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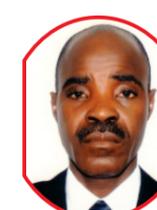
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Editorial



The theme for this year's Annual General Meeting of our association holding in the serene and historic city of Abeokuta is "Banking in the Digital Age: Opportunities and Challenges" and it is only fitting that our lead article on same topic graces the cover page. The author does a good job explaining in fine details the meaning of digital banking which he informs the reader is broader than the narrow definition as online or mobile banking. He proceeds to explore the opportunities available which he enumerated to include ease of profiling customers, improvement in customer engagement, amongst others. In addition, the article does not fail to highlight that digital banking comes with its own unique challenges, chief among which are the need by banks to keep up with the latest technology to prevent obsolescence and ageing technology, the fact that a more connected digital ecosystem exposes the institution to cyber security risks and the daunting task of encouraging customers who hitherto are used to brick and mortar banking to embrace digital banking.

Also in this edition, we serve you the second part of our article on trade services titled 'trade services in Nigerian Bank, an audit perspective'. While the initial article dwelled on Invisible Transactions and the required documentations expected to be made available for regulatory examinations and for internal audit assurance reporting to management, this section emphasizes Visible Transactions and documentations required to be in place for regulatory

examinations and for internal audit assurance reporting to management. It is a collectors' item that details audit process flow for auditing of Form M, the process on the eportal including amendments thereto. The authors were intentional enough make the article a reference material by including a listing of the items not valid for foreign exchange. I look forward to the concluding part of this series and urge you to watch this page next quarter.

If you are a proponent of the shareholder theory in doing business that focuses on maximizing shareholder value, like me, you might want to read the article in this edition titled Business Sustainability which explained the stakeholder concept as the triple bottom line approach to doing business. In the article, the author argues that businesses should focus, not just on economic profitability but also social and environmental profits. He contends that this broader focus is what business sustainability entails. A business is therefore sustainable only when it lives up to the triple bottom line of economic prosperity, environmental quality and social responsibility. These are interesting perspectives even as knowledge keeps evolving.

We have other interesting articles for your reading pleasure including the role of internal audit in the prevention and detection of fraud, why healthy snacking is important at the work place and understanding COSO 2017 Enterprise Risk Framework. It is indeed a juicy package and we expect you to relish reading it

This is wishing ACAEBIN an unforgettable experience in Abeokuta as we congregate for the 2019 Annual General Meeting.

Prince Akamadu Chairman, Research and Publication.

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BANKING IN THE DIGITAL AGE: OPPORTUNITIES AND CHALLENGES



Introduction to Banking

Banking involves accepting deposits (money) from and on behalf of the customer, providing loan to the customer and performing other services such as; providing investment and insurance services. Banking in this digital age involves the use of technology to generate, store and process transactions effectively and efficiently.

However, there is a wrong perception of the term 'Digital Banking' in today's financial world. Digital Banking is seen by many as mobile banking or online banking; it is also seen as an add-on to existing and traditional/conventional banking system. Digital Banking does not only encompass mobile banking and online banking, it has a broader picture.

What then is Digital Banking?

Digital Banking is the application of technology to ensure quick and effective processing of banking transactions/operations to ensure availability, operating cost reduction, zero errors and improved services to the client and the Bank. It involves delivering banking services over the internet and high levels of process automation and web-based services.

Some of the benefits of banking in the digital age to the customer and the Bank include:

- Improved services and products such as; availability through personal computer, banking applications, banking that meets the customer's needs etc.
- Lower operating costs through the elimination of costly operations, fewer or no errors, less branches



Quotable Quotes

- ✿ **The greater our knowledge increases, the more our ignorance unfolds.** *John F. Kennedy*
- ✿ **Let us never negotiate out of fear. But let us never fear to negotiate.** *John F. Kennedy*
- ✿ **The time to repair the roof is when the sun is shining.** *John F. Kennedy*
- ✿ **Victory has a hundred fathers and defeat is an orphan.** *John F. Kennedy*
- ✿ **As we express our gratitude, we must never forget that the highest appreciation is not to utter words, but to live by them.** *John F. Kennedy*
- ✿ **Change is the law of life. And those who look only to the past or present are certain to miss the future.** *John F. Kennedy*
- ✿ **Doing what is right isn't the problem. It is knowing what is right.** *Lyndon B Johnson (36th President of the United States from 1963 to 1969)*
- ✿ **The greatest leader is not necessarily the one who does the greatest things. He is the one that gets the people to do the greatest things.** *Ronald Reagan (40th President of the United States from 1981 to 1989)*
- ✿ **You are not here merely to make a living. You are here in order to enable the world to live more amply, with greater vision, with a finer spirit of hope and achievement. You are here to enrich the world, and you impoverish yourself if you forget the errand.** *Woodrow Wilson (28th President of the United States from 1913 to 1921)*
- ✿ **Don't follow the crowd, let the crowd follow you.** *Margaret Thatcher (Prime Minister of the United Kingdom from 1979 to 1990)*
- ✿ **Leadership and learning are indispensable to each other.** *John F. Kennedy*
- ✿ **A teacher affects eternity; he can never tell where his influence stops.** *Henry Adams*
- ✿ **Be who you are and say what you feel, because those who mind don't matter and those who matter don't mind.** *Dr. Seuss*
- ✿ **Many of life's failures are people who did not realize how close they were to success when they gave up.** *Thomas Edison*
- ✿ **If you have built castles in the air, your work need not be lost; that is where they should be. Now put the foundations under them.** *Henry David Thoreau*
- ✿ **All our dreams can come true – if we have the courage to pursue them.** *Walt Disney*
- ✿ **Whatever you can do, or dream you can, begin it. Boldness has genius, power, and magic in it.** *Johann Wolfgang von Goethe*
- ✿ **You don't lead by pointing and telling people some place to go. You lead by going to that place and making a case.** *Ken Kesey*
- ✿ **Successful leaders see the opportunities in every difficulty rather than the difficulty in every opportunity.** *Reed Markham*
- ✿ **The future belongs to those who believe in the beauty of their dreams.** *Eleanor Roosevelt*
- ✿ **A leader is one who knows the way, goes the way, and shows the way.** *John Maxwell*

will be required – a minimum number of Staff will be required.

Opportunities

Profiling of customers for financial products

Banks can easily identify profitable customers and improve significantly in marketing. This reduces time, effort and money wastage.

