Regional Issues Report

Mini Group / Eleven Degrees Consulting

Project: Dandora 1 June 2025

Region: ['Nairobi']

Date: July 03, 2025

# Executive Summary

This report covers 7 issue(s) reported in the selected region.  
 - High severity: 7 issue(s)  
 - Medium severity: 0 issue(s)  
 - Low severity: 0 issue(s)  
  
Estimated total cost impact: $621,111.00

# Branch: Nairobi

**Start Date:** 2025-06-16

**Branch Manager:** ['Mr. Bethwell Okeyo']

**Operations Manager:** ['Mr. Solomon Kavita']

**Supervisor:** ['James Masinde, Calvin Abuga, Kazungu Charo and Charles Mutua']

## Issue: Debtors Analysis

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| **Issue Title** | Debtors Analysis |
| **Severity** | High |
| **Description** | It was observed that outstanding balance was KES 559,205.68. Further audit noted that the account for Patrick Makau was not reconciling as at 16th of June 2025 |
| **Implication** | The company is exposed to risk of losing its revenue |
| **Cost Impact** | $0.00 |
| **Mgmt Comment 1** |  |
| **Mgmt Comment 2** |  |
| **Recommendation** | A follow up should be made to recover the amounts where an individual customer hasn’t paid and reconciliation for each customer should be checked to ensure they are tallying. |
| **Additional Table** |  |

## Issue: Stock Verification

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| **Issue Title** | Stock Verification |
| **Severity** | High |
| **Description** | Physical stock counted compared to SAP inventory warehouse balances revealed variances as follows; Bread had -64.50 loaves, White Flour had -5.184kg, Utto had +2.93 Litres, Wheat bran had -27.6kg, Polybags had -1473 pieces, while crates had +22 pieces. The rest of the stock items had minimal or zero variances as illustrated below. Item Description UOM SAP Qnty Physical Variance Finished Product Loaves 29,947.50 29,883.00 -64.5 Brown bread ingredients 7kg Bags 48.00 48.00 0.00 White ingredients 9Kgs Bags 292 292 0 White Flour Kgs 49730.184 49725 -5.184 Brown Flour Kgs 9700 9700 0.00 Wheat Bran Kgs 302.5 274.9 -27.60 Yeast - 125gms Sachets 347.099 347 -0.099 Vegetable Oil (Utto) new Kgs 38.07 41 2.93 Polybags Pieces 180,977 179,504 -1473 Crates Pieces 7936 7958 22.00 |
| **Implication** | Variations noted on various stock items is an indication of weak controls. |
| **Cost Impact** | $0.00 |
| **Mgmt Comment 1** |  |
| **Mgmt Comment 2** |  |
| **Recommendation** | Controls should be enhanced on finished products to eliminate variance noted. Branch Manager should always follow up on Wheat bran good issue posting to eliminate variance noted.Accurate records of production polybags should be maintained with daily follow up good issue raised to eliminate variance noted. |
| **Additional Table** |  |

