

OPERATIONS

MANUAL-PART 2

AMML MICRO-FINANCE BANK

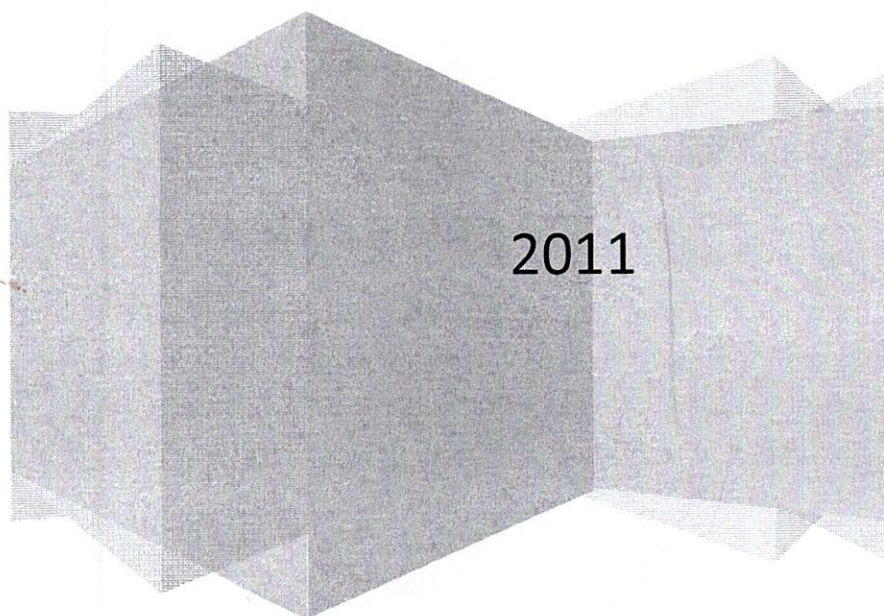


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CHAPTER THREE

SHARED RESOURCES DEPARTMENT

The **SHARED RESOURCES** Department shall be responsible for the personnel management and other ancillary functions within the bank. These functions include the following:

1. Functions of the department

The Shared Resources Department shall be responsible for the personnel management other ancillary functions within the bank.

These functions include the following:

Recruitment

- (i) Maintenance of staff records or personal files
- (ii) Coordinating of staff performance
- (iii) Training
- (iv) Welfare activities
- (v) Purchase of ancillary equipment and consumable required by the bank.
- (vi) Staff discipline
- (vii) Exit activities
- (viii) Rendering serviced to the Board and organizing Annual General Meetings (AGM)
- (ix) Giving of approvals in certain cases.

2. Staff Recruitment

The human resources required by a micro finance bank shall be assessed by the bank's management. It shall be the responsibility of the General Service Department to advertise, organize interview and carry out other activities necessary for the employment of staff as directed by the Manager and/or the Board.

STAFF RECRUITMENT, TRAINING AND PROMOTION

The following policies can be adopted by the Board in this area.

However a comprehensive Human resources policies has been fashioned from bank.

RECRUITMENT

- (a) No Staff shall be recruited, except with the approval of the Board.
- (b) Where a vacancy exists and the management thinks that the position should be filled, a proposal shall be sent to the Board on the matter detailing:-
 - the need for the vacancy to be filled;
 - the qualification and experience of the staff required to fill the vacancy;
 - the likely cost of recruiting the staff; and
 - the envisaged staff's salary.

- (c) The board shall deliberate on the proposal and either give their approval or reject it.
- (d) Where the board approves the recruitment of a particular category of staff, an advert shall be placed in the newspaper and circular sent to various villages that constitute the community.
- (e) Applications shall be sorted out, candidates shortlisted based on minimum academic qualification criterion and invited for an interview.
- (f) The interview shall be conducted by either the staff and management committee or the Board, depending on the category of employees involved.
- (g) Interview for the recruitment of Manager and Heads of Departments shall be conducted by the Board, while that of other workers shall be by management and staff committee.
- (h) The interview shall shortlist a minimum of 3 (three) candidates for each position to the board, with appropriate comments and observations for consideration and final selection.
- (i) Every employment shall not be deemed to have been completed until the candidate provides a reputable guarantor who shall sign an indemnity for and behalf of the candidate to the tune of:

The monetary value of each guarantee is as follow:

N_____ for the manager, credit officer, accountant and cashiers.

N_____ for other Heads of Department and security; and

N_____ for every other staff.

- (j) Each candidate shall be given 2 (two) months within which to provide such a guarantor or forfeit his or her offer.
- (k) The guarantors shall be either persons of means with identifiable landed property or High court Judges resident in Nigeria.
- (l) In recruitment, the Board shall ensure that the minimum qualification for key positions are as follows:-

ACADEMIC QUALIFICATION

Experience, professional training and certification play decisive role in the selection of Bank staff. Academic qualifications required for appointment into various positions shall include the following:

DRIVERS, ANCILLARY AND NON-CLERICAL STAFF

Minimum qualification for an applicant in this category shall be school leaving certificate. Person(s) employed under this position must have evidence of such training by certification. Maximum qualification for the above staff category, which includes the daily contribution field-workers, shall be secondary School Certificate or G.C.E.

CLERICAL STAFF

Minimum education qualification required for this position shall be Senior Secondary Certificate or G.C.E., while maximum qualification shall be ordinary national diploma (O.N.D) or Nigeria Certificate in Education (N.C.E.) obtained in a recognized institution in Nigeria or elsewhere.

SUPERVISORS:

Minimum qualification for this position shall be Higher National Diploma (H.N.D) or University degree from a recognized Polytechnic or University in the country or elsewhere.