Engagement with the customer

There is room for improvement in engagement with customers. Customers want a digital experience when they need speed and human interaction when they need advice on products or investments. Banks need to combine human interaction with digital speed and self-service functionality. Engagement with the customer is vital for growth because it will distinguish a bank from the rest.

Branchless banking

With the advent of digital banking, customers do not stand in long queues to deposit money or make withdrawal. Everything is now done on smartphones. A digitized journey makes customers happy. It also relieves staff for more valuable tasks such as relationship management.

Redefine customer journey

Data analytics enables banks to understand their customers better, identify business opportunities and reduce costs. It helps to predict defaulters, study customer profiles and forecast risks to plan solutions.

Challenges

Upgrading systems

This is one of the challenges digital banks face. With the consistent innovation and improvement in technology, banks need to keep up with the latest technology to prevent obsolescence, wear and tear and outdate of technology.

Cyber risks (the need for increased and more proactive security)

Digital Banks that as driven by technology-driven are exposed to cyber risks. Reliance on the adoption of new technologies and a much more connected digital ecosystem makes mitigating cyber risk necessary in

digital banking. Banks should continually think about cyber security before making key decisions on changes to systems and processes.

Convenience and the reduction in customer loyalty

Customers are no longer constrained by conventional bond with their service providers. Banks are now being forced to change the way they engage customers, who are now exposed to digital offers from technologies.

Automation and the future of work

One of the most important challenges is the impact of automation on traditional labour force. We need to be careful when adopting automation. It is therefore our duty to understand the impact on jobs and help with the movement of the labour force to brand new roles and responsibilities. This will not only be a responsible growth but will have a positive impact in the future.

Digital vision

Banks need to consistently strive to keep up with trends and meet the core needs of its customers. A bank that is digital is efficient and effective.

In conclusion, with the advent of FINTECHs, there has been a major dominance in the payment sphere. FINTECHs proliferated in a bid to side-line the traditional financial system and to ensure efficiency and speed in service delivery. However, Banks are unlikely to lose their place in the financial system in the future. Strategic partnership should exist between Banks and FINTECHs to make it a win-win. It is therefore mandatory for the banking industry to evolve digitally in order to serve customers better. The idea of banking in Nigeria is changing from conventional/traditional to convenience banking.

By Ebube Immanuel
(ProvidusBank)

BUSINESS SUSTAINABILITY – Auditing the unknown!



As business stakeholders globally become more enlightened, more and more organisations are constantly challenged on their business purpose. In response to customer requirements and other pressures imposed by both regulators and the marketplace, organizations now find themselves having to conform to a bewildering number of international standards. This trend has forced many organisations to better appreciate the stakeholder approach to doing business. Freeman et al (2004) described this approach to business as one in which the businesses are run, not just for the purpose of economic profits for its shareholders but for the creation of value for its numerous stakeholders. Academic literature has identified the above contrast as the war between the shareholder theory and the stakeholder theory. While the shareholder approach to doing business focuses on maximizing shareholder value, Elkington, J. (1998) clearly explained the

stakeholder concept as the triple bottom line approach to doing business. He noted that businesses should focus, not just on economic profitability but also social and environmental profits. This broader focus is what business sustainability entails. A business is therefore sustainable when it lives up to the triple bottom line of



economic prosperity, environmental quality and social responsibility (Jeurissen, 2000).



1. Demonstrates commitment to integrity and ethical values
2. Exercises oversight responsibility
3. Establishes structure, authority and responsibility
4. Demonstrates commitment to competence
5. Enforces accountability

Risk Assessment

6. Specifies suitable objectives
7. Identifies and analyses risk
8. Assesses fraud risk
9. Identifies and analyses significant change

change

Control Activities

10. Selects and develops control activities
11. Selects and develops general controls over technology
12. Deploys through policies and procedures

Information & Communication

13. Uses relevant information
14. Communicates internally
15. Communicates externally

Monitoring Activities

16. Conducts ongoing and/or separate evaluations
17. Evaluates and communicates deficiencies

The various risks facing the company are identified and assessed routinely at all levels and within all functions in the organization. Control activities and other mechanisms are proactively designed to address and mitigate the significant risks.

Information critical to identifying risks and meeting business objectives is communicated through established channels up, down and across the company. The entire system of internal control is monitored continuously and problems are addressed timely.

The 2013 framework incorporates 17 principles.

These 17 principles are associated with the five internal control components, and provide clarity for the user in designing and implementing systems of internal control and for understanding requirements for effective internal control. COSO makes clear that for a system of internal control to be effective, each of the 17 principles is present, functioning, and operating together in an integrated manner.

For organizations desiring to establish a more comprehensive approach to managing fraud risk, this guide includes more than just the information needed to perform a fraud risk assessment. It also includes guidance on establishing an overall Fraud Risk Management Program including:

- * Establishing fraud risk governance policies
- * Performing a fraud risk assessment
- * Designing and deploying fraud preventive and detective control activities
- * Conducting investigations, and
- * Monitoring and evaluating the total fraud risk management program

COSO Components & Principles of effective internal controls are:

Control Environment

In conclusion, there is no doubt that organizations will continue to face a future full of volatility, complexity, and ambiguity. Enterprise risk management will be an important part of how an organization manages and prospers through these times. Regardless of the type and size of an entity, strategies need to stay true to their mission. And all entities need to exhibit traits that drive an effective response to change, including agile decision-making, the ability to respond in a cohesive manner, and the adaptive capacity to pivot and reposition while maintaining high levels of trust among stakeholders.

In summary, enterprise risk management will need to change and adapt to the future to consistently provide the benefits outlined in the Framework. With the right focus, the benefits derived from enterprise risk management will far outweigh the investments and provide organizations with confidence in their ability to navigate their current risk landscape as well as handle the future and emerging risks.

*By Hassan Adigun
Union Bank of Nigeria Plc*

FRAUD

DETECTION AND PREVENTION - THE ROLE OF INTERNAL AUDIT



Introduction

Fraud has adverse impacts on institutions in various ways such as financial, operational, reputational and even psychological. It also results in loss of man-hours as significant amount of time is spent on fraud investigation. Fraud could impair the going concern of an entity, as such occurrence could damage client relationships and have irreparable financial impact. Although the financial losses, which are measurable, could be substantial, the overall impact of fraud occurrence could be unquantifiable and devastating to organizations.

