

**WAPIC INSURANCE PLC  
INTERNAL CONTROL FRAMEWORK**

	<b>Name</b>	<b>DESIGNATION</b>	<b>SIGN</b>	<b>DATE</b>
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## Table of Contents

I	WAPIC INSURANCE PLC Internal Control Framework Policy	5
1.1	Overview	5
1.2	Definition	5
1.3	Objectives of internal control	5
1.4	Internal control environment	7
2	WAPIC INSURANCE Internal Control Framework Overview	14
2.1	Joint responsibility for internal control	15
2.2	Division management quarterly report on the financial Statement and internal control system	15
2.3	Guiding principles and internal control standards	15
2.4	WAPIC INSURANCE Policies & procedures	16
2.5	Code of conduct/sanction grid	16
2.6	Generally accepted accounting/fair presentation	16
3	Guiding Principles and Internal Control Standards	18
3.1	Introduction	18
3.2	Compliance with applicable laws and regulations of other regulating agencies	19
3.3	Other legal requirements	19
3.4	Reasonable assurance	19
3.5	Mitigating limitations in internal controls	20
3.6	Role of internal auditor	21
3.7	key success factor for internal audit and internal Control officer	21
38	Work ethics required for internal control officer	21
3.9	Authority of internal control officer	22
3.10	Linkage of internal control and quality	22
3.11	Responsibilities of managers and employees	22
4	Internal control standards	24
4.1	Documentation	24
4.2	Quarterly certification	24
4.3	Human resources – selection & development	24
4.4	Segregation of responsibilities	24
4.5	Approval of transaction	25
4.6	Reconciliation and verification of transactions	25
4.7	Safeguarding of assets & other company property	25
4.8	Policies and procedures	26
4.9	Risk assessment/review	28
4.10	Information technology	29
4.11	Financial controls and records	29
4.12	Assessment of the internal control framework	29

5	Policy on business conduct	30
5.1	Company funds, assets, record & payment	30
5.2	Conflicts of interest	30
5.3	Out-sourced business	31
6	WAPIC INSURANCE PLC internal control framework	
	Employee responsibilities – daily control activities.	32
6.1	Approval	32
6.2	Documentation	32
6.3	Segregation of duties	33
6.4	Recording of transactions	33
6.5	Proofing, Recording & Verifying	33
6.6	Open Items on suspense accounts & Nostro / Our Accounts Reconciliation reports	34
6.7	General Ledger account ownership/management Of the company's other assets provision	34
6.8	Safeguarding of assets	35
6.9	Compliance	35
6.10	Control/Risk based perfection measurement	35

## **I.0 Internal Control Framework Policy**

### **1.1 Overview**

The WAPIC INSURANCE Internal Control Framework provides a common understanding of the internal control responsibilities of all WAPIC INSURANCE employees. This policy outlines basic principles of internal controls, covering many broad areas of the business, and applies to all business units worldwide. All WAPIC INSURANCE employees must comply not only with the letter of this policy, but also its spirit. An effective internal control system is a basic standard for both the operational and financial integrity of results, and is an integral component of a well-managed, quality operation.

### **1.2 Definition**

The term "internal controls" refers to the overall operating framework of practices, systems, organizational structures, management philosophy, code of conduct, policies and procedures and actions which exist in the company and designed to:

- Ensure that essential business objectives are met, including the effectiveness and efficiency of operations and the safeguarding of assets against loss.
- Ensure the reliability of financial reporting and compliance with general accounting principles.
- Ensure compliance with applicable laws and regulations.
- Ensure systematic and orderly recording of transactions.
- Provide reasonable assurance that undesired events will be prevented or detected and corrected.

### **1.3 Objectives of internal control**

The primary objective of internal control system in an insurance company is to help the company perform better through the use of its resources. Through internal control system, the company identifies its weaknesses and takes appropriate measures to overcome the same. The main objectives of internal control are as follows:

- Efficiency and effectiveness of activities (performance objectives).
- Reliability, completeness and timeliness of financial and management information (information objectives)
- Ensure adherence to policies and procedure put in place by the management
- Compliance with applicable laws and regulations (compliance objectives)

#### **1.3.1 General WAPIC INSURANCE Internal Control Objectives**

- Achievement of Business Objectives.
- Safeguarding of assets
- Reliability of financial records.
- Customer and Regulation-Centric Internal Control Measures.
- Automation of Operational Control and Reconciliation activities in Wapic insurance Plc
- Elimination of Prudential provision on other asset

- Minimize financial losses attributable to control infractions and reconciliation problems.
- Process/System Driven Operation and Reconciliation activities.
- Transaction Safety
- Risk Based independent control activities.
- Operational Control efficiency and effectiveness.
- Strict Compliance with regulations and internal policies.
- Zero tolerance for Control/regulatory infractions.
- Implementation of strict personal and Business Units responsibility for operational and control activities.

### **1.3.2 Key WAPIC INSURANCE Information Systems Control Objectives.**

- General information system integrity.
- Confidentiality of Information resources
- Integrity of information resources
- Integrity of general operating system environments
- Integrity of sensitive and critical business application systems
- Database integrity
- Compliance with System Users' requirements/needs.
- Efficient Back Up/Recovery Procedures.
- Strict compliance with corporate policies or regulatory and legal requirements.
- Business Continuity and Disaster Recovery
- Information on WAPIC INSURANCE automated systems should be secured against improper access and kept up-to-date
- Each transaction is authorized and entered only once.
- All transactions are recorded correctly into the computer for the appropriate period.
- All rejected transactions are logged and reported
- Duplicate transactions are reported
- Files are adequately backed up to allow for proper recovery
- All changes to the operating and business software are approved and tested.

### **1.4 Internal Control Environment**

The Internal Control environment is the framework under which Internal Controls are developed, implemented and monitored. It consists of the mechanisms and arrangements that ensure internal and external risks to which the company is exposed are identified; appropriate and effective Internal Controls are developed and implemented to soundly and prudently manage these risks; while reliable and comprehensive systems are put in place to appropriately monitor the effectiveness of these controls.

These form the bases of modern 'Internal Control Framework', which is aptly enunciated in the \*COSO Control Framework. COSO Control Framework identifies five (5) components of an efficient and effective Internal Control System. This is illustrated diagrammatically as follows:

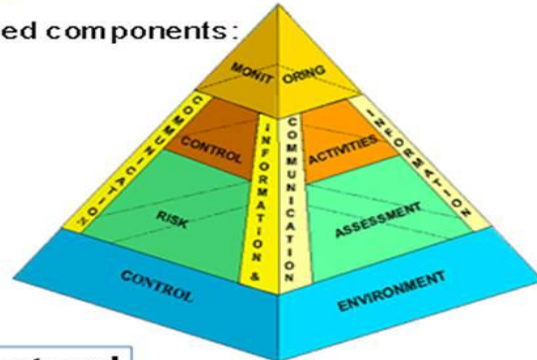
\* COSO = Committee of Sponsoring Organizations of the Treadway Commission

## 1.4.1 Internal Control System

### Components of Internal Control System – the COSO Control Framework

Internal control consists of five interrelated components:

- A. Control Environment
- B. Risk Assessment
- C. Control Activities
- D. Information and Communication
- E. Monitoring



**All five components must be present and functioning effectively to conclude that internal control over operations is effective.**

### A. The Control Environment

The factors which together comprise the control environment are:

- A Board of Directors that is actively concerned with sound corporate governance and that understands and diligently discharges its responsibilities by ensuring that the company is appropriately and effectively managed and controlled;
- A management that actively administers and operates the company in a sound and prudent manner;
- Organizational and procedural controls supported by an effective management information system to soundly and prudently manage the company's exposure to risk; and
- An independent audit mechanism to monitor the effectiveness of the organizational and procedural controls.

#### A.1 Responsibilities of the Board of Directors

- The overall responsibility of establishing broad business strategy, significant policies and understanding significant risks of the company rests with the Board of Directors.
- Through the establishment of Risk Management / 'Audit Committee' the Board of Directors can monitor the effectiveness of internal control system.
- The internal as well as external audit reports will be sent to the board through the company management and the board ensures that management takes timely and necessary actions as per the recommendations.
- Have periodic review meetings with the senior management through the relevant committees to discuss the effectiveness of the internal control system of the

company and ensure that the management has taken appropriate actions as per the recommendations of the auditors and internal control.

## **A.2 Responsibilities of Senior Management**

Management has the responsibility to devise and maintain an adequate system of internal controls for operations worldwide. Management has an obligation to satisfy basic standards of financial integrity, prudent business practices and stewardship. This responsibility is a legal requirement, embodied in the companying (BOFIA) and securities laws and the Nigerian Securities and Exchange Commission (SEC) regulations, as well as in other governmental regulations and guidelines.

- In setting out a strong Internal Control System within the COMPANY, the role of the Managing Director/CEO is very important as he will establish an Executive Committee, EXCO, which will be responsible for the overall management of the company.
- With governance & guidance from the Board of Directors, the EXCO will put in place policies and procedures to identify, measure, monitor and control these risks.
- EXCO will also put in place an internal control structure in the company's organization, which will assign clear responsibility, authority and reporting relationships. It will monitor the adequacy and effectiveness of the internal control system based on the company's established policies & procedures. In other words, internal control is the overall means whereby managers of our operations ensure that clear objectives are set, risks are assessed and managed, appropriate reviews of operational performance are made, and information and communications occur in a timely, accurate and appropriate fashion, with due regard for protection of valuable proprietary information. These components of internal control contribute to the effectiveness and efficiency of operations in support of increasing stockholder value.
- Each quarter, the Chief Executive Officer and Chief Financial Officer attest to Securities and Exchange Commission (SEC), our stockholders and the general public that WAPIC INSURANCE's financial statements are prepared in accordance with Generally Accepted Accounting Standards, The Bank and Other Financial Institutions Act (BOFIA), and all NAICOM's guidelines, that our reports fairly represent WAPIC INSURANCE's financial position and results of operations, and that an effective internal control system is in place and properly functioning. The support of these representations comes from the actions and control practices executed by all employees of WAPIC INSURANCE, and also from the representations made by operating and financial managers and officers regarding the effectiveness of controls and the reliability of the financial statements.

