



NATIONAL BANK OF RWANDA

INTERNAL CONTROL GUIDELINES FOR SACCOs

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List of Acronyms

ATM:	Automated Teller Machine
BNR:	National Bank of Rwanda
BoD:	Board of Directors
MFIs:	Microfinance Institutions
NPLs:	Non-Performing Loans
SACCOs:	Savings and Credit Cooperatives

Foreword

In line with achieving its mission of ensuring healthy and viable financial institutions and with reference to article **37** of BNR's law n° **40/2008** governing microfinance activity, section **3** of BNR's regulation n° **02/2009** on the microfinance activity, the cooperative law n° **50/2007** especially in its articles **72** and **73**, BNR's instruction n° **454/NGER/nger** of **13th March 2012** and for the purpose of establishing an internal control system strong and reliable enough to prevent fraud, embezzlement and misappropriation of depositors' funds; the National Bank of Rwanda is pleased to release internal control guidelines which will help SACCOs to be efficient and effective in their daily operations.

These guidelines mainly comprise of minimum control mechanism to be undertaken at each level of operation conducted by the SACCO including cash control, bank accounts management, transport of funds, money safe management, control of accounting books and cards, control of counters, procurement procedures, role of staff and elected organs in internal control etc.

All SACCOs are required to comply with the minimum content of these guidelines from the date of their signature by the Governor of the National Bank of Rwanda.

The non-adherence to these guidelines will lead to sanctions contained in the aforementioned laws and regulations.

1. Introduction

Internal control system in SACCOs is defined as a set of procedures, mechanisms, and policies governing the chain of activities carried out by the SACCO as well as the hierarchical checks needed at every level so that fraud, embezzlement, misappropriation of funds or any other malpractices can be prevented.

Internal control ensures separation of duties at every stage of activities and clearly indicates who does what and who authorizes each process of operations conducted in the SACCO.

The below are the minimum but not the only guidelines for internal control in a SACCO to prevent the abovementioned practices. These guidelines can be improved overtime by every SACCO depending on its development.

2. Management of cash in hand

2.1. Introduction

The management of cash in hand involves the process of managing SACCO's cash in safe, obtaining cash from the safe to serve members, carrying out withdrawals and deposits by members, closing the daily physical cash balances and accounting book balances.

2.2. Management of the money safe

2.2.1. The notes and coins in the money safe should be counted clearly and should be correlating with the ones registered in the cash control book.

2.2.2. The ceiling of the amount determined by the BoD to be kept in the safe both at the headquarters and the branches should be always respected and covered by a specific insurance protection.

- 2.2.3. The keys and the secret code for opening the safe should be kept by at least two people, the first one keep the key while the second one keep the secret code or the second key if any;
- 2.2.4. It is mandatory that at least two people participate jointly in the opening and closing of the safe; taking or depositing the money in the safe should be done with the presence of at least two people;
- 2.2.5. The handover of the keys and existing cash in the safe should be done in writing by concerned people in case one of the keys holders is going to be absent.
- 2.2.6. In case the keys of the money safe are lost or it is suspected that the keys were duplicated, the lock should be immediately replaced.
- 2.2.7. Where possible the money safe should be cemented and put in a strong room.
- 2.2.8. When there is a strong room, the staff who is keeping the key of the strong room should be different from the two staff (one having the secret and the other who has the safe key).
- 2.2.9. Wherever applicable, SACCOs should sign an MOU with commercial bank(s) to keep copies of extra keys of money safe.

2.3. Operations of the cashiers

- 2.3.1. Each cashier should be provided with the cashier-box. In the morning, the cashier has to sign out for the collection of cashier-box together with the starting cash or opening balance. In the evening, when returning the box at the end of the day, the cashier and the Accountant (safe custodian) must sign in the statement to acknowledge that cashier returned the box and the closing balances. The Manager should also countercheck these balances and sign thereon.

- 2.3.2. By handing over the cashier box and cash balances to the person responsible especially the Accountant, the Accountant should check the correspondence of physical cash and recorded cash, check all cash deposit and withdrawals of the day both on the members' cards and accounting books and make the necessary reconciliations. By the time the SACCO is computerized all the balances should be verified in the corresponding accounting records in computer software.
- 2.3.3. When there is a cash **surplus or deficit**, it must be thoroughly searched and if not found at that moment, the cashier responsible should sign a **recognition note** which should be kept in safe place. The SACCO should put in place a **strong policy** on the management of cash surpluses and deficits and sanctions required for **discouraging** the **repetition** of such deficiencies including the payment and dismissal.
- 2.3.4. In case the cashier is required to leave the SACCO whilst having some amount, he/she must hand over the box to his/her replacement in presence of the supervisor (Manager or Accountant). They have therefore to sign a statement showing the amount handed over.

