ACCOUNTABILITY OF TRUSTEES OF RETIREMENT BENEFITS SCHEMES:

-A SURVEY OF SELECTED RETIREMENT BENEFITS SCHEMES IN KENYA

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DECLARATION

This Management Research Project is my Original work and has not been presented for the award of a degree in any other University.

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DEDICATION

To my wife Pauline Atieno Osambo and children Chausiku, Pendo and Kaka for their perseverance and patience for the ever lost Dad.

To my loving grandmother Angelina Owira Osambo "NyargAguko" without whom I would be no person.

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ABSTRACT

The objectives of the study were to identify establishments and appointments of board of trustees (BOT) and reporting practices of retirement benefits schemes in Kenya. The study primarily aimed at determining the levels of accountability of trustees of retirement benefits schemes in Kenya.

Full compliance to the Retirement Benefits Authority (RBA) Act 1997 by retirement benefits schemes is in the final stage implementation. The establishment of board of trustees has been effected by all the schemes studied. And most schemes have started submitting their annual reports to the RBA.

It was established from this research that smallest BOT is made up of three trustees and the largest thirteen trustees. The sponsors and the members are represented as per the requirements of the RBA Act 1997 (two thirds and a third respectively). Both the members and the members Organizations elect the members' representatives. The annual reports of the schemes are submitted and availed to the members and RBA within the statutory time. The extent of disclosure is above average (over 50%) and that the schemes prepare and present their reports as per the RBA requirements and guidelines.

The overall accountability levels of the schemes is average and that level of accountability cannot be attributed to type of scheme, number of trustees, or the sponsors of the scheme. The practices and accountability levels vary from scheme to scheme and are not attributable to any of the factors above.

ACRONYMNS

ACPM	Association of Canadian Pension Managers
ASC	Accounting Standards Board
BOT	Board of Trustees
CACG	Commonwealth Association for Corporate Governance
FASB	Financial Accounting Standards Board
GDB	Gross Domestic Product
GOK	Government of Kenya
IAS	International Accounting Standards Board
ILO	International Labor Organization
PIAC	Pension Investment Association of Canada
PSICG	Private Sector Initiative for Corporate Governance
RBA	Retirement Benefits Authority
SORP	Statement of Recommended Practice

CHAPTER ONE

INTRODUCTION

1.00 ACCOUNTABILITY

Accountability has joined 'Democracy' and 'Globalization' in the lexicon of politicians and policy-makers. It has been defined as a crucial component of good governance. However, accountability is often ill defined (Kovach et al, 2001). Accountability may be defined as the process by which individuals and organizations are answerable for their actions and the consequences that follow from them. The individuals and institutions are answerable to their members. Accountability involves being answerable to any group or individuals who can affect or is affected by an organization (Kovach et al 2001).

1.01 RETIREMENT BENEFITS SCHEME

One may work so long as there is energy to work, and at the same time provide for the family (society) so long as he or she may be alive and has the ability to do so. At old age, the other family members have to take care of the old. This idea of the society vis a vis the family taking care of one at the times of need brings into focus the idea of social security.

International Labor Organization (ILO) 1942 defines social security as the security that the society furnishes through appropriate organization, against the certain risks to which its members are exposed. ILO (1942) goes further to define risks as contingencies against which the individua who has small means, cannot protect himself e.g. employment injury, sickness, invalidism disablement, industrial disease, maternity, old age, widowhood, orphan hood, unemployment, and burial.

Social security can be applied in two methods: social assistance and social insurance (Asdhir, 1994). Social assistance represents the unilateral obligation of the community towards its dependent groups. On the other hand, Asdhir (1994) defines social insurance as the giving in return for contributions, benefits up to subsistence level as a right and without means tests so that an individual may build freely upon it.

1.11 FORMS OF RETIREMENT BENEFIT PLANS

Social Insurance has seen the rise of various retirement benefit plans. In Kenya, the three forms are: -

- **Government Plans (Primary Social Security)**

  These plans are managed through government appointed trustees. The employees and employers contribute at a determined rate. The benefits accrue to the employee at the time of retirement or to their beneficiaries at the time of death. In Kenya these activities are managed under the National Social Security Fund (NSSF) and its Acts.

- **Individual Retirement Benefit Schemes: -**

  These schemes are managed by a service provider usually an insurance company or fund manager and are available to any member of the public including employees whose employer is unable to set up an occupation scheme or winding up an existing scheme.

- **Occupation Retirement Benefit Schemes: -**

  These are plans created by employers for their employees. They may be contributory or non-contributory at the same time these may be defined benefits plans or defined contributory plans, they can be either pension schemes or provident funds.

An accounting standard –International Accounting Standards (IAS)- NO 26 – has been promulgated that covers accounting and reporting requirements for pension plans. This has been necessitated by the need to inform the stakeholders the status of the funds (Retirement Benefits Authority (RBA), 2001)

1.12 ROLE OF PENSION INDUSTRY

Pension funds have grown in the recent past all over the world. Funds managed in Scotlanc totaled £ 347 billion by the end of the year 2000 (CA, Dec. 2001). In the U.S.A. Private Pensioı Plans had assets of about $3.23 trillion by the end of the year 1995 (Lewis, 1996). In Kenya, th retirement benefits industry is estimated to hold assets of about Ksh.130 billion or 21% of GDF (Retirement Benefits Authority (RBA News), Sep 2001).

Retirement benefit funds have been recognized worldwide as a potent tool for the mobilization c long-term domestic savings in any economy, development of capital markets, increasing foreig investment, and improving the productivity of investment of retirement benefits funds. Tł overall effect being enhanced economic output and employment.

1.13 WHY RETIREMENT BENEFITS FUNDS

The role played by retirement benefits funds is so critical to the society that there is need to have close supervision of the industry. Looking at the number of members of these schemes in Ken [NSSF membership at 2.7 million (Sunday Nation, June 16 2002) and other schemes at 244,3' (RBA News, Sept 2001)]. The task that may befall the people of this country and the econor would be so enormous in case of failure or collapse of the retirement benefit funds given the proportion of the society that would be affected.

With AIDS taking its toll on the active working class leaving behind a dependent population, there is need to protect the beneficiaries left behind in form of widows and orphans "against rampant misuse and abuses of funds that have taken place in the past" (RBA, News Sep 2001). Another notable observation is the increase in average life expectancy, which has led to prolonged lifespan after retirement for those who live up to their retirement ages. Retirees therefore require a retirement nest egg large enough for decades of enjoyment and ambition. These changes demand well-informed and capable managers of retirement benefits funds.

The collapse of the Enron Corporation in the USA in 2000 saw the loss of millions of dollars worth of employee benefits. The failure of Enron underscored three broader issues namely; inadequate oversight of financial activities of non-financial corporations; ineffective private market discipline, inadequate disclosure, suspect corporate governance and auditing; and misallocation of retirement savings (IMFvol.31No.6March, 2002).

1.13THE PENSION INDUSTRY IN KENYA

The pension industry in Kenya operated for a number of years without a recognized regulator. As a result, malpractices plagued the schemes both in the private and public sectors [RBA, rba.co.ke]. The members and the trustees of the schemes were not spared from the problem that afflicted the schemes. Members faced numerous problems in order to access their benefits, and whenever they had their benefits, it was not what they expected. Retirees faced problems like miscalculated and underpayment of benefits, denied and deferment of benefits with some organizations like Kenya Railways not paying retirees their dues some three or more years after retirement. The other critical problem being the use of benefits to recover debts from retiring members or beneficiaries.

The composition and appointment of the board of trustees (BOT) endowed the sponsors with unchecked powers that led to a situation where the trustees assumed their responsibilities without appropriate contractual terms. This environment enabled the sponsors to appoint and fire trustees at will without consultation with other critical stakeholders (Daily nation May, 10, 2002).

On the other hand, the schemes too faced problems that could not make them perform and deliver their pension promise. Some sponsors were indebted to the schemes due to non-remittance of sponsors' contributions and members' deductions. The sponsors' business and those of the schemes were not separable and at times run by the same officers. In some instances, there were diversions of schemes' funds into sponsors' business. Such funds of the schemes were lent to the sponsors, trustees and chief officers at uneconomical rates. Creating more problems to the scheme's performance was the issue of investment decisions which were made more because of quick gains accruing to the trustees rather than the economic value of the investments [RBA News, Sept 2000].

The only avenue left for the members of the schemes, trustees, and the scheme was the courts of law. With the slow pace of settling disputes and the cost involved, the course of the courts proved prohibitive.

With unchecked influence of the sponsors and trustees, coupled with lack of developed industrial mechanism to guide retirement benefits industrial practices, corruption and mismanagement crept in. The effect, amongst other catastrophic results, were conflicts between stakeholders (Kisero, 2002), low returns from investment, cash flow constraints and inability to fulfill the pension promise by the schemes. The state of the retirement benefits industry therefore undermined the government social policy. It therefore contributed to inequity and social injustice compounding the state of abject poverty in the country.

1.14 EMERGENCE OF RBA ACT NO.3. OF 1997

Due to the myriads of the above ills in the pension industry in Kenya, there was an outcry, and concern from the public for proper establishment, management and protection of the pension schemes for the interest of capital market development, sponsors, and members. The RBA Act No. 3 1997 was therefore enacted to bring the discordant retirement benefits industry under a harmonized legislative framework and to bring to an end rampant misuses and abuses that had taken place in the past (RBA News, Sept, 2001).

The primary objectives of RBA Act were to protect the interest of members and sponsors of the schemes, to develop the sector through enhanced savings for retirement, and to promote the flow of the long-term capital in the country. Compliance to the RBA Act [1997] on areas like investment limits, submission of annual reports and registration of schemes with RBA has largely taken effect. Harmonization of the RBA Act with other laws like Income Tax Act, and Insurance Act have also taken effect.

The RBA is also actively acting as a medium of conflict resolution between sponsors, members, and the schemes. For the time it has been in place, RBA as at August 31, 2001 had received 71 member complaints on issues of miscalculated benefits, underpaid benefits, withheld benefits, employers' use of benefits to recover debts, and deferred payments [RBA News, Sept 2001].

1.15 THE POST RBA ACT RETIREMENT BENEFITS INDUSTRY

The RBA Act has brought in notable positive changes within the retirement benefits industry. The issue of stakeholders' representation, professional management of the schemes and the auditing and filling of returns to RBA are, but, a few areas that the RBA act has made worthy improvement. However the RBA Act and regulations stemming there from is not exhaustive and clear on some critical issues. Amongst these issues is the influence of the sponsors and trustees on appointment of trustees and chief officers of the schemes. The RBA Act is not clear on who qualifies for appointment, how the appointments are to be made, and the period and terms of appointments and to whom the trustees are accountable. This inadequacy creates a picture of a board of trustees (BOT) that may be toothless in the light of majority members, two thirds, potentially being sponsors' representatives, and the absence of a law protecting their tenure.

The Act is also not clear on what is to be reported to members apart from the financial statements and annual membership benefit statements. How these statements are to be made available and where is also not clear. Further, it is not clear how the schemes ensure that their members have received their statement and how any feedback in form of queries or complaints are received from the members. Is conspicuous display of notice in the office of the scheme notifying the members that the audited accounts together with the trustees' and investment reports are available for inspection enough notice? [The Retirement Benefits (Individual Retirement Benefits Schemes) Regulations, 2000 Sec 23, 3(a)].

These inadequacies in the RBA Act and the absence of any developed norms bring into question a number of issues. With members' representatives being only a third of the BOT, can the BOT be seen as independent from the influence of the sponsor? Without clear guidelines on trustees' qualifications, are the schemes under the management and control of qualified trustees who can handle the vast and complicated financial issues of retirement benefit schemes? Can what is disclosed in the annual reports and accounts be considered as balanced and independent of the sponsor's influence?

1.16 GLOBAL POSITION OF RETIREMENT BENEFITS INDUSTRY

As their assets have increased, the importance of retirement benefit plans as institutional investors have grown thrusting them into the forefront in the debate on corporate governance [Pension Investment Association of Canada (PIAC), Piacweb.org]. In the absence of a universally recommended structure for pension plan's own governance, various countries have developed models for setting out clearly the responsibility and accountability of those involved in the governance of pension plans.

The causes of inability to fulfill the pension promise, according to PIAC, are improper trustee selection and organization, poor trustee and management power sharing, absence of proper machinery to monitor management performance, and ineffective assessment of plans governance structure and operations (PIAC, piacweb.org).

Pension Investment Association of Canada (PIAC), Association of Canadian Pension Management (ACPM) and Office of the Superintendent of Financial Institutions of Canada (OSFI) have designed a model of good governance of pension schemes. PIAC and ACPM recommend that to be a trustee one must understand financial markets, risk management, actuarial principles, and must be prepared to study and understand the pension promise and policies of the pension plans. They further recommend that selection of the trustees should produce the right mix of independence (from the sponsors and members), duty, experience and education (PIAC, Piacweb.org]. For equitable decision taking the BOT should be set up such that there is equal representation of all stakeholders, without any party having veto powers.

In the USA, employers are required to provide updates on workers' retirement account values every three months apart from giving the employees the right to pull out of employers plan if it does not perform to the best of their expectation (Whitehouse, whitehouse.gov]. Retirement benefit schemes are further required to disclose to the workers areas and organizations in which schemes' funds have been invested.

