization policy ii. IT security Policy iii. IT device Use policy iv. IT Access policy v. IT Service-related Contract policy vi. Technology Standard policy
	Security of Data and information		<ul style="list-style-type: none"> • Number of Back-up systems • Frequency of Back ups • Information Security Management Committee • Offsite Back up • No. of Training done(All staff awareness on Info/cyber security) • Info Security Audit • Maintenance schedule
	Network maintenance		<ul style="list-style-type: none"> • Existence of Firewalls • Maintenance schedule/ network configuration log • Antivirus • Encryption
	Help desk support Application support (Web, intranet and other internal systems including ERP)		<ul style="list-style-type: none"> • Help desk log • Percentage of issues addressed
	Hardware Support		<ul style="list-style-type: none"> •
	Outsourced service Service Level Agreements (SLA)		<ul style="list-style-type: none"> • Number of SLAs in place • Execution/performance
	Capacity (numbers, skills and qualification) of ICT		<ul style="list-style-type: none"> • Degree in ICT/IS or related • Applicable certifications in ICT



Royalty management	Member records	<ul style="list-style-type: none"> • Completeness • Catalogue well captured and documented • Physical and soft list of members including name, stage name id, KRA PIN, email and postal address plus works; next of kin(name, id , email and postal address) • Minimum number of works which have been played on radio • A member removal system when a member works are not played for at least 2 years
	Proof of payment Records	<ul style="list-style-type: none"> • Validity • Cross check with Automated System
	Management of unclaimed Royalties	<ul style="list-style-type: none"> • Evidence of • Account for unclaimed royalties separate from other accounts • Two reports detailing distribution local and international royalties capturing transaction charges
Member complaints	Complaints Handling Procedure	<ul style="list-style-type: none"> • Complaints handling policy • Committee • Daily Customer feedback • Complaint-handling period • CAJ type system • Approved whistle blowing policy
	Record of Complaints handled	<ul style="list-style-type: none"> • Complaints register • Register • Social Media accounts of engagement
	Integrity (corruption/failure to serve) Reporting framework	Policy on handling member complaints
Social Cultural funds	Fund management policy	Approved Policy implemented
	Record of disbursement	<ul style="list-style-type: none"> • Policy adherence

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