OBSERVATION OF INTERNAL CONTROL SYSTEM IN

GENERAL BANKING AT PRIME BANK LTD.

An Internship Report
Internship Report
On
OBSERVATION OF INTERNAL CONTROL SYSTEM IN GENERAL BANKING AT PRIME BANK LTD.

SUBMITTED TO:
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Submission Date: April 12, 2018
April 05, 2018
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Subject: Submission of Internship Report on “Observation of Internal Control System at Prime Bank Limited.”

Dear Sir,

With great pleasure, I would like to submit my internship report, title of which is “Observation of Internal Control System at Prime Bank Limited.” I have prepared this report according to the real life banking experience acquired during my 3 (three) month internship period. Accordingly, I focused more on the activities which were directly witnessed by me during every working day rather than describing all the activities done under General Banking Division at the branch. Therefore, I tried to elaborately describe everything of the works written in this report. Moreover, in the last part of this report, I made an effort to relate the components of internal control system, which were learned in a course at university, with the actual internal control system of the Mohakhali Branch, Prime Bank Limited.

I earnestly hope that you will accept my submission.

Yours Sincerely,

Sakib Rahman
ID: 14104010
Acknowledgement

I would like to start my acknowledgement with a deep gratitude to Allah, for giving me patience during the hardships of preparing this report. It is he who helped me to complete my internship period with sound health.

With my heartfelt respect, I would like to thank Mr. Riyashad Ahmed, for being such an inspiring supervisor faculty who helped me to clarify confusions and provided me with guidelines regarding the internship report. Without his sincere guidance, this report would be more difficult task to completer.

My deep gratitude to my family members for their unconditional support to me, without which it would be impossible for me to complete my internship successfully.

Last but not least, I would like to thank each and every employers and employees of Mohakhali Branch, Prime Bank Ltd. I was amused by the coordination from each and every one of them to make my internship an effective learning experience. Working with them was indeed joyful and instructive.

Special thanks to –

    Md. Amanullah (Senior Vice President and Head of Branch)
    Md. Monirul Haque Bhuiyan (Assistant Vice President and Manager Operations)
    Silvia Arpa Chowdhury (Senior Executive Officer)
    Afroja Khanom (Senior Executive Officer)
    Khadijatul Jannat (Senior Officer)
    Nadia Hossain (Junior Officer)
    Md. Arifur Rahman (Junior Officer)
    Md. Rezwan Kabir (Junior Officer)

Overall, it was an honor to be a small part of one of the well-reputed banks in Bangladesh for this short time period. I indeed feel privileged to prepare my internship report on Prime Bank Limited.
Executive Summary

In this report I have written some of the common general banking activities done at Mohakhali branch, Prime Bank Limited. This report reflects my works that I have done during my internship, the general activities I have seen to be performed at General Banking division, discussed about the internal control system of the branch and at the end part of this report, recommended some point which I hope will be constructive enough.

In the first part of my report, I gave an overview of the bank and also discussed about the new initiative- “Liability Operations Department” taken by the bank to centralize its important banking activities. The effect of this initiative is widespread. For this reason, I have discussed the area on which it has the most effects – account opening and loan disbursement from the branch.

Moreover, I have summarized my responsibilities as an intern at Mohakhali branch and what I have learned from my responsibilities. While working there, I was also attentive towards the general banking works done by other officers which includes – clearing instruments (BACRS), fund transfers (BEFTN) and different kinds of registry books maintenance.

After having all the important information regarding the processes and rules of some general banking activities, I have tried to relate all those with the components of a proper internal control system. This will help readers to clarify the importance of internal control system for a bank and will be able to know how internal control is actually ensured. Lastly the report is concluded after giving some recommendations on some issues related to the bank.
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Introduction

This report is made on the General Banking Division of Mohakhali Branch, Prime Bank Ltd. In this report, I have tried to present the daily operations performed in general banking. More specifically, I have focused mainly on the banking activities I have witnessed at branch during my internship.

As a student of Bachelor of Business Administration, internship is a mandatory requirement to finish my undergrad. I therefore pursued my chance to get an internship opportunity at Prime Bank Limited. On February 05, 2018, I was confirmed to start my internship at Mohakhali branch of Prime Bank Limited through an appointment letter from the Human Resource Department of the bank. By completing my internship, I expect to be able to unlock the real life banking experience which will work as an important supplement to the theoretical knowledge I have gained at BRAC University.

A Brief Overview of Prime Bank Ltd

Prime Bank, one of the 57 scheduled banks in Bangladesh, was established on 17th April 1996 and started its humble journey with only one branch situated at Motijheel C/A in Dhaka. The inception of the bank was in accordance with the Companies Act 1994 and thus started its operations as a fully licensed commercial bank. After 23 years of excellence, now the bank has a robust network of 145 branches and 3 offshore banking units in Bangladesh.

Since its origin, the bank has pushed its boundaries to provide customers with best and innovative financial services tailored according to their financial needs. The expertise it has gained over the years includes wide range of financial services which covers retail banking, commercial banking, investment banking, merchant banking, internet banking (Altitude), offshore banking, lease financing, securities trading and also Islamic banking. This variety of financial solutions will ensure that the customers can get one stop financial service experience. Moreover, to retain the trust grained from the stakeholders, the bank has established a robust corporate governance mechanism, risk management system and also complies with all the policies undertaken by the central bank of Bangladesh.
Board of Directors and the Percentage of Ownerships:

To have a brief idea about the board of directors and the percentage of insider ownership, institutional ownership, government ownership and foreign ownership at Prime Bank Ltd; I have prepared the table below which consists of the related data from the year 2014 to 2016.

<table>
<thead>
<tr>
<th>Year</th>
<th>Year End</th>
<th>Size of the Board of Directors</th>
<th>No. of Female Directors</th>
<th>No. of independent directors</th>
<th>No. of members on the audit committee</th>
<th>CEO and Board Chair same person</th>
<th>Insider Ownership (%)</th>
<th>Institutional Ownership (%)</th>
<th>Govt Ownership (%)</th>
<th>Foreign Ownership (%)</th>
<th>Number of Outstanding Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 Dec</td>
<td>20</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>No</td>
<td>0.00%</td>
<td>21.92%</td>
<td>0.00%</td>
<td>1.37%</td>
<td>0.00%</td>
<td>10,293,486,1</td>
</tr>
<tr>
<td>2015 Dec</td>
<td>19</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>No</td>
<td>0.00%</td>
<td>25.29%</td>
<td>0.00%</td>
<td>0.37%</td>
<td>0.00%</td>
<td>10,293,486,1</td>
</tr>
<tr>
<td>2016 Dec</td>
<td>20</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>No</td>
<td>0.00%</td>
<td>27.16%</td>
<td>0.00%</td>
<td>0.37%</td>
<td>0.00%</td>
<td>10,293,486,1</td>
</tr>
</tbody>
</table>

Table 1: Board of Directors and the Percentage of Ownerships (Prime Bank Limited, 2013, 2014, 2015 & 2016)

After sorting out the data from the annual reports of the Prime Bank Ltd, it can be said that it has maintained the size of the board between 5 and 20 and has at least 1/5th of the total number of directors in the board. Moreover, there was no big change in the size of the board from the year 2014 to 2015. The number of female directors was satisfactory in 2014 and 2015. However, the number fell down to 3 in 2016 from 5 in 2015. In case of the percentage of ownerships, the bank had no insider ownership and institutional ownership. The CEO and Board Chairmen is not the same person which is a positive way to ensure proper accountability and segregation of duty.

Vision, Mission statement:

Prime Bank Ltd. promises a great commitment towards its vision, mission statement to tune its strategic decisions in every aspect of its business. These statements are approved by the board of directors so that the decisions they take can be in line with the best interest of its stakeholders and comply with corporate governance.