A significant step in fraud prevention and detection is

the creation of a functional internal control system and internal audit function. It is therefore imperative for Management of organizations to develop strong internal control system, while the internal audit function is tasked with the responsibility of periodically evaluating the adequacy and operating effectiveness of the established controls.

The Institute of Internal Auditor's (IIA's) International Professional Practices Framework (IPPF) defines internal auditing as "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization

Governance and Culture: Governance sets the organization's tone, and establishing oversight responsibilities for, enterprise risk management. Culture pertains to ethical values, desired behaviours, and understanding of risk in the entity.

Strategy and Objective-Setting: Enterprise risk management, strategy, and objective-setting work together in the strategic-planning process. A risk appetite is established and aligned with strategy; business objectives put strategy into practice while serving as a basis for identifying, assessing, and responding to risk.

Performance: Risks that may impact the achievement of strategy and business objectives need to be identified and assessed. Risks are prioritized by severity

in the context of risk appetite. The organization then selects risk responses and takes a portfolio view of the amount of risk it has assumed. The results of this process are reported to key risk stakeholders.

Review and Revision: By reviewing entity performance, an organization can consider how well the enterprise risk management components are functioning over time and in light of substantial changes, and what revisions are needed.

Information, Communication, and Reporting: Enterprise risk management requires a continual process of obtaining and sharing necessary information, from both internal and external sources, which flows up, down, and across the organization.

2. Introduces Principles

Introduces 20 key principles within each of the five components. The 20 key principles are:

 Governance & Culture	 Strategy & Objective Setting	 Performance	 Review & Revision	 Information, Communication, & Reporting
<ol style="list-style-type: none"> 1. Exercises Board Risk Oversight 2. Establishes Operating Structures 3. Defines Desired Culture 4. Demonstrates Commitment to Core Values 5. Attracts, Develops, and Retains Capable Individuals 	<ol style="list-style-type: none"> 6. Analyzes Business Context 7. Defines Risk Appetite 8. Evaluates Alternative Strategies 9. Formulates Business Objectives 	<ol style="list-style-type: none"> 10. Identifies Risk 11. Assesses Severity of Risk 12. Prioritizes Risks 13. Implements Risk Responses 14. Develops Portfolio View 	<ol style="list-style-type: none"> 15. Assesses Substantial Change 16. Reviews Risk and Performance 17. Pursues improvement in Enterprise Risk Management 	<ol style="list-style-type: none"> 18. Leverages Information and Technology 19. Communicates Risk Information 20. Reports on Risk, Culture, and Performance

3. Focuses on integration

Integrating ERM with business practices results in better information that supports improved decision-making and leads to enhanced performance. It helps organizations to:

- ❖ Anticipate risks earlier or more explicitly, opening up more options for managing the risks
- ❖ Identify and pursue existing and new opportunities
- ❖ Respond to deviations in performance more quickly and consistently
- ❖ Develop and report a more comprehensive and consistent portfolio view of risk

- ❖ Improve collaboration, trust, and information sharing

4. Emphasizes Value

- ❖ Enhances the focus on value –how entities, create, preserve, and realize value. Embeds value throughout the framework, as evidenced by its:
- ❖ Prominence in the core definition of enterprise risk management
- ❖ Extensive discussion in principles
- ❖ Linkage to risk appetite
- ❖ Focus on the ability to manage risk to acceptable levels.



Understanding COSO 2017 Enterprise Risk Management Framework and Internal Control Model

COSO 2017 Enterprise Risk Management Framework

Enterprise risk management is no longer focused principally on preventing the erosion of value and minimizing risk to an acceptable level. Rather, it is viewed as integral to strategy setting and the identification of opportunities to create and maintain value."

It is a focused framework and re-titled as: Enterprise Risk Management—Integrating with Strategy and Performance. It recognizes the importance of strategy and entity performance and further outlines enterprise risk management from internal control.

The COSO ERM framework is a high-level tool to help board directors and top leadership ensure that:

- ◆ Risks are considered and reviewed at the very top levels of the organization.
- ◆ Risk management is part of the fabric of the organization and done as part of business as usual.
- ◆ Risks are not just viewed as negative risks, but also at potential positive risks that are worth taking, given value and alignment to business objectives.

- ◆ Risks are connected to decisions regarding strategy as well as the impact on performance.

The strong link between risks, strategy and performance is one of the key defining features of the 2017 update to the COSO ERM framework. In addition, key stakeholders' expectations of greater transparency are also putting pressure on top leadership to deliver expected value, even in the face of more volatile markets, supply chain disruptions and rapid technological changes.

Eight (8) Key Things to Know about the new Framework

1. Provides a New Document Structure

Framework focused on fewer components (five), they are:



accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes". This indicates that Internal Audit is vital to the corporate governance structure of any organization. Therefore, internal audit function plays an important role in the prevention and detection of fraud.

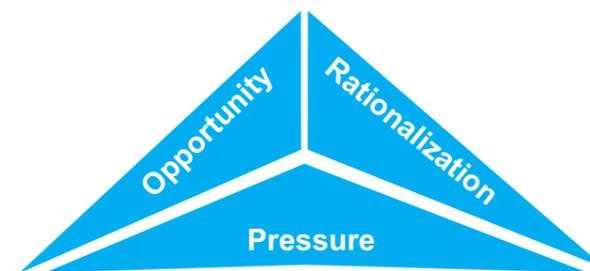
Fraud

Fraud is defined as the intentional false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury (as defined by the American Institute of Certified Public Accountants).

Fraud includes all forms of anomalies implemented with an aim to deceive or misrepresent the facts. The IIA's International Professional Practices Framework (IPPF) defines fraud as any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage."

According to Murdock (2008:81) to prevent fraud, internal auditors should understand why people commit it. The Fraud Triangle, a model developed by Donald Cressey, an expert on the sociology of crime, has been used for many years to assess the three drivers of fraud—pressure, opportunity, and rationalization. Incidences of fraud have been on the rise in organizations, this could be traced largely to economic issues which leads individuals to feel pressured, identify opportunities for fraud and finally rationalize the perpetration of the fraudulent activities.

The Fraud Triangle



Fraud can be considered a cancer in any organization as it impedes performance; and it exposes organizations to reputational and financial losses.