MANAGERS:

Minimum of a University degree of H.N.D, professional qualification and not less than five years experience.

STAFF APPOINTMENTS:

Appointment should be effected through a letter of appointment which sets out the details of appointment.

AGE LIMIT FOR EMPLOYMENT

PREPARED BY:



The minimum age requirement for all permanent employment will be 18 (eighteen) years. However, for purpose of retirement, the age limit shall be as determined by the Board.

PROBATIONARY PERIODS AND JOB CONFIRMATION

The probationary period from positions of Supervisor upward shall be six months while those of other staff shall be one year. However, the Board reserves the discretion to recommend an extension of the period for an employee.

DETERMINATION OF APPOINTMENTS:

A summary dismissal awaits any employee found guilty of gross misconduct, in which case no notice is given and all privileges are forfeited. In any other circumstance, employment can only be terminated by either party giving the other, notice as stated below. Note also that salary in lieu of the required period of notice may be paid either party.

Manager	2 months notice
Officer	1 month notice
Supervisors	1 month notice
Others	3 months notice

Accumulated leave in respect of completed calendar months of service may also be incorporated in the notice period.

TRAINING AND DEVELOPMENT

(a) The bank shall avail itself of the available training facilities provided b:

Central Bank of Nigeria
Industrial Training Fund,
Management Consulting firms,
Universities and Polytechnics,
Institute of Bankers
Financial Institutions Training Centre.

(b) The training programmes shall be centered around such core area as;

Periodic and final accounts preparation,
Credit appraisal and lending,
Office and personnel administration,
Fraud detection and control,
Money market instruments and developments in short investment practices,
Budgeting and budgetary control,
Financial institutions development, etc.

(c) The Board shall ensure that training and development programme cuts across all categories of employees to ensure operational efficiency.

(d) At the beginning of each year the management shall draw up a training programme in line with the needs of the bank, and present same to the Board for approval, clearly specifying the cost of each programme and the beneficiaries.

- (e) The Board shall review the proposal, select the programme it considers suitable at each point in the time, and give their approval for same writing.
- (f) The Board shall (if the need arises) invite professionals for in-house training of the employees,
- (g) The Board shall encourage employee to enroll for evening and part-time diploma and Degree programmes in Accountancy, finance and other business studies, provided such programmes are not used as excuse for absenteeism and dereliction of duty.

PROMOTIONS:

- (a) Staff promotion shall be at the discretion of the Board, and shall, in most, but not in all cases, be based on the Manager's recommendations, through heads of Departments.
- (b) All promotion shall be done in writing and shall detail in specific terms the grade, the gross salary, the attendant allowance and commencement date.
- (c) Copies of the letter of promotion shall be made available to the General Service Officer and Accountant for incorporation in the employee's personal files and salaries file.
- (d) Any promotion shall not be deemed valid, unless it is endorsed by the Chairmen, on approval by the Board, or his nominee for the time being.

4.7 Staff Advance and welfare;

INTRODUCTION

- (a) Application for staff loans and Advances shall be given the same treatment as that of the average bank customer seeking the Bank's facility, except that they may not be required to bring collateral. The interest rate shall be at the discretion of the Management and Loans Committees.

(b) However, Salaries, Rent, Training and Development Advances shall be routed through the SSO to the manager.

PROCEDURES

- (i) Application for Salaries, Rent, Training and Development Advances shall be routed through the SSO to the manager. T
- (ii) The SSO shall on receipt of such application check through the records and minute the position of any previous advance granted the staff, together with the application to the Manager. The information will act as a guide to the manager.
- (iii) The Manager shall evaluate such application and, depending on the nature and size of the advance,
 - Approved the request in (if within his authority limit)
 - Recommend action to the Board of Directors; or
 - Reject the request in writing, indicating reasons for the refusal.
- (iv) Where the request is granted, the file is referred back to the SSO for implementation, also for the information of the internal Auditor.
- (v) The Accountant shall ensure that terms of payment are rightly followed, and shall through direct deduction from the staff's monthly salary.
- (vi) Any staff leaving the services of the bank shall be required to refund all outstanding advanced enblock immediately.

Accounting records and reports:

- (a) The Accounting shall maintain the following records on staff advance:-
 - (i) Staff Advance Register showing each category of advance and :
The beneficiary's name,

The amount granted
Repayment period and terms, and
Appropriate remarks.

- (ii) Staff Advance file for each category of advance, properly numbered and filed in chronological order.
- (b) Staff advance shall always be shown separately in any management financial Report and with appropriate schedules.

3. Maintenance of Staff Records

The General Service Department shall also maintain personnel records, for each staff in the bank's employment. The information/ documents to be contained in the personnel file include:

- (a) Name of Staff
- (b) Date of Birth
- (c) Marital status
- (d) Passport Photographs
- (e) Next of kin
- (f) Copy of letter of Employment, and evidence of Acceptance
- (g) Copy of Application for Employment
- (h) Reference Letters
- (i) Copies of Academic Credentials and CVs
- (j) Medical Report
- (k) Records of staff employment activities such as loans, annual and causal leaves, queries, etc

4. Staff Performance Appraisal

Staff should be appraisal by their department heads for purpose of ascertaining performance level. The Shared Services Department co-ordinate the appraisal, which is to be done according to the following procedures.

- Appraisal could be done half yearly or annually
- A standard appraisal form should be designed to ensure uniformity of assessment.
- Appraisal should be discussed and agrees upon with staff.
- At the completion of the appraisal exercise, the completed forms should be forwarded to the Manager for counter signing.
- The Board would review the appraisal with a view to modifying or approving it.