In U.K., trusts are evaluated and ten best performing trusts and their Chief Executive Officers (CEO's) are named in a special Chartered Accountant (CA) magazine each year. The performance measure is based on rate of return on investment [CA, Dec, 2001].The performances records of accomplishment of the CEO's are reviewed to ensure that trusts are entrusted to capable and qualified CEO's. These best performing trust returns therefore become benchmarks for the industry each year. The members of the schemes are therefore able to evaluate the performance of their individual plans and move to those trusts that perform better.

In Canada, there is a consensus effort of all the stakeholders within the retirement industry to ensure proper management of the industry. They have come together in three groups ACPM, PIAC, OSFI to give support to the government in its bid to supervise the industry. All these stakeholders are collectively involved in ensuring the enactment of legislations and designing their own industrial norms that promote the development of the industry [ACPM, acpm.com] [Piaccweb.org] [OSFI, osfi-bsif.gc.ca].

1:20 STATEMENT OF THE PROBLEM.

The retirees do not have reprieve from all the problems they had before enactment of the RBA Act (1997). In fact, some retirees live in states of extreme poverty and in squalid living conditions, which is a big set back on the objectives of the RBA Act of eradicating poverty and improving living conditions after retirement. It is also worth observing that what some pensioners get are peanuts and cannot sustain life in the current economic conditions. At the same time, there are cases where employers still use retirement benefits to settle debts owed by employees in contravention of the RBA Act [Face of Facts, East African Standard, July 30, 2002]

The sponsors still wield a lot of power over the appointment and composition of the BOT. They decide on who is appointed and in some cases they even appoint their own CEOs to the BOT .The sponsors also decide on the composition of the BOT in terms of numbers. These two issues compounded with the sponsors' overriding majority within the BOT, brings into question the issues of competence, independence and integrity of the trustees and the BOT.

The inadequacy and ambiguity of the RBA Act (1997), coupled with the absence of industrially developed norms to guide retirement benefits industry, have created room for varied practices amongst the schemes. These varied practices have resulted into further confusion within the industry leading to in-house activities designed by the sponsors to protect their positions rather than the members. It therefore becomes of academic interest to find out the appointment, reporting, and communicating practices amongst the already registered schemes. In view of overwhelming sponsors' influences in the board of trustees (BOT), the level of BOT's accountability to the other stakeholders becomes of research interest.

1:30 OBJECTIVES OF THE STUDY

i) To identify how board of trustees are established and the reporting practices of these board of trustees.

ii) To evaluate accountability levels within BOT of selected retirement benefit schemes in Kenya

1:40 THE BENEFICIARIES OF THE STUDY

The study will be beneficial to: -

REGULATORY BODIES

RBA may utilize this study in effecting legislation on appointment, removal and retirement of trustees. This may be through issuing of specific guidelines on this area of appointments/retirements. It may utilize the findings for setting minimum qualifications for trustees of retirement benefit schemes and enforce further legislations on disclosures on critical issues beneficial to the stakeholders.

RETIREMENT BENEFIT SCHEMES CONTRIBUTORS AND BENEFICIARIES:

This would create awareness on their part and motivate them into seeking and participating in the election /appointment/nomination of trustees. They would also seek relevant information through financial reports about performance of their schemes and the status of their individual accounts.

FUND MANAGERS AND TRUSTEES:

They would be able to identify areas where they need to provide information to the stakeholders as far as their roles are concerned. At the same time, they would ensure timely availability of such information and improve the quality of their annual reports.

RESEARCHERS:

The study may be helpful to other researchers who may be stimulated to take further researches in this area of retirement benefit industry. Further the research may also help broaden their understanding on the key area of accountability of trustees.

CHAPTER TWO

LITERATURE REVIEW

2.10 INTRODUCTION

Corporate power without accountability creates two distinct problems. The first is financial and operational: that is, without accountability corporations will continue to book profits and simply decline to compete. The second problem is political. That is, corporations become a separate source of power, a law unto themselves.

These two problems call for accountability. There must be adequate structure to compel accountability of those in charge of corporations. Those in charge of corporations need to be made accountable to someone who has the power to make critical decision about a corporation and nominate a director (piacweb.org). The way for shareholders to affect corporations is through election and monitoring of individual directors. To ensure quality of performance in terms of good returns and accountability, the shareholders need to set forth conditions of eligibility of directorship into the boards of companies.

The approaches that may be developed to ensure accountability are legislation and self-governance. In a self-regulatory environment, each stakeholder is accountable to the others for keeping the industry viable. In such an environment, it would be important to know whether each stakeholder is playing the right role. The need that arises is for an effective guidance of those in governance.

2:11 CORPORATE GOVERNANCE

"Corporate Governance has become an issue of world wide importance. The corporation has a vital role to play in promoting economic development and social progress. It is the engine of growth internationally, and increasingly responsible for providing employment, public and private sector services, goods and infrastructure. The efficiency and accountability of the corporation is now a matter of both private and public interest, and governance has thereby come to the head of the international agenda. (Commonwealth Association Of Corporate Governance (C.A.C.G.) 1992), Mission Statement).

It is evident from C.A.C.G mission statement that corporate governance has become a central issue throughout the world. This has been so due to the economic, social and political role-played by corporations. Corporate Governance therefore, is the manner in which the power of a corporation is exercised in the stewardship of the corporation's total portfolio of assets and resources with the objective of maintaining and increasing shareholder value with the satisfaction of other stakeholders' value in the context of its corporate mission (CACG, 1992).

The demand for efficiency and accountability of corporations may be attributed to;

- Institutional investors deploying massive funds internationally (CACG, 1999).
- High profile corporate scandals and collapses (Kamara et al, 1997).
- Volatility and instability experienced in emerging markets with implications of corrupt practices and poor administration in public sector (CAGC, 1999)

2:12 IMPORTANCE OF GOOD CORPORATE GOVERNANCE

Good corporate governance is an incentive that attracts inventors (local and foreign) and assures them that their investment will be secure, efficiently managed and in a transparent and accountable process; create competitive and efficient corporations; enhance the accountability and performances of those entrusted to manage corporations; and promote efficient and effective use of limited resources (Private Sector Initiative for Corporate Governance (PSICG) - 1999). The overall effect being national economic development.

2:13 BASIC TENETS OF CORPORATE GOVERNANCE

Corporate governance is about leadership that is founded upon the attitudes, ethics, practices and values of the society. In essence, the basic tenets of corporate governance (PSICG, 1999) may be summarised as

- Accountability
- Efficiency and effectiveness
- Integrity and fairness
- Responsibility
- Transparency

2.20 ACCOUNTABILITY

Accountability is the obligation to answer for a responsibility that has been conferred (IFAC, 2001). Accountability is the state of being obligated to render an account - an explanation of actions taken or omitted and the attendant rationale (Nzomo, 2002). One World Trust in its 'Global Accountability Project' (2001) gives accountability a wider definition with what it calls stakeholder accountability, where by the decision makers are answerable to the public for their actions and the consequences that follow from them (charter99.org).

Accountability presumes the existence of at least two parties: one who allocates responsibility and one who accepts it with the undertaking to report upon the manner in which it has been discharged (IFAC, 2001). Accountability places the obligations upon a steward; he must render an account of his dealings with the stewardship resources, and then he must submit to an examination (audit) of that account by or on behalf of the person or body to whom he is accountable (Bird, 1974).

The process of rendering an account calls for structures to ensure that whatever is explained can be verified. That is, accountability cannot be effective without openness (transparency) on issues of management appointment, the provision of complete and appropriate information (IFAC, 2001), quality of reports, and proper communication between the stakeholders.

2.21 FORMS OF ACCOOUNTABILITY

Charter99 highlights three forms of accountability. First, accountability at its strongest level involves clear sanctions for unsatisfactory actions. It involves criticisms by the press and public, loss of privileges, removal of license, demotion, financial penalties, and loss of funding.

Second, at its intermediate level, accountability involves public disclosure or scrutiny of performance without explicit sanctions. Lastly, at its lowest level, accountability merely means responding to pressure or complaints, which usually arise only when there is considerable dissatisfaction (charter99.org)

2.22 BENEFITS OF ACCOUNTABILITY

Accountable decisions are more likely to be consistent and rational, rather than arbitrary, as they are open to challenge and set precedents. Accountability means that mistakes are reduced, and when they occur, they are more likely to be sported and rectified. Thus, such decisions tend to have public support.

Charter99 observes further that a high level of accountability can make officials more risk averse and thus avoid committing serious mistakes. As such, accountability is one of the ways in which a society learns. It is a way of correcting mistakes, abuse of power, incompetence, and ignorance. The more open an organization is, the more it is able to learn, improve, and prosper (charter99.org)

There is need for a more open and participative approach to accountability. That is, an approach which is inclusive of an institution's environment. An approach that involves the stakeholders through all the stages of decision making from setting the agenda right through to implementation and evaluation (charter99.org).

2.23 (I) APPOINTMENT AND REPRESENTATION

The use of resources is entrusted to the trustees of retirement benefits schemes who accept the responsibility with an undertaking to report upon the manner in which the responsibility has been discharged. This responsibility is given by the stakeholders (sponsors, members, and the RBA act).

The three (employers, employees and RBA) have a duty to ensure that only competent and reliable persons, who can add value, are elected or appointed to the BOT and to change the composition of the BOT that does not perform to expectation or in accordance with the mandate of the corporation (PSICG, 1999). Mechanisms, processes and systems should be established to ensure that this critical duty is performed in a transparent manner, allowing for democratic values in respect of the sharing of power, representation and participation. The effect being a competent and independent board of trustees made up of those with integrity.

The BOT and the executive level employees are entrusted with the day-to-day management of the schemes. They have intimate knowledge of the schemes. In order to ensure the appointment of the best trustees and senior staff, recruitment and appointment procedures need to be open, fair and competitive. This would ensure a competent and qualified BOT, executive level employees, and committees.

The successful appointment and recruitment of the BOT and executive level employees will not be adequate until the schemes take into account and identify its major stakeholders. Thus the process of appointments and recruitment will not be effective unless there is equitable and effective stakeholder participation. A scheme should therefore set clear policy on participation, fair and open selection (appointment of stakeholders and regular consultation with the stakeholders on key policy issues.

The BOT as the apex of power within scheme is ultimately responsible for the scheme's actions. In order for the BOT to be accountable to the scheme's stakeholders, it needs to be firmly within member-control with its decision-making process open and transparent to the public. The same would have to be translated to the other committees set up by the BOT.

There is need to ensure that those entrusted with the day-to-day running of schemes confine their activities towards the objectives enumerated in the trust deed. Compliance mechanisms should be put in place to ensure proper implementation and to create costs for those parties that fail to comply. Effective compliance mechanisms depend on transparent procedures, clear penalties for the compliance, independent assessment of claims and the right of appeal.

At the end of all these procedures and activities, there is need for evaluation. An evaluation process enables a scheme to assess how far it has achieved its stated objectives. This process is important to a scheme's learning, in identifying success and failures and in providing recommendations for the future. The process to be effective most be objective and open to public (stakeholders) scrutiny.

2.23 (ii) QUALITY OF ANNUAL REPORTS

The annual report that is availed to the users has to meet certain basic standards. The reports must be objective, balanced and understandable apart from being timely, (IFAC 2001). In other words, the reports must be relevant reliable and neutral. The annual reports must also meet reporting standards in the form of completeness of disclosure, comparability and consistency.

The users of financial statements should be in a position to evaluate and assess an organization's earnings performance, financial position, and present and future cash flows (Porwal, 1993)

What has been done and how the stewards have managed the resources is summarized in the annual reports, which are sent to the employees, employers and RBA. As a matter of best practice, the stakeholders should receive relevant information on the corporation's (trust's) performance through distribution of regular annual reports and accounts, half-yearly results and quarterly results (CMA Annual report 2000).

Qualities of annual reports touch on critical issues of timeliness, disclosure and audit opinion. Investors should have access to the information needed to judge a firm's financial performance conditions, and risks. Prompt access to critical information should be allowed.

There should be complete and understandable reporting on the financial statement of all significant information relating to economic affairs of the entity (Porwal, 1993). Information which is material to decision makers must be disclosed. Disclosure should be adequate, fair, and full. According to Porwal (1993), full refers to complete and comprehensive presentation of information: fair implies an ethical constraint dictating an equitable treatment of users; and adequate connotes a minimum set of information to be disclosed.

What is adequate corporate financial disclosure has been addressed by a number of researchers. Singhvi and Desai (1971) developed an index consisting of 34 items of information which were used as a basis for a component measure of the extent of disclosure of these items in the annual reports. Weights were assigned to these items in order to note the distinctions in their relative importance, as indicated by security analysts who were interviewed. The extent of a company's disclosure was measured by adding the weights assigned to items included in its annual reports. They concluded that corporations which disclose inadequate information are likely to be small in size as measured by total assets; small in size as measured by number of stockholders; free from listing requirements; audited by small CPA firms; and less profitable as measured by earnings margin. The implication of Singhvi and Desai research is that disclosure improvement efforts should be focussed on firms having the above characteristics.