Vision Statement:

“To be the best Private Commercial Bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability having strong liquidity”

Mission Statement:

“To build Prime Bank Limited into an efficient, market driven, customer focused institution with good corporate governance structure. Continuous improvement in our business policies, procedure and efficiency through integration of technology at all levels.”
A glimpse of the salient financial data from the year 2013 to 2015:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Shareholders’ Equity (BDT)</th>
<th>Total liabilities (BDT)</th>
<th>Total Assets (BDT)</th>
<th>Plant, Property and Equipment (BDT)</th>
<th>Accumulated Depreciation (BDT)</th>
<th>Interest Income (BDT)</th>
<th>Net Interest income (BDT)</th>
<th>EBIT (BDT)</th>
<th>Net Profit After Tax (BDT)</th>
<th>EPS</th>
<th>External Auditor Name</th>
<th>Market Price in BDT (as on Balancesheet date)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>24,460,711,980</td>
<td>230,451,488,089</td>
<td>254,912,200,069</td>
<td>7,934,033,467</td>
<td>1,756,221,695</td>
<td>18,445,885,369</td>
<td>2,838,761,759</td>
<td>6,156,687,916</td>
<td>2,392,899,827</td>
<td>2.32</td>
<td>ACNABIN</td>
<td>Syful Shamsul Alam &amp; Co</td>
</tr>
<tr>
<td>2015</td>
<td>26,415,031,465</td>
<td>225,746,200,921</td>
<td>252,161,232,386</td>
<td>8,136,578,462</td>
<td>2,048,531,792</td>
<td>15,550,674,068</td>
<td>1,293,866,000</td>
<td>5,906,423,204</td>
<td>2,139,016,778</td>
<td>2.08</td>
<td>ACNABIN</td>
<td>Syful Shamsul Alam &amp; Co</td>
</tr>
<tr>
<td>2016</td>
<td>25,284,851,440</td>
<td>231,314,274,625</td>
<td>256,599,126,065</td>
<td>8,483,925,104</td>
<td>2,314,044,260</td>
<td>13,988,673,599</td>
<td>3,313,164,433</td>
<td>5,757,381,112</td>
<td>2,195,041,535</td>
<td>2.13</td>
<td>ACNABIN</td>
<td>Syful Shamsul Alam &amp; Co</td>
</tr>
</tbody>
</table>

*Table 2: Salient financial data from the year 2013 to 2015 (Prime Bank Limited, 2013, 2014, 2015 & 2016)*
Graphs at a glance

1. Interest Revenue and Net Interest Income: From the graphs shown below, a gradual decline in the interest revenue and net interest income can be seen, although an upswing can be seen in the net interest income in 2016. There can be two reasons for this downfall,

- **Downturn in the number of loan disbursement:** Disbursing less loans causes less interest revenue for banks.
- **Increased number of Non-Performing Loans (NPL):** Non-Performing Loan affects the future revenue stream of the bank that the bank supposed to generate. Therefore, the bank’s interest income declines as well as loses the partial or full principle amount provided to the borrower.

The reason of the increase in net interest income while the decrease in the interest revenue can be – decrease of interest expenses by lowering the rates of interest on the deposits. As a bank cannot decrease the number of deposits at their will, they can only decrease the rate of interest given to their customers so that they can be demotivated to deposit their money.

![Interest Revenue from 2013 to 2016](image1)

![Net Interest Income from 2013 to 2016](image2)

*Figure 1: Interest Revenue and Net Interest Income (Prime Bank Limited, 2013, 2014, 2015 & 2016)*

2. Total Shareholder’s Equity and the Market Price: From the year 2013 to 2016, market price of the bank was gradually declining due to the sentiment of investors at that time. Poor governance situation in the banking industry caused the decline of trust among the investors which decreased the demand of shares related with the industry. AB Mirza Azizul Islam, former chief of market regulator BSEC, said in a report published on January 17, 2016 in bdnews24.com that, investors at that time didn’t dare to place their money on these shares. He also stated that poor governance affected the confidence in the industry. (Harmachi & Fardaus, 2016). Consequently, the share price of Prime Bank Ltd was also adversely affected.
This adverse effect might have forced the management to change their policy regarding equity for which the shareholder’s equity also went down in 2016.

3. Total Assets and Total Liabilities: The graphs indicate an upward trend of both assets and liabilities of Prime Bank Ltd during the timeline from 2013 to 2016.

Corporate Governance:
Being a financial institution, Prime bank gives utmost importance in ensuring good corporate governance. Corporate governance entails the process of accountability by the top management to the Board of Directors and the Board of Directors to the company's' stakeholders on how the overall business is running.

The main role of corporate governance is to ensure accountability to the bank’s stakeholders. In this process, the board of directors is responsible for their business related decisions to the stakeholders. The reason of its importance is that the stakeholder’s interest gets affected by
the decisions the company makes synchronizing its effect on the company's goodwill and the overall performance. To ensure this role of corporate governance, other roles related to the process also emerge.

Thus, the roles of corporate governance can be identified as below:

1. **Formulate strategic decisions and plans:** To achieve bank’s goals and do better than the competitor banks, the board of directors must formulate strategic decisions and set plans accordingly. (Wondra, 2017)

2. **Take control measures:** Board of Directors appoint top management to convert their decisions into actions. Here, proper corporate governance will also ensure the accountability of the top management to the Board of Directors. Therefore, the control measures for achieving goals can easily be taken by the board on behalf of the stakeholders.

3. **Accountability to stakeholders:** Stakeholders are the core part of the existence of Prime Bank Ltd. Their interest on the company's offerings, performances and goals makes the bank valuable and competitive, without which the bank will not even survive. Thus keeping them updated with the bank’s recent decisions and outcomes is crucial for keeping their interest intact. This is ensured by incorporating stakeholders in decision making, taking their opinions and finally letting them know about company's recent strategic moves and performance through annual reports. (Wondra, 2017)

<table>
<thead>
<tr>
<th>Accountable</th>
<th>Accountable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders Elects Board of Directors assigns Top management</td>
<td></td>
</tr>
</tbody>
</table>

The mechanism of corporate governance can be divided into several parts:

1. **External mechanism:** The external shareholders elect Board of Directors and take part in decision making. The board, therefore, will be responsible for the effectiveness of their decisions to them. (Davoren)

2. **Internal mechanism:** To implement the decisions taken, the board assigns top management. Top management ensures that the decisions are being carried out by the middle and lower
level of management. At the end, the top management will report their progress to the Board of Directors. (Davoren)

3. Independent Audit: An independent audit ensures that the reports prepared are not biased and comply with the related laws. This ensures the reliability of the financial statements. Prime bank has their own internal audit team and also external auditors – ACNABIN and Syful Shamsul Alam & Co. (Davoren)

**Liability Operations Department (LOD):**

LOD is the latest addition taken by the bank to centralize its banking activities. This is done to ensure reconstruction of banking activities and detection of any kind of malpractices.

Previously, the branches of the bank were allowed to do their banking operations autonomously. However, this decentralized process lacked accountability of the bankers and coherence among activities. But now, the formation of LOD has taken the main activities and the power of decision making under the direct supervision and authorization of the head office which made the branches to lose their power of implementing the works it previously used to do i.e. opening personal and non-personal accounts, accepting deposit pension schemes and fixed deposit receipts, disbursing risky loans and foreign exchange activities. The branches, in this process, performs as an interface to interact with customers for selling general banking related products and services for performing initial scrutiny for allowing different types of loans and opening accounts for transactions.

