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EXECUTIVE SUMMARY

SUBJECT : TREASURY & BUSINESS RISK SURVEY

BY : CORPORATE RISK MANAGEMENT

CLIENT: : SAFARI PARK HOTEL & CASINO – NAIROBI

DATE : Friday, October 08, 2000



1. TREASURY RISKS

FOCUS	SIGNIFICANT ISSUES	PAGE REF	RECOMMENDATIONS	STATUS / DATE
Fraud and Theft	Front Office	9	- Supervision, training and on-going securing of weak internal control areas at front-office desks to be a risk management priority. - At the time of the CRM survey we requested analysis data on front-office desk and cashier points. As this data was not readily available we recommend front-office and cashier value points to be analysed on a monthly basis in terms of - Value of cash takings; - Value of cash shortfall/(excess); - Number of theft/fraud incidents; - Value of theft/fraud incidents; - Trend risk analysis.	
	Suppliers	10	- Verify the existence of suspicious vendors' post office boxes or residential addresses; - Scrutinise and identify invoices that appear to have been prepared/printed manually; - Identify lack of detail on the face of the invoice. (e.g. absence of phone number, fax number, invoice number, vat registration number, company or close corporation registration number); - Identify out-of-sequence invoice numbers (e.g. if two invoices are received for the same company a month apart, they should not be numbered consecutively); - Identify goods or services invoices outside of Safari Park Hotel' s standard range of procurement; - Look for folded invoices, which usually indicates they were posted in envelopes to the Safari Park Hotel. An unfolded invoice may indicate an inserted, fraudulent invoice into the stack of payables invoices; - Identify prices that seem atypical; - Rotate duties to break the chain of collusion; - Compare actual expenses to budgeted expenses, identify and manage large variances.	
	Blank Cheques	11	The following risk management mitigation actions are recommended which could assist in identifying tampered cheques: - scrutinise for "out-of-sequence" cheques on bank statements; - Keep blank cheques under lock and key and strictly limit access to such stationery. Place a security tape on boxes of blank stationery. In the event of a broken tape. verify the completeness of cheque sequences; - Deface voided and cancelled cheques.	



1. TREASURY RISKS - *Continued*

FOCUS	SIGNIFICANT ISSUES	PAGE REF	RECOMMENDATIONS	STATUS / DATE
Fraud and Theft - <i>Continued</i>	Counterfeit Cheques	11	The following risk management mitigation actions are recommended which could assist in identifying tampered cheques: - Identify for duplicate or "out-of-sequence" cheque numbers on bank statements; - Incorporate security threads, logos and watermarks that are difficult to replicate; - Peruse paid cheques received from the bank and verify standard security features; - Deface paid cheques filed in strongroom or safe. (Do not tear off signatures, rather punch holes through the MICR code line); - Be on the look-out for inferior paper quality used.	
	Forged Signatories	12	The following risk management mitigation actions are recommended which could assist in identifying tampered cheques: - Use a distinctive ink or pen for signing cheques - Periodically verify authorised cheque signatory signatures on cheques prior to mailing - Review transactions just below authorisation limits - Review paid cheques for endorsements	
	Cheque Security	12	- Cheque printing technology is constantly changing where technology must keep up with the innovative methods used by criminals to counteract security procedures. Safari Park Hotel needs to take care in selection of a vendor that keeps abreast of the latest in document security and who can assure that, while no document is foolproof, through application of the correct technology, the risks of cheque forgery and counterfeiting will be considerably reduced. - PAPER: A watermarked paper with full chemical sensitivity should be used.	



1. TREASURY RISKS - *Continued*

FOCUS	SIGNIFICANT ISSUES	PAGE REF	RECOMMENDATIONS	STATUS / DATE
Fraud and Theft - <i>Continued</i>	Skimming & Cash Larceny	14	The following risk management mitigation actions are recommended which could assist in identifying tampered cheques: • Deploy two people to open the mail and to be present at front-office desks, which could assist in reducing skimming and cash larceny; • Require employees to immediately stamp all incoming cheques with a restrictive stamp stating "Not Transferable, 'Safari Park Hotel' Account Only"; • Have the mail opened in a clearly visible area. free of blind spots, with managers or supervisors nearby; • Rotate the mail-opening and front-office cashier duties; • Require all purses and other personal belongings of employees to be stored outside of the mailroom and front-office desks; • Check with banks for accounts with similar company names under which stolen cheques could be deposited.	
Capital at Risk	Mandates, Limits, Environment	15	• A common risk management direction and goal for the development of the Hotel's treasury risk capability; (Investment mandates, optimisation of interest earned; cash on site limitations etc.); • Determination of the level of risk that is normal/abnormal and acceptable to the Hotel along with disciplinary policies (the risk tolerance level, i.e. the normal and abnormal levels of front-office desk theft and pro-active fraud prosecution policies); • Enhancement of the Hotel's earnings potential by allocation of capital to different treasury value points that would improve the risk tolerance level (i.e. or investment into online Point-of-Sale activities). • Ensure an appropriate treasury control environment to protect capital at risk (i.e. high staff turnover ratios of front-office cashiers to be reduced, vacancy of key positions to be filled, etc).	