3. Collection of loan payment and cash receipt

- 3.1. All withdrawal and deposit of members' savings should be done at the **SACCO's location (counters)** or/and its **accounts in banks** not through elected organs or staff's hands, accounts or outside the SACCO's premises.
- 3.2. The **loan repayment** or payment of **shares** should be done at the SACCO's location (counters) not at the field through the staff or elected organs' hands or account.

4. Management of cash at bank

- 4.1. All bank accounts should be supplemented by the necessary periodic bank statements to facilitate their monitoring. These statements should be monthly but they may be daily or weekly depending on the need.
- 4.2. The signatories of all bank accounts should be put in place and ensure that no withdrawal is made when they have not approved. Among the signatories, there should be a member of the BoD and the Manager.
- 4.3. When one of the signatories leaves the SACCO or is no longer a signatory for one reason or the other, the SACCO should automatically replace him to avoid any disruption in the SACCO's operations.
- 4.4. The cash deposited and/or withdrawn from SACCOs' bank accounts should be immediately recorded in the SACCO's books of accounts and keep the necessary supporting documents including the bank slips.
- 4.5. The SACCOs' counters/branches should be allowed to deposit funds at the SACCOs' **accounts in commercial banks** but should not have the right to withdraw cash from bank accounts. Only the SACCOs' headquarters should withdraw from the bank accounts and supply the necessary cash to the branches/counters.
- 4.6. To avoid any embezzlement that may occur using modern payment systems especially ATM cards, Mobile banking etc. No SACCO is allowed to use ATM cards to withdraw on its accounts in banks; If the SACCO signs a contract to use mobile banking on its accounts with a commercial bank, then it should be provided with the right to check the balances only and the password should be provided to the person responsible especially the Manager and/ or Accountant.
- 4.7. All payments of the SACCO using petty cash, cheque or any other payment instrument should be authorized by the appropriate authority and should be backed by the necessary supporting documents.

- 4.8. Before making any payment using the SACCO's cheques or any other payment instrument, there should be signatures of at least 2 SACCO's authorized signatories.
- 4.9. In order to update the bank balances and the SACCO's accounting books, the bank reconciliation should be prepared by the SACCO on a regular basis especially monthly.

5. Transport of funds

- 5.1. Transport of funds may be done from the SACCO to the Bank, from the Bank to the SACCO, from the SACCO to the counter/branch and vice versa.
- 5.2. Before transporting the money to the bank, the manager/acting manager should inform the chairman of the BoD. The manager and accountant should sign a statement showing the amount taken from the safe to the bank. When he/she comes back from the bank, the manager should remit immediately the bank deposit slip to the accountant for record in the accounting books.
- 5.3. Transport of the SACCO's funds to the counters/branches should be authorized after the counter has shown the money request note to be approved by the Manager. The person transporting the cash to the counter should sign a cash transport note which should also include the signature of the person who receives the cash at the counter and that transaction should be entered in accounting books of both the headquarters and the counter.
- 5.4. By transporting the cash from the counter/branch to the headquarters, the money transfer note should be signed by both the counter and the headquarters and that transfer should be recorded in both books of accounts of the headquarters and the counter/branch. Note that transport of funds to and from the bank or counters/branches should be escorted where possible.

- 5.5. The ceilings of amount to be transported should be determined by the BoD and where possible cover it with an insurance protection.
- 5.6. For security purposes, the transport of cash should not be revealed to anybody before it takes place.

6. Payment of daily expenses

- 6.1. The SACCO pays various expenses including communication, transport fees, mission allowances, purchase of office furniture, various services provided by outsiders etc. In these various payments, the SACCO should adhere to the procedures.
- 6.2. Any expense paid by the SACCO should be in line with the annual budget which should be approved by the General Assembly (art 55 cooperative law n° 50/2007).
- 6.3. Before paying any expenditure using petty cash, the money issuance document should be signed by the SACCO's authorities (chairman of the BoD or Manager and the accountant depending on the limits) as well as the payee;
- 6.4. Before paying using the bank account (cheque, payment order etc), an internal document should be signed at the SACCO and the payment instrument should be signed by the authorized signatories.
- 6.5. When there is a certain purchase, the receipts should be provided and kept by the SACCO as a supporting document.
- 6.6. When there is a mission of one of the employees or elected organs of the SACCO. An **Authorization to travel** should be signed by the chairman of the BoD and this authorization should bear the stamp and the signature of the destination.