**Effects of LOD in General banking and credit division:**

1. In General banking:

   Although in general banking section, delivering customer services like providing customers with their account statements, receiving and clearing instruments, approving and transferring funds, allowing cash deposits, bill payments and withdrawals of deposits are still done by the branches; the crucial activities like opening personal and non-personal accounts, accepting deposit pension schemes and fixed deposit receipts, issuing cheque requisitions and credit cards (master card or JCB Card), initializing customer’s online banking (known as Altitude) and SMS banking are now approved by the LOD only.

   a. **Effects on the process of personal and non-personal account opening:** In this process, customers collect an account opening form, fill it with required information and submit it to the Account Opening Officer. Before opening an account, the account opening officer must
take a face-to-face interview with the account holder as per rule of Anti-Money Laundering Act 2012. Otherwise, he will not prepare the form and give his seal and signature as he will also be held responsible if the account holder gets accused of money laundering. Then, the Account Opening Officer checks the form whether any information gap can be found. If all the necessary information of the potential accountholder/accountholders (in case of joint account) and the nominee is provided duly, the Account Opening Officer will give signatures with his name seals to the pages required and hand over the form to GB (General Banking) in-charge for her approval. After getting approved and sealed by the General Banking in-charge, the forms are taken to the Manager Operations for his/ her approval. Then, the form are checked and approved by another Senior Executive officer. Lastly, the final scrutiny is done by the Head of Branch (Manager) for sending the forms to the head office at Motijheel C/A.

In Prime Bank - Mohakhali Branch, a messenger is assigned for taking the Account opening forms collected during the whole working day to the LOD, which is situated at Motijheel. The LOD receives the forms and opens the accounts only if those are considered as filled up properly.

The reasons of rejections can be several –

- Any documents (National Identification Card, Utility bills, Salary certificate etc.), important for verification of an information are being skipped.
- Mismatch of any information provided in the form as attached documents.
- Lack of any information provided in the form
- Lack of signatures from proper authority.
- Lack of justified reason from the customer to open his or her account.

Deposit Pension Schemes (DPS) and Fixed Deposit Receipts (FDR) are also sent to the LOD by following the same procedure.

However, the application for account opening can be received by the branch or by Junior Officers of Marketing Department whose responsibility is to advertise bank’s services to the potential customers and attract them to open an account. The Officers are independent of any branch of Prime bank and their goal is to hit the target of the number of opening accounts that is assigned to them by the bank. As remuneration, they receive commission only on the number of accounts opened by them. To receive the commission properly, they write their
Code and seal with signature on the form prepared by them. They can also contribute to increase the number of deposit schemes sold, but won’t receive any commission.

b) Cheque requisitions, credit card, online banking and SMS banking: Only if the accounts are accepted and opened by LOD, the cheque requisitions, credit card, online banking service and SMS banking service demanded by the account holder by filling up the specific pages required for each; are sent to the head office for delivering the cheque books according to the requisitions sent.

2. Effects on credit division:

Branches of the bank used to perform all the credit related activities and branch managers had the authority to approve loans. But now, only the secured overdraft (SOD) is handled by the branches as it embeds low risk of being default. After the introduction of centralization, the high risk loan approvals have been shifted to the head office.

Secured overdraft (SOD) is a loan taken against a customer’s FDR in case the customer urgently needs money before the FDR matures. This gives the customer an option to have money without breaking the FDR. Moreover, any other assets can also be pledged to the bank for getting the loan facility. The reason behind the low risk of SOD is because it is lent according to the quality and quantity of the asset(s) pledged. For example, if a customer holds an FDR worth of BDT 10 lakhs, the bank may grant 75% of the amount as an SOD, after considering other underlying risk factors also. In Prime Bank Ltd, the SOD percentage is 90 percent of the total FDR amount.

Even if the customer is unable to pay the full amount, the bank will take all the money kept as an FDR. Thus, it has almost zero risk of default. However, because of its easy payment procedure, borrower usually finds it easier to repay the loan. In Prime bank, the interest rate charged on such loan has 2% to 3% spread on the interest rate offered for FDR.

This change in the branch level loan disbursement will eradicate the possibilities of non-performing loan as it will ensure strong internal control over the approval of a particular loan.

My Responsibilities

As an intern at General Banking division of Prime Bank Ltd. Mohakhali Branch, I was responsible for doing multiple works, most of which were related with the customer service.
The responsibilities I was given can be said to be basic compared with the overall general banking mechanism, yet was a great learning experience. Each work taught me different skills which can be utilized during my full time employment in future.

My responsibilities include-

1. Account Opening:
Filling up the gaps and preparing Accounting Opening Forms, Deposit Pension Schemes and Fixed Deposit Forms for sending these to LOD for opening the accounts were my main responsibilities throughout my internship period. In the process, I had to not only ensure the form was properly fulfilled but had to attach all the specific documents required to send these and open the accounts. The cut off time for sending the account opening form to LOD was at 1.00 PM every banking day. Before sending the forms, the Account titles and Account numbers of those forms were recorded into an LOD Registry Book.

I was responsible to ensure that the customers had submitted all the specific documents required to open their bank account including the signature card and cheque requisition form. I did all this checking under the direct supervision of the Account Opening Officer of the branch. The requirement of these documents varied depending on the type of account the customer wants to open. These were –

Personal A/C (Resident Customer) and DPS A/C:

- Photocopy of valid National ID/ Passport/ Birth Registration Certificate (in case of a minor) for both applicant and the nominee (if determined).
- Document related with the source of income (of the applicant/ the applicant’s husband) provided from the company he or she works – Salary certificate/ Letter of Introduction (in company letterhead pad)/ Pay Slip/ Appointment Letter/ Job ID card. In case the applicant is a businessman, a photocopy of the trade license is required. Moreover, if the applicant is a landlord, a photocopy of rental agreement must be provided by him/her.
- Photocopy of the utility bill of the residence where the applicant resides. This document helps bank to verify the applicant’s address.
- E-TIN certificate should be provided if required.
However, for a non-personal account opening, additional papers required according to the type of the business. Common documents consisted of a photocopy of trade license, declaration paper of the ownership type of the business, board resolution (if company) etc.

Apart from these documents taken from the customers, three more documents must be printed from the bank’s server by the A/C opening officer of the branch to verify the documents provided. Only then the form is prepared to take approvals and send to open the account through LOD. I had to make sure the proper attachment of these three documents before the forms are sent to LOD.

These three documents and the implications of those are –

- **NID Verification form:** This form verifies the authenticity of the NIDs provided. This verification is done through the help of Election Commission Bangladesh server.
- **Sanction Screening:** This form shows whether the applicant was convicted of any criminal activities by searching his/her past record through the bank’s server.
- **D Duplication:** The result showed in this form ensures the bank that the applicant doesn’t have any undisclosed multiple accounts with other banks and also at Prime Bank (Prime Bank Ltd allows to open only one savings a/c at their bank). The customer can have bank accounts at other banks and if so, it must be disclosed.

The importance of these three documents can be understood by knowing the reasons behind the requirements. However, for Deposit Pension Schemes and Fixed Deposit Receipts A/C, D Duplication is not necessarily important.

2. Communicating with customers:

For various purposes, I had to communicate face to face or over phone calls with the customers. The purpose of communicating varied according to the situations. For instance -

- When the customers came to open an account, I helped them to fill up their forms, suggested them to bring papers if needed according to the accounts they desired to open and finally, checked whether the customers mistakenly skipped any requirements including his/her signature.
- After the accounts were opened, cheque requisitions were sent by a Junior Officer. When the cheque books were delivered to the branch according to the requisition papers, I texted the respective customers to collect the cheque books.
• I was responsible for making phone calls to the customers whose FDR was matured recently or will be matured shortly, to remind them about the maturity date and also making them aware of the current FDR rates of the bank so that they feel interested to open an FDR at higher interest rate again. However, the amount of FDR of those customers was not greater than 50 thousands. The customers, holding greater amount of FDR, was communicated and handled by the Officers only.