1. TREASURY RISKS - Continued

FOCUS	SIGNIFICANT ISSUES	PAGE REF	RECOMMENDATIONS	STATUS / DATE
Risk Management	Risk Management Forum	16	- Due to the growing revenue base trend of the Hotel (1997 : 388m; 1998 : 368m; 1999 : 401m) as well as operating within in an increasing complex and risky environment (Country, Political, supplier, employee, legislative, currency, market and credit risks, amongst others), a formal risk management forum/committee along with representation from executive management, is recommended for Safari Park Hotel. - The risk management forum will have the experience, knowledge and authority to understand and manage the risks faced by the Hotel. The forum will define risk management policies (e-mail/internet/cashier management/credit risk management/capital investment policies/cash management/fraud prosecution policy quality of internal control, loss history analysis etc.) in order to promote a common understanding of the Hotel's risks strategy and the inherent risks present within each of the business units (finance, marketing and sales, inventory, human resources, housekeeping, technology etc).	
Market Risks	Capital / Money	17	- Due to the nature of the treasury activity in money and foreign exchange markets and no current activity within the capital market, the treasury value-at-risk model can be simplified to merely illustrate: § sensitivity to market factors for: – type of product (call account, cheque account, foreign exchange fluctuations); – time to maturity; – sensitivity of product to market risk factors, which would typically address a sensitivity analysis in respect of interest rate movements and foreign exchange currency fluctuations; – limit mandate, as well as banking institution placement limits; – utilisation of funds.	
Credit Risk	Debtors	18	In order to achieve on-going effective credit risk management, Safari Park Hotel needs to formulate credit risk policies which will address: – opening and closing of accounts; – cash discounts; – terms of trade; – debt collection, and – functional responsibility.	



1. TREASURY RISKS - Continued

FOCUS	SIGNIFICANT ISSUES	PAGE REF	RECOMMENDATIONS	STATUS / DATE
Liquidity Management	Cash Flow	19	The payment of above abnormal expenditure was primarily funded (admirably well too) through normal operational cashflow surplus, however, the following Risk Management Recommendations are provided for your consideration : • Long term assets (i.e. new PABX switchboard; vehicles; television set upgrades) to be financed via long to medium term finance arrangements and not via operational cash flows. The Hotel overdraft rate is currently 2 digits below the norm (currently 17%) and alternative less expensive longer term financing should be secured. • Creditors payments for food is always settled within 7 days, CRM recommends this period to be extended to 30 days. • Safari Park Hotel to upfront reserve credit card funds and obtain travellers cheque upfront settlement, for hotel accommodation, to become the norm for all guests visiting the Hotel.	



2. BUSINESS CONTINUITY MANAGEMENT RISKS

FOCUS	SIGNIFICANT ISSUES	PAGE REF	RECOMMENDATIONS	STATUS / DATE
Year 2000	Y2K	20	- Due to the on-going vulnerability of uninterrupted power supply due to external parties, CRM recommends Safari Park Hotel's Y2K compliance, in its entirety (all internal hardware and software, all interdependencies/interfaces, critical suppliers point-of-sale application, critical corrective actions etc) to be risk managed i.e. back-up diesel power generators, immediate Y2K project action plan to be formulated; software contractors to be secured etc. - Download Y2K fixes and update critical Microsoft and LOTUS applications (financial spreadsheets) within the Hotel. - In-house Payroll development to be Y2K tested and certified.	
Business Continuity	Management Plans	20	- Sound Business Continuity Management gives definition to and interfaces with various critical continuity responses, inter alia: - Site business continuity and business unit resumption plans; - Emergency plan/s; - Crisis management plan (media handling, press release, printing, etc.); - Data and voice communication; - Increased cost of working insurance exercise; - Disaster Recovery plan (Information Technology only), etc. - Business continuity management furthermore, defines potential and likely business interruption scenarios, i.e. Year 2000 downtime and the Safari Park Hotel response thereto. - No formal Safari Park Hotel business interruption scenario and response planning have been done. - Business Continuity Management to be addressed in an holistic manner for Safari Park Hotel.	
Disaster Recovery	Information Technology	21	An information technology disaster recovery plan should be formalised and tested on a regular basis. The disaster recovery plan would assist the business to continue at least at a predetermined level of activity.	