The responsibility for fraud prevention is split between the Management and the Audit Committee/Internal Auditors. Management is therefore charged with the responsibility of ensuring proper internal controls are in place to prevent, detect and mitigate fraud incidences.

Internal Audit Responsibility

Internal audit supports management by assessing the effectiveness of the controls put in place. This support

aids the prevention and detection of fraud.

Prevention: Murdock (2008:81) states that the best way to address fraud is to prevent it because the costs and complexities involved increase significantly after fraudulent activities are committed. Internal auditors assess systems for potential fraud risks, evaluate the effectiveness of established controls, and make recommendations for improvement. This is done by using audit plan and conducting tests. According to Khetan (2018) internal auditors can assist management in the deterrence of fraud by examining and evaluating the adequacy and the effectiveness of internal controls. In addition, they may assist management in establishing effective fraud prevention measures by knowing the organization's strengths and weaknesses and providing consulting expertise.

Detection: "Internal auditors are often in a better position to detect the symptoms that accompany fraud as they usually have a continual presence within the organization, providing them with a better understanding of the organization and its control systems"(Khetan 2018).

According to Mousa (2017), auditors auditing cases of fraud must be aware of the basic requirements of the detection of fraud. These basic requirements are:

1. Specification of the fraud risk in the organization through the examination of the control and operational environment to determine the categories and methods of fraud;
2. Evaluation of fraud risk;
3. Examination of risks and their occurrence from the perspective of the perpetrator of fraud in order to determine what the control methods are and the manipulation methods that cause the occurrence of fraud;
4. Full understanding of fraud indicators and the data that may include these indicators; and
5. Readiness for the occurrence of any fraud cases as a result of the indicators, as well knowledge of how to search for these indicators in the data.

He further stated that when these requirements are fulfilled, it is easy to deter perpetrators, to investigate and report the detected cases, and to develop control methods to detect the repetition of such cases.

The IIA Standards for the Professional Practice of Internal Auditing relating to the internal auditor's role in detecting, preventing, and monitoring fraud risks include:

IIA Standard 1200: Proficiency and Due Professional Care 1210.A2 – Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

IIA Standard 2120: Risk Management 2120.A2 – The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization



manages fraud risk.

IIA Standard 2210: Engagement Objectives 2210.A2 – Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.

Corama, Ferguson and Moroney (2006), suggested that organizations with an internal audit function are more likely to detect and report fraud than those that do not. This suggests that internal audit is a veritable source of fraud prevention.

Mousa (2017) asserted that, the role of internal audit can be summed up in the evaluation of how sufficient the fraud risk management is in the organization through asking the following questions:

1. Do the Board of Directors and the Audit Committee have clear responsibilities regarding the fraud risk management?
2. Does the organization have a clear anti-fraud strategy, for example a policy that coordinates the ongoing activities to reduce and detect fraud?
3. Does the organization conduct through examination for the backgrounds of new potential employees? Are the investigations and inspection of the employees who are promoted to higher positions conducted?
4. Is there a process for the documentation of registration, tracking and response to all the allegations or suspicions of a crime (for example reporting violations and fraud hotline)?
5. Is there a regular evaluation of the orientations, incentives, pressures and opportunities to commit the crime across the organization?

6. Does the organization have categorization for the potential fraud and its effect on the organization through an evaluation of all the types of fraud risk including bribery and money laundering?
7. Does the organization evaluate whether the risks are reduced through the existing internal control methods and evaluate the design and effectiveness of such methods (for example, powers, credit, separation of duties, etc.)?
8. Are there effective channels to enhance the flow of information with quality whether top down or vice versa across the organization?
9. Are training and awareness of cases of fraud and corruption for all employees provided? Is the training regularly held and promoted in the organization?
10. Are there sufficient, regular and ongoing procedures to ensure that the Senior Management took into consideration how effective the control environment and risk assessment are and how much modification or update the control methods that reduce fraud risk may need?

Conclusion

This article seeks to highlight the role of the internal audit function in fraud prevention and detection. From the foregoing, it can be stated, without reservations, that organizations need an internal audit function for efficiency in running its business operations.

By Ehi Obasohan

Key lookout for processing of Form M

1. Although NCS is the statutory authority responsible to vet the key look out for on Form M and thereafter issued Pre Arrival Assessment Report (PAAR) for shipping document submitted to them by the bank
2. PAAR is also use for duty assessment and also use for clearing of goods at the port of discharged
3. Of recent, CBN has come out that any bank violated the financing of prohibited items will be dealt with
4. The Internal Audit is thereby put on enquiry to give an audit assurance that the bank does not finance the prohibited items to their management and board
5. Auditors are to be on the look out to raise exception on prohibited items financed by their bank to the board awareness and possible sanctions that may occurred

The Key look areas on e-form are

The following are the key lookouts when reviewing prohibited items:

- ✳ Applicant's valid TIN
- ✳ Applicant's name, address and Phone Number as registered with FIRS
- ✳ Beneficiary's name, address, Phone Number and e-mail address
- ✳ General Description of goods
- ✳ H.S code (Harmonised System Code)
- ✳ Payment mode e.g. Letter of Credit, Bills for Collection or Not-Valid for FX
- ✳ State of Goods (New, Used or refurbished)
- ✳ Country of Origin of Goods
- ✳ Country of Supply
- ✳ Port of Discharge
- ✳ Port of Loading

- ✳ Mode of Transport
- ✳ Quantities, Unit price and Total cost of Import Item
- ✳ Total FOB Value
- ✳ Total Freight charges
- ✳ Total C&F value
- ✳ Number of Packages for the Import item
- ✳ Unit of Packaging
- ✳ Mode of Transport
- ✳ Quantities, Unit Price and Total Cost of Import Item
- ✳ Total FOB Value
- ✳ Total Freight Charges
- ✳ Total C & F Value
- ✳ Number of Packages for the Import Item
- ✳ Unit of Packaging
- ✳ Proforma Invoice Number and Date
- ✳ Value of Free of Charge items should be stated on Proforma Invoice
- ✳ Insurance Certificate with Date, Insured Value, Policy Number, Premium Value and Rate
- ✳ Other regulatory document (Endorsed SON product Certificate, NAFDAC, Import Permit from the Department of Petroleum Resources, Petroleum Depot License, etc.)
- ✳ Please Note that the above information can be retrieved from the Proforma Invoice while others are to be provided by the customers via letter to be submitted when the customer is requesting for the approval of a Form M

To be concluded in the last write up on

- Buying and Selling of Foreign Exchange
- Trade Transactions- Letter of Credit & Bills for Collections
- Export

*By Fakorede Jelili Olalekan & Olaniyi B. Olalemi,
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INCLUSION OF SOME IMPORTED GOODS AND SERVICES ON THE LIST OF ITEMS NOT VALID FOR FOREIGN EXCHANGE IN THE NIGERIAN FOREIGN EXCHANGE MARKETS.