## Issue: Damages Analysis

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| **Issue Title** | Damages Analysis |
| **Severity** | High |
| **Description** | Audit noted that production damages were averaging at 0.33% of the total production and market damages stood at 1.63% of the total sales for the 30 days period as illustrated below; Production Details Value Market Details Value Production Damages 3,579.3 Market Damages - Oven Damages Supermarkets Returns 24,443.5 Total Damages 3,579.25 Total Damages 24,443.50 Production 1,120,082.0 Sales 1,498,860.25 % Damages 0.32% % Damages 1.63% % Variance 0.12% % Variance 0.63% Excess Damages 1,339.09 Excess Damages 9,454.898 Revenue loss @53 70,971.56 Revenue loss @53 501,109.57 Further, Physical verification of damages revealed that there was a variation of -185.97kgs between what was recorded and what was sent to ingredients as illustrated below; Damages Verification Summary Value Opening Damages (17.05.25) 381.89 Damages for the period 10,203.88 Total Damages to be sent 10,585.77 Damages sent to Ingredients 9,725.29 Expected Balance 860.48 Actual Balance Weighed (16.06.25) 674.51 Variance (Kgs) - 185.97 Variance (Loaves) - 464.92 |
| **Implication** | Production and Market damages exceeding the acceptable rates implies that the company forfeited more revenue than what was provided for in provisions. Excess production damages resulted to revenue forfeiture of Kes. 77,168 while excess market damages resulted for revenue forfeiture of Kes. 500,479 |
| **Cost Impact** | $577,647.00 |
| **Mgmt Comment 1** |  |
| **Mgmt Comment 2** |  |
| **Recommendation** | Production procedures should strictly observed to minimize high rate of production damages. Sales team should do proper daily analysis of demand and supply to minimize the high rate of market damages associated with supermarket returns. Maintaining accurate records of damages and accountability to ensure damages recorded equates damages sent to the ingredients. |
| **Additional Table** |  |

## Issue: Bread weights

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| **Issue Title** | Bread weights |
| **Severity** | High |
| **Description** | Bread weights check was as seen below: Variety No. of samples Over weight Correct weight Underweight %Overweight % correct weight % Underweight Overall Average weight Average weight 800 g Butter 74 8 40 26 10.8% 54.1% 35.1% 791.68 400CTW 75 8 62 5 10.7% 82.7% 6.7% 399.32 600 Butter 75 32 36 7 42.7% 48.0% 9.3% 608.27 200 Mini loaf 75 10 32 33 13.3% 42.7% 44.0% 196.09 Bread Weight Chart 70 1 17 52 1.4% 24.3% 74.3% 380.00 |
| **Implication** | Underweights exposes the company to risk of non compliance with the standards weights.Underweights deny the customers value for their money. |
| **Cost Impact** | $0.00 |
| **Mgmt Comment 1** |  |
| **Mgmt Comment 2** |  |
| **Recommendation** | Branch management to ensure correct production procedures are followed to eliminate lapses i.e overcooling, over proofing that will result in underweights bread.Branch to also ensure baking tins are in good condition/ensure tins requisition is done on time. |
| **Additional Table** |  |

## Issue: Supermarket Returns.

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| **Issue Title** | Supermarket Returns. |
| **Severity** | High |
| **Description** | • A review of market damages (supermarket returns) from 24th May to 23rd June 2025, was carried out to determine the causes of the returns.• A detailed summary of all customer supermarket returns is illustrated below, Sum of 400g Conversion Expired Quality Torn Wrappers Chandarana Supermarket Limited 2537.25 107.5 3.75 Cleanshelf Supermarket Limited 1192 32 County Supermarket 127 Kassmatt Supermarket Ltd 368.75 2 Mathai Supermarket Ltd 632.25 9 Muhindi Mweusi Supermarket Ltd 639.75 Naivas Limited 12671.5 2237.25 455.25 Onn The Way Supermarket 324.5 Powerstar Jambo Limited-HO 133.75 Powerstar Kasarani Limited-HO 130.25 Powerstar Kikuyu Limited-HO 109.75 Powerstar Zimmerman Limited-HO 165.75 Grand Total 18905.5 2514.75 459 • Torn Wrappers; mostly reported from Naivas, caused by poor-quality packing papers. Indicates packaging material issues or handling problems• Expired & Short expiry: Majorly from Naivas and County Supermarket and are caused by poor stock rotation and oversupply not aligned with sales demand.• Quality issues mainly from Naivas. Likely due to the use of new tins that may not yet be optimized, leading to product inconsistency. |
| **Implication** | • The branch is incurring increased costs due to product damage resulting from torn wrappers, expired stock and quality-related returns. |
| **Cost Impact** | $0.00 |
| **Mgmt Comment 1** |  |
| **Mgmt Comment 2** |  |
| **Recommendation** | • Sales team should work closely with retail partners to implement First-In, First-Out (FIFO) practices and prevent stock expiry. Supply quantities should be based on actual sales data, not fixed schedules. |
| **Additional Table** |  |