7. Management of SACCOs' counters/branches

- 7.1. All SACCOs opening counters/branches should apply for approval of the BNR as per article **13** and **14** of BNR's regulation n° **02/2009**.
- 7.2. SACCOs with counters/branches should ensure that the counters/branches are profitable. i.e. Incomes generated by the counter only are greater than expenses incurred in running that counter.
- 7.3. The counter/branch should have the minimum of **3 staff** to ensure separation of duties at the counter/branch (head of the counter/branch, cashier and/or loan officer).
- 7.4. The head of the counter/branch (counter/branch manager) should countercheck all operations of the counter including daily cash control, accounting books at the counter/branch, counter/branch loan appraisal process, etc and provides a daily report at the headquarters.
- 7.5. All approvals including validation of accounts of the counter/branch, loan approval, validation of internal controls of the counter/branch should be done by the Headquarters.
- 7.6. The Headquarters (Manager, Accountant, and Internal Auditor & Audit Committee) should establish a sound timetable to control the counters/branches (books of accounts, cash in hand, cash transfers, loan appraisal, management of fixed assets, members' handling, etc).
- 7.7. The headquarters should reconcile accounting records of the counters/branches and the ones of the headquarters on a daily basis.
- 7.8. The counter/branch should be protected by a specialized guard.
- 7.9. No SACCO will be allowed to open up the counter/branch unless it has computerized its systems.

8. Acquisition of fixed assets

- 8.1. The BoD should put in place the **procurement policy** which should indicate the payment or purchasing **limits** (Money that one is allowed to authorize in payment or purchasing) and other required procedures.
- 8.2. Before making any purchase, engaging in any contract or making any payment, the SACCO should check whether it is in line with the budget.
- 8.3. When the SACCO is to acquire/purchase fixed assets or engage in any contract of more than **Rwf 100,000** it should set up a specialized committee called **“Procurement/tender Committee”**. This committee should not include members of staff or elected organs (BoD, Supervisory Committee or Credit Committee). The procurement committee should be composed of a minimum of **3** but not exceeding **5** members elected by the General Assembly.
- 8.4. Without violating its independence, the BoD must follow up operations of the **procurement/tender committee** including respecting the terms of reference and meeting the deadlines.
- 8.5. All decisions to purchase/ acquire or engage in any contract of **Rwf 1,000,000** (one million Francs) and above should be approved by the BoD but the execution of such contract/purchase should be communicated to the General Assembly upon its meeting.
- 8.6. When the SACCO is to purchase a fixed asset (Computer, Generator, plot, building etc) or engage in any contract, the BoD should examine and approve the necessity to purchase the asset or engage in a certain contract and call upon the procurement committee to start the process.
- 8.7. When purchasing the fixed assets and where applicable, at least **3 proforma invoices** from the recognized shops should be examined and the procurement committee should select the best prices and quality. By purchasing the items, the necessary receipts should be provided and kept by the SACCO.

- 8.8. When the SACCO is to **purchase the plot, the premises** etc, the BoD must examine and approve the need to purchase and then call upon the procurement committee to pursue the process. The procurement committee should carry out the necessary assessment according to the terms of reference set and select the best plot or building (with principle of best price and quality).
- 8.9. The **Executive BoD** (Chairman, Vice Chairman & Secretary) and The **Staff Committee** (Manager & Accountant) should pursue the building or rehabilitation process of the SACCO and provide regular updates to the entire BoD and General Assembly until the finished building together with the execution report are handed over.
- 8.10. When the SACCO is engaged in any **contract** (contracting external services), the BoD must examine and approve the need, put in place the terms of reference and call up on the **procurement/tender committee** which will issue the tender for fair competition/bidding.

The Executive BoD (Chairman, Vice Chairman & Secretary) and Staff Committee (Manager & Accountant) will follow up the execution of the contract and hand over the final service to the entire BoD which should examine and approve it.

- 8.11. The SACCO's **contracts** with external parties should be well elaborated and kept in safe places (locked cupboard). The contract should specify activities to be done by the contractor or materials to be supplied and stages to be completed before each payment installment can be disbursed by the SACCO.
- 8.12. When the SACCO is to sell off its assets, the BoD must examine the need to sell, approve the process, put in place the terms of reference and call upon the procurement committee which will sell the assets through a **fair public auction**. The minimum prices needed by the SACCO should be secretly determined so as not reveal them to the competitors.