3. Determining positive inward clearings:
With the help of a Senior Executive Officer, I used to find out the positive pays for inward clearing. The procedure related with determining the positive pay is simple. The Letter of Intimation of a company, where the company declares the name of all the parties to whom the amount will be payable at specific date, the cheque numbers and the amounts, were kept in a specific file for that company. When the branch receives a scanned copy of the instrument through the inward process for payment from the other banks, it prints the copy in lot with other printed copies received from other banks. Then, the following works were done by me under the supervision and guidance of the responsible Senior Executive Officer –

• Firstly, I took the intimation file of the specific company whose scanned clearing instrument was received in the lot.
• I searched in the file to find out whether the company declared the related party to be paid by our branch.
• If yes, I wrote “positive pay” on the scanned copy and the date of receiving on the letter of intimation.
• If declaration was not found, I wrote nothing.
• After determining all the positive pays, I used to give the lotto the senior officer for checking.
• The scanned instruments of which the intimation letter was not found were confirmed over phone call for payment by the officer.

Things I have learned from my duties:

<table>
<thead>
<tr>
<th>Areas</th>
<th>Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Personal A/C (Resident Customer) and DPS A/C</td>
<td>• The reasons behind all the documents collected from the applicants.</td>
</tr>
<tr>
<td></td>
<td>• How to handle pressure moments as I</td>
</tr>
</tbody>
</table>
had a cut off time to make sure the forms are okay.

2. Communication with the customers

- Gained a practical experience on dealing with different types of customers.
- In face to face conversation with customers, eye contact and a simple smile helps to create a positive vibe in the conversation.
- Emotions must be controlled while dealing with offensive customers because we provide services and solutions of our customers’ problems. Not arguments.

3. Determining positive inward clearing

- We should stay focused for confirming clearing instruments. Otherwise, mistakes can occur.
- Proper documentation must be done.
- Approving a clearing instrument without receiving proper confirmation from the company is a huge mistake

My Observations

As an intern, I was restricted to do the works which are regularly done by the officers. These works include confidential data and money for which the bank is liable to different parties. Therefore, I had the permission only to observe the processes related with these activities. To prepare this report, I have gathered all the information related with the processes and...
observed how the works are done. Some of the common day to day general banking operations observed by me are described below.

**Clearing and fund transfers:**
BACH is an important term related with clearing which facilitates the interbank clearing system that settles payments and enables fund transfers electronically between the scheduled banks of a cleaning house. It has two components – 1. BACPS and 2. BEFTN and two parties are related to this – operator (Bangladesh Bank) and participants (Bangladesh Bank and other commercial banks having clearing house membership).

Bangladesh bank provides BACPS facility to help banks to clear financial instruments and approve payment items. Whereas, BEFTN is an electronic fund transfer system between the accounts of different banks which is managed by Bangladesh Bank.

According to the Article 37 (2) of Bangladesh Bank Order, 1972, Scheduled Banks are those banks which are a member of the clearing house. All or some of the branches of a bank can be a member of it. The advantage of being a member of clearing house is that, banks can easily do transactions with other banks by using negotiable instruments. (Department of Currency Management and Payment Systems, Bangladesh Bank, 2010)

**Bangladesh Automated Cheque Processing System (BACPS):**
BACPS can be done in two procedures. These two are being described below-

**Outward clearing process:**
Outward clearing occurs when Prime bank receives an instrument (cheque or pay order) from its client which is drawn on the other banks (paying bank) to collect money. The money is collected through Bangladesh Automated Cheque Processing System (BACPS). The process related with outward clearing at Mohakhali branch of PBL, in fact at any branch of any bank is –

- Bank receives cheques or any other instruments from customer to collect the specific money from the mentioned branch of the other bank(s) called paying bank(s). Deposit account number on the instrument(s) must be there as per Bangladesh Bank instruction and has endorsement and crossing on the instrument properly. The front desk officer and the officer responsible for clearing checks whether the instrument is properly written and signatures are given.
• After receiving, the number of the instrument is being recorded to a “register of clearing” book and the officer who received these gives his or her signature(s) to the instrument(s). The book contained the following columns of date of receiving, the name of the bank on whom the cheque is written, the name of the payee, cheque number, the BDT amount of the instrument and the receivers signature.

• After recording the received instruments, the instruments which are drawn on the bank other than Prime Bank, are sent to the clearing section of the office with a deposit slip attached.

• Then the officer (maker), designated for clearing, puts three diffident seals at the back side of each instrument –received date seal, maker’s seal and UV checked seal. However, before giving UV checked seal, each instrument’s authenticities are verified by a UV machine.

• Next, the officer (maker) scans the MICR (magnetic ink character recognition) line of the instruments by scanner and data entry is done into BACPS System. All the data entries are made by an officer (Maker) and checked by another officer (Checker) of PBL at Mohakhali Branch.

• If the instruments are approved after checking, an XML (extensive markup language) file is created for sending the instruments in batch to Bangladesh Bank through “Participating Bank Module (PBM) Server” of Prime Bank Limited.

• XML files then are sent to the both collecting (PBL) and paying banks by Bangladesh Bank through clearing house.

• The bank on whom the instruments are drawn receives images and data of the instruments and then determines whether the issued instruments are legitimate or not by searching for their clients’ approvals (letter of intimation) to honor the instrument(s), its date of issuing (cheques issued more than 6 months before are not qualified to be paid).

• If everything is okay, the paying banks consider it as positive pay, debit the clients’ account and transfer the amount to the mentioned clients’ account at PBL (collecting bank) accordingly.

• That amounts are then uploaded to t24 software of PBL (branch wise) and approved by the authorized officers (HOB, MO & SEO) of Mohakhali branch. The authorization process of outward clearing is direct and simple.
Outward Charges:

<table>
<thead>
<tr>
<th>Types of value</th>
<th>Charged amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular value (below BDT 5 lakhs)</td>
<td>BDT 60</td>
</tr>
<tr>
<td>High value (BDT 5 lakhs or above)</td>
<td>BDT 25</td>
</tr>
</tbody>
</table>

Table 3: Outward Clearing Charges

Time schedule (cutoff time) for daily clearing:

Cutoff time is a term related with clearing process, specially for outward clearing which means the time after which a bank stops scanning the financial instruments for that day and doesn’t credit deposits received during the day. Therefore, the outward instruments received for outward clearing after the cutoff time of that day will be scanned and credited on the following working day. For example, clearing house is closed at 12:00 PM every working day. This means, scanner will be closed for the day at 12:00 PM. However, scanner will be re-opened on that same day from 2 PM for the clearing of the next working day to 12 pm of that working day. Any financial instruments scanned from 2 PM will be sent for clearing of next working day. However, if a high value clearing instrument is not urgent to collect, it can be sent with the regular valued instruments.

<table>
<thead>
<tr>
<th>Types of value</th>
<th>Presentment</th>
<th>Return (when dishonored)</th>
<th>Settlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular value (below BDT 5 lakhs)</td>
<td>12:00 PM</td>
<td>5:00 PM</td>
<td>5:15 PM</td>
</tr>
<tr>
<td>High value (BDT 5 lakhs or above)</td>
<td>11:30 PM</td>
<td>3:00 PM</td>
<td>3:15 PM</td>
</tr>
</tbody>
</table>

Table 4: Time schedule (cutoff time) for daily clearing

The value of the transferred amount can be classified into two categories – high value and low value. High value which is more than 5 lakhs which is scanned and sent to the clearing house within 11:30 PM on the working day and the regular value which is less than 5 lakhs is scanned and sent to the clearing house within 12.00 PM. High valued clearing instruments get approved and credited to the accounts mentioned in the instruments within 4 pm every day.

Moreover, the instruments which are dishonored must be returned by the Banks within a specific time as well. The cutoff time for dishonoring high value instruments is 3:00 PM and for regular value instruments is 5:00 PM. After all these, the settlements of the amounts paid
and amounts received to the related accounts of different banks must be finished within 3:15 PM (High Value) and 5:15 PM (Regular value)

**Journal entries regarding outward clearing:**
As more amounts are added in the customers’ accounts which mean an increase of liability for the bank, the customers’ accounts are credited. On the contrary, the accounts from which the amounts are received through clearing are debited as an asset.

- Clearing Adjusting A/C (BACPS)….Dr.
  
  Customer A/C………………………….Cr.