## **B. Risk Recognition and Assessment**

An effective internal control system continually recognizes and assesses all of the material risks that could adversely affect the achievement of the company's goals



- Effective risk assessment must identify and consider both internal and external factors. Internal factors include complexity of WAPIC INSURANCE's structure, the nature of the company's activities, the quality of personnel, organization changes and also employee turnover. External factors include fluctuating economic conditions, changes in the industry, socio-political realities and technological advances.
- Risk assessment by Internal Control System differs from the business risk management process which typically focuses more on the review of business strategies developed to maximize the risk/reward trade-off within the different areas of the company. The risk assessment by Internal Control focuses more on compliance with regulatory requirements, social, ethical and environmental risks that affect the companying industry.
- The holistic Organizational Risk Environment could be expressed in diagram as depicted below:

Organizational Risk Environment



### C. Control Activities and Segregation of Duties

Effective Internal Control System requires that an appropriate control structure is set up with control activities defined at every business level, i.e. top level review; appropriate activity controls for different departments or divisions; physical controls; checks for compliance with exposure limits and follow-up on non-compliance; a system for approvals and authorizations and system of verification and reconciliation.

- Control activities involve two steps:
  - (1) The establishment of control policies and procedures, and
  - (2) The verification that the control policies and procedures are being complied

with by the processing units and other staff while performing their duties.

- Senior management shall ensure that adequate control activities are an integral part of the daily functions of all relevant personnel; this enables quick response to changing conditions and avoids unnecessary costs. Control activities are most effective when they are viewed by management and all other personnel as an integral part of daily activities rather than an addition to it.
- One of the most important aspects of internal control system requires that there is appropriate segregation of duties and personnel are not assigned conflicting responsibilities. Furthermore, the employees must also be provided with necessary authority which will enforce segregation of duties.
- For employees to carry out their responsibilities properly each employee shall have appropriate job description. Areas of potential conflicts of interest should be identified, minimized and subjected to careful independent monitoring.

#### **D. Information and Communication – Management Reporting System**

Effective internal control system requires that there is an effective reporting system of information that is relevant to decision making. The information should be reliable, timely, accessible, and provided in a consistent format.

- Information would include external market information about events and conditions that are relevant to decision making. Internal information include financial, operational and compliance data.
- There shall be appropriate committees within the the company which shall evaluate data received through various information systems. This will ensure supply of correct and accurate information to management.
- Internal information must cover all significant activities of the the company. These systems, including those that hold and use data in electronic form, must be secure, monitored independently and supported by contingency arrangements.
- Most importantly the channels of communication must ensure that all staff fully understand and adhere to policies and procedures affecting their duties and responsibilities, and that other relevant information is reaching the appropriate personnel.

#### **E. Monitoring Activities & Correcting Deficiencies**

Effectiveness of the company's internal controls should be monitored on an ongoing basis. Key/high risk items shall be identified and monitored as part of daily activities. In addition, there shall be periodic evaluation by the business lines and internal audit team.

- There shall be an effective and comprehensive audit of the internal control system carried out by operationally independent, appropriately trained and competent staff specially designated by the management. The significant deficiencies identified by the audit team shall be reported to the board on periodic bases. The Risk Management/Audit Committee of the Board shall be the cell to whom such report should be forwarded for review.
- Internal control deficiencies, whether identified by business lines, internal audit or other control personnel shall be reported in a timely and prompt manner to the appropriate management level and addressed immediately.

- Material internal control deficiencies should be reported to senior management and board of directors with recommendations where necessary. The company shall set out its guidelines regarding the audit/review and monitoring of branches. However, it should be noted that consideration shall be given to major financial exposure or loss, significant process lapses, serious employee misconduct, etc.

#### **1.4.2 Role of External Auditors in Evaluating Internal Control System**

External Auditors by dint of their independence from the management of the company can provide unbiased recommendation on the strengths and weaknesses of the internal control system of the company. They can examine the records, transactions of the company and evaluate its accounting policy, disclosure policy and methods of financial estimation made by the company. This will allow the board and the management to have an independent overview on the overall control system of the company.

#### **1.4.3 Regulatory Compliance**

National Insurance Commission (NAICOM) is the primary regulator of the Nigerian Insurance industry and governs the activities of the company's. In addition the Tax Authorities, Corporate Affairs Commission (CAC), Finance Ministry, etc. are different types of regulatory bodies which directives have significant impact on the company's business.

- The internal control system shall always take into account the company's internal processes to meet the regulatory requirement before conducting any operation.
- The internal control system of the company must be designed in a manner that compliance with regulatory requirements is recognized in each activity of the company. The company must obtain regular information on regulatory changes and distribute the information among the concerned departments, so that they can take necessary action to adapt to such changes.
- The company must develop an effective communication process which will allow smooth distribution of relevant regulations among different departments and personnel.

#### **1.4.4 Establishment of a Compliance Culture**

A company is said to have strong compliance culture when throughout the organization employees are encouraged to comply with policies, procedures and regulation. Even an individual at the lowest echelon should be empowered to speak up without the fear of reprisal if she/he identifies something non-compliant.

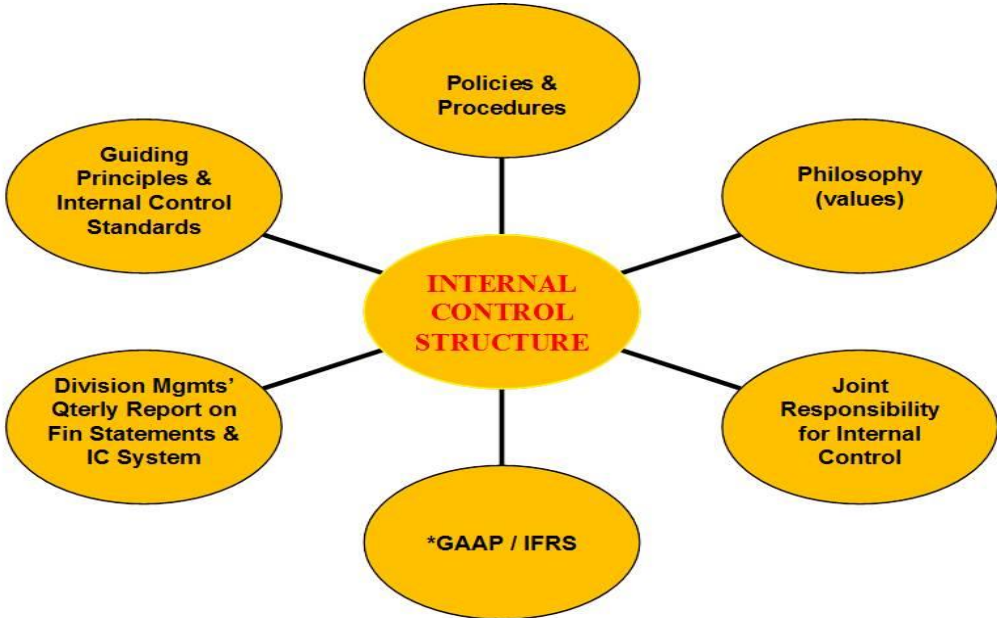
- The Board of Directors and the senior management must establish a compliance culture within the companying organization that emphasizes and demonstrates to all levels of personnel the importance of internal control.
- In order to establish a compliance culture, the Board of Directors and senior management must promote a high ethical and integrity standard.
- In reinforcing ethical values, the company shall avoid policies and practices that provide inadvertent incentive for inappropriate activities. Examples of such policies and practices include undue emphasis on performance targets or operational results, particularly short term ones that ignore long term risks and compensation schemes that overly depend on short term performance.

- The Board of Directors and the senior management shall establish 'Code of Ethics' that all levels of personnel must sign and adhere to. Each WAPIC INSURANCE business unit must comply with the Internal Control Framework, and will be expected to carry out an appropriate program of assessment, education, development and ongoing improvements in controls consistent with the standards outlined in this policy and in consultation with the Chief Financial Officer and the Head, Compliance and Internal Control Group.

**2.0 Overview of Wapic Insurance Internal Control Framework**

Internal controls are fundamental to the accurate recording of transactions, preparation of reliable financial reports, business objective attainment and decision making process of the Company. Without adequate controls that ensure proper recording of transactions, the resulting financial data may become unreliable and undermine management's ability to take decisions and its credibility with stockholders, regulators, auditors, rating agencies, employees and the public.

An effective internal control structure is comprehensive and involves people (including outsourced service providers) throughout the entire organization. Internal controls are the joint responsibility of underwriting, claims, marketing business development, back office personnel and outsourced service providers. The internal control system is built on a foundation of practices, policies and procedures that promote fraud/loss prevention, fraud/loss detection, fraud/loss remediation as well as timely and accurate financial reporting. Financial and operating management must work together to optimize internal controls by the continuous review of related practices and procedures. As the business process changes, the control system must change. The Wapic Insurance Internal Control Framework is depicted in the following manner:



The WAPIC INSURANCE Internal Control Framework consists of six components that are

interrelated as shown in the diagram above.

## **2.1 Joint Responsibility for Internal Controls**

All personnel and outsourced service providers are jointly and severally responsible for internal controls. Financial and operating management must work together to optimize internal controls.