9. Management of accounting books

9.1. SACCOs maintain various accounting books which are equally useful for the SACCO to ensure strong internal control system and effective operations leading to accurate production of the financial statements reflecting the financial performance of the SACCO.

Whenever these books are not regularly or poorly filled, the SACCO may incur various frauds and embezzlements and the SACCO will therefore produce unreliable financial statements leading to poor interpretation of the financial performance of the SACCO. The main accounting books are as follows:

- 9.1.1. **Cash book:** records all operations of the SACCO in form of cash. This book shows the opening cash balances, cash withdrawals and deposits of the day as well as the closing balances of the day. The closing balances of the day should appear in the main ledger.
- 9.1.2. **Deposit journal/ledger:** this accounting book indicates decrease and increase of members' savings resulted from withdrawals, deposits and transfers of the day. The closing balances should appear both in the cash control book and the main ledger at the end of the day.
- 9.1.3. **Credit journal/ledger:** this accounting book comprises of loans disbursements and payments as well as the associated interests and fees. The closing balances in this book should appear both in the cash control book, incomes and expenditures book (for fees and interests) and the main ledger.
- 9.1.4. **Incomes and expenditure journal/ledger:** this accounting book records all expenditures and incomes of the SACCO on a daily basis. The daily closing balances should both appear in the cash control book and the main ledger.
- 9.1.5. **Bank journal/ledger:** this accounting book records all operations affecting the SACCO's bank accounts and should be reconciled to bank statements on a regular basis. The closing balances should

appear in the main ledger and movements of such accounts will affect the cash control book at the end of the day.

- 9.1.6. **Cash Control book:** This is a very important accounting book for internal control purposes. It centralizes all daily cash balances from other accounting books. It reflects the comparison between physical cash balance and balances in accounting books which should be equal. Any inequality will reflect the surplus or deficit for which the cashier has to be accountable.
- 9.1.7. **Main ledger/General ledger:** This accounting book centralizes all accounting balances from the preliminary books of accounts and is very important in the preparation of financial statements.
- 9.1.8. The SACCO also keeps the members' deposit cards and credit cards which respectively reflect the members' savings and loan balances.

9.2. Safekeeping of members 'deposit/credit cards and passbooks

- 9.2.1. All used members' deposit and credit cards with their respective balances should be regularly **inventoried** and recorded with their respective folios (at least once per quarter), kept in a closed cupboard and the keys shall be kept by the responsible person different from the one using it to serve members, i.e. Accountant or/and Manager.
- 9.2.2. All **unused deposit and credit cards**, members' **passbooks** should be inventoried with their respective folios and stored in a locked cupboard. These cards and passbooks should be provided by the responsible person (Accountant and/or Manager) when receiving the new member or supplementing the finished ones.
- 9.2.3. For identification purposes, all members' cards (deposit, credit) as well as the passbooks should contain the necessary address including names, ID number, location of the member (District, sector, cell, village, telephone number, e-mail if any, etc) and the passport photo of the member as well as that of the proxy etc.

9.2.4. All members' cards should be kept in a closed cupboard and the keys must be kept by the responsible person different from the one using them to serve members, i.e. Accountant or/and Manager.

In case there are so many cards with huge volume of daily transactions at the SACCO, Given its capacity in terms of profitability, the SACCO may recruit the specific person in charge of filing (**filing clerk**) who may be in charge of the management of members' savings and credit cards under the supervision of the Manager and Accountant.

9.2.5. None of the staff is allowed to get out the deposit/credit card except the person holding the key of the cupboard.

9.2.6. Every day, the person responsible of the keys should record the numbers of the cards that have been given to the cashiers or loan officer for filling in the member's operations. The person responsible for keeping the members' deposit cards should record their respective folios to assist in their control by the closure of the daily operations of the SACCO.

9.2.7. During the daily cash control exercise, the Accountant should make sure that all used cards given their respective folios are available and check whether the reported transactions/figures match with those recorded within the accounting books.

9.2.8. Any loss of the deposit/credit card or by the occurrence of a fictitious deposit/credit card or member's passbook, the **Accountant** and **Manager** will be held accountable up to their resignation and pursuit by the court of law.

9.2.9. The management of deposit/credit cards for dormant accounts should follow section **1.3.8** of BNR's Model on Savings and Credit policy for SACCOs June, 2012.