5. Staff welfare Activities

Welfare of staff is important in maintaining high morale of the workforce some of the welfare schemes which should by implemented includes:

- Medical services
- Grant of casual/annual/maternity leaves
- Contributory pension scheme
- Staff loans
- Club membership for management staff.

The Shared Services Department has the responsibility for implementing all the policies on staff welfare.

6. Purchase of Ancillary and consumable items

Ancillary assts and consumables required for the operations of the bank shall be purchased by the Shared Services Department Shared Services

Department upon approval by the Manager, subject to management policy for the processing of such purchases.

7. Staff Discipline

The responsibility of ensuring that discipline is maintained in the bank rests on the Service Department and the Manager. The counselling and discipline of staff shall be co-ordinated by the General Service Officer and, when approved by the manager, disciplinary cases shall be referred to the disciplinary committee and where necessary to the Board.

8. Exit from the Bank

Upon notice of intention to exit from the bank employment, the Administrative Service Department shall organize exit interview and facilitate the payment of entitlement/terminal benefits. The GSM should ensure that all bank's property with the affected staff are surrendered before the payment of entitlements of disengaging staff. Exiting from the employment of the bank may be due to termination, dismissal, removal by the CBN the voluntary resignation.

9. Staff Training

The Bank shall provide regular training to its staff in order to enhance their performance. The following points should be noted in this respect:

- The training programme shall be based on the institutional and individual needs.
- The training programme shall be tailored to reduce the gaps between the job requirements and the employee skills.

- The various training programmes should be drawn for the different category of staff at the beginning of the year and sent to the Board for approval.
- Efforts should be made by the bank to identify cost effective sources of training.
- The bank should design in-house programmes, as well as take advantage of the other relevant course organized by reputable training consultants.
- Staff should write reports after any training session attended.
- Performance on the job should be monitored to ascertain the impact of training on staff.

10. Legal Services/ Company Secretariat

The service to be provided shall include the following:

- Coordinating Board Meeting
- Maintaining Share Register
- Legal Matters.

10.1 Board Meeting and their co-ordination

- At the request of the Chairman, Board of Director, the Administrative Department should circularize notice of meetings.
- Collate all Board Memoranda.
- Arrange logistics for Board Members during meeting.
- Take minutes of meetings.
- Produce the minutes and circulate to members.
- Ensure that all minutes are endorsed by the Chairman and the Secretary.
- Ensure that the amended minutes of the Board meeting are pasted in the minutes book.
- Ensure that the decisions of the Board are made how to the relevant departments for immediate action.
- perform secretarial duties for all Board Committee meetings.

10.2 Maintaining Share Register

- Index all the pages of the share register.
- Enter each shareholder's name in the register.
- Indicate total shares held and the value.
- Show transfers and acquisitions.
- Indicate/delete paid off subscribers.
- Indicate new fluctuations and prices
- Bonus/right issues should be documented.
- Ensure that share certificates are issued for all shares acquired by the shareholders.
- Generate the list of all shareholders at regular intervals.

10.3 Legal Matters

(a) Refer all legal matters to the solicitors, such as:

- Board Resolutions
- Documentations with Corporate Affairs Commission (CAC), such as increase in share capital.
- Fluctuation of shares.
- Changes in Board Composition.

(b) Ensure compliance with the requirement of regulatory authorities.

(c) Keep relevant board documents.

(d) Endorse board minutes and other document and affix official seal.

(e) Maintain register of security and safe custody items.

11. Sundry Recommendations for implementation by the Department

These recommendations are part of the CBN recommendation to Community Banks in the past.

11.1 Recommendation on Minutes Books and Meeting

- (a) The minutes of all meeting should be detailed enough to capture all important issues and decisions taken.
- (b) The Board Meeting should be held by the various Committees constituted by the Board, with the minutes of all such Meetings properly recorded in a standard minute's book, which much also be signed by the Chairman and Secretary of each such Committee.

11.2 Recommendations on Directors of Banks

- (a) Banks Should open a file for each Director and update such files from time to time
- (b) All directors should sign the code of conduct forms.
- (c) Banks should in line with the provision of the guidelines for Community Banks.

11.3 Recommendations on Share Register and Share Certificates

- (a) Banks should always retain the share certificate stubs, as proof of implementation of their own obligation to shareholders.

11.4 Recommendation on the Bank employees and staff welfare

- (a) Banks should always prepare an annual leave roaster and ensure that all staff proceed on leave as and due, to ensure effective internal control.
- (b) Banks should have a stand –by Generating plant/Generator to improve the working conditions of the staff.
- (c) Banks should ensure that only staff with minimum educational requirements are deployed to key positions in the management cadre.

1. Maintenance of Staff Records

The personnel records shall be maintained for each staff in the bank's employment. The information/documents to be contained in the files include:

- a) Name of staff
- b) Date of birth
- c) Marital status
- d) Passport photograph
- e) Next of kin
- f) Copy of Letter of Acceptance of Employment
- g) Reference Letters
- h) Copies of Academic Credentials and CV's
- i) Medical Report
- j) Records of staff employment activities such as staff loans, annual and casual leaves, queries, etc.

I. Staff Welfare Activities

Welfare of staff is important in maintaining high moral of the workforce.

Some of the welfare schemes which could be implemented include:

- Medical services
- Grant of casual/annual/maternity leaves
- Contributory pension scheme
- Staff loans
- Club membership for management staff

II. Purchase of Ancillary and Consumable items

Ancillary assets and consumables required for the operations of the bank shall be purchase by the Shared Services Department upon approval by the Manager.

