

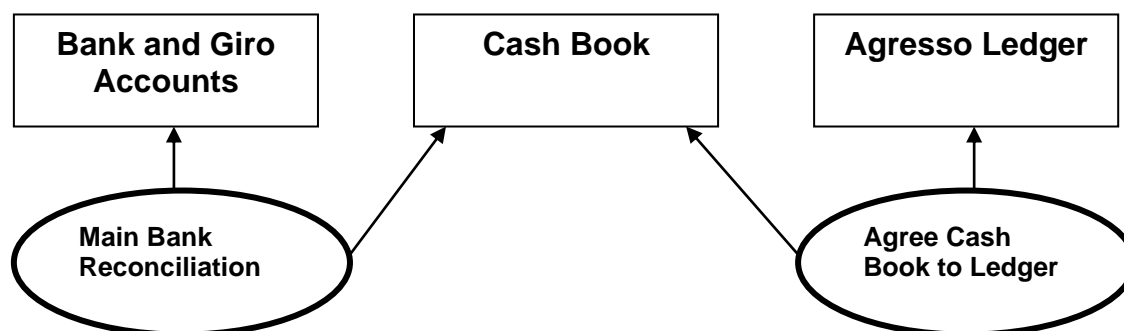
Audit Sub-Committee – Detailed Report**Detailed report requested by the Audit Sub-Committee June 2007**Type: System **SUBJECT: Bank Reconciliation** Date: August 2006**Introduction**

The Sub-Committee received a detailed report, in February 2007, on the audit of the bank reconciliation process undertaken last year. The audit highlighted a number of difficulties in agreeing the cash book to the Agresso ledger and verifying the reconciliations. A number of recommendations were made to improve the process and integrate the reconciliation with the ledger.

Background

The main bank reconciliation process has two prime functions:

- a. Reconcile the bank balances to the Authority's cash book.
- b. Ensure the Cash Book agrees to the Agresso Ledger.

**Reconciliation of the Bank Balances.**

There were two weaknesses identified, namely delays in completing the monthly reconciliations and an insufficient separation of duties between the reconciliation process, banking duties and cash book maintenance.

Agreeing the Cash Book to the Ledger.

The ledger cash account should always agree with the cash book. This process confirms the accuracy and completeness of the Authority's ledger.

The weakness identified here was that the process had not been undertaken on a monthly basis since the introduction of the Agresso product. At year end the process was undertaken as part of the audit.

Audit Sub-Committee – Detailed Report**Progress on the implementation of the relevant recommendations.****Introduce more separation of duties into the bank reconciliation process. Category – high**

Accountancy staff have been trained in the process of agreeing the cash book to the ledger each month. This exercise has been successfully carried out for 2006/07. The process identifies what entries are missing from each set of books and these are being corrected as appropriate.

The cash book should be independently maintained from the bank reconciliation process. Category – high

The purpose of this recommendation is twofold, firstly it separates the completion of the cash book from the banking processes and secondly it reduces the dependence on one person undertaking these duties and speeds up the process.

Progress has been made in this area but staff shortages have limited transfers of duties. However the ledger/cash book agreement process above identifies any inaccuracies and acts as an independent control on the completion of the cash book. New staff have recently been recruited.

Ensure bank reconciliation is up to date. Category – high

The purpose of bank reconciliation is to agree the bank balances to the cash book each month. The Authority uses a number of bank and giro accounts and these are agreed to the cash book. Difficulties were experienced during 2005/06 in agreeing the monthly process and delays occurred.

The reconciliations have been completed for 2006/07 and corrective work is being undertaken.

Payments account or cheque reconciliation (as it is known) is independent of the main bank reconciliation. However it is interdependent in that transfers from the main bank account are needed to meet all payments. In previous years some transfers had not been made and this was one cause of the problems. This year transfers are being made, however the year-end payment account reconciliation although being undertaken is not yet complete.

Conclusion

Over recent years the Authority has had considerable problems with the bank reconciliation process, however progress is being made. This year has seen considerable improvements in the ledger/cash book reconciliation process and the bank to cash book reconciliation is up to date.

Audit Sub-Committee – Detailed Report

Bank reconciliation is a complex process in this Authority, but South Derbyshire is not on its own, as other Derbyshire Councils and many others across the country have encountered problems.

The audit report recommended bringing the process under control but also suggested that improvements should be sought to simplify the process. Management's action plan is to progress the existing approach to the end of the financial year (March 2007) and then examine ways to streamline the process. Internal Audit strongly recommends that this should coincide with the introduction of the new revenue systems.