Buzby (1974) surveyed professional financial analysts to construct a detailed set of weighted disclosure criteria for each of 38 items or types of financial and non-financial information which might appear in an annual report. The set of disclosure criteria was then applied to a sample of annual reports to determine, among other things, the relative relationship between the importance of an item and its extent of disclosure. He goes on to conclude that there is room for improvement by disclosing those items for which this relationship is low.

Buzby (1975) studied the relationship between the extent to which selected items of information are presented in corporate annual reports and two company characteristics –the size of the company and the listing status. The extent of disclosure of these items in the annual reports was measured by a disclosure index similar to that used by Singhvi and Desai (1971). The result of Buzby study indicated, "the extent of disclosure in annual reports is positively associated with the size of a company's assets and not affected by listing status." The implication of this study is that the disclosure improvement efforts should be focussed on smaller firms.

Dhaliwal (1980) also conducted a research to provide a programme for obtaining maximum improvement in financial disclosure through a minimum number of additional disclosure items.

Abayo (1992) on his study of corporate disclosure practices in Tanzania used four variables to study the quality of disclosure practices in Tanzania. He used extent of mandatory disclosure, extent of voluntary disclosure, the timeliness of disclosure, and the types of audit opinion. The result was that of 50.5% mandatory disclosure, 16.5% voluntary disclosure and an average disclosure period of 8 (eight) months and a favourable audit opinion.

Kinya (1993) studied adherences to mandatory financial disclosure requirements by public companies in Kenya whose 1989 annual reports were available in the registrar's file.Kinya scored 58 items. Kinya concluded that the extent of adherence to mandatory disclosure was fairly high in Kenya with the overall rate being 78.16%.She also found out that listed companies have a higher level of adherence than unlisted; firms audited by large audit firms have a higher level of adherence than those audited by small audit firms; that there is a difference in the extent of adherence by various industries; And that there are no differences in the extent of adherence by firms having a turnover of ksh.100m or more and those with a turnover of less than ksh.100m.

Amwayi (1978) studied the reporting practices of Kenya public companies to find out whether there is a standardized way of financial reporting. He surveyed the published annual reports of 58 Kenya public companies for the fiscal years 1974/75/76.He concluded that although all the surveyed companies presented balance sheet and Profit and loss account, companies were increasingly giving additional financial data. This meant that the two statements alone might not be adequate. Amwayi further observed that there is some standardization in financial reporting as regards general presentation, terminology used, wording, and presentation of audit report.

Wallace (1988) studied Nigerian corporate financial reporting in the light of user- needs and the regulatory framework. He studied 47 profit seeking Nigerian stock exchange listed companies. Wallace developed an index of 168 items. The annual reports of the sampled companies were examined against the index and then weighted. The percentages of disclosure were then calculated for each individual company. He also conducted interviews to determine the weights to attach to each item and also to determine the user needs for various items of information. Wallace concluded that the level of compliance with disclosure requirements was quite low and the importance attached to user needs was also low.

Whereas a number of studies have been conducted on the issue of disclosure, such studies have been on profit making organizations owned by shareholders and at times listed. No research, as per the knowledge of the researcher, has been conducted on disclosure practices by retirement benefits schemes in Kenya. Retirement benefits schemes have special regulators and each country's regulator, apart from those guidelines issued by the International Accounting Standards boards, governs their reporting practices.

CHAPTER THREE

RESEARCH DESIGN

3:10 POPULATION

Registration of retirement benefit schemes in Kenya is mandatory. There are 1500 registered schemes RBA newsletter (Sept, 2001). These are either pension schemes or provident funds Based on structure, the schemes are either defined benefits or defined contributions schemes. One thousand three hundred defined contributions schemes and two hundred defined benefits (200) have already been registered with the Retirements Benefits Authority (RBA Newsletter, Oct, 2001).

3:20 SAMPLE

For the purpose of the study the schemes were grouped into two, based on structure i.e. as defined contribution or defined benefits schemes. Thirty schemes were selected from each of the two groups based on their asset value to make a sample population of sixty. The schemes were then arrange in order of their sizes from the largest to the smallest. The first thirty biggest schemes were then picked. Only the schemes, which had submitted the 2001 annual accounts and reports, were finally taken for the analysis.

Retirement Benefits (transitional) Regulations, 2000, issued compliance guidelines to the RBA Act (1997). It contained amongst other requirements, deadlines for submission to the RBA of annual accounts and reports. Schemes with year ending December 31 had to submit their accounts latest April 30, 2001. The others with year ending June, 30 had to submit their accounts by October 30, 2001 (RBA News, sep.2001). The year 2001 annual accounts and reports were selected because complete compliance to the transitional guidelines had been effected by schemes registered by the commencement date of the RBA Act (1997). Therefore, annual accounts of such schemes would be available.

The biggest scheme had assets worth Ksh. 1.8 billion and the smallest Ksh.0.8 million. The difference may be attributed to the age, number of members and sponsors of the schemes. Three of the bigger schemes in terms of asset value were set up between 1960 and 1969and have more than one sponsor while the smallest scheme had one sponsor and was set up between 1990 and 1999.Assets value was taken as the base for selection of schemes to be included. This is because the issue of accountability was seen as being more critical for bigger schemes than the smaller schemes.

3:30 DATA COLLECTION

Primary data was collected using a self-administered questionnaire. The questionnaires were dropped at the registered offices of the schemes (as per the records at the RBA offices, or the sponsors' offices (where the sponsors house the schemes), or the schemes' administrators' offices. The questionnaires were dropped and picked latter. A follow up was made by personal visits and phone calls after one week. The questionnaires were filled by trustees, schemes' administrators, or designated officials from the human resource departments dealing with retirement benefits. No questionnaire was filled by a CEO for the schemes that have the CEO's.

Secondary data was collected using trust deeds and annual reports and account submitted to RBA Records and information on the names of the biggest schemes in terms of asset value was provided by the RBA.

Sixty questionnaires were distributed to the respondents thirty each for defined benefits and contributions respectively. After elaborate efforts, thirty-nine questionnaires were received at the end of the collection period. This represented a response rate of sixty percent. Karuu received 37% response rate from his survey, which he concluded to be representative. He based his conclusion on the survey conducted by Kithunga who received 32%; Mahinda who received 33%;Lusaka who received 35%; and Nganga who received 36% questionnaires respectively (Karuu, 1992). The sixty percent response rate is generally high and therefore compares favorably with other survey-based studies. This can be attributed to the effort by the researcher on the respondents.

The 39 questionnaires received and analyzed can therefore be taken as representative of the best practices amongst the larger schemes within the retirement benefits industry. As observed earlier, the level and pressure of accountability is more critical with the larger schemes because they have more stakeholders. The distribution and the receipt of the questionnaires was as indicated in table 3:10and3:20.

DISTRIBUTION OF QUETIONNAIRES

TYPE OF SCHEME	GOVERN. RELATED SPONSORS	PRIVATE SECTOR SPONSORS	FOREIGN FIRMS SPONSORS	LOCAL FIRMS SPONSORS
D.CONTRI	7	23	2	28
D.BENEFITS	16	14	8	22
TOTAL	23	37	10	50

TABLE 3:01

DISTRIBUTION OF RECEIVED QUESTIONNAIRES

TYPE OF SCHEME	GOVERN. RELATED SPONSORS	PRIVATE SECT. SPONSORS	FOREIGN FIRMS SPONSORS	LOCAL FIRMS SPONSORS
D.CONTRIBUTION	3(42.8%)	18(78.26%)	1(50%)	23(82.14%)
D.BENEFIT	7(43.75%)	11(78.57%)	2(25%)	13(59.09%)
TOTAL	10(43.47%)	29(78.37%)	3(30%)	36(72%)

TABLE 3:02

The analysis of the received questionnaires reflects a fair representation of the areas/sectors on which the analysis was to be based. There were respondents from government and private sector schemes; foreign and local schemes; and for both the defined contribution and defined benefits schemes. Therefore there were no critical differences between the schemes that responded by filing the questionnaires and those which did not as reflected in the table 3:03.

DISTRIBUTION OF QUESTIONNAIRES NOT RECEIVED

TYPE OF SCHEME	GOVERN. RELATED SPONSORS	PRIVATE SECT. SPONSORS	FOREIGN FIRMS SPONSORS	LOCAL FIRMS SPONSORS
D.CONTRIBUTION	4(57%)	5(21%)	1(50%)	5(17%)
D.BENEFIT	8(50%)	3(21%)	6(75%	9(40%)
TOTAL	13(56%)	8(21%)	7(70%)	14(28%)

TABLE 3:03

Amongst the regrets two were from sponsors of the schemes on account of their inability to participate in the project due to confidentiality of the information required. These two sponsors responded to the request for the data despite the fact that they were not the respondents. This was an indication that some of the sponsors are still firmly in control of the schemes. Three government related schemes and two private schemes refused to have an audience with researcher. In ten cases the researcher was asked to come back the week that followed, and because the project was timed, the researcher could not collect those questionnaires.

It was observed during the data collection exercise that where the RBA act (1997) provides that the schemes be established as independent entities from the sponsors, this is not the case on a number of areas. Only three of the schemes surveyed run their activities within their own premises. The rest of the schemes are still housed by their sponsors and to access information from them required the express permission from the sponsors through their CEO's. Therefore getting information involved a lot of bureaucracy.

3.40 DATA ANALYSIS

Data was analyzed in two dimensions. One, establishment and appointment, reporting and communication practices were identified and two, the levels of accountability of the schemes were established using the designed accountability index. Three dimensions were taken as critical on the issue of accountability. These were appointment and establishment of BOT Practices, quality of annual accounts and reports, and communication between the stakeholders (herein taken as members of the schemes and the BOT). A number of indicators were scored, weighted and then an overall score taken for each scheme. A scheme's level of accountability was based on the overall scores for the three dimensions.

3.41 ESTABLISHMENT AND APPOINTMENT

The indicators (refer to checklist attached in the appendix IV) were given a score ranging from zero (0) to five (5) for presence or absence of certain practices. Ten (10) items were given scores for a maximum score of50/50 for each scheme. The scores were converted into percentage. The indicators enabled the evaluation of a scheme's establishment and appointment practices. That is, how democratic elections of trustees, appointment of CEO and chairperson of the BOT were made; the separation of power to ensure checks and control through establishment of relevant committees; clear terms of appointment and removal of trustee; established qualification and fairness in the incorporation of the members' representatives.

3:42 ANNUAL ACCOUNTS AND REPORTS

This dimension was divided into three; timeliness, disclosure, and audit opinion. Each of these indicators was given a score that was then converted into percentage. The percentages were then weighted based on 0.3333 for timeliness, disclosure, and audit opinion respectively.

The disclosure score for a scheme was taken as the aggregate of all the scores.

$$D \sum aj$$

$$J = 1$$

Where a = 1 if item j disclosed

Where D= is the disclosure score

Where a = 0 if item j is not disclosed. The total maximum possible score being 30/30.

The items selected for the checklist were those enumerated by the RBA Act (2000) and the International Accounting Standards number 26. The first twenty items are from RBA Act (2000) appendix S and the next ten from the International Accounting standard number 26.The last five items are voluntary disclosure items. Some schemes run guaranteed funds with insurance companies and therefore do not have a number of items to disclose. A percentage was calculated as the number of item disclosed divided by the number of items that should have been disclosed multiplied by 100. This was then weighted by 0.3.

Timeliness was scored based on annual accounts and report and the interim reports. That is, how fast these reports are released to members the methods used and the frequency of the reports (whether there are interim reports). The schemes submit their interim and annual accounts to RBA, who upon receipt date stamp them. It was assumed that the time the accounts and reports are received by the RBA is the same time the members also receive theirs. Scores on account of the timeliness of the annual accounts and reports were six points if within one month after the end of the financial period; five, if within two months; four if within three months; up to one point if within six months, which is the maximum limit set by the RBA. Any scheme that submitted its report more than six months after the end of its financial period scored zero. The frequency of the interim reports, the methods of availing the reports to the members were each given a score of a minimum score of zero to maximum score of five leading to an overall maximum possible score of sixteen (16). The score for each scheme was converted to a percentage and then weighted down by 0.333.

Audit opinion was given a score of four (4) for unqualified audit opinion, except for a score of three (3) to a minimum score of one (1) for an adverse opinion. The score was converted to a percentage and weighted down by 0.33.The three weighted scores for disclosure, timeliness, and audit opinion were then added together to form a basis for evaluating the quality of annual accounts and reports based on the weighted percentage.

3:43 COMMUNICATION

The indicators were assigned a score from zero (0) for absence to five (5) for presence. The overall maximum score possible being100. The score taken for each scheme was then weighted down by 0.333. The scoring for these indicators enabled evaluation on how effective communication structures are. The channels and structures of communication being efficient and effective in the presence of access to relevant records and information, participation in deliberations of the scheme, and through the establishment and operations of evaluation and complaint committees.

3:50 OVERALL RATING

An overall evaluation was then carried out on the practices of the schemes in terms of establishment and representation, reporting and communication. The analysis was based on the type of the scheme, foreign versus local, public versus private. On quality of annual reports, the scores were analyzed to identify their distribution and any significant differences in terms of ownership type and membership. On disclosure analysis of items disclosed and not disclosed were made. Audit opinion was also analyzed on the above base to determine whether the types of audit opinions have any relationships with types of schemes, ownership and domicile of the sponsors.