III. Staff Discipline

The responsibility of ensuring that discipline is maintained in the bank rest on the Shared Services Department and the Manager. The counseling and discipline of staff shall be coordinated by the General Services Officer and when approved by the Manager, disciplinary cases shall be referred to the disciplinary committee and where necessary to the Board.

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- The training programmes shall be tailored to reduce the gaps between the job requirements and the employees skills
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- The bank should design in-house training program as well as take advantage of the other relevant courses organized by reputable training consultants.
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VII. Board Meetings

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- Collate all Board Memoranda.
- Arrange logistics for Board Members during meetings
- Ensure that all minutes are endorsed by the Chairman and the Secretary.

- Ensure that the amended minutes of the Board meetings are pasted in the minutes book.
- Ensure that the decisions of the Board are made known to the relevant departments for immediate action.
- Perform all secretarial duties for all Board Committee meetings.

VIII. Maintaining Share Register

- Index all the pages of the share register
- Enter each shareholder's name in the register
- Indicate total shares held and the value
- Show transfers and acquisitions
- Indicate/delete paid-off subscribers
- Indicate new fluctuations and prices
- Bonus/right issues should be documented
- Ensure that share certificates are issued for all shares acquired by the shareholders
- Generate the list of all shareholders at regular intervals

IX. Legal Matters

Refer all legal matters to the solicitors such as:

- a) Board Resolutions
- b) Documentations with Corporate Affairs Commission (CAC) such as increase in share capital
- c) Fluctuations of shares
- d) Changes in Board Composition
- e) Ensure compliance with the requirements of regularity authorities
- f) Keep relevant board documents

- g) Endorse board minutes and other documents and affix official seal
- h) Maintain register of securities and safe custody items

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CHAPTER FOUR**SYSTEM AND INTERNAL CONTROLS DEPARTMENT****1. INFORMATION TECHNOLOGY (IT)****(a) INTRODUCTION**

Micro Finance Bank are encouraged to acquire appropriate packages to facilitate prompt delivery of their services and ensure data integrity. In recognizing the enormous cost of such acquisition, care must be taken to ensure that the CBN takes the right and suitable decision.

The following steps shall be carried out:

- I. All issues relating to computerization must be extensively discussed, both at management and Board levels with an expert opinion sought.
- II. In view of the capital intensive nature of the acquisition of the packages, due care must be exercised in determining the right package for the bank.
- III. The bank shall determine the areas that need to be computerized.
- IV. The bank shall ensure that programmes developed are in conformity with the requirement of all the regulatory authorities.

(B) OPERATION PROCEDURE

PREPARED BY:



- I. Ensure that all the equipment purchased are recorded in the system assets register, with their location identified.
- II. Ensure that there is a maintenance/service agreement with qualified computer consultant.
- III. Ensure routine servicing of all computers.
- IV. Ensure restricted access to the computer terminal and softwares.
- V. Ensure the provision of smoke detectors, UPS, fire extinguishers, stabilizer and air conditioners.
- VI. Ensure proper arrangement for back-up of data in an off-site library.
- VII. Ensure proper records of movements of the back-up discs, tapes, etc.
- VIII. Ensure that new applications are run in parallel with the manual system for a reasonable period of time before migration to the new system.
- IX. Ensure proper documentation of programmes and changes thereto.
- X. Ensure that all changes to the application system and programmes are authorized and approved by the Board of Directors.
- XI. Ensure that all the operational instructions are obtained.
- XII. Ensure that a register is maintained for errors and irregularities in processing and actions taken documented.
- XIII. Ensure that only valid and authorized transactions are posted.
- XIV. Ensure proper and daily call-over of the posting
- XV. Ensure that there are fire walls and physical security of the system to prevent fraud and unauthorized access.
- XVI. Ensure that passwords are created and restricted to users only.

XVII. Ensure that staff who no longer use the system have their passwords cancelled.

XVIII. Ensure proper training on Information Technology (IT)

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2. INTERNAL AUDIT UNIT

(a) FUNCTIONS OF THE UNIT

Micro Finance Banks are expected to have an internal audit unit that will ensure compliance to laid down rules and regulations, and also ensure the safety of the banks' assets.

The rules and regulation of the Bank however refer, not only to the regulations in the Banks' Articles of Association, but also include management policies established by the Board for the day-to-day running of the Bank, which policies cover all areas of the Banks' operations, e.g. daily routine expenditure, income generation, insurance of the bank's assets, payment of rent and rate, salaries and wages; staff recruitment, training and promotion, granting of loans advances, fixed assets purchase and handling, and so on.

As the eye of the Board, the internal auditor has the duty to ensure that all such management policies designed to regulate the Bank's activities are adhered to, by all the employees of the Bank. Now, for a summary of possible Management Policies which the Bank's Board can adopt in the various areas of the Bank's operations, see paragraph 4 of the chapter. By ensuring compliance with all these rules and regulations, the work of the internal Audit Unit should promote the following benefits:

- (i) Efficient and effective performance of the jobs.
- (ii) Proper and accurate record keeping.

- (iii) Compliance with the requirements of the regulatory authorities.
- (iv) Optimal utilization of bank's assets.
- (v) The reliability of data to management and regulatory authorities.
- (vi) Proper authorization of transactions.
- (vii) Adequate insurance over of the bank's assets.
- (viii) Timely report to the Board Audit Committee.
- (ix) Timely report on the master budget and the department's budget implementation.
- (x) Proper security of bank's assets.