The CBN on 23rd of June and 1st July, 2015, in its bid to encourage local production (of some items) and conserve the country's foreign reserve, it released a circular titled as above

1. Rice
2. Cement
3. Margarine
4. Palm kernel/ Palm oil products/ vegetable oil
5. Meat and processed meat products
6. Vegetables and processed vegetable products
7. Poultry – chicken, egg, turkey
8. Private Airplanes/ Jets
9. Indian incense
10. Tinned fish in sauce (Geisha)/ Sardines and fish
11. Cold Rolled Steel Sheets
12. Galvanized Steel Sheets
13. Roofing Sheets
14. Wheelbarrows
15. Head Pans
16. Metal Boxes and Containers
17. Enamelware

18. Steel Drums
19. Steel Pipes
20. Wire Rods (deformed and not deformed)
21. Iron Rods and Reinforcing Bars
22. Wire Mesh
23. Steel Nails
24. Security and Razor Wire
25. Wood Particle Boards and Panels
26. Wood Fiber Boards and Panels
27. Plywood Boards and Panels
28. Wooden Doors
29. Toothpicks
30. Glass and Glassware
31. Kitchen Utensils
32. Tableware
33. Tiles – vitrified and ceramic
34. Textiles
35. Woven Fabrics
36. Clothes
37. Plastic and Rubber Products, Polypropylene Granules, Cellophane Wrappers
38. Soap and Cosmetics
39. Tomatoes/ Tomato Pastes
40. Euro Bond/ Foreign Currency Bond/ Share Purchases
41. Furniture



LIFE DURING AND AFTER BANKING

INTRODUCTION

By its nature, Banking Job exposes bankers and bank workers to a lot of financial information. In the same vein, the job requires the staff of bank to look good at all times, although many bankers complain of their take-home, Banking job still remains one of the good paying jobs one can find in Nigeria's economy. It is a job that thrives on integrity and trust thus earning the bank's workforce a high credit rating. The implication of the above is that Bankers could easily get what they want and pay later.

The earlier Bankers were deemed conservative. The ethics of the profession made them to be frugal in their spending as they are supposed to be financial advisers to people who require financial services. The early banker cultivated a very strict personal financial management principle. No wonder he earned himself the acronym 'bankers are stingy'.

Sequel to globalization and the world being a global village, today, there has been a paradigm shift and modern-day bankers have thrown ethics into the trash can. Financial discipline is no longer in the dictionary of most bankers. Entry level staff who ought to learn and

gain experience are already pledging the income they have not earned against credit facilities taken today. In Nigeria, an average Banker lives above his means, a life full of portfolio of debts and no savings for the rainy day. Having taken all the loans available to him with his employer, they go to other Banks and finance houses and take more loans, with little or no consideration on how to pay back. If the 'dishonored cheque (dud cheque) Act of 1977 should be evoked against Nigerian Bankers, most bankers would be cooling off behind bars by now due to the number of returned cheques drawn on staff accounts on the grounds of insufficient funds. Our Cheques are supposed to be as good as Bank drafts. The lifestyles of some bankers are dependent on Credit Cards with a very high default rate. If our employers were to ask us to go today, a lot of us will go broke immediately or at best within a couple of weeks. Why should this be? The recklessness and poor financial planning while in paid employment is a clear pointer to the financial calamity that befalls bankers after retirement or sudden exit from the job.

The objective of my write-up is to identify the financial planning mistakes we make as bankers and offer possible advice, which could help us while out of the banking job. Please get me right, I am not absolving



myself from the issue at stake for I am not a saint, however, all I am trying to do is to open the discuss for everyone, including me provoke us to have a re-think on certain things that require improvement in our approach to life.

Reasons why Bankers have Issues with their Personal Financial Management

There are numerous reasons why Bankers struggle to maintain effective Personal Financial Planning, some are discussed below:

(a) Societal Expectation: To an average Nigerian, a Banker is always rich. In fact, some family members believe the cash in the vault of the Bank is always accessible to him. Most relations tend to tie their financial responsibilities to any member of their family working with a Bank. Since a friend of mine got a job as a second-level officer in a new generation Bank, he has been the one forcefully saddled with all sorts of financial responsibilities from both his family members and the wife's. He has automatically assumed the position of the financier of all projects and programmes undertaken by the families, after all, he works in the 'house of money'. The unfortunate thing is that most of us even try to match-up with the societal expectations. Many of us would go and take loans to finance non-income generating ventures with a view to satisfying the people around us. People who would never get satisfied; People who will always come back for more.

(b) Peers Pressure: is a major cause for concern amongst bankers. A colleague of mine uses a 'Prado jeep' as such I want to equally ride the same kind of car. He wears very expensive Italian jackets to the office, I want to wear same. I easily forget the fact that we earn the same salary at month end does not mean that we shoulder the same responsibilities. He might even have other source(s) of income (legitimate or otherwise) that I am not aware of. Why don't I just face the reality and put my self in my proper financial level rather than running after someone's display of extravagance. This factor has made so many Bankers to become perpetual debtors to moneylenders.

© **Lack of Financial Planning:** This sounds somehow unthinkable; however, the reality is that many Bankers spend their salary without a forecast of their expenses. The only thing forecasted is the

salary because they know their payday in advance. Good budgets are not done in the heart. They are done on paper and religiously followed by heart at the point of spending. Many bankers engage in impulse buying, nothing is planned, just anything goes. This is an indication of poor financial planning. Ask any of your colleagues about how much his daily earning is and I can bet it that he would have to compute and re-compute to give an answer. If you do not know your daily earning by heart, there is no way your daily spending would not outweigh your daily earning.

(d) Poor Healthy Living: Health, they say is wealth. Perhaps because of the pressure of job, some bankers do not even take time to do regular medical check-up. The effect of this is that medical defects hide for months and years in our body system without being attended to. This would impair productivity at work and when the situation becomes worse, it would lead to high medical expenditure.