**Journal entries regarding outward return:**
Outward returns are recorded by debiting customers’ account as the liability of the bank decreases and crediting clearing adjusting account as the asset decreases because of the dishonor.

- Customer A/C…………………………..Dr.
  
  Clearing Adjusting A/C (BACPS)…Cr.

In the case of dishonored outward cheques, the bank will print a dishonored slip from the server and will give it to the customer where the reason of the dishonor will be mentioned.

**Inward clearing process:**
Inward clearing occurs when a bank receives a scanned copy of instruments from other banks for payments through the clearing house. The money is paid through Bangladesh Automated Cheque Processing System (BACPS). The process related with inward clearing at Mohakhali branch of PBL, in fact at any branch of any bank is –

- Firstly, a letter of intimation (LOI) is received by the Mohakhali branch of Prime Bank Limited where companies mention the details of their issued instruments (for instance- cheque number, issued date, amount and the name of beneficiaries) in a table.
- The bank keeps the letter in their file and waits to receive printed copies of the instruments (inward processing report) from clearing process system (CPS).
PBL downloads the inward processing reports from the CPS and prints the images of the instruments received for honoring in favor of the mentioned account number of the customers from other banks. Prints of instruments with high values for inward clearing are usually received around 1 PM and the low values are received around 1:30 pm.

If all the details mentioned previously in the LOI match with the received copies, the designated officer (Senior Executive Officer) writes ”positive pay” on the copies and writes the first “cancellation symbol” on it. After putting the first cancellation symbol, the printed copies of the instruments are sent to the General banking in-charge (GB in charge) and Managers Operations (MO) for their second and third cancellation symbols respectively. The number of cancellations needed can be two or three, depending on the amount received. Details of it will be discussed later in this report.

After confirming required number of cancellations from the different authorizers, the accounts of the customers are debited and the amounts are sent to the banks where the payees had presented the instruments.

However, if the bank does not receive any letter of intimations from the companies but finds instruments are drawn, the bank will take approvals from the companies over phone and give a “received seal” on the scanned copy of the cheque where the name of the receiver will be the person with whom the bank contacted.

If any instruments get dishonored, it will be returned to Bangladesh Bank through Participating Bank Module (PBM).

Inward charges:
Prime Bank Ltd. cuts charges for inward clearing instruments only if it is returned (dishonored).

<table>
<thead>
<tr>
<th>Types of value</th>
<th>Charged amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular value (below BDT 5 lakhs)</td>
<td>BDT 570</td>
</tr>
<tr>
<td>High value (BDT 5 lakhs or above)</td>
<td>BDT 1000</td>
</tr>
</tbody>
</table>

*Table 5: Inward Charges*

Daily time schedule for receiving the authorizations of inward clearings:

<table>
<thead>
<tr>
<th>Types of value</th>
<th>Last time for authorization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular value (below BDT 5 lakhs)</td>
<td>Within 4:30 PM</td>
</tr>
</tbody>
</table>
Journal entries regarding inward clearing:
The customers’ accounts are debited by the exact amounts of money mentioned in the instruments as the liability of the banks on that account reduces by the same amount and the clearing adjusting accounts are credited as the amounts of money are paid to the accounts at other bank.

- Customer A/C………………………..Dr.
  Clearing Adjusting A/C (BACPS)……..Cr.

Journal entries regarding inward return:
In this case, only a return report is sent to Bangladesh bank through PBM server.

- No journal entry is required.

The bank will notify their customer that he/she don’t have sufficient balance and therefore will require depositing money into the A/C.

Bangladesh Electronic Fund Transfer (BEFTN):
BEFTN is an electronic payment and collection system which is operated by Bangladesh Bank to facilitate the distribution and settlement of electronic debit and credit instruments among different participating banks. (Department of Currency Management and Payment Systems, Bangladesh Bank, 2010)

There are six parties are involved in the process:

1. Receiver – A person or an organization who gives originator the authority to make EFT entry in the account maintained in receiving bank.
2. Receiving Bank (RB) – the bank which posts EFT entries to the account of the receiver.
3. Bangladesh Electronic Funds Transfer Network (EFT Operator) – Bangladesh Bank
4. Originator – The entity which makes agreement with the receiver to make EFT entries in the account of the receiver at the receiving bank.
5. Originating Bank (OB) – The bank of originator where the originator gives instructions about EFT payment entries and forwards it to the BEFTN.

6. Correspondent Bank: The bank which is approved by the central bank and represents originating bank and receiving bank or the originator in the EFT transaction process.

In EFT, only the EFT entries are originated and received by the participated parties instead of transferring funds. The key feature of EFT is that it can be used in both debit and credit transactions. Thus, the transaction flow can be divided into two categories- EFT Debit and EFT Credit (Department of Currency Management and Payment Systems, Bangladesh Bank, 2010).

In Prime Bank, the funds are transferred by following the similar process. When a cheque is represented for collection to the front desk at Mohakhali branch which is drawn on the party who also has an account in Prime Bank Ltd, the amount can simply be transferred instantly through the server. However, if the cheque is drawn on the account of other banks, it can only be collected through clearing house by following the clearing procedure.

**EFT Credit:**

In EFT Credit entries process, the receiver’s account gets credited and funds are transferred from the originator’s account to the receiver’s account which is initiated by the originator. During my internship at Mohakhali branch of PBL, as Mohakhali is a corporate area, I observed payroll accounts of different companies using EFT to transfer money from their account to the employees’ accounts as a way to pay salaries. At payroll system, organizations are the originator and the employees are the receivers.

Payroll is just one of the examples of EFT credit system. The other examples are - domestic remittance, business to business payments, government tax payments, dividend payments of companies, inward foreign remittance etc. The procedure followed in EFT credit system is being described below in sequence-

- The originator originates the transfer of money to the receiver’s account by having specific agreement with the originating bank. For example, in payroll, the company fixes a specific day of each month for payments of its employees’ salaries and tells the originating bank to comply with it.
- According to the agreement, the originating bank transmits the entries to the BEFTN
• BEFTN sorts out the entries according to the RB routing number. It then transfers the payment related information to the mentioned RB for posting.

• During settlement, a net settlement figure will be calculated for each participating banks by BEFTN.

• For the approval of fund transfers by the authorized officers and managers, firstly, a printed hard copy of the instruments and a transfer are attached with the written approval letter from the originator to transfer funds and sent to the authorizers’ rooms for making scrutiny of it and approve.

• Then, if everything seems legit, the authorizers give their approvals. To approve a transaction through a financial instrument, two or three “cancellation” signs are needed from authorizers depending on the size of the amount transacted. Details of this process will be described later in this report.

However, if the originator and the receiver have accounts at the same bank, the bank will remove the entries related with it and send the rest of the entries to BEFTN. The entries removed will be kept by the bank and posted to the appropriate accounts after receiving proper authorization. (Department of Currency Management and Payment Systems, Bangladesh Bank, 2010)

**EFT Debit:**

In EFT Debit entry process, the receiver’s account gets debited and funds are transferred from the receiver’s account to the originator’s account which is also initiated by the originator. Some of the examples of it are – utility bill payment, government tax payment, mortgage payment, insurance premium etc. the process of EFT Debit is described below-

• In this process also the originator originates the transfer of money to the receiver’s account by having specific agreement with the originating bank. For example, an insurance company will specify a date to the originating bank to cut the amount of premium from its client’s account and transfer the amount to its own account.

• Similar to the authorization procedure of EFT Credit, the authorization of EFT Debit is done.

• The funds are then collected from the receiver’s account on that specific date and transferred to the originator’s account through BEFTN.
Registry Books maintained and updated at Mohakhali Branch:

Bank must keep the records of its day to day transactions and activities in order to minimize jeopardy. These records are kept in different registry books related with different purposes.