Finally, in addition to ensuring compliance with rules and regulations, it is also the duty of the internal control unit to identify the weaknesses in the internal control system, and to advise the Board on the best control measures.

(b) OPERATIONAL PROCEDURES

The activities of the unit shall include the following:

- (i) Designing a monthly work programme to cover all the aspects of the banks operations.
- (ii) Daily call-over of all transactions.
- (iii) Ensure that necessary corrections are carried out and vouchers properly authenticated.
- (iv) Ensure that documents and other vouchers are batched and secured on daily basis.

- (v) Carry-out occasional cash count and stock taking.
- (vi) Daily observance of dual control measures.
- (vii) Generate report on observed lapses.
- (viii) Discuss audit observation and make appropriate recommendations.
- (ix) Ensure that the observed lapses are corrected.
- (x) Ensure free flow of information to the external auditors and regulatory authorities.
- (xi) Ensure adequate insurance cover of the bank's assets.
- (xii) Ensure compliance with system's access control procedures.
- (xiii) Ensure compliance with system Back-up procedures.

3. **AUDIT COMMITTEE**

Micro Finance Banks are required to constitute audit committees in line with the stipulations of section 359(3) of the Companies and Allied Matters Act (CAMA), 1990, as amended. The members of the committee who will not be entitled to any remuneration shall be constituted by an equal number of directors and representatives of the shareholders, subject to a maximum of six.

The functions of the audit committee shall be as specified in section 359(6)(a) – (f) of CAMA, which states as follows: “Subject to such other additional functions and powers that the company's articles of association may stipulate, the objectives and functions of the audit committee shall be to:-

- (a) Ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices;
- (b) Review the scope and planning of audit requirements;
- (c) Review the findings on management matters in conjunction with the external auditor and departmental responses thereon;
- (d) Keep under review the effectiveness of the company's system of accounting and internal control;
- (e) Make recommendations to the Board in regard to the appointment, removal and remuneration of the external auditors of the company, and
- (f) Authorize the internal auditor to carry out investigations into any activities of the company which may be of interest or concern to the committee".

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POSSIBLE MANAGEMENT POLICIES FOR ADOPTION BY THE BOARD OF DIRECTORS IN VARIOUS AREAS OF THE BANK'S OPERATIONS

4.1 Routine operational expenses

The following policies are being suggested to the Board for adoption in the area of routine daily expenditure control.

Approval and Internal Audit:

- (i) No person, no matter how highly placed in the Bank, shall approve expenses for himself.
- (ii) The list of approving officers shall, in all cases, exclude the Head of the Account Department, since the latter is the Department that has custody of the funds.
- (iii) Routine operational expenses shall not be incurred unless an approval has been given in writing, by any of the Bank's officers with the following authority limits prescribed by the Board:

Manager N _____

SSO N _____

Which approval must be checked by the internal auditor before payment is made by the Accountant. All expenses beyond the above given limits must be authorized by the Chairman of the Bank, or of the Audit Committee, in the absence of the Chairman.

(iv) In checking the approval expenditure, as a prepayment audit aimed at safe-guarding the Bank's Assets, the internal auditor must review the proposed expenditure to satisfy himself on the following:

- That the approved expenditure was initiated and signed by the expected user of the funds, be such user a department within the bank an outsider rendering some services to the bank.
- That the approved expenditure has been inflated.

Note: The Internal Auditor shall have the power to stop any proposed expenditure that fails to meet any of the above three criteria. The only proposed expenditure cannot stop is an expenditure approved by the Chairman himself.

(v) To ensure that the Internal Auditor remains independent while doing his job as the eye of the Board, all expense initiated by the internal Audit Department (as the Expected user of the funds) should be approved by the SSO and checked and counter-signed by the Accountant, before payment is made by the Accounts Department. But this does not mean that the manager cannot also approve such proposed expenditure in the absence of the SSO.

(vi) To ensure also the independence of the Accounts Department as the custodian of the bank's funds, all expenses initiated by the accounts department for the departments' own use, shall be approved by the SSO and checked and counter-signed by the internal Auditor before the Accounts Department takes or spends the money. Again, this does not mean that the manager cannot approve such expenses in the absence of the SSO.

- (vii) To ensure that no person in the Bank ever approves his own expenses, all expenses initiated by the manager for his own use shall be approved in any of the following two ways, before payment is made by the Accountant:
- approval should be given by the SSO and checked and counter-signed by the internal auditor, or also.
 - Approval can be obtained from the chairman, subject of course to the internal Auditor still having to do his prepayment audit as the eye of the Board, after this approval.
- (viii) Maximum operational expense for each month, excluding salaries and wages, must not exceed ₦_____. Any extra operational expenditure above this maximum must be approved by the chairman, or in his absence, the Audit committee chairman, after taking the budgeted expenses for the month into consideration.
- (ix) After incurring an expenditure, third party receipts and invoices (where applicable), evidencing payment, shall be submitted to the internal Auditor who shall vet them and pass them to the Accountant for conclusive action.

Retirement and Records

1. The Accountant, on receiving the vetted documents from the internal Auditor, shall attach them to the payment Vouchers (PVs), together with the document evidencing the approval of the expenditure, i.e. the expense requisition document. In other words, the records to be maintained for operational expense by the Accounts department shall include:-
 - Expense requisition document evidencing approval.