3. INFORMATION (IT) TECHNOLOGY RISKS

FOCUS	SIGNIFICANT ISSUES	PAGE REF	RECOMMENDATIONS	STATUS / DATE
IT Security	Policy	22	Consideration should be given to establishing an IT system security covering the detection and investigation of violated access attempts to systems. This security function will provide added impetus as technology changes and more security risks are introduced via the Internet, EDI and EFT .	
Usage	Policies and Procedures	22	• Policies and procedures that relate specifically to the Safari Park Hotel IT environment are recommended to be formalised. Policies need to be endorsed by executive management and communicated to all employees. These policies and procedures should cover, inter alia: • Viruses • Pirate software • Access control • Information Security • Incident response plan • Project management standards • Development standards • Change control management standards • Back-up of computer hard drives	
Business Continuity	Skilled Resources	23	Third-party technology contractors to sign a confidentiality agreement disclosure and access of sub-contractors to be restricted/removed from sensitive files.	
Software & Hardware Integrity	Inventory and Standards	23	A detailed inventory of Safari Park Hotel hardware and software needs to be prepared.	
Access Control	Departed Employee	23	Expired user names and passwords should be removed from the system upon termination of employment.	
Communication Standards	WAN / LAN	23	WAN/LAN network performance standards (capacity, speed, downtime, bandwidth requirements) for the Safari Park Hotel environment needs to be considered.	
Operational Security Risk	External Systems, e.g., Internet, etc.	23	Firewall protection (being a device that provides secure access and communications between the Safari Park Hotel network and other public, untrusted networks, i.e. Internet) is recommended.	



4. MARKETING AND SALES

FOCUS	SIGNIFICANT ISSUES	PAGE REF	RECOMMENDATIONS	STATUS / DATE
Internet	Lack of Web Site	25	We recommend Safari Park Hotel website to be formulated and coded as soon as possible. The website would provide information on the Hotel, location, diversity, as well as facilitate on-line booking of accommodation.	

5. INFORMATION MANAGEMENT RISK

FOCUS	SIGNIFICANT ISSUES	PAGE REF	RECOMMENDATIONS	STATUS / DATE
Strategic & Financial Information	Strategic Business Plan and Monthly Financial Management Pack	26	We recommend the strategic business plan and monthly financial management pack to be analysed in terms of the matrix herewith. (SEE REPORT) Gaps in the matrix would imply a weakness in certain levels of information quality and suitability. It is also meaningful to identify that operative information only, directly generates profits. The better the quality of operative information, the better the opportunity to optimise profits.	
Electronic Mail	Usage and Security	27	A Safari Park Hotel e-mail and internet usage policy is recommended.	

6. HUMAN RESOURCES RISK

FOCUS	SIGNIFICANT ISSUES	PAGE REF	RECOMMENDATIONS	STATUS / DATE
Development	Skills & Training	28	The deliverables or key positions need to be analysed to enable an alignment thereof with potential candidates capabilities.	
Job Requirements	Misalignment	28		
Employee Accountability	Responsibility for Own Actions / Low Level Output	28	The potential significance of impact on the income stream and profitability of Safari Park Hotel need to be transferred to all employees on an on-going basis.	
Technology Use	Under-utilisation	28	A technology awareness culture needs to be developed within the Safari Park Hotel environment.	
Personnel Policies	Inadequacy	28	Safari Park Hotel executive needs to review and align personnel policies to Safari Park Hotel business objectives.	
Communication & Delegation	Inadequacy	29	Management and delegation communication structures at all levels within all business units of Safari Park Hotel need to again be revisited.	
Documentation	Not up to Date, Manual	29	Review all areas of Safari Park Hotel key entry and delivery points in terms of potential impact of political risk identified.	