## Issue: Debtors’ analysis.

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| **Issue Title** | Debtors’ analysis. |
| **Severity** | High |
| **Description** | A review of the debtors' balances as of 24th June 2025 was carried out to identify any instances of outstanding debts or unresolved balances by route.• As per this date total pending debt balance from medium to high risk accounts totalled to Ksh 1,764,333.13.• It was observed that most routes had either zero balances or prepaid accounts. However, some clients still had outstanding balances and were not supplied the following day. Additionally, some institutions or clients appear to be dormant. Dormant institutions pose a higher risk, particularly because they do not have any security deposits in place, as detailed in the table below. Client Name Amount (KES) Category Sales Rep Remarks Michael Muli 1,803.00 Dormant Following up Thomas Mutunga M. 1,586.48 Dormant Following up Mambo Musee 12,303.00 Dormant Following up Kanyenyaini Secondary School 217,545.00 Dormant - Institution Following up Loreto Kiambu Girls High School 146,500.00 Dormant - Institution Following up Gatitu Girls Secondary School 4,950.00 Dormant - Institution Following up Gatitu High School 396,505.00 Dormant - Institution Following up Pleasant View School 611,294.00 Dormant - Institution Following up St. Rita Wamwangi High School 233,035.00 Dormant - Institution Following up Paul Nzioki 21,290.75 Secured - Not Supplied Has enough security deposit Samuel Mburu Njeri 6,161.00 Secured - Not Supplied Has enough security deposit Simon Obutu Okenye 946.50 Secured - Not Supplied Has enough security deposit Samuel Mulyungi Musyoka 5,757.00 Secured - Not Supplied Has enough security deposit Catherine Mwaura 81,000.00 Secured - Not Supplied Following up Benedict Mutie Kilonzo 7,924.00 Secured - Not Supplied Has enough security deposit Pius Kioko Mweu 1,185.00 Secured - Not Supplied Has enough security deposit Vincent Mulei 108.00 Secured - Not Supplied Has enough security deposit Francis Ngotho Katua 10,895.40 Secured - Not Supplied Has enough security deposit Joseph Macharia Muriuki 1,740.00 Performing - Not Supplied Following up Rubis Express - Juja 1,804.00 Key Account Pending case resolution |
| **Implication** | • The presence of outstanding balances on several accounts, especially those marked as dormant poses a credit risk to the branch if it remain uncollected for a long time. |
| **Cost Impact** | $0.00 |
| **Mgmt Comment 1** |  |
| **Mgmt Comment 2** |  |
| **Recommendation** | • The sales team should be directed to actively follow up with dormant accounts, potentially proposing payment plans to encourage early settlement, which will help improve collections and ensure uninterrupted bread supply. |
| **Additional Table** |  |

## Issue: Production Efficiency

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| **Issue Title** | Production Efficiency |
| **Severity** | High |
| **Description** | It was noted that production efficiency stood at 3.99 ,excess workers hired were 40 with a cost implication of Kshs.43,464.00 as shown below: Details Totals KPI =A 4.5 Production workers Hired =B 358 Expected production: C=A\*B 1,611.00 Actual Production =D 1,430.00 Actual production efficiency achieved E=D/B 3.99 Production workers who were supposed to be hired F=D/A 318 Extra Production Workers hired G=B-F 40 Cost Incurred for not achieving target (1,086.6\*40) 43,464.00 |
| **Implication** | Production efficiency below the set KPI implies that production workers were not fully utilized 40 extra workers were hired with an extra cost of KES 43,464 |
| **Cost Impact** | $43,464.00 |
| **Mgmt Comment 1** |  |
| **Mgmt Comment 2** |  |
| **Recommendation** | Allocation of workers to be done as per the shift targets to avoid extra costs incured for hiring excess workers. |
| **Additional Table** |  |