- Third party receipts/invoices
 - Payment vouchers (PVs)
2. Next, the payment Vouchers is now coded and filed away with the said supporting documents.
 3. The payment Vouchers shall be numbered and fielding serial and chronological order, month by month.
 4. Separate payment vouchers shall be maintained for the bank's operational expenses.
 5. Separate files shall be kept for each of the following operational expenses, because of their peculiar nature:
 - Rent & Rates
 - Insurance
 - Electricity
 - Telex & Telephone
 - Stationeries, and
 - Professional fees, etc

In which case, only photocopies of the relevant third party receipts and invoices are to be attached to the Payment Vouchers, after the internal auditor's vetting of these receipts and invoices.

4.2 **FIXED ASSETS**

The following policies are being suggested to the Board for adoption in the area of fixed asset control.

Approval and internal audit: Fixed Asset Acquisitions

- (i) As with routine operational expenses, approvals shall not be given for fixed assets purchase by the accounts Department which keeps custody of the funds.
- (ii) No fixed asset items, i.e. Land, Building, Plant & Machinery, Vehicles, Furniture & Fillings, Office equipments, etc, shall be acquired by the Bank, unless an approval has been given in writing by the relevant authority in the with following approval limits:-
- Board of Directors: Any amount
 - Manager : N_____
 - SSO : N_____
- (iii) Where approval for fixed asset acquisition was given by the Manager or SSO, the approval must be checked by the Internal Auditor before payment is made by the Accountant.
- (iii) In checking the proposed fixed asset expenditure approved by the Manager or SSO, the internal auditor must review the approved expenditure to satisfy himself on the following:
- That there is need by the Bank for the fixed asset.
 - That the approved expenditure was initiated and signed by the expected user of the fund.
 - That the approved expenditure was not inflated.
- Here again, the internal auditor shall have the power to stop any proposed fixed asset expenditure that fails to meet the above criteria.
- (v) To promote the independence of the internal auditor, fixed asset acquisition of the Internal Audit Department, where not material, shall be approved by the SSO and Accountant, before payment is

made by the Accounts Department. But this does not mean that the manager cannot also approve the expenditure in the absence of the SSO.

- (vi) In the same vein, i.e. to promote the independence of the Accounts Department as the Department that has custody of the funds, fixed asset acquisitions of the Department shall, where not material, be approved by SSO and checked by the internal Auditor before the Accounts Department makes payment. But this does not preclude the manager from also giving approval for the proposed expenditure in the absence of the SSO.
- (vii) To ensure that no person in the Bank ever approves a fixed asset expenditure for himself, ie for his own office or Department, all fixed asset expenditure requisitions initiated by the Manager for his own office shall be approved in any of the following two ways before payment is made by the account.
- approval should given by the SSO and checked by the internal auditor, or also.
 - Approval can be obtained from the chairman, subject still to internal auditing before payment is made by the Accounts Department.
- (viii) However, where a proposed fixed asset acquisition involved an expenditure above the authority limits of the manager, or the SSO, the originating or user Department shall, through the Manager or SSO, forward its request for the fixed asset to the Board in writing, explaining the need for the asset and also Board in writing, explaining the need for the asset and also specifying its cost estimate.
- (ix) The Board shall after considering all the factors either:-

- approve the immediate acquisition of the assets;
 - keep the request in view, pending a more opportune time;
 - reject the request; or
 - approve the purchase, subject to the ratification of the shareholders, if the amount involved is beyond their authority limits (if any) in the Articles of Association.
- (x) After securing the approval of the Board, the manager shall direct the General Services Officer to call for, and secure quotations from various suppliers for independent confirmation by the internal Auditor.
- (xi) After the confirmation of quotations by the internal Auditor, the manager shall direct the General Services Officer to procure the Asset from the approved supplier. (NB: On no account should the manager himself be the one to procure the asset or secure quotations from suppliers).
- (xii) On receipt of the asset, the General Services Officer and Accountant shall inspect the asset and the relevant documents (ie invoices, way bill or certificate of completion), for propriety, receive same if they are satisfied, and recommend payment to the Manager.
- (xiii) On receipt of this recommendation, the Manager shall minute it to the Internal Auditor for vetting as the eye of the Board, before final payment is made by the Accountant.
- (xiv) The internal Auditor shall at irregular intervals (but at least once every quarter) conduct a physical inspection of the banks' Fixed assets.

- (xv) Report of the auditor's finding shall be submitted to the management and Board of Directors for their information and follow-up action.

Approval and Internal Audit: Fixed Asset Disposal

- (i) No fixed assets shall be disposed of except with the approval of the Board in writing.
- (ii) The manager shall forward the request for disposal of asset in writing to the Board, giving reasons for the request and attaching the following information on each of such assets:
- Description
 - Date of acquisition
 - Cost
 - Written down value
 - Estimated worth and
 - Location
- (iii) The Board shall then mandate the internal Auditor to inspect the assets and, if they are satisfied with the Auditor's findings shall expressly authorize the manager to advertise the sale of the said assets through the General Services Officer.
- (iv) The assets shall be sold by auction at the Bank's premise to the highest bidder, provided the bid exceeds the minimum set by the Board. However, the minimum price set by the Board shall not be below management's estimates.
- (v) Every successful bid shall be paid for in cash or the Microfinance Bank's cheque, and receipt issued to the purchaser.

- (vi) The record of the sale, together with evidence of the Board's approval, shall be adequately disclosed in the fixed assets register.