9.2.10. It is prohibited to hold the used **member's passbook** in the SACCO for any reason.

9.3. Filling and safekeeping of the supporting documents, accounting books/computer based accounting records

- 9.3.1. All savings and withdrawal operations have to be recorded on the member's passbook, member's card and in the deposit journal on time of the transaction.
- 9.3.2. The same operations should be recorded in cash ledger to justify if it is a deposit or withdrawal of money.
- 9.3.3. When depositing or withdrawing cash, the member should be provided with a **bank slip (pay slip)** which should be signed by both the member and the cashier with at least 2 copies (1 for the member and another for the SACCO).
- 9.3.4. By withdrawing or depositing cash, the member and the cashier should sign both in the passbook and members' card with an official **stamp** of the SACCO.
- 9.3.5. The payment of **capital** should be backed by a bank slip, recorded in the member's passbook and SACCO's members' book clearly indicating on a chronological sequence, the date of payment, amount paid and the signature of the member. Where applicable, the member should be provided with a membership card.
- 9.3.6. In case of loan disbursement/repayment, the operation should be recorded by both the cashier, Accountant and/or loan officer.
- 9.3.7. When the SACCO is computerized, all the accounting books appear in the computer software and must be compared to the reality on the ground.
- 9.3.8. All books of accounts must be filled on daily basis, controlled and kept in a **locked cupboard** which is accessed by the Accountant and the Manager only.
- 9.3.9. In order to **track historical financial background** of a SACCO and for the purpose of investigation, SACCOs' **supporting documents**

Accounting books or **accounting records** of the SACCO in a computer system should be kept confidentially and safely for at least a period of **10 years**.

- 9.3.10. Any **loss of the supporting document, accounting book**, intentional distortion of the computerized accounting records etc, the Accountant and Manager will be held accountable up to their resignation and pursuit by the court of law.

10. Role of staff and elected organs in internal control system of the SACCO

10.1. The Manager

- 10.1.1. The Manager is the chief technician of the SACCO. He has to oversee all operations of the SACCO and advise elected organs on what should be done to ensure smooth operations of the SACCO.
- 10.1.2. The Manager participates in daily cash controls and investigating the cases of cash deficit or surplus.
- 10.1.3. Participates in surprise cash controls both at the main office and the counters.
- 10.1.4. Ensures that all accounting books are regularly and correctly filled.
- 10.1.5. Ensures that all balance checks done by the accountant and cashiers are accurate.
- 10.1.6. Ensures that all new opened accounts are recorded on the list of members' accounts.
- 10.1.7. Makes sure that the accounts numbering is adequate and accounts register is regularly filled and up to date.
- 10.1.8. Checks whether the number of deposit cards used are on the established list with their respective folios.
- 10.1.9. Supervises and checks monthly, quarterly and annual financial statements prepared by the accountant.
- 10.1.10. Oversees the transport of money to and from banks and or counters.
- 10.1.11. Supervises at least quarterly inventories of the SACCO's balance sheet and income statement items (deposits, loans, fixed assets, receivables and payables, capital, incomes and expenses, stock etc.).
- 10.1.12. Prepare, monitor and implement action plans and budget of SACCO.

- 10.1.13. Submits the monthly report on the performance of the SACCO and performance of internal controls on monthly basis to the **BoD**.
- 10.1.14. Submits on time the monthly, quarterly and annual financial returns of the SACCO to the **BNR**.
- 10.1.15. Submits the monthly financial and membership statistical data showing the evolution of SACCO on the time to **RCA**.
- 10.1.16. The Manager is responsible and liable of all internal control weaknesses of the SACCO including non-adherence to these internal control guidelines, fraud and embezzlement that may occur in the SACCO, non-compliance with laws and regulations, misleading information in the financial reports, all malpractices done by staff under his/her control caused by his/her carelessness etc.

10.2. Accountant

- 10.2.1. Accountant is responsible for all accounting operations from the collection of accounting data, recording, keeping the supporting documents and preparation of financial statements.
- 10.2.2. The accountant should ensure that the accounting books are adequately filled including the deposit journal, credit journal, incomes and expenditure journal, bank journal, and the main ledger.
- 10.2.3. The accountant should keep chronologically in safe place all supporting documents to justify the operations done.
- 10.2.4. The Accountant should ensure the control of all cash in and out of the SACCO and oversee the operations of the cashiers before they are counterchecked by the Manager.
- 10.2.5. The accountant should report to the Manager on a monthly basis on the performance of accounting operations and the financial statements of the SACCO.
- 10.2.6. Accountant is responsible and liable of all accounting malpractices of the SACCO including loss and poor handling of supporting

documents, lack or inadequate filling of accounting books, inaccuracy in financial reports, noncompliance with procedures in cash utilization (payments, transfers, money safe mismanagement etc).