Generally, Board of Directors and Executive Management are responsible for the high level internal control tone, culture, practice, policies and procedures established by the Company. Heads of Departments, Divisions, Business Office Managers, Group Heads, Team leaders etc are responsible for and own Wapic Insurance internal control measures inherent in their respective activities. Individual employees of the Company are personally responsible and own Wapic Insurance internal control measures inherent in the performance of their functions.

Outsourced Functions – Heads of Departments, Divisions, Business Office Managers, Group Heads, and Team leaders etc supervising activities of a contractor, consultant and other outsourced service providers are responsible for enforcing Wapic Insurance internal control measures inherent in outsourced functions. Implementation of Internal Control measures is not restricted to the personnel of Internal Control Function of the company (Internal Control, Risk Management, and Inspection) but extends to all employees and outsourced service providers of the Company.

## **2.2 Divisional Management's Quarterly Report on the Financial Statements and Internal Control System**

On quarterly bases, the Chief Risk Officer will issue a certification on the reliability of the company's financial statements and the system of internal controls to the company's Chief Executive Officer and the Chief Financial Officer. See Appendix A for a sample of the Quarterly Certification Letter

## **2.3 Guiding Principles and Internal Control Standards**

The Guiding Principles and Internal Control Standards provide comprehensive guidelines and definitions that are designed to comply with laws and regulations, WAPIC INSURANCE Policies and Procedures, and to establish and maintain an effective internal control structure. These principles and standards are outlined in Section III.

## **2.4 WAPIC INSURANCE Policies and Procedures**

The detailed Wapic Insurance Plc Accounting and Standard Operational Policy and Control Procedures are an integral part of the Internal Control Framework and are incorporated by reference.

## **2.5 Philosophy/Sanction Grid**

The Wapic Insurance Philosophy provides information and guidance to employees in understanding Wapic Insurance's code of conduct toward business conduct and the basic principles and standards governing that conduct. The Wapic Insurance philosophy is an integral part of the Internal Control Framework and is incorporated by reference. Wapic Insurance Sanction grid stipulates applicable sanctions for the various offences, control

breaches and default by employees of the Company. The sanction grid also specifies minimum penalty applicable to various contract breaches by outsourced service providers.

## **2.6 Generally Accepted Accounting Principles (GAAP) / International Financial Reporting Standards (IFRS) / Fair Presentation**

All operations worldwide must follow Nigerian Generally Accepted Accounting Principles, standards, laws, regulations and WAPIC INSURANCE practices for accounting and financial reporting, as well as local laws and regulations. They must also follow the International Financial Reporting Standards as adopted and advised by Group Office. Controlled affiliates and joint ventures must adopt or agree to operate in accordance with WAPIC INSURANCE's Internal Control Framework. Business units must make and document good faith efforts, to the extent reasonable in the circumstances, to influence non-controlled affiliates to make and keep accurate books and records, in reasonable detail, and to devise and maintain a system of adequate internal controls.

In addition to those duties, business units must encourage non-controlled affiliates, to the extent permitted by local law, to adopt the specific accounting, reporting and control procedures established by the Chief Financial Officer.

## **3.0 Guiding Principles**

### **3.1 Introduction**

This policy provides general internal control standards, and guidelines that are designed to comply with the Banks and Other Financial Institutions Act (BOFIA), NAICOM regulations/guidelines, Money Laundering Prohibition Act, EFCC Act, various tax laws, Pension Fund Act; NSITF Act, Nigerian Accounting Standard Act, Corporate Affairs Commission, CAC, the U.S. Sarbanes-Oxley Act of 2002, the Nigerian Securities and Exchange Commission (SEC) regulations.

All business units worldwide will support and maintain a system of internal control that is optimized to provide stockholders, the Board of Directors, and management with a reasonable assurance, based on a weighing of costs and benefits, that:

3.1.1 Transactions are executed in accordance with Management's general or specific authorization.

3.1.2 Transactions are recorded as necessary.

3.1.2.1 To permit preparation of financial statements in conformity with generally accepted accounting principles.

3.1.2.2 To maintain accountability and responsibility for assets and company resources.

3.1.3 Transactions are consummated at reasonable cost, beneficial and necessary for the business of the Company.

3.1.4 Access to assets and resources is permitted only in accordance with management's

general or specific authorization.

3.1.5 Recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

3.1.6 Financial information is released outside WAPIC INSURANCE only upon proper corporate authorization and after consideration of the interests of the company as a whole.

3.1.7 Complete and accurate records and accounts are maintained to reflect transactions and the disposition of assets.

3.1.8 Business Objectives will be met.

### **3.2 Compliance with Applicable Laws and Regulations of Other Regulatory Agencies**

An effective system of internal control should provide compliance with all applicable laws and regulatory requirements such as tax laws, human resource requirements, government contracting and safety and environmental requirements. It is Wapic Insurance's policy to comply fully with all laws, regulations and standards of each country and local jurisdiction where its business is conducted. Violations of such laws can expose WAPIC INSURANCE and its employees to severe civil and criminal penalties.

### **3.3 Other Legal Requirements**

The U.S. Federal Guidelines for Sentencing Organizations impose fines on corporations/organizations found guilty of a U.S. federal crime. The laws provide for lesser penalties on those corporations that implement an effective program to detect and prevent violations of the law. The Guidelines identify specific actions organizations can take to significantly reduce penalties and fines levied against them when violations do occur. A number of the actions specified focus on the underlying activities a Company has taken with respect to their internal control system. Wapic Insurance's Internal Control Framework is designed to satisfy these Guidelines.

### **3.4 Reasonable Assurance**

The concept of reasonable assurance recognizes that there must be a balance between the cost of internal control and the expected benefits.

#### **The benefits consist of:**

3.4.1 Fairly stated operating results, including all items of revenue, expense, and income, as well as assets, liabilities, and equity

3.4.2 The avoidance of material misstatement, and

3.4.3 The safeguarding of assets through proper authorizations and the management of risk. In addition, reasonable assurance recognizes that there are limitations inherent in all internal control systems. These may occur due to collusion, human error or mistakes in judgment.

### **3.5 Mitigating limitations in control**

The Company shall adopt the following approach towards mitigating control limitations. Every business manager must faithfully adopt these measures as minimum within the circumstance of their respective businesses.

#### **3.5.1 Control limitation Independent Mitigating Controls**

Changes in business Revised Operational risk process mapping, Control impact assessment of the process change, continuous improvement in independent evaluation/review procedures etc.

**3.5.2 Collusion Programmed** - rotation of business managers, processing and CCO staff without disrupting business.

**3.5.3 Management Override** - Total prohibition of management override of controls at all levels. Establishment of clear control deviation procedures duly approved.

**3.5.4 Absence/inadequate Development of Procedures** and policies internal controls over for anticipated one-off and or unusual one-off/unusual transactions. Operational risk process mapping for one-off/unusual transactions, Control impact assessment over one off/unusual, Development of transaction risk appetite for the Company that will provide list of prohibited one-off/unusual transactions/business

**3.5.5 Human Error Processing** - Segregation of duties, Functional segregation of duties amongst Business Units/Divisions, Independence of Control officers from processing function, Coaching, Mentoring, dissemination of fraud/losses learning points to responsible staff, continuous training, use of experienced staff for key positions in the Company, sound recruitment and placement procedures.

### **3.6 Role of Internal Control Function**

The Internal Control Unit is responsible for monitoring compliance with the Internal Control Framework Standards. WAPIC INSURANCE Inspectors, Internal Control Officers and other authorized individuals must have unlimited access to business units records and they must be provided with accurate and complete information, as required.

### **3.7 Key Success Factors for Internal Auditor/Internal Control Officer**

- They must not be given deposit/profit/financial targets.
- They must be independent of processing or business units
- They must pay attention to compliance issues in line with the strategic focus of the company on full regulatory compliance
- They must ensure company-wide focus by harmonizing and standardizing the control practices in all subsidiary/associated companies.
- There must be proper profiling of the risk attributes and control vulnerability of all the branches of the company to determine the staffing requirement.
- There must be proper profiling and standardization of the qualification and skill requirements of the internal audit/Internal Control staff.
- Staff quality must match risk rating of business offices.
- Independent Control functions to be carried out by Internal Audit/Internal Control Officers



shall be based on proactive and preventive approach. Detective and Corrective independent controls shall be employed where preventive control measures are not adequate or impossible.

- Control Officers shall support business without compromising controls.

### **3.8 Work Ethics Required for Internal Control Officers**

- Independence
- Integrity
- Competence
- Professionalism
- Confidentiality
- Respect for the right of individuals.

### **3.9 Authority of Internal Audit/Control Officers**

- Plan the nature, scope and timing of independent verification/evaluation activities in the Company.
- Have access to all premises, documents and records of the company.
- Request any officer of the company to supply such information and explanations as may be required
- Discuss with employees on observed control issues.
- Recommend cases of gross negligence, fraud or operational losses to the Company's disciplinary bodies.
- Issue query to erring staff.
- Provide documents, proofs and other explanations to External Auditors, NAICOM Examiners on matters relating to the financial records of the Company.
- Recommend issuance of caution/warning letters to erring staff.

### **3.10 Linkage of Internal Control and Quality**

Internal control is an important and necessary condition of achieving quality in our processes. An effective organization utilizes quality principles to build control "in" to operations, as opposed to adding control "on" to operations. This "built-in vs. built-on" aspect of quality controls also seeks to avoid over-control as well as under-control.

### **3.11 Responsibilities of Managers and Employees**

The fundamental aspect of Management's stewardship responsibility is the obligation to provide stakeholders with reasonable assurance that the business is optimally controlled. This aim is much broader than the integrity of financial statements. It requires involvement by Management to establish that an effective system of internal control exists, that it is well documented, and that it is adequately maintained and regularly reviewed and modified as necessary to meet changing business requirements.