On the accountability, the three weighted down scores for the three dimensions were added together for an overall accountability score. Grades were given, A for an overall weighted score of between 80% - 100% considered to be very accountable schemes; between 50% and 79% considered averaged and below 50% for those considered to be poor with low levels of accountability. An analysis was then made on the basis of structure, ownership local versus foreign, and public versus private. The information extracted from the questionnaire and the trust deeds was then used to with the accountability checklist (see appendix IV) to identify presence or absence of accountability practices.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4:10 DEMOGRAPHICS ANALYSIS

Thirty-nine questionnaires were analyzed. Out of these, three were schemes of foreign companies (subsidiaries of multinationals) and thirty-six were schemes of local firms. Schemes of parastatal or government related organizations were ten. Defined benefits schemes were fifteen and defined contributions twenty-four. The schemes have a minimum of three trustees (15.38% of the schemes) and thirteen trustees (5.12%of the schemes). Nineteen (48.71%) schemes have between four to six trustees. The two schemes with thirteen trustees are schemes of government related institutions. The mean number of trustees being 6.102 with a standard deviation of 2.66773.

4:20 ESTABLISHMENT AND APPOINTMENTS

Establishment and appointment entails the process of putting in place a board of trustees, the appointment of chief officers of the schemes and any other committees and organs needed to run a scheme. The schemes upon establishment of the board delegate the duty of administering/ running the schemes activities to an outside party, an administrator. Others set up their own in house structures and through the sponsors input in terms of resources, administer the schemes themselves.

4:21 APPOINTMENT OF MEMBERS INTO THE BOT

It is a statutory requirement that members of scheme be represented into the BOT.This would ensure the maintenance of the members' interests and allowing the members' insight in the running of the schemes. The method used to induct the members' representatives on the BOT can be taken as a reflection on how open and democratic a scheme is. In this basis those schemes which conduct elections for members' representatives are more democratic and thus accountable.

On having the members on the board, four methods are used by the schemes. The members' representative may be appointed by the sponsor, elected by the members, nominated by members (without any elections), nominated by employee organizations e.g. trade unions.

MEMBERS APPOINTMENT INTO BOT

	METHOD OF APPOINTMENT	FREQUENCY	PERCENT
1	Selected/Appointed by sponsor	3	7%
2	Elected by members	18	46%
3	Nominated by members	1	13%
4	Nominated by members organization	16	41%
5	A combination of 1,2 and 3 above	1	3%
	Total	39	100%

Table 4:01

A further analysis of the schemes indicate that all the three schemes of the foreign firms use elections to induct members' representatives into the BOT.The schemes of local firms employ all the methods. Schemes of fifteen (38.46%) local firms conduct elections, sixteen (44.44%) use members' organizations to nominate members representatives into the board and one (2.77%) uses more than one method. The three schemes whose sponsors appoint the trustees are schemes of government related institutions. On this count alone it can be said that schemes of government related institutions seem to be relatively more autocratic while schemes of foreign firms seems to be relatively more democratic.

Five schemes of government related institutions use elections; one use nomination by members (no election process) and one employ more than one method. On the other hand, 44.82% of the schemes of private firms use election (thirteen schemes use this method) and55.17% use nomination through employee organizations like trade unions (sixteen schemes use this arrangement). On the basis of structure, defined benefits schemes employ three methods to induct the members' representative on the board of trustees. Thirteen (86.66%) conduct elections, one (6.66%) scheme use nomination by members' organization, and another scheme 6.666%the sponsor makes the appointment. Defined contributions use four methods; appointment by sponsor used by 8.33%of the schemes, elections used by 20.833% of the schemes, nominations by employee organization used by 66.666% of the schemes or a combination of the three used by 4.1666%.

MEMBERS REPRESENTATIVES INDUCTION TO BOT

	GOVERN. RELATED SPONSORS	PRIVATE SECTOR SPONSORS	FOREIGN FIRMS SPONSORS	LOCAL FIRMS SPONSORS	DEFINED BENEFITS SCHEMES	DEFINED CONTRIB SCHEMES	TOTAL
SELECTED BY SPPONSOR	3	-	-	3	1	2	3
ELECTED BY MEMBERS	5	13	3	15	13	5	18
NOMINATED BY MEMBERS	1	-	-	1	1	-	1
NOMINATED BY MEMBERS' ORG.	-	16	-	16	-	16	16
COMBINATION OF THE ABOVE	1	-	-	1	-	1	1
TOTAL	10	29	3	36	15	24	39

Table 4: 02

4:22 SUPERVISION OF MEMBERS' ELECTIONS.

The elections of the members' representative should be free and fair. This would only be so where the members are allowed to conduct the elections without the sponsors' influence. The sponsors' may be deemed to be minimum or absent where the members themselves or an independent outside organization supervise the election.

As identified in table 4:20 above, eighteen schemes conduct elections for members' representatives. The sponsors, members' organizations, and independent outside organization supervise the elections of the members' representatives. Either the sponsor of the schemes or members' organizations supervises the elections of members' representatives in schemes of local firms. Within the schemes of local firms, the sponsors supervise 20% of the schemes' elections with 80% being supervised by members' organizations. The sponsors supervise elections in three local firms while the members' organizations supervise elections in twelve of the local firms. On the side of foreign firms, only members' organization and independent outside organizations oversees the election. Defined benefits schemes employ the services of the sponsors, members and independent outside organizations in conducting members' representatives' elections.

WHO CONDUCTS ELECTIONS

WHO CONDUCTS ELECTIONS	FOREIGN FIRM SPON.	LOCAL SECTOR SPONSORS	PRIVATE SSECTOR SPONSORS	GOVERN. RELATED SPONSORS	DEFINED BENEFITS SCHEMES	DEFINED CONTRIB SCHEMES	TOTAL
Sponsor	-	3	-	3	2	1	3
Members Organization	2	12	12	2	10	4	14
Independent outside org.	1	-	1	-	1	-	1
TOTAL	3	15	13	5	13	5	18

Table 4.03

While it is a statutory requirement that members are represented in the BOT, it is critically important that those appointed into the BOT are able to fully participate and add value to the BOT performance. This can be so if those appointed into the boards understands or are ready to learn the intricacies associated with the management of retirement benefits schemes. Further it requires the understanding of the constituents re presented and the sponsor. There is need therefore to set some minimum qualifications for one to be appointed as a trustee.

The schemes have set up these minimum requirements. The schemes consider four factors namely; education, relevant experience (in areas like management, insurance pensions, investments) independence from the sponsor or members, and years of service within the sponsors' organization. All the schemes consider education, years of service and managerial position within the sponsors' organization. Only one scheme, of a foreign firm, considers independence from the sponsor and members .The scheme have in its board outside party possibly to bring neutrality and experience.

4:23 BOT SIZES AND STRUCTURE

The RBA Act (1997) is silent on the issue of the composition of the BOT but specific on the members' representation (at least a third of the BOT number). It would be reflection of how the schemes interpret this requirement and see how many schemes offer more than the statutory number to the members' representatives. Where the number of representatives from both the sponsor and the members is fifty- fifty, such schemes would be considered as highly democratic and likely to be accountable.

On the representation observed in previous part of the analysis, members must be on the board of trustees with at least a third of the total board composition. The composition of the board varies from three to thirteen. The smallest boards are those made up of three trustees. The schemes vary in the composition of the board as reflected in the table 4.40 below.

DISTRIBUTION OF BOT MEMBERS IN NUMBERS

Number of trustees	Frequency	Percent
3	6	15.3%
4	6	15.3%
5	8	20.7%
6	5	13%
7	6	15.3 %
9	2	5.1%
10	4	10.2%
13	2	5.1%
TOTAL	39	100%

Table 4.04

Members' representatives vary from one to four. The members' representation and the composition of the board indicated that two firms have retirees slot on the BOT. The two firms with retirees represented on the board of trustees are schemes of foreign firms and are defined benefits schemes.

While there is need to inject into the boards relevant experience and independence, only one firm has in its board an independent trustee. The firm is a subsidiary of a multinational corporation and is a defined benefits scheme. This might be an indication of the schemes introduction of practices may induce trustees to ensure that they remain on the board their performance not withstanding. The analysis of the schemes showed the following in so far as term of office is concerned.

TERMS TRUSTEES SERVE

NO. OF TERMS	FOREIGN FIRMS SPONSORS	LOCAL FIRMS SPONSORS	PRIVATE SSECTOR SPONSORS	GOVERN. RELATED SPONSORS	DEFINED BENEFITS SCHEMES	DEFINED CONTRIB SCHEMES	TOTAL
1	3	23	20	6	12	14	26
2	-	10	9	1	2	8	10
No limit	-	3	-	3	1	2	3
TOATL	3	36	28	10	15	24	39

Table 4:05

The other two thirds of the BOT represent the sponsor. The interests of the sponsor as a critical stakeholder need to be taken great care of. It explains the reason as to why the sponsor is represented by very senior officers of the sponsors' organization.

The sponsors are appropriately represented by their CEO's (31% of the schemes), human resource managers (41%), heads of finance (26%), and a member of the board of directors (2%). This may ensure that the position of the sponsor as far as the activities of the schemes are concerned, is properly protected. On the other hand, it brings into question the freedom of participation of the other junior employees representing their kin in the board.

of the sponsors' parent companies in other countries. All the schemes have representation of both the sponsors and members on the basis of two thirds and a third respectively. That is, no scheme has provided representation above or below what is prescribed by the RBA Act (1997).

4:24 REMOVAL AND TENURE OF OFFICE FOR TRUSTEES

Ensuring their mode of appointment as well as removal may enhance the performance of the trustees. The removal should be to ensure continuity through appointment of new trustees and discouraging establishment of permanent representation. It would also curtail perpetuation of inefficiency in the BOT.

The tenure and number of terms of the trustees are entrenched in the trust deeds. Apart from removal due to occurrence of any of the events outlined in the RBA act (1997), there are four bases for trustees' removal. Trustees can either resign or may leave office upon expiry of their term as trustees. There is only one scheme where the sponsor may remove a trustee. This is a scheme of a government related institution. The trustees who can be removed by the sponsors are those appointed to represent the sponsor and are employees within the sponsors' organizations. The trustees appointed by the sponsor may be removed by the sponsor upon retirement or resignation from the sponsors' organization.

The schemes have also set in their trust deeds term limit for trustees. Thirty-six (92%) schemes have restricted the number of terms to one (renewable once). This is a good practice as it ensures that inefficiency is not perpetuated in the boards and that new people come into the board with new ideas. Three (8%) schemes have no limit of terms as long as the trustees qualify. Unlimited

SPONSORS' REPRESENTATIVES IN THE BOT

	GOVERN. RELATED SPONSORS	PRIVATE SSECTOR SPONSORS	FOREIGN FIRMS SPONSORS	LOCAL FIRMS SPONSORS	DEFINED BENEFITS SCHEMES	DEFINED CONTRIB SCHEMES	TOTA
CEO	9	3	-	12	2	10	12
HRN	1	15	1	15	9	7	16
Head finance	-	10	1	9	3	7	10
Member of BOD	-	1	1	-	1	-	1
TOTAL	10	29	3	36	15	24	39

Table 4:06

4:25 APPOINTMENT OF THE CHAIRMEN OF BOT

The members of a scheme may be all the employees of the sponsors including the top executives or only the low cadre. Where the members' representatives are drawn from the middle or low level cadre, the appointment of the chairman of the BOT becomes a matter of concern. The performance of the chairperson would be brought to question when the holder of the seat happens to be a middle or low level employee. What would such an employee do before the CEO to whom s/he owes the job? Would such an employee, though the chairperson, overrule the contribution of the CEO?

The RBA guidelines require that the trustees amongst themselves appoint or elect the chairperson. Analyses indicate that the schemes use three ways of appointing the chairperson of the BOT. The sponsor may make the appointment. Schemes using this method constitute 31%. The schemes, which used this method, are likely to be the old schemes that transferred their activities without effecting the change in the position of the chairperson. This method of appointment may result in the sponsor imposing into the board a person who may not perform. It is also a sign of autocracy.

In other cases, the trustees may choose or elect one amongst them to be the chairperson of the BOT. Schemes using this method constitutes 66%. Trustees in this case would ensure that they are given a free hand in the appointment process. The method major drawback is the overriding majority of the sponsors' representatives in the BOT, which may influence whoever is appointed.

A special board of appointments may conduct the appointments, with schemes using such method making the minority of 3%. The use of a special board may ensure that the appointment is based on merit and may reduce the influence of majority representation of the sponsor over the members' representatives.

WHO APPOINTS THE CHAIRMAN OF BOT

WHO APPOINTS THE CHAIPERSON	FREQUENCY	PERCENT
The Sponsor	12	31%
The Trustees amongst themselves	26	66%
A special board of appointment	1	3%
Total	39	100%

Table: 4:07

The sponsor appoints the chairperson in twelve local firms. No schemes of foreign firms use the sponsor to appoint the chairman to the BOT. The schemes of the foreign firms seem to be more open on this account. On the appointment of the chairperson by the trustees amongst themselves, two foreign firms (66.66%) and twenty-four local firms (66.66%) use this method. The sponsor appoints the chairperson in schemes of four private (14%) and eight public (80%) firms. Twenty-four private (83%) and two public (20%) firms use the trustees amongst themselves and only one private firm uses a special board of appointment. On the basis of schemes' structure, one defined benefit scheme (7%) and eleven defined contribution (46%) schemes use the sponsor; thirteen defined benefits (87%) and thirteen defined contributions (54%) schemes use the trustees amongst themselves; and one defined benefits (7%) scheme has a special board of appointment making the appointment.