10.3. Cashier

- 10.3.1. Cashier is responsible for receiving and paying out the authorized cash. He/she should ensure that the transactions of the SACCO that pass through his/her hands are well maintained.
- 10.3.2. The cashier manages the cashier box received from the accountant/Manager in the morning.
- 10.3.3. He/she receives cash from SACCO's members/clients and records in the necessary journals, deposit cards, members' passbooks, computer software etc.
- 10.3.4. Pays out the withdrawals of members/clients (in line with the limits set up by the SACCO's policies) of the SACCO and pass the necessary records in the necessary journals, deposit cards, members' passbooks, computer software etc.
- 10.3.5. Participates in the closing of the daily treasury operations especially cash controls.
- 10.3.6. Hands over all supporting documents received during his/her daily operations to the Accountant.
- 10.3.7. He/she is responsible of all deficiencies appeared in his/her daily transactions including cash deficits or/ and surpluses, poor handling of accounting books under daily control and all documents supporting his/her daily operations.

10.4. Loan Officer

- 10.4.1. Loan officer receives and analyzes loan applications.
- 10.4.2. Appraisal of the applied for and the applicant's capacity to pay and technically advise the Staff/Credit Committee to take the final decision depending on the approval limits.
- 10.4.3. He/She visits the guarantees and projects to be financed.
- 10.4.4. He/she makes follow up of the payments of the borrowers and participates in the recovery of NPLs;
- 10.4.5. The loan officer never receives payments in hands; the payments are rather realized at the SACCO with the Cashier through members' deposit cards or computer software.
- 10.4.6. The loan officer prepares the loan portfolio report including loan aging schedule, loan provisioning etc.
- 10.4.7. The loan officer is responsible and liable of all malpractices in the credit department resulted from poor analysis of loans, inefficient reports of the borrowers' visits etc and must report to the Manager with a copy to the credit committee on a monthly basis.

10.5. Internal Auditor (if any)

- 10.5.1. Ensuring the application of the internal control guidelines in order to prevent any malpractices which could easily occur.
- 10.5.2. Oversight of all operations of the SACCO including the operations of staff and elected organs and providing the report to the Supervisory Committee and the BoD and follow up the implementation of all recommendations provided in his/her reports
- 10.5.3. Internal auditor is responsible and liable of all unreported malpractices in a SACCO.

10.6. Supervisory/Audit/Control Committee

- 10.6.1. Supervisory Committee controls all operations of the SACCO as per article **72** of the cooperative law n° 50/2007 and should meet at least once per 3 months as per article 73 of the same law. The supervisory committee in a SACCO should include at least 1 member with accounting background.
- 10.6.2. The Supervisory Committee checks daily cash controls done by the cashiers, accountant and the Manager.
- 10.6.3. Controls the accuracy of the records in the SACCO's accounting books (Correspondence of the figures in accounting books and the reality).
- 10.6.4. Controls the whole loan granting procedures.
- 10.6.5. Counterchecks inventories of the SACCO's balance sheet and income statement items (deposits, loans, fixed assets, receivables and payables, capital, incomes and expenses, stock etc.).
- 10.6.6. Controls the operations of other committees including the BoD, Credit Committee, Procurement Committee etc;
- 10.6.7. Controls the operations of staff;
- 10.6.8. Oversees the compliance of the SACCO with laws and regulations governing the SACCO including BNR's law n° 40/2008 and BNR's regulation n° 02/2009 on the microfinance activities, Cooperative law n° 50/2007, Labor law n° 13/2009, SACCO's bylaws, SACCO's internal policies and procedures etc.
- 10.6.9. Controls implementation of the recommendations of the General Assembly, recommendations of internal and external auditor, recommendations of the supervisory committee itself, recommendations of the supervisory authorities including BNR and RCA etc.

- 10.6.10. Controls implementation of the Business plan, budget execution, decisions of the BoD itself, etc.
- 10.6.11. The Supervisory Committee must make sure that all operational gaps of the SACCO are controlled so as to prevent fraud and embezzlement.
- 10.6.12. The Supervisory Committee's reports are submitted to the BoD (at least once per 3 months) with clear recommendations made backed by deadlines and responsible persons for implementation.
- 10.6.13. The Supervisory Committee's reports must be read through the General Assembly meetings (in every meeting) with an emphasis on the recommendations made and actions put in place to address issues revealed by those reports.