All managers shall be responsible for the implementation of the Wapic Insurance Internal Control Framework, including necessary distribution and training to ensure employee knowledge and compliance. Management is responsible for establishing an overall control environment, where employees have an appropriate level of control consciousness.

All employees are responsible for complying with this Policy. (See Appendix 6.0 for employee

responsibilities.) Any employee having information concerning any prohibited or unlawful act shall promptly report such matter to Wapic Insurance's Legal Adviser. While this is the preferred reporting procedure, employees should also feel free to report to their line supervisors, anyone in Internal Control, Audit & Inspection, Risk Management, Strategic Management, or the Chief Financial Officer, where necessary. It could also be appropriate to contact the Risk Management Committee of the Board of Directors through its Chairman or Secretary. There will be no reprisals for reporting such information and employees should be so advised. However, unsubstantiated accusations can damage reputations unfairly; accordingly, employees must exercise care and are expected to act responsibly in reporting suspected violations.

## **4.0 Internal Control Standards**

### **4.1 Documentation**

Appropriate documentation and accessibility by all managers is important to each aspect of an evaluation of internal controls. The overall internal control structure is enhanced by written policies and procedures, formalized reporting responsibilities within the organization, and written descriptions of authority and responsibility.

### **4.2 Quarterly Certification**

As a basis for the Chief Finance Officer to make their reports to the SEC and stockholders, each Subsidiary will be required to make a similar report (see Appendix A) on its internal controls and financial statements to the Audit & Inspection Division on a quarterly basis.

### **4.3 Human Resources - Selection and Development**

Personnel with adequate training and education are an important part of any internal control structure. The company's system of internal control is affected by the personnel it employs. The personnel policies shall identify the hiring, training, evaluation, and promotion objectives for employing highly competent personnel, and also address ongoing development needs.

### **4.4 Segregation of Responsibilities**

Management shall assign responsibilities to employees to ensure the proper segregation of responsibilities. Reassigning positions may be necessary due to the potential risks to the company (e.g., only one employee performing a significant function in the organization) and can be accomplished through normal turnover in positions, planned rotation or temporary reassignment of duties during vacations. Where circumstances preclude the segregation of responsibilities for a specific function, other compensating controls such as more frequent internal reviews/audits should be devised to provide the necessary assurances.

### **4.5 Approval of Transactions**

All decisions which directly or indirectly financially obligate Wapic Insurance or its business units worldwide to conduct a financial transaction must have manager approval within pre-established and documented authorization limits as defined in Wapic Insurance policies. Before documents are signed, reasonable inquiries must be made to ensure that the information is accurate and complete.

#### **4.6 Reconciling and Verifying Transactions**

All data used in preparing the financial statements should have traceable supporting detail (e.g., source documents and journals for accounts receivable, trial balances, perpetual inventory records, etc.), and should be regularly reconciled to the underlying balances and supporting detail. Financial records of physical assets, both monetary and property, should be periodically verified to the actual assets as determined by inspection and physical counts, statements from outside sources (e.g., company statements), or converted to other assets (e.g., collection of cash for accounts receivable). Any differences identified in the reconciliation or verification processes should be promptly investigated and recorded in the financial statements.

#### **4.7 Safeguarding of Assets and Other Company Property**

Physical safeguarding of assets and other Company property, appropriate to the asset value and risk of loss or misuse, should be maintained. Custodial responsibilities must be assigned to all assets including tangible and intangible assets regardless of whether capital or expense and should be documented in an appropriate manner. The Risk Management & Compliance Division is responsible for reducing the overall risk and exposure in event of loss due to theft or loss because of natural disasters.

#### **4.8 Policies and Procedures**

All business units must have written policies and procedures to assure complete processing of all transactions and obligations that they are responsible for, and to preclude duplicate processing and unauthorized changes. These policies and procedures must be the corporate developed policies and procedures, supplemented by locally-developed policies and procedures. The local policies must be consistent with the overall corporate policies and must be approved by the Board.

The following policy documents form part of the internal control framework.

##### **4.8.1 Underwriting Risk Management Policy Guide**

The only way an insurance company can survive is to ensure maximum return from its underwriting risk business. This is only possible through proper analysis of the risk before it is underwriting. The underwriting policy manual shall highlight the process starting from review of the insured proposals, the insured risk rating, underwriting risk approval limit, monitoring and analysis of the insured Claim trends. This Policy will specify the acceptance criteria for accepting underwriting risk by the company.

##### **4.8.2 Finance & Accounting Manual**

This manual shall provide all financial activities regarding income and expenditure of a company, and ensure there is no exaggeration of expenditure, and where it is necessary to get control. They will also ensure the profitability of the company by projection of income, expenditure and thereby achieve ultimate targeted profit. Various types of MIS are to be submitted from External Reporting as per specified time schedule.

- Treatment of Land, Building & Equipment
- Capital Adequacy and Shareholders' Equity
- Treatment of expenditures
- Commission, fees and revenues

- Income tax procedures
- Write-off procedures

#### **4.8.3 Treasury/Market Risk Manual**

This manual shall include activities of fund transfer; Intercompany fund management done by them. The manual should include the guideline so that they may manage the company's fund properly and profitably. There may be some idle fund in the company which is to be taken into account so as to make them invested in optimum profit seeking areas. They should also ensure the security of the fund. If possible, they may look into international money market subject to the available opportunity in the local/oversea money market arena.

- Liquidity
- Investments
- Capital management

#### **4.8.5 HR Policy Manual**

Human Capital Management will, at first, ensure the proper distribution of available human resources in the company. The rewarding method of that department should be impartial. They will also ensure staff welfare which will ultimately encourage people and create a healthy working atmosphere.

Highlights of the manual shall include:

- Recruitment policy
- Background checking policy
- Leave policy
- Compensation policy
- Reward and Recognition policy
- Termination & retirement policy
- Promotion and increment policy
- Training guidelines

#### **4.8.6 Internal Control Manual**

This manual should contain three parts internal control over the operating activities of company. They will monitor the functions of various departments' of the company on regular basis. Depending on the requirement, they should carry out inspection, surprise checks in order to help avoid any fraudulent activities which in turn would strengthen the company to set up sound structural base.

- Know your customer KYC/KYP policy
- Philosophy/Ethics
- Gift giving and acceptance
- Monitoring procedures
- Audit guidelines

This Internal Control Framework should be used in conjunction with the appropriate subject-matter policies and procedures.

#### **4.9 Risk Assessment/Reviews**

Identifying and managing risks is an ongoing process which is an important element of an effective system of internal controls. Management must focus on risk assessment at all levels of its organization and take the necessary actions to reduce such risks to acceptable levels. Risks

can arise from external or internal developments. To effectively assess risks, it is necessary to identify and set clear objectives for the organization.

#### **4.10 Information Technology**

Information Technology is a principal strategic asset of the company and it must be protected from unauthorized modification, destruction or entry, whether accidental or intentional.

#### **4.11 Financial Controls and Records**

Wapic Insurance is responsible for properly recording, preserving and reporting financial information to investors, government agencies, stockholders and others. The securities laws of Nigeria require Wapic Insurance to maintain accurate, reasonably detailed records worldwide which fairly reflect the company's transactions and disposition of assets. They also require the company to maintain an effective system of internal control. This policy describes the high standards that we maintain for meeting those responsibilities. Wapic Insurance record-keeping and reporting must be consistent to provide a uniform basis for measuring, managing and reporting the company's operations.

#### **4.12 Assessment of the Internal Control Framework**

Determination of whether a system of internal control provides reasonable assurance, such that the broad objectives of internal control are realized, is the joint responsibility of both front office and back office personnel. The Audit & Inspection Division shall perform periodic assessments of the Internal Control Framework.

### **5.0 Policy on Business Conduct**

The Wapic Insurance Philosophy is an integral part of the company's Internal Control Framework and is incorporated by reference. The following Policy on Business Conduct provides additional guidance relating to company funds, assets, records and payments, as well as conflicts of interest. This section should be read in conjunction with the Philosophy/Ethics/Code of Conduct.

#### **5.1 Company Funds, Assets, Records and Payments**

5.1.1 No company funds or assets shall be used for any unlawful purpose. No employee shall pay bribes, illegal political contributions, or other illicit payments.

5.1.2 No undisclosed or unrecorded fund or asset shall be established for any purpose.

5.1.3 No false or artificial entries shall be made in the books and records of the company for any reason, and no employee shall engage in any arrangement that results in such prohibited act, even if directed to do so by a supervisor.

5.1.4 No payment shall be approved or made with the agreement or understanding that any part of such payment is to be used for any purpose other than that described by documents supporting the payment.

Every employee has a duty to avoid business, financial or other direct or indirect interest or relationships which conflict with the interests of the company or which divide his or her loyalty

to the company. Any activity which even appears to present such a conflict must be avoided or terminated. A conflict or the appearance of a conflict of interest may arise in many ways. Please consult the Wapic Insurance Policy and Procedure on Conflict of Interest and Personnel Policy for detailed guidance. Any employee who has a question about whether any situation in which he or she is involved amounts to a conflict of interest or the appearance of one, should disclose the pertinent details, preferably in writing, to his or her supervisor. Each supervisor is responsible for discussing the situation with the employee and arriving at a decision after consultation with or notice to the appropriate higher level of management. Division Management is responsible for advising Executive Management, in writing, of all disclosures and decisions made under this Policy. Wapic Insurance Legal Department should be consulted for advice as necessary.

### **5.3 Outsourced Business**

Managers of Business units responsible for an outsource function must not have financial and personal relationship with the service provider. Negotiations and appointment of outsourced vendors must be based on predetermined criteria duly approved with clear internal control measures and penalty for breaches.