These books are regularly updated by the officers and checked by the Head of Branch. Some of these books which I have observed to be updated by the offices in daily basis are –

- LOD Registry
- Cheque Registry
- Registered Letters’ Dispatch Register Book
- Registry of Pay orders

**LOD Registry:**

This registry is maintained to keep records of all the account opening forms sent to the LOD every day. The account opening officer maintains and updates this book before each day he sends the forms to LOD. The columns contain – date of sending, account number, title of the account, date of activation, signature of the Account Opening Officer. The reasons for keeping the registry are –

- When a customer wants to know their account number, officers can easily search for the name of that customer at registry and find the account assigned number.
- The registry helps the head of branch to know about the progress in the number of account opened and schemes sold to the customers each day/week/month/year from the branch.
- Accountability of the account opening officer is ensured by this registry. The number of account opened signals the higher authority whether the account opening officer is properly able to do his job or not.

**Cheque Registry:**

After receiving and before sending the cheques for clearing, a registry is maintained by the responsible officer to record the date of receiving, payer bank’s name, the paying company’s name, instrument number, receivers signature, officer’s signature. The reasons behind maintaining this registry are:
• To avoid the risk of misunderstanding between the related parties. For example, whether the cheque was sent for the collection to the payer’s bank on time or not can be clarified by this registry.

• To eradicate the risk of mismatch between the received cheques for collections and the amount collected by the bank.

**Registered Letters’ Dispatch Register Book**

For official purposes, letters are issued to various parties every day. This letters include Official notes, Solvency letter of the customer, To Whom It May Concern letter etc. Each letter has to be assigned a dispatch number on the upper part of the letter. This dispatch number is then recorded in the registry which works as a link to the letter. The reasons behind maintaining this book are:

• It keeps records of all the letters issued from the branch to different parties.

• Record of a letter issued can be traced easily if needed in future.

**Registry of Pay orders**

Pay orders are received and issued by the branch for collection and payments. At the end of every banking day, the balance of these pay orders are needed to be calculated. For that purpose, a registry is maintained by the branch where all the pay orders, collected and disbursed, are recorded with the amount of money. A credit amount of a pay order indicates that the bank has collected the amount of money (in cash) needed to be paid by the customer and has disbursed it to the payee. If the customer provides the amount through transfer from his or her account, the following journals are recorded by the bank in its server:

• Customer’s A/C (liability reduced)….Dr.

          Pay order A/C (asset reduced) ……….Cr.

On the contrary, the debit balance of a pay order indicates that the bank has received the amount of money from the payer’s bank. The procedures followed to register the pay orders are:

• After the end of banking hours each working day, bank’s server prepares a Pay Order A/C Statement where all the debit and credit amounts received and sent throughout the banking day are shown in a summary. From that statement, the amount of pay orders is recorded in the registry.
• In that registry, the previous day’s ending balance is considered as the beginning balance of today.
• Then, the debit and credit amounts are written in the registry according to the statement.
• Finally, the credit amounts are added and debit amounts are subtracted from the beginning balance to find out the ending balance of the pay orders for that day.
• This ending balance can be either a debit balance or a credit balance.
• Debit balance indicates the excess amount of money received compared to the paid amount and opposite in the case of credit balance.

Internal control

For a big financial organization like bank, internal control is undoubtedly the most important thing. Without proper internal control, errors may occur, information provided can be misleading and also the risk of encountering fraud and theft will rise. On the contrary, a strong internal control will ensure the accomplishment of a specific objective, safety of assets, compliance with laws and most importantly a reliable financial report to the stakeholders.

Internal control system in Prime Bank Mohakhali branch:
To understand the internal control of Prime bank Ltd. at branch level, the process can be divided into 4 components. These are –1) Risk assessment, 2) Information and communication, 3) Control activities and 4) Monitoring. To ensure all these, proper control environment must be created by the management.

During my internship period I have noticed that almost all the activities of general banking rely solely on the system of internal control. General banking, which is the primary division of the bank behind its establishment, is vulnerable to various security threats and fraud activities. Thus, to ensure the safety of clients’ cash and instruments, there is no other alternative of a strong internal control. The activities undertaken according to the components of a proper internal control at Mohakhali branch to ensure it are described from the next page:
1. Risk assessment:
Assessment of the intensity and likelihood of occurring a risk is crucial for designing a proper internal control. The result of the assessment will direct management towards effective and flawless control system which will help them to overcome any hurdle beforehand. Risk assessment comprises of 3 activities: - identify the risk factors, determine the significance of the risk and develop specific actions to mitigate the risk.

While doing my internship, I was responsible to prepare and send the account opening forms to LOD. In the process, I was required to prepare a Transaction Profile (TP) for the applicants and fill up the KYC (Know Your Customer) Profile Form accordingly. In TP, the approximate number of deposits and withdrawal are determined along with the BDT amount of total transactions and the medium of transacting these amounts (by cash and/or instruments etc.). Whereas in KYC, I had to give a risk grading based on the transaction number and amounts estimated in the TP. While preparing each of these, I had to consult with the account opening officer and the customer to avoid any mistakes. The work I have done can be related to the risk assessment component of internal control system. The details of the risk grading process are described below.

- **Identify the risk factors:** The risk is identified based on several criteria of the client. Each criterion entails different risk points. After selecting the entire criterion that
describes fairly about the client and his/her transaction types, all the scores are added to measure the final risk grading of him/her. For example: “service provider” carries 2 risk points.

- **Determine the significance of the risk:** Based on the total risk points calculated, overall risk rating assessment is done between high or low risk ratings. High risk rating is given when the total risk score exceeds or equals to 14. On the contrary, the low risk rating is given when the risk score is below 14.

- **Develop specific actions to mitigate the risk:** The accounts, which exceed the normal risk level, are scrutinized further. If the information is not satisfactory, the accounts are not allowed to get opened.

2. Control activities:

   Proper control comprises of four activities - control relating to the process of a transaction, segregation of duties, physical control over asset and records, performance review.

   Important control activities at Mohakhali Branch:

   i) **Control relating to the process of a transaction:** It has three main activities- a) Proper authorization, b) Proper documentation and c) Independent checks.

   a) **Proper authorization:** For approving transfer of funds (EFT Credit and Debit) and day to day transactions of various amounts (Outward clearing) of financial instruments, there is a slab of authority assigned to the Head of Branch, Operational Manager and Officers to approve different amount of transactions. In other words, to authorize financial instruments, an authorizer can only authorize the amount up to a certain limit and the amount greater than that limit cannot be finally authorized by him or her. It will thus also require the approval of higher authority. For example – if a cheque contains an amount of below BDT 10 lakhs, the senior officers can give cancellation signs by themselves and approve it. However, if the amount is above 10 lakhs, only the Operations Manager can give final authorizations. Similarly, the amount above 50 lakhs is finally authorized only by the Head of Branch.

<table>
<thead>
<tr>
<th>BDT Amount</th>
<th>Authorizers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 10 lakhs</td>
<td>Senior Officers</td>
</tr>
<tr>
<td>Above 10 lakhs but below 50 lakhs</td>
<td>Operations Manager</td>
</tr>
</tbody>
</table>
Moreover, the number of authorizations needed for each instrument also depends on the amount of the instrument. Low value requires double approvals only whereas high value must have triple approvals. For instance –

Up to BDT 10 lakhs –

<table>
<thead>
<tr>
<th>Number of approvals</th>
<th>Approved by</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>Senior officer</td>
</tr>
<tr>
<td>Second</td>
<td>Senior officer (GB In-Charge)</td>
</tr>
</tbody>
</table>

*Table 7: Slab of Authorization.*

Above BDT 10 lakhs but below BDT 50 lakhs –

<table>
<thead>
<tr>
<th>Number of approvals</th>
<th>Approved by</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>Senior officer</td>
</tr>
<tr>
<td>Second</td>
<td>Senior officer (GB In-Charge)</td>
</tr>
<tr>
<td>Third</td>
<td>Operations Manager</td>
</tr>
</tbody>
</table>

*Table 8: Authorization required for the amount BDT 10 Lakhs.*

BDT 50 lakhs and above –

<table>
<thead>
<tr>
<th>Number of approvals</th>
<th>Approved by</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>Senior officer (GB In-Charge)</td>
</tr>
<tr>
<td>Second</td>
<td>Operations Manager</td>
</tr>
<tr>
<td>Third</td>
<td>Head of Branch</td>
</tr>
</tbody>
</table>

*Table 9: Authorization required for the amount above BDT 10 Lakhs but below BDT 50 Lakhs.*

*Table 10: Authorization required for the amount BDT 50 Lakhs and above.*

This sequential process of authorization insures proper accountability of the authorizers as the higher amount is approved by the higher authorities. It also ensures security of transacting bigger amount of money and mitigates the possibility of fraudulent transactions.