Retirements and Records: Fixed Assets Acquisitions

1. The retirement of cash advances for fixed asset acquisitions, after the internal auditor's vetting of the relevant invoices and receipts, shall follow the same pattern for routine operational expenses discussed in paragraph 4(a) of the chapter.
2. Also, as for routine operational expenses, the records to be maintained for fixed assets requisitions by the Accounts Department shall include:
 - The fixed assets requisition document evidencing approval
 - Invoices and receipts (photocopies only)
 - Payment Vouchers
3. In addition to the above records, the following further records shall also be maintained for fixed assets.
 - a file for the original receipts and invoices of each class or category of fixed assets.
 - List of fixed assets located in each room or section of the Bank. With the name of the officer responsible for controlling the use of the asset. This list shall be updated quarterly.

4.3 OPERATION OF BANK ACCOUNTS, INCLUDING WITHDRAWALS THERE FROM

The following management policies are being suggested for adoption in the area of operation of Bank Account by the Bank.

Approval and Internal Audit

- (i) No bank account shall be opened by the bank in other Banks except with the approval of the Board in writing.
- (ii) There shall be four signatories to each Bank Account, with any two of the signatories empowered to sign for withdrawals each time, in accordance with the following pairings as may be necessitated by the withdrawal requirement and circumstances of the Bank:
 - Chairman and of the Manager: No withdrawal limit
 - Chairman and Accountant: No withdrawals limit
 - Manager and Accountant: Withdrawal limited to N
- (iii) Before each withdrawal, i.e. before each signing of any cheque by the relevant two signatories, the Accountant must raise a cheque requisition in duplicate, to be signed by both himself and the manager, stating the purpose of the withdrawal, with one copy of the cheque requisition given to the internal auditor to keep in view for future and its purposes, while the other copy is filed off in the accounts department with the relevant supporting documents.

- (iii) No Bank Account shall be closed without the permission of the Board in writing.

Records

The Account Department shall maintain the following files in respect of each Bank account of the bank.

- (i) Account Opening of the Bank
- (ii) Cheque Requisition file
- (iii) Pay-in slips file
- (iv) Correspondence file
- (v) Bank statements file
- (vi) Bank reconciliation statement file

4.3 Insurance

1. COVERAGE

- (a) In order to minimize the Bank's risk exposure, the bank shall take up insurance policies to cover:-

Cash-in-safe

Cash-in the vault,

Cash-in-transit

Burglary and fire, and

Staff group/personal accident

- (b) The sum assured for cash-in-safe and vault cash shall be determined by the Board on the recommendations of the management. The management shall not allow a situation where the bank should hold more than the sum assured.
- (c) The sum assured for cash-in-transit shall be determined from time to time by the Board. The management shall not allow a situation where the bank will have to transfer more than such sum from the bank to, and from their correspondence banks.
- (d) The sum assured for burglary and fire policy shall be based on 100% of the net book value of fixed assets as at 31st December of the previous year.
- (e) The bank must ensure that they meet of fulfill all the conditions of the insurance Agreement, to forestall forfeiting the rights to claims.

2. CHOICE OF INSURANCE COMPANY

- (a) The choice of insurers shall be predicated upon such factors as:-

- assets base of the insurance company
- the reputation and connections of the company
- level of premium on policies, and
- other qualitative factors

- (b) The Board's approval must be secured in writing before dealing with any insurance company.

3. PROCEDURES

- (a) The management shall call for quotations and terms of various covers from insurance companies.

- (b) On receipt of the quotations and terms, the management shall discuss with each of their agents to ascertain:
- The concessions on premium the bank could receive:
 - The mode of payment of premium
 - Claims producers and documentation
 - Type and nature of insurance contract documentation and other qualitative factors.
- (c) The management shall then summarize their observations and present same to the Board with their recommendations, for approval.

4. PAYMENT/RECORDS

- (a) After approval of the insurance company, and the premium payable, the manager shall process and effect payment in good time.
- (b) Future premiums shall be referred to the Board for ratification and approval.
- (c) It shall be the duty of the manager to ensure that premiums are paid as and when due. To this end, the General Services officer shall demand the payment of premium on any policy 30 days before the expiration of the policy in writing.
- (d) The Accountant shall attach photocopies of the particulars of each premium paid to the relevant payment Vouchers.

- (e) The officer in charge of General Services shall maintain a file for each aspect of insurance taken up by the Bank for future references.

5. **INSURANCE CLAIMS**

When an event for which an insurance policy was taken up happens, say burglary or loss of cash-in-transit, the management shall.

- (a) Access the loss
- (b) Inform the directors
- (c) Lodge a formal report with Nigeria police, and
- (d) Inform the insurance Company in writing.
- (e) After the police have concluded the reinvestigations, a copy of their report shall be forwarded to the relevant insurance company, together with the bank's claims.
- (f) When the amount being paid by the insurance company is less than the amount claimed by the Bank, the matter shall be referred to the Bank's board for advice.
- (g) The Board shall, in case of disagreement with the insurance company, either take all legal steps to collect the amount claimed in full, or advise the management to accept the lower sum in writing.
- (h) Receipts of insurance claim shall be receipted for and treated as a capital receipt in the accounts.

4.4 RENT AND RATES

The Board should also consider adopting the following policies in the area of rent payment.

- (a) No property shall be rented or leased except with approval of the Board in writing.
- (b) When the need for a rented property arises, the management shall make representation to the Board in writing detailing.
 - the need for the accommodation
 - the location and address of property identified as suitable
 - the name and address of the landlord, and
 - the terms and conditions of the rental
- (c) The board shall deliberate on the proposal and could either reject the proposal outright; advise the management to search for alternative property; or give their approval in writing.
- (d) On approval but before payment or delivery of landlord's cheque, the internal auditor shall ensure that the Rent Agreement tallies with the Board's recommendations in this or that respect.
- (e) Copies, i.e photocopies of the landlord's receipt, and Board's approval shall be attached to the payment Voucher used in effecting payment.
- (f) The original copies of the Rent Agreement, the Board's approval and the landlord's receipts shall be filed for future reference.