## **6.0 Wapic Insurance Internal Control Framework**

### **Employee Responsibilities - Daily Control Activities**

Wapic Insurance employees throughout the world are faced with daily decisions that impact the strength of the Company's system of internal control. This list serves as a reminder of those day-to-day activities that, when performed diligently, ensure operations are effective and efficient, reported financial results are reliable and business activities are in compliance with applicable laws and regulations.

All employees worldwide are responsible to comply with the following:

### **6.1 Approval**

6.1.1 Before committing the company to expenditure, ensure that it has been properly authorized and is supported by the necessary documentation (e.g., Authority for Investment (AFI), purchase order, requisition, etc.).

6.1.2 Before executing a transaction, ensure that it has been approved by the appropriate authority level.

6.1.3 Before recording/posting a journal entry, ensure that it has been properly authorized.

### **6.2 Documentation**

6.2.1 For all transactions for which you are responsible, ensure that all required documentation has been completed, approved and distributed to appropriate parties.

6.2.2 Before recording/posting a journal entry, ensure that it is supported by the proper documentation.

6.2.3 Before issuing a check or other cash disbursement (e.g., wire transfer), ensure that it is

supported by the necessary documentation (e.g., vendor invoice, receiving report, purchase order, etc.).

### **6.3 Segregation of Duties**

Ensure that the custodial and recording functions for assets do not lie with the same individual (access within computer systems should be considered as well). For example, the person depositing cheques or cash should not reconcile the related company account nor post customer remittances to the financial records.

### **6.4 Recording of Transactions**

6.4.1 Ensure that transactions are processed and recorded in the period in which they have been incurred.

6.4.2 Ensure that all transactions are recorded in accordance with local Generally Accepted Accounting Principles (e.g. Nigeria Accounting Standards Board).

### **6.5 Proofing, Reconciling and Verifying**

6.5.1 All cash and short term funds, other liquid assets (Cash, foreign monies etc), other asset and liability accounts of the Company must be proofed daily by the responsible processing Officers/team leaders as the case may be. Weekly positions must be submitted to the Group Office Internal Control officers for independent review.

6.5.2 All Quoted and unquoted Investment General Ledgers (GLs), Control GLs, Contingent accounts, Accrual accounts, Prepaid accounts, Provision accounts, shareholder funds related GLs must be proofed monthly by the responsible processing Officers/Team leaders as the case may be. Monthly Proof of the GL accounts must be submitted to the Group Internal Control Officers for independent review.

6.5.3 Except for Other Assets and Liabilities, proof of other GL accounts must be carried out with independent memorandum records in the required format.

6.5.4 Differences in Proof of GL accounts and reconciliation reports must be resolved within 24hrs by the GL account owner.

6.5.6 Review your work before considering it final. Ask yourself does the result/conclusion make sense?

6.5.7 Ensure that the use of assets is properly reflected in the financial records of the company.

6.5.8 Ensure that all financial account balances are supported by appropriate details and that balance sheet accounts, including inter-company accounts, are reconciled monthly.

6.5.9 Ensure that periodic physical verifications of assets are performed and any adjustments are recorded in the financial records on a timely basis.

### **6.6 Open items on Suspense accounts and Nostro/Our Account Reconciliation reports.**

6.6.1 Open items on suspense accounts should not be older than limits established and approved by Executive Management in the General Ledger Policy.

6.6.2 Individual general ledger account owner shall be responsible for clearance of open items on suspense accounts.

6.6.3 Head of Internal Control, Internal Control group heads and Regional Controllers are empowered to sanction erring officers of the Company that unduly create overdue open items beyond the threshold established by the company.

## **6.7 General ledger account Ownership/Management of the Company's Other Assets Provision**

6.7.1 Every GL account in the Company shall be assigned to specific officers who shall be regarded as the GL Owner.

6.7.2 GL Account Owners who must be the processing officer or team leader will be appointed by the responsible Unit Head.

6.7.3 GL Account owners shall be responsible for the proofing, balancing, tracking, investigation and resolution of open items on the GL accounts maintained by them.

6.7.4 GL Account Owners shall be held personally responsible for overdue open items and its consequent prudential provision incurred by the Company.

6.7.5 Internal Control will be responsible for the review of all proofs of GL accounts and preparation of Companywide Provision on Other Assets.

6.7.6 Provision on Other Assets per Business Unit computed by Internal Control shall be charged to the Profit Center Report (PCR) of the respective units before arriving at Profit before tax.

## **6.8 Safeguarding of Assets**

6.8.1 Ensure that Wapic Insurance's assets are properly safeguarded (e.g., fences around facilities; locked file cabinets protecting sensitive/proprietary files, cheque book stock, blank insurance certificates and other security documents; locked computer data rooms with appropriate fire and theft protection devices; etc.).

6.8.2 Ensure that all financial and other confidential or proprietary information is processed and maintained in a secure environment.

## **6.9 Compliance**

Generally, every staff has the responsibility to ensure compliance with all the policies, procedures, laws and regulations that relate to their work. So every employee has the responsibility for the following:

6.9.1 Ensure that the Wapic Insurance Policies and Procedures are followed as they relate to the assigned responsibilities of the individual.



6.9.2 Ensure that the Wapic Insurance Philosophy/Ethics/Code of Conduct is followed and any known violations are reported to the appropriate authority or the internal control officer.

6.9.3 Ensure that all laws and regulations are followed which relate to any activities assigned to the individual (e.g., environmental requirements, retirement benefit regulations, safety requirements, labour contract requirements, etc.).

#### 6.10 Control/Risk Based Performance Measurement

In addition to routine performance appraisal prepared by Business Unit Managers, Human Resources Management shall consider Control/risk based rating of Operations and Business Unit employees before arriving at the final score and ranking of staff in the Company.

## 7.0 INTERNAL CONTROL UNIT PROCEDURES AND MANUAL

### 7.1 CHEQUE BOOK REVIEW

1. Ensure that a cheque register is maintained and updated promptly
2. Check that cheques are duly signed off by the authorized signatories (usually two: - One A and One B). Every check issued is photocopied. The signatures on the photocopy of the check are compared with our mandate.
3. Check for correctness of amount in words and figures, date of issue and agree it to the check stubs
4. Ensure that check stubs are duly initialed by the authorized signatories who signed the check
5. Tick off the number(s) on the register
6. On a daily basis, all the issued and cancelled cheques are reconciled with the original copies of the cheques.
7. The numbers of issued and cancelled cheques are controlled using the register/ bar sheet. Any breaks will be highlighted and escalated.
8. Ensure that the word "VOIDED" or "CANCELLED" is stamped/written on the face of the originals of cancelled or spoilt cheques.
9. Sight original copies of issued and cancelled checks and call them back to the register / bar sheet.
10. Any break in sequence should be promptly investigated and reported to Internal Control head.

### 7.2. REVIEW OF UNDERWRITING FILES

The following are the minimum basic information which must be in an underwriting:

1. Application/proposal form that captures the name, address, e-mail, phone number, details of the risk etc.
2. Copy of National ID/ Driver's License/International Passport/Voter Registration Card for an individual client.
3. Copy of registration document showing registered name, principal place of business, mailing address, phone number etc. for corporate client.

4. The Policies and Endorsements must be duly counter signed by the HOD and in his/her absence the most senior officer must sign off.
5. Ensure that premium was received, this should be evidenced by a receipt or the agent's or broker's account is appropriately debited for the premium.
6. Debit/Credit Note must be duly counter signed by the HOD and in his/her absence the most senior officer must sign off

Please refer to the Underwriting Policy manual for additional details specifics as per various insurance products.

### **7.3. REVIEW OF PREMIUM REVERSALS AND REFUNDS**

Premium reversal can arise either as a result of brokers'/customers' instruction or when there is processing error that needs to be corrected. If the reversal is initiated by broker or a customer, it will lead to refund of premium to the insured.

If the reversal is as a result of processing error and is done same day, the processor's unit head approval is required. However if it is being done after the processing day, the originating/processing unit Group Head and Internal Control must approve. If it the reversal has crossed over to the new calendar month, Internal Control and executive management approval must be obtained, this is in addition to the Unit Head's and the relevant Group Head's approval.

When the reversal is required as a result of brokers'/customer's instruction, the processing unit Group Head, the relevant business Group Head, Internal Control and executive management approval must be obtained before the premium reversal and subsequent refund is carried out.

While performing this review, Internal Control officer should perform the following process:

- Download the list of underwriting policies booked on the system for the relevant period.
- Identify the transactions showing negative amount (this are the reversals) and call for the file.
- Spool the entries in the premium income GL to identify all the reversal in the GL.
- If the reversal is customer initiated, ensure that the Instruction from the broker/agent/customer stating the reason for the termination of the policy is in the file.
- Ensure there is evidence of appropriate level of approval in the file.