Tips on Living a Stress-Free Life during Banking Career

(a) Plan Exit at Entry: The day you take up a pay job should be the day you sit down and plan your exit out of the job. I mean, having gotten your offer letter, discount your proposed monthly take home pay by at least 10% (it could be more) and use this as your personal pension fund plan. In other words, if your entry level salary is say N80,000.00 as proposed in your offer letter, simply assume that your take home salary is 90% of N80,000.00 which equals N72,000.00. The balance of N8,000.00 (10%) should be transferred to your personal pension fund account on monthly basis. Make no mistake; do not maintain your personal pension fund account in a savings account in your bank or any other bank. Transfer it monthly to time-linked investment product maintained with reputable insurance company or Pension Fund Manager. Please note that this part of your salary is not your usual monthly savings. It is untouchable until when you leave your job. As your salary grows, of course, your contribution grows and since the fund manager invests it for you, you earn income, which is also capitalized. With this, you have an assurance of happy life largely after you might have left the job. I must stress that this requires a serious discipline and it is better done when one is about to start a job.

Audit Process Flow- Form M Amendments/Revalidation/Extension

1. Obtain the list of Letter of Form amended during the audit period
2. Sample test of amount charged for amendment of Form M processed through the e portal
3. Check remittance to CBN on Form M processed by the bank-Swift confirmation of remittance
4. Raise exceptions on customers not charged on processing
5. Raise exception on customer under/over charged
6. Recommend recovery on under charged if no management approval for the concessionary rate and refund for excessive charges

Processing Form M – Documents required for Importation

- Duly completed Form M application form
- Proforma Invoice with detailed information like FOB, Freight, C&F, Country of Origin/Supply, etc
- Insurance Certificate with 110% Cover

- Other Documents
- Any additional document will be determined by the item of import, for example
- Pharmaceutical License – For Drugs
- Retention of Premises & Annual license to practice- for Drugs
- NERC Clearance-For Generators
- NAFDAC Clearance Permit for finished pharmaceutical products
- Standard Organization of Nigeria Conformity Assessment Programme (SONCAP) Product Certificate
- DPR Approval – Petroleum products e.g. PMS, AGO
- Pharmaceutical License – For Drugs
- Retention of Premises & Annual license to practice- for Drugs
- NERC Clearance-For Generators
- NAFDAC Clearance Permit for finished pharmaceutical products
- Standard Organization of Nigeria Conformity Assessment Programme (SONCAP) Product Certificate: New Items
- DPR Approval – Petroleum products e.g. PMS, AGO, DPK, JET A1

IMPORT DOCUMENTATIONS REQUIREMENTS FOR SPECIFIC GOODS

Import Item	Documents Required
General Import	<ul style="list-style-type: none"> * Completed e-Form M * Proforma * Original Insurance * SON Product Certificate- or new products
Pharmaceutical Products	<ul style="list-style-type: none"> * Completed e-Form M * Proforma * Original Insurance * NAFDAC Certificate
Generator	<ul style="list-style-type: none"> * Completed e-Form M * Proforma * Original Insurance * NERC/SONCAP
Finished Pharmaceutical Product (Drugs)	<ul style="list-style-type: none"> * NAFDAC Permit * A photocopy of product registration certificate issued by NAFDAC, original to be sighted
Petroleum Products	<ul style="list-style-type: none"> * Dept of Petroleum Resources (DPR) Permit for importation of petroleum products, Depot Licence

- * **Pilot run of electronic Form M commenced on November 22, 2012**
- * **Full Implementation begins December 06, 2012**
- * **Physical Form M is no longer required, Form M is now electronically transmitted;** this is peculiar to Nigeria only.

Tools Required

- * **Internet access with URL:** <https://app.trade.gov.ng/formx>
- * **Computer System**
- * **Scanner**
- * **User Guide**

Documentations Required for Visible Trade In Nigeria.

- * Form M is an application to import physical/tangible goods into the country.
- * Customer must have validated FIRS Tax Identification Number (TIN) to process Form M
- * Form M is processed on CBN Single Trade Platform by customer/bank
- * Authorized Dealer Bank processes/validates the Form and forward to Nigeria Customs Service (NCS) for final approval
- * NCS processes and notify customer of rejection or approval by sending an email

- * Form M must be filled irrespective of whether the Importer is using Government (CBN) or his personal funds (Domiciliary Account) for the import or not
- * Form M is divided into two –Valid for Forex and Non-Valid for Forex
- * Valid for Forex represents that the importer is establishing letter of credit (Mode of Payment) for the import.
- * While non valid for Foreign Exchange indicates that the Importer is sourcing for the import finance personally and it does not involve the bank on its payment for the goods being imported.

The CBN released a circular on the 3rd of July, 2015, titled:

PROCEDURES FOR REGISTRATION OF "FORM M" FOR GOODS "NOT VALID FOR FOREIGN EXCHANGE".

This circular states that all forms M to be established for items 'Not Valid for Forex' should be accompanied with the following documents in addition to other regulatory permits where applicable:

1. Pro forma Invoice from the supplier
2. Insurance Certificate (marine/ cargo)
3. Written confirmation from the Authorized Dealer Bank showing;
 - a) Source of funds
 - b) Evidence of source of funds.

Audit Process Flow for Auditing of Form M.

Guides to bank charges 2017 section 8:6 On Inward and Outward Letter of Credit states that the following fees should be charged on Form M

S.N	Process	Fee
1	Processing	N3,000 in addition to maintenance fee on e-form platform in line with CBN directive
2	Amendment	Negotiable subject to a maximum of N5,000
3	Revalidation/Extension	Negotiable subject to a maximum of N5,000

Audit Process Flow- Form M Process on the e portal

1. Obtain list of Form M processed during the audit period for review from e portal.
2. Sample test of amount charged for Form M processed through the e portal
3. Check remittance to CBN on Form M processed by the bank-Swift confirmation of

4. remittance
4. Raise exceptions on customers not charged on processing
5. Raise exception on customer under/over charged
6. Recommend recovery on under charged if no management approval for the concessionary rate and refund for excessive charges