10.7. Board of Directors

- 10.7.1. The BoD of Directors should oversee all the reports of other committees (staff, supervisory committee, credit committee, Procurement Committee etc) at least once per 3 months (art. **68** of the cooperative law n° 50/2007). The BoD should take strong decisions in relation with implementation of these reports or addressing key issues revealed by those reports.
- 10.7.2. As per article **27** of BNR's regulation n° 02/2009, at least once a year the BoD must produce a report on internal control activities and submit it to the BNR not later than **31st March** following the end of the financial year.

10.8. Credit Committee

- 10.8.1. The credit committee is responsible for analysis and granting loans in accordance with the laws and regulations as well as internal policies

and procedures, make a close follow up of loans granted and ensure the recovery of NPLs.

- 10.8.2. The Credit Committee is responsible and liable of all malpractices that may appear in the process of loan granting process including rise in NPL ratio and should address their reports to the Board of Directors at least once per **3 months**.

11. Final provisions

- 11.1. All SACCOs' policies, procedures and minutes should be signed, stamped and kept in a locked cupboard and the keys should be held by responsible persons.
- 11.2. The collusion of any staff or/and members of elected organs in responsibilities of others is strongly prohibited.
- 11.3. All SACCO's staff should be at the SACCO all the days during the working hours. When an employee needs to be absent, he/she should be authorized by the responsible authority (Chairman of the BoD for the Manager and Manager for the rest of employees).

When returning from mission, the concerned person should elaborate a report to the SACCO on the mission attended.

- 11.4. No **intern** (Student learning how to do the job) is allowed to access the valuable documents of the SACCO including members' savings cards, credit cards, passbooks, computer software, etc. He/She can only be allowed to observe the procedures of the SACCO together with a permanent staff of the SACCO but he/she can't write, sign in any document or access any cash at the SACCO.

When a student needs to carry out an internship in the SACCO, he/she should only be allowed by the BoD in writing.