**b) Proper documentation:** In general banking division, bank deals with people from diverse backgrounds and therefore entails trust issues for which proper documentation is a must. It ensures the record of proper evidence for making specific decisions. During my internship period, I have observed some of the documentations inevitable for doing daily banking related works.
• **For account opening**: In order to open an account, personal or non-personal accounts, specific documents are the single most important requirement. Considering the security measures taken by Bangladesh Bank, Prime Bank Ltd and also the other banks are now obliged to comply with the precautions specified by the central bank of Bangladesh. The precautions are to collect and verify documents related with the person willing to open an account in the bank. Depending on the type of accounts, the required documents may vary. There are two types of accounts – personal account and non-personal account. Documents required to open an account and the reasons behind it is showed in a table –

For personal account –

<table>
<thead>
<tr>
<th>Documents required</th>
<th>Reasons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Photocopy of NID (for both applicant’s and nominee’s)</td>
<td>To identify the applicant’s or nominee’s nationality</td>
</tr>
<tr>
<td>2. Photocopy of utility bill</td>
<td>To identify the applicant’s present address</td>
</tr>
<tr>
<td>3. Photocopy of job ID card</td>
<td>To identify the applicant’s source(s) of fund.</td>
</tr>
<tr>
<td>4. Photocopy of salary certificate/Letter of Introductions (for jobholders), rental agreement (for landlords), trade license (for businessmen)</td>
<td>To identify the applicant’s source(s) of fund and the amount of monthly income.</td>
</tr>
</tbody>
</table>

For non-personal account –

<table>
<thead>
<tr>
<th>Documents</th>
<th>Reasons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Photocopy of NID</td>
<td>To identify the applicant’s nationality</td>
</tr>
<tr>
<td>2. Photocopy of Board of Directors resolution (Limited company)/ declaration of proprietorship (MSME)</td>
<td>To identify the applicant’s source(s) of fund.</td>
</tr>
<tr>
<td>3. Photocopy of trade license</td>
<td>To identify the applicant’s business head office address.</td>
</tr>
</tbody>
</table>
After receiving the documents, verification of documents are required to verify the authenticity of those. It is to be noted that, the documents mentioned here are the common documents required by the branch. There are also other document requirements which vary according to different cases.

- **For depositing the initial amount for the account**: Opening an account other than payroll account requires a minimum initial deposit of BDT 1000 for personal account and BDT 5000 for non-personal at Prime Bank Ltd. The applicant deposits the initial amount by taking a deposit slip from the counter, fills the information needed and gives signature. Lastly he/she submits the slip along with the initial amount to the cash counter. Officer at cash counter gives “received” seal and gives the main copy of the deposit slip while keeping the accounts copy. This is kept as a proof that the money has been deposited by the bank duly and the bank will not be liable if the applicant shows a copy of different slip with different amount.

- **For clearing and fund transfer – Letter of Intimation**: As described earlier in this report, we have seen the usage of various documents in the process of clearing and fund transfer. One of the most noticeable of those is the documentation of the letter of intimation by an organization. Without it, the bank will not honor a cheque presented at front desk against the organization. Therefore, the bank almost daily receives the intimation letter from the organizations and files all the documents for each organization separately for the record keeping purpose.

- **For receiving instruments**: Financial instruments like cheques and pay orders are received by the front desk officer and duly sealed by them. Similar to the deposit slip, the bank keeps the copy of the financial instruments and gives back the instruments to the payee.

c) **Independent checks**: To ensure accountability of operations, independent audit team work as a watchdog of a financial institution like Prime Bank limited. Auditors play their role to check and give an unbiased overview of the overall operations of all the branches. There are 2 (two) types of auditors assigned to audit the bank – 1. Internal audit team and 2. External audit team.
• **Internal audit team – The Vigilance Team**: The responsibility of internal audit team is to physically explore the every aspect of branch operations and find whether any mismatch is prevailing. During my internship, I was fortunate enough to see how internal audit of Prime Bank Ltd, named the vigilance team, conducted their audit work at Mohakhali Branch. They were mostly curious about the physical counting of various papers and whether those were properly recorded. The things they looked for was –
✓ The number of account opening form counted physically, found active or inactive and whether any form has been lost.
✓ They observed the overall locker management and the counting of the lockers and whether any locker rent is unrealized by the branch. If so, whether any initiatives taken by the branch to realize it were also taken into consideration by the team.
✓ Physical counting of MICR cheque books and finding its regular delivery status were done by the vigilance team.
✓ They perceived whether any mismatch can be found in the physical stock of the ATM cards and PINs with system software.
✓ They also conducted a counting of existing dishonored clearing cheques and whether previously dishonored cheques were properly returned to the concerned customers.
✓ Lastly they observed the overall store room maintenance of the branch.
   After gathering all the information and receiving formal response from the management of the branch, they prepared an internal audit report on that branch to reflect their findings and include their recommendations.

• **External auditing**: External audit is also assigned for finding out whether the bank’s financial statements fairly reflect its true financial position. Their purpose of auditing is to reflect the bigger financial picture of the bank in their audit report. Prime Bank Ltd has 2 (two) prominent auditors of Bangladesh for its external auditing purpose. They are – ACNABIN and Syful Shamsul Alam & Co.

ii) **Segregation of duties**: Segregation of duties ensures the accuracy of financial data by separating the same process of an activity into different segments and assigning each segment to different person. Thus, the same person will not get undisputed authority over a financial activity. Prime bank Ltd. emphasis on the proper segregation of duties in the General banking
division by separating the authorizers of different level. Some of the relatable examples I have observed during my internship at Mohakhali Branch are –

- Two independent custodians are assigned for maintaining unrented locker keys instead of one for the security purpose.
- In clearing financial instruments, maker (the officer who scans the instruments) and checker (the officer who also authorizes) must be different person.
- In account opening section, the account opening officer (preparer) and the authorizers are also separate. At present, to open an account, checking from one checker (Account Opening Officer) and approvals from four different authorizers are required. In addition to this, Prime bank Ltd. assigns a BAMLCO (Branch Anti Money Laundering Compliance Officer) to each branch for his independent checks and approval of account opening forms to restrict any transactions related with money laundering.

iii) Physical control over assets:

In general banking sector, physical control over assets is important since it is mostly related with confidential information for instance – server data, confidential papers and documents. Other than that, inventories, papers, printers etc. used in the process of serving customers are also needed to be controlled properly since these things can be lost easily. The way Prime Bank ensures physical control over their assets is –

- The computers are user restricted.
- The server of the bank is also restricted by username and password for safeguarding it from unauthorized access.
- Important papers and letters are assigned to a dispatch number for each and registered into a dispatch register book so that they can be traced easily.
- Closed-circuit cameras are fitted in the front desk and in every room of the branch. The room of branch manager and operations manager has CCTV for surveillance.
- Printers, computers, air conditioners and money counters are marked with numbers as labels.
- However, lack of proper control over small inventories was noticeable. Pens, punching machines, seals, staplers can therefore easily get lost during office time if not properly noticed.
iv) **Performance review:**

Performance review is done by comparing between the targets allocated and the goals achieved. This is another way of achieving accountability at branch level. Higher management of Prime Bank Ltd. fixes targets for each branch. These targets are assigned to the Head of Branch and Operational Manager. According to those targets, the Head of Branch and Operations Manager ensures all the officers comply with achieving those targets and Mohakhali Branch is no exception. The ways it is ensured at Prime Bank Ltd., Mohakhali Branch are –

- Direct observations by the Head of Branch during office time. For example, whether the officers are dealing with customers in the right way, whether the customers have any complain and how effectively officers are able to sale the financial products Prime Bank Ltd. offers to the customers.
- When needed, frequent meetings are held at branch by the Head of Branch to discuss on the recent policies taken by the higher management of the bank and communicate his expectations and reality with all the officers.
- Recent policy taken by the bank and implemented at branch level is “One Customer, One Scheme” policy. Under this policy, the officers are instructed to make new and existing customers interested to have a scheme after opening their account at Prime Bank Ltd. Therefore, the bank is targeting to increase its deposits and wants its officers to comply with it.