(b) Cultivate a Good Savings Culture: However hard it might be, save, save and save. Saving requires discipline and sacrifice. As long as the elementary principle of insatiability of human wants in Economics is still valid, one's wants would always outweigh one's income. No salary is enough. If your salary is increased today, your expenses would adjust in response to the increase in your salary. However, if your salary is slashed down by 20% today, your expenses would find a way of adjusting to the decrease in the income. It is therefore a smart financial plan if you further cut down your salary by additional 20% and put into savings. Any increase in your salary should never be viewed as an increase in income, rather as an increase in savings. Transfer such increase, if possible, in entirety to your savings.

c) Avoid Loans like a Plaque: To the best of your ability,



avoid spending what you would have tomorrow today. The only thing you have is what you have today. Use it judiciously. Do not make credit card your means of livelihood. This is simply an indication that you are living above your means. Where future expectation fails, credit obtained against them would put you under undue pressure. If expectation of future income fails and you do not owe, standard of living would only reduce, however, you would not be exposed to embarrassment. If you must take loan, credit card or any other form of credit, use them for an income-generating venture. If a commercial bank is offering me a personal loan at 29% per annum and I have a secured investment opportunity that would fetch

me 5% per month, then it would make sense to take such loan for the investment opportunity. At the same time, I would be a bad decision maker if I refuse to take loan to acquire a landed property of which I know will appreciate in value and can be sold off to pay off the loan at any point in time. In essence, credit must be used for what would yield income more than the cost of the credit.

(d) Assume your Last Salary is the Last: Treat every salary you earn as the last you would earn from the Bank. All of us would leave this job one day either willingly or forcefully. This is a bitter pill we must all swallow. It could happen at any time to anybody at any bank at any time. Many would still join the industry while more would still leave. So, we must appreciate every salary we earn. We must use it judiciously because we might not earn another.

(e) Love your Job:

There are millions of better jobs out there, but you do not have them. The job you do have now deserves your best input. You must give all the commitment and attention you have to it. "If a man pays you, be loyal to him" ensure that you earn your pay. As long as you have not gotten another job, be diligent in the one that you have for now. When you love your job, you would be happy doing what you do.

(f) Place Premium on Integrity: The quality of honesty you have within you determines the level of respect you earn from people. When people know that you are honest and reliable, they are comfortable being with you. As a banker, the only thing you offer to your business partners is integrity. You should never issue a dud cheque. Your cheque is you. Where circumstances made it imperative for you not to be able to honour your obligation, humbly meet your business partner with all sincerity and negotiate for settlement terms.

(g) Value Relationships: Talent is not enough. This is the title of a very interesting book of John Maxwell. Compliment your talent with nourishment of good

relationships you build. Allow no relationship to go sour. Give gift when necessary to massage your relationships. Every successful person is so successful not only because of his skills and professionalism, but because of his positive attitude towards relationship management. Those you meet today might be your helpers tomorrow.

earth except that which has been allowed by God. Maintain a cordial and flowing relationship with your creator. Let Him be the ultimate decision maker in your life. He is the Banker of bankers and He will definitely show you the way.

Life after Banking

I may not be completely qualified to discuss this sub-heading since I am still in the banking industry. Events around me however could form the basis of my perception on the issue. I have seen many bankers who came out of the system only to find themselves becoming laughing stocks in the society as they have nothing to show for their many years of service in the financial sector. Banks all over the country are downsizing to reduce staff cost. You are not better than those who are affected, neither are you more skillful. It can happen at any time. The motto like that of Boys' Scout is "Be prepared".

In addition to all the tips given above, these few points mentioned below would help you in living a happy life after Banking.

- (a) **Develop an Entrepreneurial Skill:** Build a value chain you can offer to the society. Your integrity tested and trusted while in banking job would help you generate business relationships, but this would only help if you have a value to offer.
- (b) **Attend Seminars and Workshops:** load yourself up with useful information on your chosen endeavour. Attend business seminars and always develop new skills that would help you in providing solutions to issues.
- (c) **Network:** Make yourself relevant in the society, not by showing off, but by supplying inputs where relevant. Join and be active in social clubs, religious organizations and charitable societies.

Let me conclude at this juncture by saying that the care and caution you exercise today would yield good returns today. For you to enjoy good life after banking, you must have to live good life during Banking. **Today's pain is tomorrow's gain.**

- (h) **Have a life:** Do not limit your existence to the confine of your bank and your family. Create fun for yourself. Take time out to see what operates in the other parts of the world. Take advantage of your holiday to visit places (please do not borrow to do this). In the same vein, eat good and healthy food, sleep well, exercise your body system and give yourself and your family member good treat regularly.
- (i) **Have options:** That you are not having another job does not mean you can not build a bank of business ideas. It does not even mean you can not establish businesses that could generate income as long as the management of such would not affect your banking job. Having income from other sources for this is the key that opens the door of financial breakthrough. Please get my article referenced above on this.
- (j) **Develop yourself:** Love to study? Please do. Go for world class certificate for this would increase your labour market worth. Do you have any talent? nurture and develop it as it that might be your key to amazing wealth and fame in life.
- (k) **Be a giver:** no matter your condition, you are better than somebody. Someone somewhere needs your assistance, no matter little, reach out to them. When you give, you are automatically positioned to receive. Pay your tithe in the church. If a Muslim, give Zakat and Sadaqat. This positions you for divine blessing.
- (l) **Invest in Assets:** The salary you receive learn to use it judiciously. Invest them in secured income-generating ventures. Buy assets (not pleasurable rides) that would consolidate your wealth when you call it a quit.
- (m) **Be prayerful:** There is nothing any man can do on



Continued from previous edition.

In the last write up, we dwelled on Invisible Transactions and the required documentations expected to be made available for regulatory examinations and for internal audit assurance reporting to management.

In this second episode on Trade Services from audit perspective, we shall be treating Visible Transactions and documentations required to be in place for regulatory examinations and for internal audit assurance reporting to management.

What is Visible Trade?

Visible trade, in economics, exchange of physically tangible goods between countries, involving the export, import, and re-export of goods at various stages of production. It is distinguished from invisible

trade, which involves the export and import of physically intangible items such as services.