### **7.4 REVIEW OF CLAIMS FILES**

The following are the basic general requirements for any type of claims:

- Confirm that premium has been fully settled noting MOU for instalmental payment arrangement. To confirm this:
  - Log in to premia

- Click on query
- Click on posted transaction query
- Insert the policy number
- Click on query to display the transaction information.
- Ensure that the date of loss is within the insurance period.
- Confirm the arithmetic accuracy of the all computations noting Co-insurers' proportion.
- Review the Adjuster's report noting the final recommendations.
- Review the claim form completed by the Insured.
- Ascertain that all relevant documentations are contained in the claims file as detailed below:

## **MOTOR CLAIMS**

### **7.4.1 Accident Cases**

- i. A duly completed claim form
- ii. A detailed estimate of repairs obtained from the insured's garage of choice
- iii. A loss inspection/assessor's report
- iv. Photographs of the damaged vehicle
- v. Details of the negligent TP (if someone else is responsible for the cause of the accident), including names, full address, insurance details.
- vi. Police report if death or bodily injury is involved (and where practicable)

### **7.4.2 Motor Thefts**

- vii. A duly completed claim form with a detailed description of the loss
- viii. A interim police report
- ix. Original and duplicate keys of the stolen vehicle
- x. Original vehicle license, registration certificate, CMR, proof of ownership, and other original particulars of the stolen vehicle
- xi. Letter transferring ownership of the stolen vehicle to I-Wapic Insurance Plc
- xii. Final Police report (may be dispensed with)

### **7.4.3 FIRE/HH/HO CLAIMS**

- xiii. Duly completed claim form with detailed statements on the circumstances of the loss
- xiv. In-House inspection report
- xv. Photographs of the loss
- xvi. fire brigade report (may be dispensed with)
- xvii. Police report (optional)
- xviii. Industrial fire certificate (not compulsory but essential)
- xix. Statements/estimate of the loss
- xx. Loss adjusters/in-house assessment report

### **7.4.4 BURGLARYHOUSEHOLDERS CLAIMS**

- i. Duly completed claim form with detailed statements on the circumstances of the loss
- ii. in-house inspection report
- iii. photographs of the loss
- iv. Police report
- v. Statement/estimates of the loss
- vi. Loss adjusters report

#### **7.4.5 ENGR/MBD/PAR CLAIMS/CAR/ELECTRONICS INS. CLAIMS**

- vii. Duly Completed claim form
- viii. In-house assessment report
- ix. Detailed statements/estimates of the loss
- x. Photographs of the damaged machine/equipment
- xi. Loss adjusters'/technical assessment report
- xii. Police report (optional in some cases)

#### **7.4.6 FIDELITY GUARANTEE CLAIMS**

- i. Duly completed claim form
- ii. A written statement on how the fraud was perpetrated
- iii. Internal investigation/inspectors' report
- iv. Copies of documents/instruments used to perpetrate the fraud
- v. Details and biodata of the alleged fraudster(s), including their terminal benefits, if any.
- vi. Details of Guarantees obtained by the fraudster(s)
- vii. Police investigation report
- viii. Report on legal proceedings against the fraudster(s), if any
- ix. Loss adjusters' investigation report

#### **7.4.7 MONEY INSURANCE CLAIMS**

- i. Duly completed claim form
- ii. Detailed circumstances of the loss
- iii. Statements/estimates of loss
- iv. Documents/instruments that supports the lost money
- v. Photographs of loss – if any and where practicable
- vi. Police investigation report
- vii. Detail of the cash courier including their insurance details etc, if any
- viii. Any other substantiating documents
- ix. Loss adjusters' investigation report

#### **7.4.8 GOODS IN TRANSIT CLAIMS**

- i. Duly completed claim form
- ii. Detailed statement of claim
- iii. Bill of lading/waybill

- iv. Details of the goods being transported
- v. Details of the transporter including their insurance cover etc
- vi. Police report- where practicable
- vii. Photographs of the scene of loss – where practicable
- viii. Loss investigation/adjusters' report

#### **7.4.9 PERSONAL ACCIDENT/GROUP PERSONAL ACCIDENT/WC**

- i. Duly completed claim form
- ii. Details of the nature and place of loss
- iii. Nature of the injury
- iv. Medical report
- v. Medical certificate of Cause of Death
- vi. Medical bill/expenses
- vii. Police report – if it RTA and where practicable
- viii. Photographs of the injured person – where necessary.
- ix. The injured person's three months' pay slips immediately before the accident
- x. Excuse duty/discharge certificate

#### **7.4.10 iMARINE CARGO**

- i. Duly completed claim form
- ii. Bill of lading
- iii. Packing List
- iv. Proforma invoice and form M
- v. Ship master's report
- vi. Custom inspection report
- vii. Statement of claim
- viii. Report of the appointed marine superintendent
- ix. Loss adjusters/surveyors' report, if any

#### **7.4.11 MARINE HULL**

- i. Duly completed claim form
- ii. Detailed circumstances of the loss
- iii. Details of the vessel including registration details and country of origin
- iv. Statement of the claim
- v. Loss adjuster/surveyors' report
- vi. Any other substantiating document(s)

#### **7.4.12 ALL RISKS**

- i. Duly completed claim form
- ii. Detailed statement on the circumstances of the loss
- iii. Statement of claim
- iv. Police Report, where necessary.
- v. Any other document(s) that could substantiate the claim

#### **7.5.1 PROFIT AND LOSS ACCOUNTS REVIEW**

- a. Check movements in the accounts between the opening and closing balances by printing the account statements.
- b. Identify the items in the debit side of P & L to ascertain propriety arising from wrong expense head e.g. motor vehicle expense posted to stationery or diesel.
- c. Obtain the necessary tickets from records.
- d. Review for ticket quality
- e. Send tickets with comments to Control Head.
- f. Control Head reviews and initials the tickets
- g. Review and initial the report and file copies of the tickets for follow- up / liquidation.

#### **7.6 REVIEW OF EXPENSES (SOURCE DOCUMENTS)**

##### **7.6.1 INTRODUCTION**

This review is done by Internal Control for H/O and Branches other than Upcountry Branches. Upcountry Branch Internal Control staff performs the review for their respective Branches. The review is done by Internal Control staff each focusing on a set limit of expenses. The limits currently monitored by each staff are a) Expenses up to =N=100,000.00; and b) expenses above =N=100,000.00.

##### **7.6.2. PROCEDURE**

- b. Review for correctness and adequacy, source documents pertaining to transactions over expense accounts (other than interest, PPE and amortized expenses)
- c. Ensure requirements of the Expense Approval manual are complied with.
- d. Review for wholly, reasonable, exclusiveness and necessary
- e. Check amounts in words and figures.
- f. Check the accounting entries raised and for the General L edger codes.
- g. Confirm that the correct account numbers are being used.
- h. Maker, checker and authorized approvals.
- i. Check that all attachments, receipts and invoices are original copies and not photocopy, except for HR related expenses whose originals are kept in HR for audit purposes.
- j. Report and issue exceptions memos as appropriate.

## **7.7 PROOFS & AGEING REPORTS**

### **7.7.1 PROOFS – (Departmental & Independent functions)**

Proof is a process through which every operations department validates the accuracy and propriety of transactions that make up their General Ledger balances. That is, the unit confirms that every item that makes up the balance in their GLs at any particular time was duly approved and that the details of this transaction correspond to the originating source media.

The proofing exercise should focus on Assets & Liabilities plus contingent accounts. Movement in and out of Revenue and Expense accounts are strictly controlled by various levels of approvals. FINCON also does variance analysis on the accounts and advise management of any unusual movements. Again, Internal Control reviews expense tickets daily.

The frequency with which a GL is proved is as defined by the policy manual. What we do is to ensure that at a minimum, we meet the recommendation of the policy manual. Most accounts are required to be proved monthly, while some such as suspense GLs are proofed daily.

There is a list of all accounts being proved, the unit responsible and the frequency of proof developed by Internal Control. In arriving at the frequency of proof, the General Ledger policy manual recommendation serves as our guide. The frequency assigned must meet the minimum requirement set by the General Ledger policy manual.

Information about new and closed internal accounts is obtained by the Internal Control personnel that handles Account maintenance log review and passed on to the proof desk. This is updated on the list.

### **7.7.2. THE PROOF PROCESS**

Currently proofing of GL is performed monthly by FINCON and Central Processing Unit. This is however subject to change. The following process is followed:

- i) On the last working day of the month, Internal Control Officer sends out mail to FINCON requesting the responsible officer to prepare the company's GL proofs and submit within three working days after the month end.
- ii) Internal Control officer receives the GL proofs from the responsible unit on the specified day.
- iii) Download the Trial Balance position as at the end of the month in question.
- iv) Use the Trial Balance to confirm that all the assets and liability GLs proofs are prepared and submitted.
- v) Check the Trial Balance to ensure that all the GLs balances are regular. That is, ensure that assets and expense GLs have debit balances; liability and income GLs have credit balances. Where this is not the case, such GL should be investigated.

### **7.7.3 THE CALLBACK PROCESS**

To ensure completeness, submitted proofs are called back to the list of assets and liability GLs in the Trial Balance. This will enable Internal Control update senior management on the list of outstanding proofs as demanded.

All the proofs submitted are thereafter arranged in GL order (ascending order as the case may be). This will make the proofs appear in the same order as the General Ledger Report and

then allows for easy call back and retrieval.

In calling back the proofs, we should note the following:

- a. That the proof balance agrees to the General Ledger Report balance. Where there is a difference, the difference is adequately explained and should be escalated.
- b. That there is maker/unit head sign off.
- c. That the proof's as of date and date prepared are indicated
- d. That the proofing media is indicated
- e. That account name and account number is indicated.
- f. That the Branch and department name are indicated.

It is instructive to note that persons posting into a particular account are not allowed to proof such account. Therefore, the units are supposed to sign a certification attesting to this. Also, a NIL report for all accounts having NIL balance should also be submitted by each unit. This should be called back as well.

Efforts must be intensified to ensure the completeness of the proofs by following up for outstanding accounts (proofs), escalating to senior management promptly.

#### **7.7.4 FILING**

All the called-back proofs/ageing reports are filed off in order of GL. This is to guarantee ease of retrieval (when the need arises).

#### **FACTS TO NOTE ABOUT INTERNAL ACCOUNTS**

- a. Asset accounts are supposed to contain debit balances. Any of such account with credit balance is an exception.
- b. Liability accounts such as Sundry account should contain credit balances.