APPOINTMENT OF CHAIRPERSON OF BOT

APPOINTING BODY	FOEIGN SPONSOR	LOCAL SPONSORS	PIVATE SPONSORS	GOVERN. SPONSORS	D.BENEFITS SCHEMES	D.CONTR. SCHEMES	TOTAL
The sponsor	-	12	4	8	1	11	12
Trustees themselves	2	24	24	2	13	13	26
Special board of appointm'nt	1	-	1	-	1	-	1
TOTAL	3	36	29	10	15	24	39

Table 4:08

The highest appointment score was 32 (66%) and the lowest score 14 (27%). Two schemes scored 32 (66%). The two schemes with the highest establishment and appointment score are schemes of local private firms. Only one scheme had the minimum score of 14 (27%). The scheme is a scheme of a private and local firm. This is an indication that schemes are establishing the boards of trustees as per the guidelines issued by the RBA. It can also be assumed that schemes government related institutions performed averagely due to the fact that they were neither at the bottom nor top.

4:30 QUALITY OF ANNUAL REPORTS

As observed by Kinya (1993) the role of financial reporting is to communicate selected financial information and if the role is not played then financial reporting is non-utilitarian. The quality of the financial reports may be evaluated on three bases namely: disclosure, timeliness of the reports, and audit opinion.

4:31 DISCLOSURE

Whereas firms are expected to go out of their way to disclose as much information about themselves, many firms still do not disclose even the barest minimum expected of them (Kinya, 1993). There is a need to set guidelines as to what is considered to be the minimum required disclosure. Industries like the banking, capital markets have set up their in- house disclosure guidelines. The retirement benefits industry has not been left behind in issuing guidelines as far as disclosure is concerned. Disclosure should be made on issues critical to performances of the trusts not simply minimum standards. Trusts' annual reports and accounts should be compared with best practices within the industry, locally and internationally.

Disclosure by the schemes is guided by RBA Act (1997) appendix S (refer to appendix III) and the International Accounting Standards to which Kenya subscribes. As per the disclosure requirements of appendix S, all the schemes had report by the trustees touching on issues of management and compliance by the schemes and the general effect of the economy in the performance of the schemes. The schemes prepared the fund account, net assets statement, return on investment schedule, and funding policies. The schemes also disclosed the basis of preparation of accounts and accounting policies used.

It is a statutory requirement to prepare a cashflow statement. In essence it is one of the three basic financial statements (the others being balance sheet and income statement). Only thirteen (33.33%) schemes prepared a cashflow statement. Two (66.66%) of the three foreign companies prepared the cashflow while twelve (33.33%) local firms prepared the same. At the same time two (20%) schemes of government related institutions also had the cashflow statement.

It was observed that the schemes do not prepare an analysis of investments in terms of industrial or geographical sector. While all the schemes give an analysis and schedule of investment in shares, schemes do not disclose the companies in which they hold 5% or more of the shares. Also noted is that the schemes do not base their performance on any indicators e.g. NSE index, to enable an evaluation and comparison of their performance. And if they have any basis for evaluating their performance, then this is not disclosed within the financial reports. The schemes that have guaranteed with insurance companies do not disclose at all the rates of return on the guaranteed funds. The schemes made no other disclosures apart form those required by the RBA.

The disclosure score varied from scheme to scheme. The highest score was 83.33% (25/30) weighted to 27.75 scored by a scheme of a foreign firm, which also turned out to be a defined benefits scheme. The lowest score was 40% (12/30) weighted to13.3Which were scored bytwo schemes both of which were of local firms and one of them a scheme of a public sector organization. The mean score for disclosure being 60% (18/30) weighted to 19.98 with a standard deviation of 4.526.This is relatively an above average performance by the schemes. It is an indication that the schemes are doing well as far as disclosure is concerned. The distributions of the disclosure score were as per the table below.

DISCLOSURE SCORE

DISCLOSURE SCORE	FOREIGN SPONS	LOCAL SPONS	PRIVATE SECTOR	GOV. SECTOR	D.BEN. SCHE	D.CONT. SCHE	TOTAL
0-49	-	13	12	1	3	10	13
50-79	2	23	16	9	11	14	25
80-100	1	-	1	-	1	-	1
TOTAL	3	36	29	10	15	24	39

TABLE 4:09

4:32 TIMELINESS

The RBA has set a time limit within which the schemes are to submit both their interim and annual accounts and reports. Annual accounts must be submitted within six months after the end of the financial year of each scheme. There is a penalty for late submission of accounts.

The earliest the schemes submitted their reports was within four (4) months. The latest was after eight months. Only one scheme submitted its report after eight months. The scheme is a scheme of a public (government) related institution with three trustees. The average time for submissions of reports being 4.84 months with a standard deviation of 1.11909.This is fairly fast as it falls within the statutory limit of six months set by RBA.

The average submission time of annual reports of companies surveyed by Abayo was 8 months (Abayo, 1992). This is an indication that schemes in Kenya submit their reports earlier than companies in Tanzania (Taken the time when Abayo conducted the study a number of improvements might have been made by the companies in Tanzania).

4:33 AUDIT OPINION

The use of the annual reports and accounts is solidified through the auditor who has to give an audit opinion. This would only be so if the users of this information have complete confidence in the independence and integrity of the auditors (President's speech, Whitehouse 2002).

Management is judged through the reports it presents to the stakeholders. Management have the duty to judiciously use the resources under their care and to give a report thereafter. Managers are assumed to be acting rationally, seeking to maximise their person wealth. On the other hand, they are responsible for the selection of the accounting procedures used in preparing financial reports (Bloom et al, 1987). In this situation, there is a potential conflict of interest. Therefore, there is need for an auditor to serve as an independent check on management presentations and to provide advice and guidance to management in matters of financial reporting. Critically important too, is to add credibility and usefulness of the financial information by affirming that the statement are a fair representation of the operating activities of the firm and have been prepared in accordance with GAAP (Millichamp, 1996).

The audit opinion is a reflection on how well the report and accounts have been prepared in conformity to Generally Accepted Accounting Standards (GAAP). It is a third party opinion on whether one should rely on the reports or not.

All the schemes except two had unqualified audit opinion. One scheme had an except for audit opinion and another scheme had an adverse audit opinion. The scheme with the adverse audit opinion is a defined contribution scheme and a scheme of a government institution. The average audit opinion score being (100%). This is an indication of high performance in terms of preparation and presentation of annual accounts and reports. This is therefore a satisfactory performance in terms of preparation and presentation of annual accounts and reports.

The study conducted by Abayo reported a satisfactory audit opinion (Abayo, 1992). A point worth noting are the cases of Enron and worldcom where all along the audit opinion had been unqualified but later on the companies went under. Therefore the audit opinion though satisfactory is not an indication that all is well.

4:40 COMMUNICATION

Pension contracts are long-term contracts in which the benefits of the members accrue over a long period. At the same time, after retirement, members loose contact with the sponsor and ability to agitate for any change is extinguished. Communication becomes very important during the working life of the members. There is need to create awareness amongst members of the type of retirement plans they are in and the status of their individual accounts as well as the whole fund. The members need to be aware of the activities within their scheme and the retirement industry.

The information needs of the members and sponsors can be met by establishing those structures that would enhance close interaction between the scheme and the stakeholders. One method is through the provision of annual general meetings. It has become a statutory requirement for schemes to hold annual general meetings (Finance bill, 2002). Before the finance bill (2002) four (10%) schemes had provision for annual general meetings while two (5%) schemes had a provision for general meetings after four years. Thirty-three (85%) schemes had no provision at all for annual general meetings. Two of the schemes that had provision for general meetings are schemes of local firms while the other two are schemes of subsidiaries of multinationals firms. There are two schemes of government related institutions amongst those schemes that have provision for general meetings.

FREQUENCY FOR GENERAL MEETINGS

Provision for General meeting	Frequency	Percent
Annually	4	10%
After every four years	2	5%
None	33	85%
TOTAL	39	100%

Table 4:10

GENERAL ANALYSIS OF SCHEMES

PROVISION FOR GM	FOREIGN SPONSOR	LOCAL SPONSOR	PRIVATE SECTOR	GOV. SECTOR	D.BENEFITS SCHEMES	D.CONTR. SCHEMES	TOTAL
ANNUALLY	2	2	2	2	3	1	4
AFTER EVERY 4 YRS	1	1	1	1	2	-	2
NONE	-	33	26	7	10	23	33
TOTAL	3	36	10	29	15	24	39

Table 4:11

The meetings are important so long as members are aware of them and what has been transacted in them. Ten (25.5%) schemes publish notice of their meetings in the local dailies (and these may be attributed to the wide spread of the members throughout the country). Twelve (31%) schemes send notices of the meeting to each individual member and trustees (this may be attributed to the fact that the schemes are single sponsored and the members are located within one working area. Sixteen (41%) schemes firms send such notices only to individuals and trustees concerned (or affected by the meetings). One (2.5%) scheme does not display notices for key meetings, as this remains an affair of the trustees amongst themselves. Thirty-eight of the schemes that display notices of the meetings also use their office notice boards to display notices of meetings.

4:42 AGENDA PROPOSAL AND MEETINGS BY MEMBERS'REPRESENTATIVES

Twenty-nine (74%) schemes allow their members to propose agenda for BOT meetings. Ten (25.5%) schemes do not provide for non-BOT members to propose agenda for BOT meetings. Of the schemes that do not allow members to propose agendas, all of them are schemes of local firms, and out of these eight are schemes of public sector organizations.

After meetings, thirty (77%) of the schemes communicate key declarations, decisions and resolutions to the members within six months. This may be at the time they send their audited accounts and reports to the members). Of the thirty schemes that communicate key resolutions within six months, eight (80%) are schemes of public sector organizations and the other twenty two (76%) private sector organization. Five (13%) schemes communicate such information to members within three months, one (2.5%) scheme within one month and three (7.5%)of the schemes within one week. This may be due to the fact that all their members work at the same place and are of single sponsor. One (10%) of the three schemes that send declaration to the members within one week is a scheme of a public sector organization and the other two (66%) are subsidiaries of multinationals organizations.

In thirty schemes (77%), the members' representatives meet the members after every six months; in six (15%) schemes after every four months; in two (5%) schemes in advance of any key meeting; and in one (3%) scheme monthly. All the schemes have set up complaints collection points. Methods used are complaint register used by two (5%) schemes, reports of complaints filled by members representatives used by twelve (31%) schemes; confidential reports / letters to complaints committee / used by three (7.6%) schemes; and suggestion/ complaints box (used by twenty two (56%) schemes. Only four schemes make public list of complaints and their resolutions. Of these four schemes, three are schemes of foreign firms and one a scheme of a local firm, and a scheme of a government related institution. One scheme (2.5%), of a scheme of foreign firm, has benchmarks for dealing with complaints. The other thirty-eight (97.5%) schemes do not have benchmarks for settlement of complaints. The absence of benchmarks for settlement of complaints is an indication of the schemes' lack of attention to the possible shortcomings of its activities.

4:43 COMPLAINTS AND MEMBERS BENEFITS SETTLEMENTS

A complaints mechanism would enable the identification of failings in policies, products, and procedures and should be available to all the stakeholders. The collection investigations and the settlement of complaints is very important way of improving service delivery by the schemes.

The three organs that handle investigation and settlement of complaints are the board of trustees, BOT committees, and public relations officers. The two methods, the BOT and BOT committees, are used by thirty-eight schemes (97.5%),and public relations officers used by only one (2.5%) scheme. The one scheme that uses the public relations officer is a scheme of public sector organization.

The effectiveness and the efficiency of a retirement benefits scheme is reflected on how fast it settles members' benefits. The agony of the members caused by waiting and traveling in pursuit of the benefits is reduced when the schemes pay such benefits promptly.

The duration taken to settle members' benefits by the schemes vary from scheme to scheme. Thirty-two (82.5%) schemes settle members' benefit within thirty days after retirement. Two (5%)

schemes within sixty days; one (2.5%) scheme within ninety days, and four (10%) schemes within one year. These differences may be analyzed as per table 4:12

SETTLEMENT OF MEMBERS' BENEFITS

SETTLEM MEMBERS 'BENEFITS	FOREIGN SPONSOR	LOCAL SPONSOR	PRIVATE SECTOR	GOV. SECTOR	D.BENEFI SCHEMES	D.CONTR. SCHEMES	TOTAL
WITHIN 30 DAYS	3	29	27	5	10	22	32
WITHIN 60 DAYS	-	2	1	1	2	-	2
WITHIN 90 DAYS	-	1	-	1	-	1	1
WITHIN 1 YEAR	-	4	1	3	3	1	4
TOTAL	3	36	29	10	15	24	39

Table 4:12

Communication is enhanced through reports given to the stakeholders. Such reports would add value if the stakeholders are aware of what ought to happen and what happened. What happened need to be reported in relation to what happened to the other industry players and the economy in general. The schemes in reporting their activities and performances need to base them upon some performance indices. All the schemes except one use asset growth, scheme value, and return on investment as their performance measures. They do not disclose in their annual reports any other benchmarks used. One scheme of a foreign firm uses and avails to the members its performance indicators. The indicators used by the scheme are NSE Index, Treasury Bills rates for local investments, and AIG group index, offshore investments uses Morgan and Stanley Index to evaluate their offshore investment performance. The evaluations reports remain for the consumptions of the trustees of the schemes who treat them as confidential reports.