- (g) Rates payable to Government departments and agencies for such matters and sanitation, water and business police has been shall be made with cheques.

5. INTERNAL AUDIT REPORTS

The Internal Auditor shall produce monthly Reports for the attention of the Board, regarding his observation in respect of the following:

- (i) Staff punctuality
- (ii) Job performance and adherence to laid down procedures/policies, including to Authority limits.
- (iii) Completeness and accuracy of record – keeping
- (iv) Extent of compliance with the requirements of CBN/NDIC
- (v) Weakness discovered in the internal Control System
- (vi) Adequacy of insurance coverage for the Bank's assts
- (vii) Extent of Adherence to Budgets
- (viii) Reliability and formidability of security arrangements
- (ix) Timeliness of accounting report
- (x) Quality of loan and advances
- (xi) Stock/cash counts
- (xii) Fixed Assts count/inspection
- (xiii) Rate of growth of deposits in terms of number of customer and amount.
- (xiv) Fraud and other losses, including over-invoicing and padding of expenses.
- (xv) Daily contribution inspection report

There is a comprehensive audit and policy for the bank.

CHAPTER FIVE**TREASURY DEPARTMENT**

12. Functions of the department

The Treasury Department shall be responsible for the following functions within the bank.

- Raising Equity capital and working capital
- Investing surplus funds. The treasury department is responsible for the timely availability of those funds when needed.
- Formulates and updates the policies and administrative guidelines on cash management
- Safeguards and monitors cash in bank operation against unauthorized withdrawals and uncredited deposits
- Confirms reconciliation of remittance from field offices against bank credits
- Handles cash transfer to the field offices
- Handles procurement, custody and distribution of accountable forms and ensures that the security features are properly in place
- Maintain the cash liquidity level of the bank
- Handles cashiering functions.
- Handles daily check issuance.
- Formulates and implements investment strategies and portfolio mix to maximize placement

- Safeguards the delivery acceptance and registration of government securities acquired by the bank
- Safeguards properties against insurable risk and adheres to risk management techniques
- Asset and liability management (ALM) is the management of the bank's balance sheet such that risk –adjusted returns to shareholders are maximized in the long-term.
- Cash and liquidity management, interest rate sensitivity and the banks credit rating.
- Develop and administer strategies to raise capital needed to fund the growth of the firm-i.e. when a financial institution is in expansion mode
- Monitors all investments that the firm makes, analyzing and managing any risk they may entail
- Mergers and acquisitions- maintaining an in-depth knowledge of the firm's financial position
- Preparation of unit budgets to be submitted for approval
- Review the income and expenditures to insure operations do not exceed the budget and bring to the attention of the Unit Executives.
- Attend all meetings of the Unit Executives
- Enter all receipts and disbursements in an account book and/computer
- Prepare monthly bank reconciliation
- Prepare financial reports as directed by the Unit Executive

CHAPTER SIX

STRATEGY AND BUSINESS DEVELOPMENT DEPARTMENT

Business development is a combination of strategic analysis, marketing and sales. It is involved in everything from the development of products and services, creation of marketing strategies, generation of sales leads, negotiating and closing deals including provision of advisory services.

13. Functions of the department

The Strategy and Business Development Department shall be responsible for the following functions within the bank.

- Establishing marketing goals to ensure share of market profitability of products and services
- Develops and executes marketing plans and programs
- Conducting extensive research, analyzes and monitors market opportunities
- Developing pricing strategy for the organization
- Ensure effective control of marketing results
- Developing new opportunities
- Preparing of detailed business plans
- Securing sufficient financial resources for future development or expansion
- Contacting professional advisors such as the accounting department to provide information about the new venture
- The identification of new business opportunities, whether that means new markets, new partnerships with other businesses, new ways to reach existing

markets, and then to go out and exploit those opportunities to bring in more revenue.

- Issues management of industry trends to enable us being abreast with industry happen stances and to withstand competitors' changes in terms of products and service offerings, pricing, marketing strategies etc.
- Secondly, the department would need to make sure it understands what the bank is up to on an ongoing basis, to understand the banking strategies, how the bank compares to its competitors, how it is perceived in the marketplace.
- Understand the market for the bank's offerings, who comprises it, and how it may be changing.
- Identify possible ways to improve company sales, new market segments, new sales channels, other related products or services in the marketplace with which the bank's products or services can be combined into synergistic, "co-branded" offerings.
- Collection and analyses of information on potential and obvious key competitors and industry partners as well as overall market and regulatory dynamics.
- Formulate, direct and coordinate marketing activities and policies to promote products and services.
- Evaluate the financial aspects of product development, such as budgets, expenditure, research and development appropriations, and return-on-investment and profit-loss projections.
- Identify, develop and evaluate marketing strategy, based on market characteristics, and cost and share-up factors.
- Determination the marketing staff case load

ADVISORY SERVICES

One of the important functions of banks is to enhance the prosperity of their customers. To achieve this, AMML Micro Finance Bank will provide, on request, personal and business advisory services.

8.1 Personal Advisory Services

The personal Advisory Services shall include:

- Personal financial planning
- Saving and investment advice
- Insurance and contingencies advice
- Testamentary arrangement such as executorship, depending on the age of the customer.
- Personal Pension arrangements.

8.2 Business Advisory Services

This shall include:

- Capital restructuring
- Investment appraisal
- Mergers and acquisition possibilities
- Credit control
- Cash flow planning and management
- Budgeting