3. **Monitoring:**

Monitoring ensures that all the works done by the officers comply with the rules and regulations of the bank. At a banking institution like Prime Bank Ltd, all the works done by the officers must maintain specific procedures in order to avoid the risk of making mistakes and fraudulent activities. To be certain that the procedures, i.e the established internal control is maintained properly, two types of monitoring system can be noticed at branch level. These are – i) Regular monitoring by Operations Manager and ii) Internal Audit.

i) **Regular monitoring by Operations Manager:**

In this case, the main monitoring tool used are collecting previous day’s vouchers from the officers and storing it at branch which is checked by the Operations Manager at the beginning of each working day. In other words, this monitoring helps the branch level management to
find out whether the internal control system established in General Banking system is being exercised properly or not.

In this process, printed account statements of fund transfers, bank’s copy of outward clearing slips, printed copy of inward clearings, remittance payments etc. are checked by the Operations Manager. The checking is done by scrutinizing the previous day’s vouchers from each officers related with each of these works. These vouchers are the banks copy retained by the officers who did the related processes on that day. Next day, these vouchers are checked to find out that whether the works done by the officers were completed according to the process prescribed by the Prime Bank Ltd. and Bangladesh Bank. The things checked are –

- Whether the fund transfers shown in the printed copies are done according to the instruments received from the related parties and have proper number of authorizations.
- Whether the bank’s copies of outward clearing slips are properly sealed and signature by the officers.
- Whether the printed copies of inward clearing instruments are properly approved by the proper authorities according to the amount shown.

ii) Internal Audit:

Internal audit is one of most important way of monitoring General Banking’s activities. As discussed before in this report, internal audit scrutinizes each and everything which is mentioned by the law of the country, Bangladesh bank and the policy of Prime Bank Limited to be followed mandatorily. Therefore, all the papers stored daily must be shown to the audit team at their demand.

4. Information and communication:

Generating information and communicating it includes preparing reports and provide those reports to the related parties. These reports are generally prepared by the internal audit teams after visiting and auditing the branch. The exchange of information and communication are done from the both sides – internal audit team and branch. The process is –

- Internal audit team prepares a report on their finding while auditing the branch. At that report, they also mentions which of their finding are seemed favorable or unfavorable, the risk type of unfavorable situations (business risk or financial risk)
and suggestions from their end. The findings are written in details by exposing data found.

- After the internal audit team delivers the report, the branch is asked to prepare a report or official statements within a specific date on the issues mentioned in the reports and the actions which are undertaken by the branch to resolve the unwanted findings.

The intensity of its importance is very high and the branch must prepare a satisfactory reply to the audit team.

In conclusion about the internal control of Prime Bank Ltd., I believe that the policy maker of the bank has a true intention to maintain a strong internal control environment. Without proper internal control environment, the components of internal control system will be useless. As the intention of an organization is reflected in the decisions made by the management team of the organization, it can be said that Prime Bank Ltd. is maintaining their standards of good corporate practice by appointing honest management team.

**Recommendations**

From my little experience in general banking division as an intern for a small period of time, I would like to address some of the issues which I thought can be solved for better customer service. With my little experience, it is an honor to be able to recommend something to a very successful bank like Prime Bank Ltd. Writing these recommendations will be successful only if any one of these recommendations is found to be useful to the authority.

The recommendations are –

- **To have a help desk:** There is obviously a customer service desk at the branch, which is efficiently providing customers with solutions of their problems. Yet, the branch has no help desk. The purpose of having a help desk is to provide appropriate answers to the customers’ queries. As there is no separate help desk at present, it is difficult for the front desk officers to provide customer services and at the same time to answer the queries made by the customers who only have questions to ask and not any problems to solve. In my opinion, this disrupts the fluency of customer services.
• **To provide money and cheque deposit enabled ATM booths:** ATM booth services provided by the bank do not include services like depositing money and cheques. If this problem is solved, customers will be able to deposit money and the outward clearing cheques at any nearby ATM booths with ease. Therefore, customers will be satisfied, fewer customers will come to the branch and also the front desk officers can focus on more important banking activities as they will get more time than before.

• **To introduce credit card bill payment at ATM booths:** If a customer doesn’t take online service, but uses credit card service, then he/she must come to the branch where he/she has an account to pay his/her credit card bill within a deadline. These causes inconvenience if the customer goes far away from the branch for any personal reason and cannot come to the branch within that deadline to pay credit card bill. Introducing credit card bill payment system at any booth of the bank will solve this problem easily as the customer will directly pay their credit bill to the card division of the bank.

• **To expend the number of bill counter services:** Bill counters accept only utility bills and internet bill. But doesn’t accept commercial bills which are accepted at other banks. Prime Bank Ltd can provide overall services regarding any bill payments and increase customers attention if it provides these services to its customers.

• **To enable cheque page printing option in online banking service-Altitude:** Prime bank Ltd. has one of the best online services for its customers. However, it can be improved further if it includes the system of online cheque page printing options. Therefore, the online service will not be restricted only in online transactions, bill payments and checking account statement. This will enhance the online service experience of its customers as the customer will enjoy true online experience sitting at home. The customers will be able to print cheques anytime they need it without coming to the branch. To provide this service, bank should specify the quality of the papers needed to print the cheques, and provide a common format of the bank’s cheque at the customers’ Altitude dashboard but with different account numbers (according to the account number given to the customer) and MICR. From this process, the bank will also gain advantage as it will cut the cost of producing cheque books.

• **To make redemption of forgotten Altitude password easier:** During my internship, I have seen many customers coming at the branch just to redeem their forgotten
password. To complete the process, the customer must come to the branch where he/she has account only and submit an application regarding the issue. After the head office receives the hardcopy of the application, they will e-mail a PIN code and password to that customer. This whole process can take several days which can be avoided if the process is made more users friendly like social media uses now a day. Thus, customer can redeem their password by themselves in front of their own computers.

- **Slow server:** Due to slow server, it takes time to switch from one section of the server to other. IT department should improve the speed of the server so that the officers can efficiently do their daily banking works.

- **To make the time needed to deliver the credit card shorter:** Within one day of opening accounts, the bank delivers cheque books to the customers. However, it takes several days to deliver credit cards to them. The bank should also ensure a quick delivery of the credit cards to the customers by maintaining production and delivery process more efficient like their cheque book delivery system.

I hope my recommendations are constructive enough to be considered as useful to the bank and implemented in future.

**Conclusion:**

To conclude, it can be said that doing internship at Prime Bank Limited has boosted my confidence to deal with work pressure. As an intern at a corporate branch of Prime Bank Limited, where work pressure is always there, I was able to observe how the officers handle their works and deal with corporate clients. From this experience I have learned to cope with high pressure situation. Overall, while working at Prime Bank Ltd, I felt more like a member of the team than simply an intern.
Bibliography


Appendices

LOD: Liability Operations Department

GB: General Banking

DPS: Deposit Pension Schemes

RM: Relationship Manager

SOD: Secured overdraft