The average communication score was 20 (66.66%). The highest score was 28 (93.33%) and the lowest score 14 (46.66%). Three schemes had the highest score of 28, with one of them being the scheme of a government related institution. One scheme with the highest score was a scheme of a foreign firm. Two schemes had the lowest score of 14 with one of the schemes being a scheme of a government related institution. The distribution of the scores were as per table below

COMMUNICATION SCORE

COMMUNICATION SCORE	FOREIGN SPONSOR	LOCAL SPONSOR	PRIVATE SECTOR	GOV. SECTOR	D.BENEFI SCHEMES	D.CONTR. SCHEMES	TOTAL
10-15	-	2	1	1	2	-	2
16-20	1	24	18	7	8	17	25
21-25	1	8	8	1	3	6	9
26-30	1	2	2	1	1	2	3
TOTAL	3	36	29	10	14	25	39

Table 4:13

4:50 ACCOUNTABILITY

The establishment score, quality of annual reports score and communication score were added to get an overall accountability score for each scheme. The overall accountability score was between 78.25% and 41.625 %. Seven schemes had the highest score of 78.25 and only one scheme had a score of 41.625.

ACCOUNTABILITY SCORES

SCORE	FOREIGN SPONSOR	LOCAL SPONSOR	PRIVATE SECTOR	GOV. SECTOR	D.BENEFITS SCHEMES	D.CONTR. SCHEMES	TOTAL
0-49	0	1	0	1	1	0	1
50-79	2	34	28	9	12	24	36
80-100	1	1	2	0	2	0	2
TOTAL	3	36	29	10	15	24	39

Table 4:14

The average score for the schemes being 69.801 % with a standard deviation of 9.016.

An analysis of the schemes indicated that two schemes had an accountability score of A (over 80%) thirty-six schemes had B (between 50% and 79%) and only one scheme had a C (below 50%).

On the basis of structure, two defined benefits schemes had a score of A (over 50%) twelve had **B** (between 50% and 79%) and one scheme had a C (below %). No defined contribution scheme had a score of **A**, twenty-four had **B** (between 50% and 79%) and there was no scheme with a score of C.

The means based on the type of schemes, defined benefits had a mean score of 2.0667 with standard deviation of 0.4577 and defined contributions schemes had a mean score of 2.0833 with a standard deviation of 0.4082. The overall mean score for the schemes based on ownership being 2.0769 with a standard deviation of 0.4221. On the basis of number of trustee the overall mean being 2.0769 thus the means being the same. The linear regression was as per the table below.

LINEAR REGRESSION ANALYSIS

INDEPENDENT VAR	R	R2	ST. ERROR
TYPE OF SCHEME	0.015	0.000	0.4277
NUMBER OF TRUSTEES	0.170	0.029	0.4215
DOMICILE	0.053	0.003	0.4271

Table 4: 15

It can then be concluded from the above table that the type of scheme, number of trustee, government ownership or whether the sponsor of the scheme is a local or foreign firm cannot determine the accountability score. .

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS.

5:10 SUMMARY OF FINDINGS

The objectives of this study were two. One, to identify establishment and appointment of BOT practices and reporting practices of retirement benefits schemes. And two to determine levels of accountability of trustees of retirement benefits schemes in Kenya.

The regulation of the retirement benefits industry has just began to put in place a number of structures to bring into order this previously unregulated industry. The first step was to register the schemes with the RBA. This entailed a number of things, critical amongst them the registration of an irrevocable trust to manage benefits of the employees. The establishment of such trust called for the appointment of a board of trustees, a third of which must be employee representatives. The sponsors of the schemes have been given the power to determine the number of trustees and who is to be appointed as trustees.

RBA has also issued a guideline on disclosure (Appendix S of the RBA Act 2000) and submission of quarterly and annual accounts and reports. Auditing of the schemes have been made mandatory and must be done by a qualified accountant as per the Accountant Act. In fact, professionalism has been injected in the industry with the introduction of fund manager, custodians and actuaries.

5:11 ESTABLISHMENT AND APPOINTMENT PRACTICES

This study has established that in all the schemes, both the sponsor and members are represented as per the requirement of RBA Act (2000), that is, two thirds and a third for the sponsor and the members respectively. The composition of the BOT albeit is still in favor of the sponsor with the overriding majority. Those who constitute these BOT are appointed on two major basis namely, managerial positions and number of years of service within the sponsor's organization. Education and relevant experience (e.g. in insurance, investment) are other primary factors considered necessary for appointments into the BOT.

Further, the schemes have not appointed any independent trustees, to bring in e.g. expertise, experience, and neutrality to improve the performance of the schemes. The trustees appointed are either the sponsors' or members' representatives from within the sponsors' organizations. And in schemes where members' representatives are elected, the members' organizations and the sponsors supervise the elections.

The smallest BOT is made up of three trustees and the biggest thirteen trustees. Majority of the schemes have limited the terms of the trustees to one term renewable once. The trustees amongst themselves and the sponsors elect the chairpersons of the schemes. The sponsors of the schemes are represented by their senior officers, including their chief executive officers. The circumstances warranting the removal of the trustees, apart from those provided for by the RBA Act (1997) are resignation and retirement.

5:12 QUALITY OF ANNUAL REPORTS

Disclosure levels by the schemes as per the RBA Act appendix S is average whereas voluntary disclosure very low (completely missing in the schemes of local firms). The annual accounts are submitted to RBA and the members within the statutory period (within six months). Majority of the schemes (92%) does not send interim reports to the members. The audited reports and accounts are usually sent to individual members. The audit reports on the average indicate that the preparation and presentations of the accounts conform to the generally accepted accounting standards although additional disclosure as per international accounting standards very low.

5:13 COMMUNICATION

The provision of the Finance Bill (2002) will go along way in enhancing communication between the members and the trustees due to the new statutory provision for annual general meetings. Access to information is a critical element of accountability but the schemes places a lot of restriction on information to both members and non-members. This inhibits stakeholders ability to assess whatever happens within the schemes. The schemes however allegedly pass key declaration, resolutions and decisions to members though late at times.

Complaint collection (registration), investigations, and publication are some of the tools already put in place by the schemes. Though BOT and its committees carry out the investigations, there are no benchmarks for their resolutions and the resolutions are not made public. The members' benefits are allegedly settled within thirty days after retirement.

5:14 ACCOUNTABILITY

The average accountability level is medium (69%). The level of accountability vary from scheme to scheme. It cannot be authoritatively be concluded that accountability is dependent on the number of trustees, type of schemes, or the sponsors of the schemes (e.g. government ownership) or whether the sponsor of the scheme is a local or foreign firm. The level of accountability may be attributed to a scheme's own in house structures.

5:20 RECOMMENDATIONS

Information that is availed to RBA by virtue of its position should be public information. There should be no privacy on some of the documents submitted to RBA. Such a policy would go along way in enhancing transparency. And because the information given to RBA can be verified by any interested party, schemes will ensure that whatever is given to RBA is also availed to the other parties. RBA should lead the campaign by ensuring free access to information that is critically important for the development of the retirement industry.

The RBA should establish some guidelines on issue of the number of trustees to limit arbitrary establishment of the board numbers. Schemes should blend experience and education within the BOT through appointment of independent trustees. This would go along way in putting in neutrality and enhance the performance of the BOT. Qualifications for the BOT appointments should be made, with clear penalties for breach of the guidelines. Members should be educated on the need to make proper representation in to BOT in terms of qualifications. The members be allowed to conduct the process of electing /nominating their representative devoid of sponsors influence.

5:21 ESABLISHMENT AND APPOINTMENT

There should be open and fair appointment of the trustees and the chief officers of the schemes. Schemes should set appointment and recruitment policies for trustees and chief officers. The policies set should be made available to all the stakeholders. Trustees of the schemes should have limited terms of office and such terms should be set by the RBA in collaboration with all the stakeholders. To ensure equitable decision-making, there should be equal representation in the board of trustees between the sponsors and the members of the schemes. The rule of one third should be changed to half –half. Where the board of trustees may be lack the necessary skills or experience schemes should be encouraged to employ the services of outside parties (as trustees)

Independent committees should be set in schemes to ensure, among others, compliance to the RBA Act and other regulations stemming from it. The committee will have the task of determining whether any party has failed to comply with any provision of the RBA act (1997) and to give penalties for any violations. The committee would then inform the stakeholders of the violations and penalties given for the violations. This will lend support to the RBA in enforcing compliance.

5:22 QUALITY OF ANNUAL ACCOUNTS AND REPORTS

There should be timely release of the quarterly reports to the members. Members' statement should be prepared on quarterly basis and annually. The RBA should, on consultation with other stakeholders decide on items that they consider as requiring additional (voluntary disclosure). Where critical issues affect companies in which a scheme holds more than five percent shares, disclosure should be made on the voting pattern of those who represent the scheme in the board. Members should be given quality reports as and when such reports are submitted to RBA.

5:23 COMMUNICATION

Members should be allowed access to documents of their schemes through the establishment of documentation policy. Members should be allowed access to documents like investment schedules and their returns, remuneration of trustees and the chief schemes' officers, list of complaints and their resolutions. Members should be made aware of any key meetings through proper notices.

Any decision, declarations, and resolutions passed in such meetings need to be relayed to the members immediately after such meetings. Members should also be allowed to propose agenda for meetings whenever they feel an issue needs immediate attention.

5:24 GENERAL RECOMMENDATIONS

- The RBA should establish annually some financial performance measure guidelines to be used as benchmarks for schemes in assessing their own efficiency, returns and options. The guidelines may be indices like NSE index, Treasury bills rates, for local investments, and Stanley-Morgan and AIG group indices for offshore investments.
- The RBA should establish in their websites information on those schemes that have submitted their interim and annual accounts and reports. This is to ensure that members are kept informed of compliance by their schemes.
- Members should be allowed to transfer their benefits to other schemes which perform better or whenever they feel their schemes are not giving them a fair return on their contribution.
- Schemes should be encouraged to incorporate at least an independent trustee to infuse into the boards relevant experience and or neutrality.
- Sponsors should be encouraged to form group trusts amongst themselves in order to cut down on costs of running the numerous small schemes.

The schemes as the RBA Act stipulates should be run independent of the sponsors. Whether the sponsor meets the running expenses, schemes should be separated from the day-to-day activities of the sponsors. It occurred during the course of this study that some sponsors run more than one scheme for different classes of employees. In such cases the board of trustees should be separate with different members' representatives.

5:30 CONCLUSION

The establishment and reporting practices of schemes in Kenya are different with each scheme designing its own ways of bringing on board members' representatives. The level of accountability is not dependent on the number of trustees, type of scheme or sponsor of the schemes. The practices vary form scheme to scheme independent of the type of scheme, number of trustees, or sponsor of the schemes.

5.4 LIMITATIONS OF THE STUDY

The time chosen for the study may not have been appropriate. This is because the RBA is just but about to complete its first cycle of compliance with the RBA Act (1997) in as far as schemes are concerned. In essence a number of schemes have not submitted the 2000/2001 annual accounts and reports. This in fact interfered with the sample units necessitating adjustments that would have affected the outcome of the study.

Lack of data and inaccuracy is also a limitation of this study. Majority of the schemes handle very strictly the affairs of the schemes that do not allow outsiders to access basic information. It was critically observed during the course of the study that a number of schemes are still housed by the sponsors. For one to access information from such schemes the whole lot of sponsor's bureaucracy process was to be involved. A number of the schemes actually wrote using official letters of the sponsor that they could not avail such information. In this respect, the regulator RBA was not spared for also falling into this category of secrecy. Only thirty-nine questionnaires were therefore filled out of the issued Some questionnaires were filled by officers of the sponsor designated to handle retirement issues, who at times would not give the information required from them. Accessing CEO and trustees of the schemes was very tasking most of them being unable to complete the questionnaire.

5:5 AREAS FOR FURTHER RESEARCH

Further research may be taken in the following areas;

- To determine factors insurance companies consider in deciding on the rate of returns for guaranteed funds.
- To identify factors schemes consider when selecting fund custodians and managers
- To determine whether members are satisfied with the services rendered by their schemes
- To determine factors that affects performance (returns from investments)
- To determine levels of accountability of the small schemes in terms of asset value
- To establish whether the high number of service providers have any effect on the earnings of schemes.