#### **7.7.5 AGEING REPORTS**

Some of the internal accounts by their nature contain transit entries. Transit entries, such as travel advance, Advance payment to vendors, Account receivable, etc. are not expected to over stay in these accounts. These accounts are referred to as miscellaneous credit accounts. Examples are Pre-paid, a/c receivables and Sundry accounts. The reconciled report gives the details of each entry together with their ages as defined by corporate policy. Concerned units are supposed to indicate efforts being made to liquidate outstanding items and proffer target date for liquidation.

The ageing report submitted is reviewed and exception(s) noted reported to top management.

#### **7.8 FIXED ASSETS**

- a. Ensure there is fixed assets register and asset movement register for all assets in the Branch (H/O)
- b. Ensure that the register is properly formatted in terms of details and separated by asset type
- c. Carry out physical verifications of the assets in the Branch and ensure completeness of the asset register
- d. Check the existence, location, user, registration number (for cars) and log number to the information on the register



- e. Review the security over the fixed asset and ensure its adequacy
- f. Check to confirm that all assets are tagged
- g. Confirm that all assets sent out for repairs are returned.
- h. Report any exceptions observed.

### **7.9 PETTY CASH ADMINISTRATION**

Petty cash is maintained in the Head Office to facilitate payments of minor expenses. The amount per disbursement should not exceed N1000.00. The petty cash should be verified by Internal Control Officer at least once every week. The process for verifying the petty cash is as follows:

- i. Ensure that all disbursements were captured in the register
- ii. Ensure that all the disbursements were approved by the responsible Unit Head
- iii. Ensure that no single disbursement voucher was raised and paid for an amount greater than N1,000.00
- iv. Cross out and initial all the disbursement vouchers
- v. Count the physical cash (A)
- vi. Check the register to pick the balance brought forward (B)
- vii. Add all the petty cash disbursement vouchers together (C)
- viii. Ensure that  $A = B + C$

### **7.10 PROTECTION MANAGEMENT**

The following key areas are at ensuring the assets of the company are secured and protected.

- a. On a weekly basis, review the off-hour register and the visitors' book to ensure that they are properly maintained.
- b. Carry out a security sweep on a monthly basis and deal with all noted issues in line with policy provision
- c. Carry out a network security check to ensure passwords are not compromised
- d. Ensure that all emergency lines are openly displayed and call weekly to reconfirm their functionality
- e. Confirm on a quarterly basis the functionality of the fire alarm/smoke detector and burglary alarm
- f. Ensure that the fire extinguishers are displayed and labeled with service charts indicating the frequency of service. This should be reviewed quarterly
- g. Ensure that a fire drill is conducted at your location on a quarterly basis
- h. Ensure there are exit doors. All exit doors and windows are equipped with strong metal protectors and these are locked at the close of work each day.
- i. Ensure that all customers files are kept in metal safe with additional lock in the vault
- j. Ensure the appointment of a daily security officer with the responsibility to switch off all electrical appliances at close of work each day.
- k. Any exceptions observed should be noted

## **8. CALL OVER PROCEDURES**

## **8.1 Introduction**

In line with the fundamental control principle of segregation of duty, the unit\department head of head office units and every branch is expected to call over on a daily basis the transactions processed in the unit. Call over of transaction by Unit Heads or his designate should be evidenced with his initial on the transaction source documents.

## **8.2 Objective of call over**

The objectives of call over of transactions are stated below:

- i.** To ensure transactions are posted correctly. (i.e. a debit is not posted as a credit and vice visa)
- ii.** To ensure that a transaction is posted into the correct account
- iii.** To ensure that the correct information, (amount, reference number etc) is posted in respect of a transaction.
- iv.** To ensure that a transaction posted is valid. (i.e. supported by a valid source media and authorized by a responsible officer of the company).
- v.** To ensure that all legitimate activities of the company are posted.

In essence, it is to ensure the COMPLETENESS, ACCURACY, and VALIDITY, of all transactions entered into by the company with its customers and other internal activities.

## **8.3 Policy on Call Over of Transactions**

1. The daily transaction list for all transaction posted during the day must be obtained at the end of each business day. Each unit / branch operations is responsible for call over.
2. The primary call over official shall be the head of each branch or operations unit, and shall assign roles in such a manner as to ensure that the designated call over official does not “call over” work he/she has inputted or checked. This ensures the integrity of the information.
3. The designated call over official calls over the posted vouchers to the transaction List by:
  - i.**Account Number
  - ii.**Voucher number (if any)
  - iii.**Narration/Description
  - iv.**Currency and rate
  - v.** Amount
  - vi.**Transaction date
  - vii.** Value date for value dated items
4. The call over official must also evidence that the voucher was approved and authorized for processing i.e. two signatures other than the officials who prepared the voucher must sign the voucher. There must be Maker/Checker evidence.
5. The designated call over officials must sign the Transaction List, after calling over transactions
6. A senior official must check and sign the call over transaction list, after it has been signed by the designated call over official, and record all errors in the specified register.

7. At the end of the Call Over, the supervisor should complete and sign the call over attestation form and forward it to Internal Control as evidence that call over has been done.

#### **8.4 Call Over of Transaction**

Prior to the commencement of the call over process, ensure the following:

1. The Unit Head to print or supervise the printing of the report of transactions ("report") posted on individual processor basis to ensure that all the reports are complete.
2. The Host Journal Report to be signed by the Unit Head and placed in each teller's transaction batch, waiting to be called over.
3. The Unit Head, or in his absence, his back up should be in-charge of transaction batches. He is expected to monitor the movement of transaction batches amongst staff. He is also to ensure that the batch envelope is properly updated with the necessary information i.e. Date, Account Range/Posting Officer's name, Number of vouchers etc. This will minimize the risk of loss of sensitive transaction instruments.
4. A Call over schedule, rotating the call over activity is to be prepared by the unit head or his back up on a weekly basis.

The schedule will show the transaction batches to be called over by various staff on a daily basis. See sample attached (Appendix 1)

5. A Call over register to record the movement of transaction batches will be maintained and reviewed by the unit head.

The register will show the following information (the name and signature of staff who collected the batch for call over; date and time the batch was collected; date and time the batch was returned; signature of staff in-charge of batches signifying that the batch was returned and signature of the unit head confirming that all the batches have been called over and returned.

#### **8.5 Review of Cash and Cheque Receipts**

The aim of this review is to ensure that cash and cheques receipts are promptly banked.

##### **8.5.1 Cash Receipt**

- i. Count the physical cash **(A)**
- ii. Cast the figures on the receipts for cash deposit
- iii. Ensure that the total physical cash agrees with the summation of all the receipts for cash deposit. Where there is any difference, confirm that it is as a result of the commission and that correct commission was deducted. (Check the commission rate for various classes of insurance)
- iv. Check the dates on the receipts to ensure that they are not more than one working day.
- v. Add all the cash deposits items on the register **(B)**
- vi. Add the bank deposit slips for cash deposit together **(C)**
- vii. Ensure that the physical cash in (i) above plus the total of all the deposit slips for cash in (vi) above is equal to all the cash deposit items on the register in (v) above. That is, **(A)+(C) = (B)**

- viii. Confirm that the deposit slip carries the bank stamp and the signature of the bank's cashier/teller.

#### 8.5.2 Cheque Receipt

- i. Obtain all the cheques in the cashier's custody
- ii. Ensure that all the cheques are issued in favour of Wapic Insurance Plc (relationship managers should encourage their customers to write the name in full rather than just Wapic)
- iii. Check that amount in words agrees with the amount in figures on all the cheques.
- iv. Ensure that the cheques were signed by the drawer.
- v. Ensure that the cheques are presented on due date. There is zero tolerance for nonbanking of cheques more than a day after its due date.
- vi. Check the register to ensure that all the cheques details were captured.
- vii. Check that all alterations were countersigned by the drawer.
- viii. Check to ensure that the total on the check deposit slip is equal to the sum of the figures on the attached receipt
- ix. Confirm that the cheques in the deposit slips were recorded in the register
- x. Confirm that the deposit slip carries the bank stamp and the signature of the bank's cashier/teller.

## Appendices

### Appendix A: Quarterly Certification of the Financial Statements and Internal Control System by CRO

Date:	DD/MMM/YYYY
To:	CFO / CEO
From:	First name @ Risk Management Division
Subject:	<b>Quarterly Certification of the Financial Statements and Internal Control System as at DD/MMM/YYYY</b>
No. of Pages:	1

I hereby give my certification that I have reviewed the The company's Financial Statements and the Internal Control System in place for the period ended DD/MMM/YYYY and affirm as follows:

In my opinion, the The company's Financial Statements for the given period represent a true and fair view of her state of affairs for the period and her financial position as at DD/MMM/YYYY.

## Appendix 1

### I. Checklist

Outlined below is a checklist of transactions expected to be reviewed.

1. Review of Cash and Cheque Receipt.
2. Review of Claims Files
3. Review of Underwriting Files
4. Opex/Capex Review
5. Review of Payroll
6. Review of petty cash
7. Review of company Investment portfolio
8. Review of General Ledger
9. Review of Trial Balance
10. Preparation and Review of Bank Reconciliation Statements

This list is by no means exhaustive. Branches and Units should add to it as and when appropriate. Please note that in addition to this review, an exception report detailing all observed exceptions should be signed and sent with the attestation form weekly.