E-FORM M DATA FORM	
Applicant's Name:	_____
Applicant's Account No.:	_____
Tax Identification No.:	_____
Proforma Invoice No.:	_____ Proforma Invoice Date: _____
Mode of Payment:	Letter of Credit <input type="checkbox"/> Bills for Collection <input type="checkbox"/> Not Valid for FX <input type="checkbox"/>
Invoice Value:	_____
General Description of Goods:	_____
HS Code:	_____
Beneficiary's Name:	_____
Beneficiary's E-mail (Mandatory):	_____
If Form M has been initiated, state the Form M No.:	_____
Note: An excel schedule of proforma invoice is required for multiple line items	
Authorized Signatory	Authorized Signatory
_____	_____

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CBN CIRCULAR ON FOREIGN EXCHANGE

RESTRICTION ON THE IMPORTATION OF 42 ITEMS RELEASED ON DECEMBER 7, 2018.

The Central Bank of Nigeria (CBN) on July 1, 2015 issued a directive banning 41 items from accessing foreign exchange. These items were later increased to 42 items effective December 7, 2018.

This development was in line with the CBN continued effort to stabilize the foreign exchange market, and to encourage local competitive production of these 42 items.

The importation of these items is not banned, however, those who import them will have to source for forex from parallel market or Bureau De Changes without recourse to the Nigerian foreign exchange markets.

However, the Director, Financial Policy and Regulation Department, Ken Amogu made it known that the CBN has been furnished with some trade information which indicate this policy is being circumvented as the restricted items are being dumped in the country.

He stated that investigation will be conducted on the accounts of the corporate and entities involved in the circumvention of this policy by the Economic Intelligence Unit of the CBN in collaboration with the Economic and Financial Crimes Commission (EFCC) with appropriate sanctions meted on the culprits.

Also, Banks are to desist from providing their platforms for such economic abuses to avoid being visited with severe sanctions.

Banks are enjoined to ensure strict compliance with the Know Your Customer (KYC) and Know Your Customer Business (KYCB) requirements and to be guided accordingly.

For the avoidance of doubt, please find below the list of the banned items:

- 1) Rice
- 2) Cement

- 3) Margarine
- 4) Palm Kernel/Palm oil products/Vegetable oils
- 5) Meat and Processed Meat Products
- 6) Vegetables and Processed Vegetable Products
- 7) Poultry – chicken, eggs, Turkey
- 8) Private Airplanes/Jet
- 9) Indian Incense
- 10) Tinned Fish in sauce (Geisha)/Sardines
- 11) Cold Rolled Steel Sheets
- 12) Galvanized Steel Sheets
- 13) Roofing Sheets
- 14) Wheelbarrows
- 15) Head Pans
- 16) Metal Boxes and Containers
- 17) Enamelware
- 18) Steel Drums
- 19) Steel Pipes
- 20) Wire Rods (deformed and not deformed)
- 21) Iron Rods and Reinforcing Bars
- 22) Wire Mesh
- 23) Steel Nails
- 24) Security and Razor Wire
- 25) Wood Particle Boards and Panels
- 26) Wood Fiber Boards and Panels
- 27) Plywood Boards and Panels
- 28) Wooden Doors
- 29) Furnitures
- 30) Toothpicks
- 31) Glass and Glassware
- 32) Kitchen Utensils
- 33) Tableware
- 34) Tiles – vitrified and ceramic
- 35) Textiles
- 36) Woven Fabrics
- 37) Clothes
- 38) Plastic and Rubber Products, Cellophane Wrappers
- 39) Soap and cosmetics
- 40) Tomatoes/Tomato Pastes
- 41) Euro bond/Foreign Currency Bond/Share Purchases
- 42) Fertilizer

Note: CBN at a recent release added textile materials to the above list.

Wellness

Why Healthy Snacking Is Important At Work

Whether we work long hours because our business demands it or stick to scheduled office hours, work has a way of taking a toll on the human body.

As much as working these long hours have its good sides – you learn time management, being mindful of your needs and probably others, people admire your efforts, etc. – it has its bad sides too. These bad sides, however,

withstanding hunger, but the truth is food and its nutrients play a vital role in maintaining the strength used in keeping up with that schedule.

The major importance of snacking healthily includes the fact that it helps keep you from getting overly hungry while at work and it also keeps your energy level in check if you do it right. Another interesting thing is that it

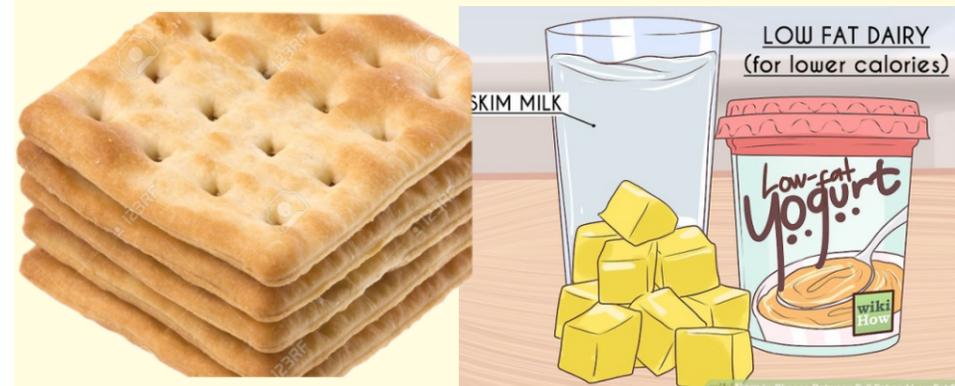
prevents one from overeating because eating heavy meals on an empty stomach can be dangerous. In other words, it helps you eat appropriately.

Healthy snacking helps keep your blood sugar levels steady or even, especially if you eat a consistent amount of carbs (carbohydrates) at

each meal or snack. This is especially helpful for diabetics, but also beneficial for people without diabetes, since large spikes and dips in blood sugar levels may make insulin resistance, Type 2 diabetes, obesity, heart disease and high blood pressure more likely over time.

Lastly, if you choose nutritious snacks, it will help you meet your nutrient needs for the day.

Although it is fine to have a less-than-healthy snack occasionally, most of your snacks should consist of nutrient-dense foods like fruits, vegetables, biscuits (crackers), low-fat dairy – dark chocolate (study shows Cacao is a great source of magnesium, which is a natural stress-reliever), and nuts (cashew, almonds).



include not having a social life and most importantly a very terrible eating habit or none at all.

With "eating habit" being the focus here, you should bear in mind that including snacking to your usual work routine is strongly advised. You might be reluctant to do this because you feel you have superpowers capable of

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