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APPENDIX 1

QUESTIONAIRE

GENERAL INFORMATION

1. When was the scheme set up……………………………………………

2. Type of scheme (Tick as appropriate)

   (i) Defined Benefits Scheme [ ]

   (ii) Defined Contribution Scheme [ ]

3. Who is/are the scheme's sponsor(s)

   (i) ……………………………………………………………

   (ii) ……………………………………………………………

   (iii) ……………………………………………………………

4. How many members are currently served by the scheme as (Indicate number):-

   (i) Contributors [ ]

   (ii) Retirees [ ]

   (iii) Other beneficiaries (windows, orphans etc) [ ]

(NB .**Member(s)** means a member of a retirement benefits scheme and includes a person entitled to or receiving a benefit under a retirement benefits scheme.

BOT means Board Of Trustees)

SECTION I : APPOINTMENT AND REPRESENTATION

1. Which of the following positions do you have in the schemes?

- Chairman of Board of Trustees (BOT) [ ]
- Chief Executive Officer (CEO) [ ]
- Managing Trustee/Director [ ]
- General Manager [ ]

2. Which of the following organs appoint the chairman of BOT

- The sponsor [ ]
- The trustee amongst themselves [ ]
- The members representatives [ ]
- A special board of appointment [ ]
- The contributors/beneficiaries [ ]

3. Which organ appoints the Chief Executive of the scheme (Tick as appropriate)

- The sponsor(s) [ ]

- The trustees [ ]
- A special board of appointment [ ]
- Members of the scheme [ ]
- Outside contracted recruitment agency [ ]

4. Which of the following committees exist in the schemes BOT? (Tick as appropriate).

- An Executive Committee [ ]
- Audit Committee [ ]
- Investment Committee [ ]
- A Board of Appointment and Remuneration [ ]
- Complaint Committee [ ]

6. How is the employee representatives incorporated into the BOT (Tick any one)

- Selected/appointed by the sponsor [ ]
- Elected by the employees [ ]
- Nominated by employees (No elections) [ ]
- Nominated by employee representative organs [ ]
- Independent nomination committee [ ]

7. Which of the following factors are considered in the process of Selecting/electing/appointing trustees (Tick any)

- Education [ ]

- Relevant experience [ ]
- Independence from sponsor/members [ ]
- Years of service within the sponsor's organization [ ]
- Managerial position within the sponsor's organization [ ]

8. Who conducts election for employee representatives (Tick one)
   - Sponsor/employer [ ]
   - members organization [ ]
   - Independent outside organization [ ]
   - Committee of sponsor and members representatives [ ]
   - Members themselves [ ]

9. What is the distribution of the BOT in terms of (Indicate number in each case)
   - Employer/sponsor representatives [ ]
   - Employees' representatives [ ]
   - Retirees' representatives [ ]
   - Independent trustees [ ]
   - Fund managers and custodian representatives [ ]

10. Under what circumstances are the trustee removed from office (apart from death, health, imprisonment bankruptcy, absenteeism)

(i) ....

(ii) ....

(iii) ....

(iv) ....

11. How many terms are the trustees allowed to serve (Tick only one)

- One term only
- Two terms
- Three terms
- Four terms
- No limit

12. Of the sponsors' representatives in the BOT, indicate the administrative post each holds within the sponsors' organization, if any

POSITION

- (i)..
- (ii)..
- (iii)..

SECTION II: QUALITY OF ANNUAL REPORTS

1. Do you have interim financial reports ? [YES][NO]

If YES, how frequent?

- After every two months [ ]
- After every three months [ ]
- After every four months [ ]
- After every six months [ ]

2. How are the annual accounts and reports of the scheme availed to the Members (Tick as appropriate)?

- Sent to individual contributors [ ]
- Pinned on the public notice boards within the members' work place [ ]
- Pinned on the notice boards within the schemes registered office [ ]
- Published in local daily newspapers? [ ]

3. How long does it take the BOT to send audited annual accounts and reports to members after the end of the financial year (Tick any one)?

- Within one month [ ]
- Within two months [ ]
- Within three months [ ]
- Within four months [ ]
- Within six months [ ]
- Within one year [ ]

4. How many members on average have ever inspected the audited accounts of the scheme since the end of the previous financial period (indicate number) [ ]

SECTION III: COMMUNICA TION

1. Which of the following documents have you expressly allowed your members to access? (Tick as appropriate)

- Minutes of BOT and committee meetings [ ]
- Investment schedules with returns [ ]
- Audited accounts and reports [ ]
- Remuneration schedules of trustees and CEO [ ]
- List of complaints and complaints settled [ ]

2. Which of the following documents do you expressly allow non-

members to access? (Tick as appropriate)

- Trust deed [ ]
- Investment schedule [ ]
- Audited accounts and reports [ ]
- Remuneration schedules of trustees and CEO [ ]
- Remuneration of fund manager and custodian [ ]

3. Do you display notices for meetings to members and trustees? [Yes] [No]

4. How are the notices for key meetings displayed? (Tick as appropriate)

- Published in the local dailies [ ]
- Sent to individual members and trustees [ ]
- Displayed on notice boards within places of work of members [ ]
- Use of notice boards within registered office of the scheme [ ]
- Sent only to individuals/trustees concerned [ ]

5. Are members allowed to propose agenda for BOT meetings? [Yes] [No]

6. Are key decisions; declarations and resolutions passed in BOT meetings relayed to the members [Yes] [No]

7. After how long are key decisions, declarations and resolutions passed in meetings communicated to the members (Tick only one as appropriate)?

- Within one week of the meetings [ ]
- Within a month [ ]
- Within three (3) months [ ]
- Within four(4) months [ ]
- Within six (6) months [ ]

8. How frequent do the members' representatives meet their members (Tick any one)?

- In advance of any key meetings [ ]
- Monthly [ ]
- After every three months [ ]
- After every four months [ ]
- After every six months [ ]
- No meeting [ ]

9. a. Does the scheme have a provision for a general meeting for members?[Yes][No]

b. If yes, how frequent are such meetings to be held? (Tick only one)?

- Annually [ ]
- After every two (2) years [ ]
- After every three (3) years [ ]
- After every four (4) years [ ]
- After every five (5) years [ ]

10. Which of the following methods do you use to get/receive members' complaints?

- A complaints register [ ]
- Reports of complaints filled by members' representatives [ ]
- Confidential reports/letters to complaint committee [ ]
- Suggestion/complaint box [ ]
- Verbally to the Chief Executive Officer [ ]

11. On the average how many complaints have been received by the scheme from its members in the last one-year concerning cases of (indicate number)?

- Miscalculated benefits [ ]
- Underpaid benefits [ ]
- Denied/withheld benefits [ ]
- Use of benefits to recover debts [ ]
- Uncooperative staff of the schemes [ ]
- Undelivered annual reports and statement of benefits [ ]

- Questioned investment decision [ ]
- Denied access to documents [ ]

12. Does the scheme publish list of complaints made by members ? [Yes][No]

13. a. Does the scheme have benchmarks or timetables for dealing with complaints?

[Yes] [No]

b. If YES, are these benchmarks (Tick as appropriate)

- Sent to individual members [ ]
- Displayed on notice boards within members working areas [ ]
- Outlined in the scheme's newsletter [ ]
- Outlined in the scheme's guidelines and regulation [ ]
- Displayed within all the offices of the scheme [ ]

14. Who handles and investigates the complaints (Tick one)?

- A non BOT complaints committee [ ]
- A BOT complaint committee [ ]
- The BOT [ ]
- Chief Executive Officer [ ]
- Public Relations Officer of the scheme [ ]

15. After how long does the scheme settle/pay members benefits (Tick only one)

- Within thirty (30) days after retirement [ ]
- Within sixty (60) day after retirement [ ]
- Within ninety (90) days after retirement [ ]
- Within six months after retirement [ ]
- Within one year after retirement [ ]

16. To whom is the scheme accountable? (List in order of preference any seven critical stakeholders)

- (i)...
- (ii)...
- (iii)...
- (iv)...
- (v)...
- (vi)...
- (vii)...

17.List any five financial performance evaluation benchmarks used by the scheme in evaluating its performance?

- (i)...
- (ii)...

- (iii)………………………………………………………………………………
- (iv)………………………………………………………………………………
- (v)………………………………………………………………………………

18. To whom are the Evaluation Reports sent?

- (i) Members [ ]
- (ii) BOT [ ]
- (iii)CEO and Employees of the scheme [ ]
- (iv)Fund Managers and Custodians [ ]

19 In which areas of the scheme does the evaluation committee conduct its assessment?

- (i) Scheme's overall performance committee [ ]
- (ii) BOT's performance [ ]
- (iii) Committees performance [ ]
- (iv) Individual trustee's performance [ ]
- (v) Fund's Managers/custodians performance [ ]

APPENDIX II

LIST OF SCHEMES IN ORDER OF THEIR ASSETS VALUE

APPENDIX II(a)-DEFINED CONTRIBUTION SCHEMES

Serial No.	NAME
1.	The Kenya Airways Limited Staff Provident Fund
2.	Kenya Tea Development Authority Staff Provident Fund
3.	The Anglican Church of Kenya Staff Provident Fund
4.	BAT Kenya Limited Staff Provident Fund (1991 Fund)
5.	Egerton University Retirement Benefits Scheme
6.	BAT Kenya Limited Staff Provident Fund (Old Fund)
7.	Bamburi Cement Limited Staff Retirement Benefits Scheme
8.	The Finlay African Agency Provident Fund
9.	Brooke Bond (K) Limited Retirement Saving Plan
10.	Magadi Soda Company Provident Fund
11.	Tourism promotion Services Staff Pension Scheme
12.	Aga Khan Health Service , Kenya Staff Pension and Life Assurance
13.	Kenindia Assurance Company Limited Pension Scheme
14.	African Medical & Research Foundation Staff Retirement Benefits Scheme
15.	United Touring Company Staff Retirement Benefits Scheme
16.	The Finlay Kenya Provident Fund
17.	Uchumi Supermarkets Ltd Staff Retirement Benefits Scheme

18.	Caltex Kenya Provident Fund
19.	Kenya Utalii College Staff Pension Scheme
20.	Galsheet Kenya Limited Staff Pension Scheme
21.	Murata Farmers Sacco Staff Retirement Benefits Scheme
22.	Farmer's Choice Staff Retirement Benefits Scheme
23.	Eastern Produce Kenya Staff Retirement Benefit Scheme
24.	American Life Insurance Company (Kenya) Limited Staff Pension Scheme
25.	The Kenya Airways Limited Unregistered Staff Provident Fund
26.	Tetra Pak Limited Staff Pension Scheme (Registered)
27.	NAS Airport Services Staff Provident Fund
28.	Firestone East Africa Limited Staff Retirement Benefits Scheme
[illegible]	[illegible]
30.	ICEA Individual Retirement Benefits Scheme
31.	Citibank Kenya Provident Fund
32.	African Marine Consolidated Provident Fund
33.	Lion of Kenya Ins. Co. Limited Staff Provident Fund
34.	St. Mary's School Staff Provident Fund
35.	Jubilee Insurance Co. Limited Staff Retirement Benefits Scheme
36.	Kenya National Library Service Retirement Benefits Scheme
37.	United States International University Staff Retirement Benefit Scheme
38.	Heritage A.I.I. Insurance Co. Staff Retirement Benefit Scheme
39.	Huduma Staff Provident Fund
40.	Transami (K) Limited Staff Retirement Benefits Scheme

18.	Caltex Kenya Provident Fund
19.	Kenya Utalii College Staff Pension Scheme
20.	Galsheet Kenya Limited Staff Pension Scheme
21.	Murata Farmers Sacco Staff Retirement Benefits Scheme
22.	Farmer's Choice Staff Retirement Benefits Scheme
23.	Eastern Produce Kenya Staff Retirement Benefit Scheme
24.	American Life Insurance Company (Kenya) Limited Staff Pension Scheme
25.	The Kenya Airways Limited Unregistered Staff Provident Fund
26.	Tetra Pak Limited Staff Pension Scheme (Registered)
27.	NAS Airport Services Staff Provident Fund
28.	Firestone East Africa Limited Staff Retirement Benefits Scheme
30.	ICEA Individual Retirement Benefits Scheme
31.	Citibank Kenya Provident Fund
32.	African Marine Consolidated Provident Fund
33.	Lion of Kenya Ins. Co. Limited Staff Provident Fund
34.	St. Mary's School Staff Provident Fund
35.	Jubilee Insurance Co. Limited Staff Retirement Benefits Scheme
36.	Kenya National Library Service Retirement Benefits Scheme
37.	United States International University Staff Retirement Benefit Scheme
38.	Heritage A.I.I. Insurance Co. Staff Retirement Benefit Scheme
39.	Huduma Staff Provident Fund
40.	Transami (K) Limited Staff Retirement Benefits Scheme

41.	Livingstone Registrars Staff Pension Scheme
42.	Colgate Palmolive (EA) Limited Provident Fund
43.	SITA Staff Retirement Benefits Scheme
44.	Ernst & Young Staff Pension Scheme
45.	Williamson Tea Kenya Staff Provident Fund
46.	East African Building Society Retirement Benefits Scheme
47.	Diamond Trust of Kenya Limited Staff Pension and Life Assurance
48.	Gailey & Roberts Staff Pension Scheme
49.	National Council of Churches of Kenya Staff Provident Fund
50.	Aga Khan Educational Service Companies Staff Retirement Benefits Scheme
51.	Air Kenya Aviation Ltd Staff Pension
52.	East African Cables Limited Retirement Benefits Scheme
53.	Veer Investments Group Staff Pension Fund
54.	Abercrombie and Kent Limited Pension Fund
55.	Export Processing Zones Authority Staff Pension Scheme
56.	World Vision Kenya Staff Retirement Benefits Scheme
57.	Social Service League MP Shah Staff Retirement Benefits Scheme
58.	Credit Agricole Indosuez Staff Retirement Benefits Scheme
59.	NCR Kenya Ltd Staff Pension Scheme