**INTERNAL CONTROL OFFICER'S DAILY PROOF CHART**

**JOB DESCRIPTION: CALL-OVER EXERCISE**

**BUSINESS OFFICE:**

1. Call-over entails checking transaction documents (tickets) against related computer generated Journal/printout
2. Retrieve transaction tickets from processors before 1 0 am daily and print the Transaction Journal for the set threshold/limit
3. Ensure that transactions are posted to correct customer or company GL/P&L accounts.
4. Ensure that each ticket has the relevant customer mandate and internal approval for the transaction type
5. Ensure that correct value dates are used to post the transactions
6. Ensure that the correct transaction codes (BI for company Induced/non COT chargeable and CI for Customer Induced/COT chargeable transactions) are used to post.
8. Check the TJ to ensure that all posted transactions are vouched/ticked and all tickets also posted - Completeness Test
9. Document exceptions and send to BSM for relevant corrective action
- 1 0. Input the relevant exceptions into daily report sent to the RC

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Internal Control Supervisor: Name & signature

INTERNAL CONTROL OFFICER'S PROOF CHART  
JOB DESCRIPTION: REVIEW OF SYSTEM EXCEPTION OVERRIDE MESSAGE REPORT  
BUSINESS OFFICE:

- i. Generate Critical Exception Report from Premia for review.
- ii. Use the Transaction ID on each exception message to trace the transaction ticket in the relevant processor's Batch Envelop submitted
- iii. Check for relevant policy stipulated approval authority on the tickets
- iv. Review the account involved for any other exceptional/suspicious transaction
- v. Query the BSM or the processor involved for any exception observed (verbally or in writing depending on gravity)
- vi. Advise appropriate regularization/disciplinary action
- vii. Document exception where necessary on the exception report template.
- viii. You may also need to occasionally review the All Exceptions Override Message Report

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INTERNAL CONTROL OFFICER'S DAILY PROOF CHART  
JOB DESCRIPTION: REVIEW OF GL/P&L MOVEMENT REPORT  
BUSINESS OFFICE:

- Down load GL movement report on flexcube using appropriate Menu Option
- Format downloaded report on Excel
- Identify GL account with unusual/exceptional balances(e.g. asset accounts in credit Liability accounts in debit, teller balances over limit)
- Ensure that all suspense and Transit account s are zerorized daily
- Trace exceptional /unusual balances to transaction journal and source documents
- Review the source documents for propriety (valid authorization, approval, AUTHENTICITY, existence etc)
- Call for the proof of the accounts where necessary e.g. unusual spike
- Document exceptions and seek for satisfactory explanation

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INTERNAL CONTROL OFFICER'S DAILY PROOF CHART  
JOB DESCRIPTION: REVIEW OF INCOME/PREMIUM REVERSAL  
BUSINESS OFFICE

1. Check all the Income lines on the GL/P&L Movement report for any debit movement
2. Call up the affected P&L account on the system to see the processor
3. Call for the supporting document and ensure that necessary P&L reversal approval was obtained except for same day reversal of wrong posting.
4. Document and obtain relevant explanation for exception observed.

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**INTERNAL CONTROL OFFICER'S DAILY PROOF CHART**  
**JOB DESCRIPTION: REVIEW OF SUSPENSE/TRANSIT/PROXY ACCOUNTS**  
**BUSINESS OFFICE:**

- I.** Call up all the relevant Suspense/Transit accounts on the system and ensure that they closed with the required zerobalances
- II.** Ensure that all transactions that default to Proxy Accounts are subsequently posted/reversed to the appropriate accounts (even when the Proxy account has zero closing balance by default or otherwise)
- III.** Check for any exceptional/suspicious transaction on all the suspense/transit accounts, trace and review the final disposition of the fund for propriety.
- IV.** Ensure that all entries are supported with relevant documentation (this should be embedded in the TJ Call Over function)
- V.** Document and obtain relevant clarification for observed exception.

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INTERNAL CONTROL OFFICER'S DAILY PROOF CHART

JOB DESCRIPTION: CONTROL EXCEPTION LOG

BUSINESS OFFICE:

1. All exceptions in respect of Call Over and other Control review activities should be recorded on the exception report template
2. Exceptions must be Simple, Concise, Clearly recorded and easy to understand. 3. To log in exceptions, record all exceptions observed in the course of your review work in a working paper. 5 Report all exceptions to the RC as previously recorded. 6. Make relevant follow up on open items.

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INTERNAL CONTROL OFFICER'S DAILY PROOF CHART

JOB DESCRIPTION: REVIEW OF EXPENSES

B/OFFICE:

1. Ensure that all expenses are duly approved, reasonable, allowable and complied with relevant policy approved limits e.g. hotel accommodation, feeding and un-receipted expense limit.
2. Ensure that all expenses are supported with relevant invoices with corresponding dates with the expense period.
3. Ensure that the Expense Tickets and Supporting Invoices are duly stamped as Processed to guide against duplication/re-circulation
4. Ensure that settlement of expense is not by cash but direct credit to the vendor or beneficiary staff's account
5. Confirm that all appropriate expenses are passed to the appropriate Expense account using the correct cost (MIS) centre code
6. Carry out trend analysis of expenses
7. Retrieve expense and evidence your review with your initial on the ticket and file separately
8. Review cash advance and other internal GL accounts towards month-end to ensure that expenses are not "WAREHOUSED" in wrong account.

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INTERNAL CONTROL OFFICER'S DAILY PROOF CHART  
JOB DESCRIPTION: CASH ADVANCE REVIEW B/OFFICE

1. Ensure that all Cash Advances are duly approved, reasonable in sum and for allowable expenses of the company
2. Ensure that amount requested complied with the policy approved limit and credited to the account of the beneficiary staff or his authorized personnel.
3. Ensure that Cash Advance is not used to pay contractor that are expected to have account with us or be paid with our Certified draft
4. Regularly obtain proof of the Cash Advance Account to ensure compliance with the company's policy for liquidation deadline
5. Time barred Cash Advances should be
6. Review cash advance accounts towards month-end to ensure that expenses are not "WAREHOUSED" in wrong accounts

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INTERNAL CONTROL OFFICER'S DAILY PROOF CHART  
JOB DESCRIPTION: TREASURY AND INVESTMENT PRODUCT REVIEW  
BUSINESS OFFICE:

1. Ensure that all Treasury/ Money Market and Investment were appropriately approved
2. Where applicable, ensure that interest rate applied are reasonable considering the prevailing market rate
3. Ensure that amount on Deposit/Investment booking GL agrees with the principal and interest stated on the investment certificate
4. Review all premature liquidation and seek for written explanation on why the investment was liquidated before maturity
5. Confirm that the Finance Officer maintains a file each for outstanding investments and that outstanding investment are filed in maturity order
6. Confirm that Finance officer proofs deposit/investment booking GLs on a monthly basis
7. Confirm that deposit transactions are not back value for more than 5 days

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INTERNAL CONTROL OFFICER'S DAILY PROOF  
CHART JOB DESCRIPTION: INCOME LEAKAGE  
REVIEW BUSINESS OFFICE:

1. On a weekly basis, generate the outstanding premium report from Premia
2. Classify the report base on the age, amount, business group, customer and the responsible business group head
3. Send out the report to the responsible business group with a copy to members of executive management .

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**F. JOB DESCRIPTION: REVIEW OF CHEQUE BOOK ADMINISTRATION**

- i.** Confirm that all cheque books received from the bank by the CPU are duly registered
- ii.** Review the cheque book register to confirm that all checkbooks issued to customers were approved by the OM.
- iii.** Confirm that the CPU maintains an excel file for outstanding cheque books
- iv.** Confirm that all cheque books over 30 days are kept in a dual-lock box in the vault
- v.** Confirm that there is no cheque book over 180 days not yet destroyed or being processed for destruction.
- vi.** Confirm that a register is maintained with adequate information on destroyed cheque books
- vii.** Check the stock monitoring register to confirm that it is reviewed and signed off weekly by OM, and that the record agrees with the physical

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J.JOB DESCRIPTION: REVIEW OF FIXED ASSETS

1. Ensure there is fixed assets register and assets movement register for the assets of the business office
2. Ensure that the register is properly formatted in terms of details and separated by asset type
3. Carry out a physical verification of the assets in the B/O and ensure completeness of the assets register. Besides checking for existence,
4. check the location, user, registration number (for cars) and tag number to the information in the register
5. Review the security over the fixed assets and ensure it is adequate
6. Check to confirm that all assets are tagged
7. Check to confirm that assets taken away from the B/O and the ones brought into the premises are properly documented in the assets movement register
8. Check to confirm that items sent out for repairs are brought back after such repairs, and confirm the approval for movement of such assets.

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**L. JOB DESCRIPTION: REVIEW OF TRANSIT ACCOUNT**

- i.** Ensures that transit accounts have nil balances on daily basis
- ii.** Ensures that all transactions in transit account are properly addressed and liquidated into appropriate accounts
- iii.** Ensures that postings into another business office's transit account are not done after 6. 00pm
- iv.** Ensures that appropriate departmental codes are used while originating a transaction into Corporate Office transit account.

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**M. JOB DESCRIPTION: GENERAL LEDGER PROOFING**

- i. Ensures that the business office prepares the proofs of listed accounts for INTERNAL Controls' review: Vault Cash Account, Tellers CashAccounts, Cash Advance Accounts, Accounts Receivable, Clearing Accounts Company Cheque/Drafts Account, Sundries Account, Daily Suspense debit, General Expenses & Daily suspense credit etc
- ii. Ensures that long outstanding items are resolved same day.

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O. JOB DESCRIPTION: SECURITY REVIEW

- i. Ensure that the security men are visibly present consistent with the management approved numbers for night and day
- ii. Ensure that the main companying hall door is opened by 8am and that armed Policemen resume by 7a.m.
- iii. Ensure that the security register is kept and properly up-dated
- iv. Ensure that the under listed security gadgets are in place: burglary alarm system, smoke detector, fire extinguisher & panic button
- v. Ensure that the security men are at alert and strategically positioned at all times