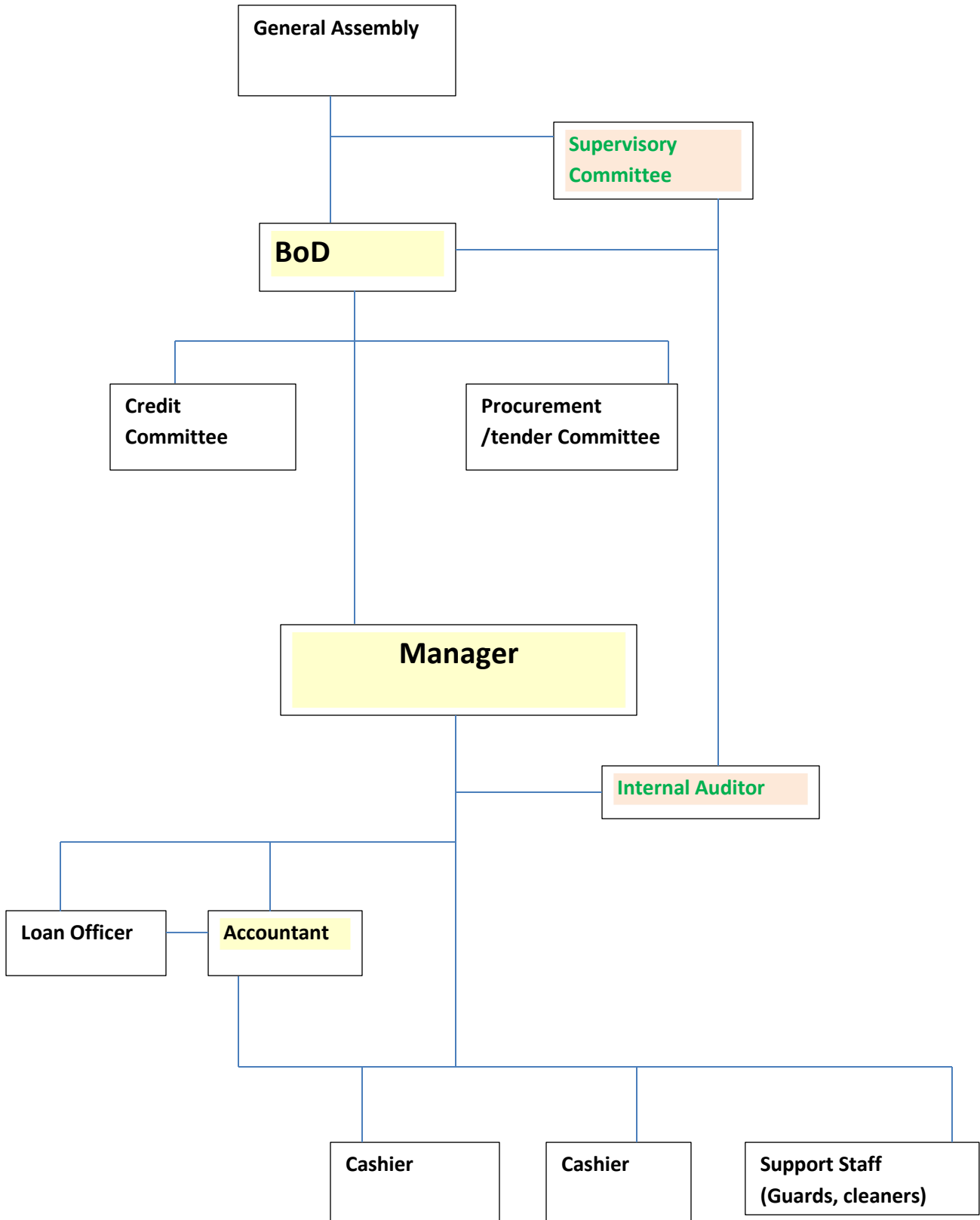
- 11.5. When the SACCO employs **temporary** staff, they should sign **contracts** and work under close supervision of the Manager and Accountant. The selection of temporary staff should be approved by the BoD and should consider their competency and integrity.
- 11.6. Failure to ensure internal control system and any deficiency resulting from it such as fraud and embezzlement will immediately lead to resignation of the person (people) responsible and/or legal action. Each of the persons involved in non-adherence to internal control guidelines i.e. Manager, Accountant, Loan Officer, Cashier and elected organs will be held accountable in his/her area.
- 11.7. In case there is embezzlement, the SACCO should submit the report to the BNR for blacklisting all people involved as per article **45** of BNR's regulation n° **02/2009**.
- 11.8. For any suspected embezzlement, the collaboration with BNR Inspectors in Districts, RCA, Local Authorities and District Police officers should be done immediately.
- 11.9. Whenever possible, RCA Auditors/Supervisors in collaboration with BNR Inspectors shall carry out immediate audit which will later on be handed to the prosecutor for the legal proceedings in case of malpractices/fraud/embezzlement of SACCO's funds have been detected.

APPENDICES

1. Sample of control areas in a SACCO

No	Area of Control	Responsible person	Corresponding references	Tools used	Frequency
1	Cash control	Cashier, Accountant, Manager	10.1; 10.2; 10.3	Cash control book, deposit and credit cards, supplementary books of accounts	Daily
2	Money safe control	Accountant, Manager	10.1; 10.2	Physical cash in the safe, management of keys.	Daily
3	Filling and safekeeping of accounting books and supporting documents	Cashiers, Accountant, Manager	10.1; 10.2; 10.3	All books of accounts and supporting documents.	Daily
4	Bank accounts Management	Accountant, Manager	10.1; 10.2	Bank journal, bank statements, bank reconciliation statements	Regularly
5	Inventories of assets, equity and liabilities, incomes and expenses	Accountant, Manager	10.1; 10.2	Records and physical checks	At least once per 3 months
6	All operations of the SACCO	Supervisory Committee	10.6	All books of accounts, all supporting documents.	At least once per 3 months
7	All reports of the SACCO	BoD	10.7	All reports	At least once per 3 months

2. Sample of Internal control structure in SACCO



3. Sample of bank reconciliation statement

Bank account in the books of the SACCO					Bank account the books of the SACCO's banker.				
				Recording date on					Recording date
Date	Transaction nature	Deposits	Withdrawals	The bank slip	Date	Transaction nature	Withdrawals	Deposits	In the MFI
	Balance before reconciliation					Balance before reconciliation			
	Total					Total			
	Balance after reconciliation					Balance after reconciliation			

4. Sample of Payment/procurement limits

No	Payment/Procurement limits(Rwf)	Approval level	Chair person
1		Staff committee (Manager, Accountant, Loan Officers, cashiers).	Manager
2		BoD	Chairman of the BoD
3		General Assembly	Chairman of the BoD

N.B: Any procurement of Rwf 100,000 and above involves the tender committee.

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