60.	Mugama Farmers Co-operative Union Provident Fund

61.	Farmer's Choice Ltd Junior Staff Retirement Benefits Scheme
62.	Presbyterian Church of E.A. Kikuyu Hospital Staff Retirement Scheme
63.	First American Bank of Kenya Limited Staff Provident Fund
64.	ICL (K) Limited Staff Pension & Life Assurance Scheme
65.	Action Aid Kenya Pension Fund
66.	Royal Insurance Company of EA Non-Management Staff Retirement Benefits Scheme
67.	Kenya Tea Packers Limited Staff Retirement Benefits Scheme
68.	Coates brothers EA Staff Pension & Life Assurance Scheme
69.	East African Packaging Industries Limited Staff Retirement Benefits Scheme
70.	National Housing Corporation Staff Provident Fund
71.	Kabage & Mwirigi Unregistered Staff Retirement Benefits Scheme
72.	Southern Credit Banking Corporation Staff Retirement Benefits Scheme
73.	Siginon Freight Limited Staff Pension Fund
74.	Kiambu Dairy & Pyrethrum Farmers Union Provident Fund
75.	Mwalimu Co-operative Savings & Credit Society Staff Pension Fund

76.	Sasini Tea & Coffee Limited Retirement Benefits Scheme
77.	Bank of India Staff Pension Scheme
78.	SCEM Farm Limited Management Staff Retirement Benefits Scheme
79.	Eveready Batteries Kenya Limited Staff Provident Fund
80.	Loreto Institute Staff Pension Scheme

APPENDIX II(b) DEFINED BENEFITS SCHEMES

Serial No.	NAME
1.	Kenya Ports Authority Pension Scheme
2.	Barclays Bank of Kenya Limited Pension Fund
3.	Kenya Local Government Officers Superannuation Scheme
4.	Standard Chartered Kenya Pension Fund
5.	National Bank of Kenya Staff Retirement Benefits Scheme
6.	Kenya Pipeline Ltd Staff Retirement Benefits Scheme
7.	National Social Security Fund Staff Retirement Benefits Scheme
8.	Kenyatta National Hospital Staff Superannuation Scheme
9.	Mobil Oil Kenya Pension Fund

10.	Kenya Post Office Savings Bank Staff Retirement Benefits Scheme
11.	Brooke Bond (K) Limited Staff Pension Scheme
12.	Kenya Agricultural Research Institute Staff Retirement Benefits Scheme
13.	East African Breweries Limited Management Staff Pension Fund and Life Insurance Scheme
14.	Kenya Airports Authority Staff Retirement Benefits Scheme
15.	Mumias Sugar Company Ltd Staff Retirement Benefits Scheme
16.	Nation Media Group Staff Retirement Benefits Scheme
17.	Delmonte Staff Retirement Benefits Scheme
18.	CMC Holdings Ltd Staff Retirement Benefits Scheme (No. 4)
19.	Kenya Forestry Research Institute Staff Retirement Benefits Scheme
20.	Kenya Broadcasting Corporation Staff Retirement Benefits Scheme
21.	Caltex Oil (K) Ltd Staff Retirement Benefits Scheme
22.	Stanbic Bank Limited Staff Pension and Life Assurance Scheme
23.	Carnaudmetalbox Staff Pension and Life Assurance Scheme (1983)
24.	General Motors (K) Ltd Staff Retirement Benefits Scheme
25.	Minet ICDC Insurance Brokers Staff Pension Fund
26.	Kenya Reinsurance Corporation Staff Pension Scheme
27.	Associated Vehicle Assemblers Staff Retirement Benefits Scheme
28.	BOC Kenya Ltd Staff Retirement Benefits Scheme
29.	Eveready Batteries Kenya Limited Staff Pension & Life Assurance Scheme
30.	National Industrial Credit Bank Limited Pension Fund

31.	British American Insurance Co. Limited Staff Pension Plan
32.	First Assurance Company Ltd Staff Retirement Benefits Scheme
33.	National Water Conservation & Pipeline Corporation
34.	Nestle Foods Kenya Limited Staff Pension Scheme
35.	UAP Insurance Pension Fund
36.	Express Kenya Limited Executive Staff Benefits Scheme
37.	Methodist Church in Kenya Superannuation Fund
38.	KASNEB Staff Retirement Benefits Scheme
39.	International House Limited Staff Pension Scheme
40.	Cannon Assurance Limited Staff Pension Scheme
41.	Cadbury (K) Ltd Staff Retirement Benefits Scheme
42.	Kenyan Alliance Insurance Company Limited Staff Retirement Benefits Scheme
43.	Beta Healthcare International Limited Retirement Benefits Scheme
44.	Phoenix of E.A. Assurance Co. (K) Limited Staff Retirement Benefit Scheme
45.	Kisii Bottlers Staff Retirement Benefits Scheme
46.	Commission for Higher Education Staff Retirement Benefits Scheme
47.	Royal Insurance Company Management Staff Retirement Benefits Scheme
48.	Conservation Corporation (K) Limited Retirement Benefits Scheme
49.	Reli Co-op. Savings and Credit Society Limited Staff Retirement Scheme.
50.	Tea Research Foundation Staff Pension Scheme
51.	General Accident Ins. Co. (K) Limited Benefits Scheme for Exec. Staff
52.	Wigglesworth Exporters Limited Retirement Benefits Scheme
53.	Capital Markets Authority Staff Retirement Benefits Scheme

54.	Federation of Kenya Employers Staff Pension & Life Assurance Scheme
55.	C. Dorman Ltd Staff Retirement benefits Scheme
56.	Crown Berger (K) Ltd Staff Retirement Benefits Scheme
57.	General Accident Ins. Co. (K) Limited Retirement Benefits Scheme for Non-management Staff
58.	Mather & Platt Kenya Ltd Staff Retirement Benefits Scheme
59.	Higher Education Loans Board Staff Retirement Benefits Scheme
60.	World Concern Staff Retirement Benefits Scheme
61.	World Wide Fund for Nature Staff Retirement Benefits Scheme
62.	Chemilil Sugar Company Limited Staff Retirement Benefits Scheme
63.	Wrigley Kenya Provident Fund
64.	Corporate Insurance Company Staff Retirement Benefits Scheme

APPENDIX III

DISCLOSURE CHECKLIST
(AS PER APPENDIX "S" OF THE RBA ACT (1997) AND IAS NO.26

1. Fund account
2. Net assets statement
3. Cash flow statement

NOTES TO THE FINANCIAL STATEMENT

4. Basis of preparation
5. Accounting policies
6. Contribution receivable
7. Transfers in
8. Other incomes
9. Benefits payable
10. Payments to and on account of leavers
11. Other payments
12. Administrative expenses
    - Administration and processing
    - Actuarial fees
    - Audit fees
    - Legal fees
    - RBA levy
13. Investment income
14. Investment schedule
15. Investment management expense
    - Fund manager fees
    - Custodian fees
16. Borrowings
17. Current assets and liabilities
18. Scheme fund (define contribution schemes)
19. Actuarial surplus/deficit
20. Description of plan
21. Vesting
22. Plan termination
23. Investments with insurance companies
24. Investments other than with insurance companies
25. Associated and subsidiary company transactions
26. Investment report analysis by:
    - Industrial sector
    - Geographical sector
27. Details of ten or twenty largest investments
28. Investments of more than 51 in shares of a company

VOLUNTARY DISCLOSURE

1. Guaranteed rate of returns
2. Names of directors in companies where schemes hold shares
3. Rate of returns, expected and actual
   - For the retirement benefits industry
   - For the firm
   - For the best performing firm
4. Complete compliance with RBA regulations and act (1997)
5. Any penalty for non-compliance with RBA act (197) and regulations stemming from it.

APPENDIX IV

ACCOUNTABILITY CHECKLIST

A:ESTABLISHMENT AND APPOINTMENT OF BOT

1 **OPEN AND FAIR APPOINTMENT OF TRUSTEES**

- Is the recruitment procedure for the trustees transparent [1] [2] [3]
- Do you make public the qualities and skills that are being sought in a Candidate. [1] [2] [3]
- Are members of BOT allowed to propose candidates [1] [2] [3]
- Do you make public the final list of candidates [1] [2] [3]
- Do you have in your terms for service maximum number of terms for the trustees? [1] [2] [3]

2. **EOUITABLE DECISION TAKING**

Are there formal decision-making and policy formation with:-

- Transparent voting procedures [1] [2] [3]
- Members voting rights distributed on an equitable basis [1] [2] [3]
- No power of veto [1] [2] [3]
- No permanent membership [1] [2] [3]
- Equality of member representation [1] [2] [3]
- Ability to dismiss the BOT / make an effective vote of no confidence. [1] [2] [3]

B: QUALITY OF ACCOUNTS AND REPORTS

3. **DISCLOSURE**

Are disclosures in the accounts and reports conforming to;

- Appendix `S' of the RBA Act 1997 [1] [2] [3]
- IAS [1] [2] [3]

Are there sufficient and appropriate voluntary disclosure [1] [2] [3]

4. **TIMELINESS OF ACCOUNTS AND REPORTS**

Does the scheme prepare and remit to the members timely ;

- Quarterly accounts and reports [1] [2] [3]
- Annual accounts and reports [1] [2] [3]

5. **AUDIT OPINION**
In relation to audited accounts and reports, was the audit opinion;

- Unqualified [1] [2] [3]
- Except for [1] [2] [3]
- Disclaimer [1] [2] [3]
- Adverse [1] [2] [3]

C: COMMUNICATION

6. **DECISION PREPARATION OPEN TO ALL MEMBERS**

In relation to formal decision-making and policy formation/ meetings.

- Are the meetings open to all BOT members or conducted by sub-committees with open appointment procedures. [1] [2] [3]
- Are the agendas for meetings available to all BOT members In adequate time for meetings. [1] [2] [3]
- Are meetings recorded and minutes distributed to all BOT members. [1] [2] [3]

7. **EFFECTIVE COMPLIANCE MECHANISM**

- Have mechanisms been developed and in place to inform All members and stakeholders of decisions taken [1] [2] [3]
- Are there clearly defined sanctions for breaching decisions. [1] [2] [3]
- Are there resources to carry out sanctions [1] [2] [3]
- Do you have an independent committee responsible for determining Whether any party has failed to comply. [1] [2] [3]
- Is the appeal process accessible to all members. [1] [2] [3]

8. **INDEPENDENT EVALUATION PROCESS**

- Have you established and operationalize an independent Evaluation Unit. [1] [2] [3]
- Are there sufficient resources allocated for the Evaluation unit. [1] [2] [3]
- Do you make public evaluation reports? [1] [2] [3]
- Does the BOT produce a report detailing recommendations To be acted upon and any reasons for non compliance On his evaluation report. [1] [2] [3]

9. **EQUITABLE AND EFFECTIVE STAKEHOLDER PARTICIPATION**

- Do you have a clear and open policy on stakeholder participation. [1] [2] [3]]
- Do the stakeholders have the opportunity to be consulted at all stages of the policy – cycle? [1] [2] [3]]
- Are the stakeholders recommendations given formal recognition within decision making process [1] [2] [3]
- Do you ensure than no one stakeholder group (sponsor, contributors, retirees etc) has undue influence the work agenda of the independent evaluation unit. [1] [2] [3]
- Is the evaluation unit allowed and has independent access to stakeholders. [1] [2] [3]
- Do you have a clear procedure for identifying stakeholders? [1] [2] [3]
- Are the stakeholders adequately represented [1] [2] [3]
- Are there enough funds availed to ensure equitable participation of stakeholders (e.g.) elections & meetings.) [1] [2] [3]

10. **INDEPENDENT COMPLAINTS MECHANISM**

- Have you established an independent complaints body? [1] [2] [3]
- Are your policies on investigation procedures transparent? [1] [2] [3]
- Are there defined sanctions for upheld complaints? [1] [2] [3]
- Do make public list of complaints received [1] [2] [3]
- Are sufficient resources allocated for the independent complaints body? [1] [2] [3]
- Do you respond to stakeholders' requests / complaints? [1] [2] [3]

11. **OPEN POLICY-MAKING AND DECISION-MAKING CYCLE**

- Does the organization have a transparent procedure for policy making? [1] [2] [3]
- Are your decisions making process transparent? [1] [2] [3]
- Does the scheme make open publication of agendas and relevant documents in advance of key meetings? [1] [2] [3]
- Are the draft declaration, resolutions and decisions made available to the stakeholders? [1] [2] [3]

12. **ACCESS TO INFORMATION**

- Does the scheme have a clear policy on document classification [1] [2] [3]
- Are the stakeholders allowed access to all documents. (except where there is proven commercial / personal sensitivity. [1] [2] [3]
- Does the scheme use languages that are comprehensible in key documents? [1] [2] [3]