



AUDIT COMMITTEE REPORT

Report Title	Bank Reconciliation Progress Report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	2 nd December 2008
Policy Document:	No
Directorate:	Finance & Support
Accountable Cabinet Member:	Councillor Malcolm Mildren

1. Purpose

1.1 This report outlines the progress on various measures undertaken by the Finance section to implement the recommendations made by the Internal Auditors in the Bank Reconciliation Review report that was issued in October 2008.

2. Recommendations

2.1 To note this report.

3. Issues and Choices

3.1 Report Background

3.1.1 The Audit Committee has requested a report informing the progress made in implementing the recommendations raised in the audit report.

3.1.2 The Audit report placed no assurance in the system reporting design and operation control weaknesses. In arriving at this conclusion the auditors took into account the lack of progress made during 2007/08 in relation to the accurate and timely preparation of the Bank Reconciliations and the implementation of a new system for preparing Bank reconciliations.

3.1.3 The Council currently operates six bank accounts, Housing Benefits ,Housing Rents, Creditors, Credit Suspense, Special Interest, and the General Rates Fund bank accounts.

3.1.4 This report provides an update specifically on the progress on outstanding items on Team Central, attached at Appendix A and provides an update on the actions being undertaken that are addressing all other Risk areas highlighted in the report.

3.2 Actions and Progress

3.2.1

3.2.2 Procedures have been implemented to ensure that existing Bank Account Reconciliations are reviewed regularly and evidenced as such. Ongoing review is being carried out to clear backdated reconciling items and ensure new items are cleared in a timely manner.

3.2.3 Currently Core Business Systems, (CBS) Creditors bank account is reconciled in Agresso, the computerised financial management system. The other bank accounts are reconciled manually utilising Microsoft Excel spreadsheets. Where appropriate electronic reconciliation files have been secured to support summary reconciliation proformas for each period's reconciliation. Procedure notes have been drawn up for the Microsoft Excel bank reconciliations.

3.2.4 A project team was formed in October and expert assistance procured through a consultancy service to review the Council's Banking processes. The consultants have a proven known record in delivering this type of review and are essential to the success of this project. The objectives of the project are:

- Analyse current processes, data transfers and bank reconciliations around the operation of bank accounts and their transaction with other systems;
- Ascertain whether all bank accounts are required, rationalise where appropriate. Investigate and design how the transactions can be transferred to Agresso to enable automation of Bank Reconciliations;
- Improvements to current processes are to be identified and agreed using a systems thinking approach with fully documented and tested procedure notes being produced;
- Automation will provide a robust bank reconciliation procedure, clear audit trail and will enhance financial controls. This project will support the council's efforts to continue to improve the Use of Resources and improve the financial governance within the council.

3.2.5 Since October 2008, the project team have commenced reviewing Agresso and the Banking processes to facilitate the automation. Good progress has

been made to date although there have been some complications due to current process findings as the project has progressed. Impacting also on the delivery target dates is the need to take into account the requirements of two of the Council's other projects, one looking at Customer Payment Methods and the other the Financial Management System 5.5 upgrade.

3.2.6 The October start of this project and the issues mentioned in 3.2.4 above have delayed the implementation of some of the recommendations in the Audit report. However, automated bank reconciliations, once accomplished, will provide us with a clearer audit trail and enable us undertake bank reconciliations more efficiently and effectively. The automation will enable resources, currently used to operate the manual Bank reconciliation processes, to be directed more at identification and prompt resolution of unreconciled items as part of the robust new reconciliation procedures.

4. Implications (including financial implications)

4.1 Policy

4.1.1 Not applicable.

4.2 Resources and Risk

4.2.1 There are technological risks involved in automating the bank reconciliation.

4.2.2 Internal and external communication due to changes in banking arrangements is vital to the success of the project to limit the impact on the customer.

4.2.3 The project is resourced through existing staff budgets and the consultancy procured is funded through the existing capital for E-payments, Chip and Pin Payment Kiosks programme.

4.3 Legal

4.3.1 Not applicable.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 None

4.6 Other Implications

4.6.1 As noted, Use of Resources Score Final Accounts, Customer Payments Methods project, Income section working methods.

5. Background Papers

- 5.1 Internal Audit Report Bank reconciliation Review Report no. 7 08
- 5.2 External Auditors KPMG Final Accounts report
- 5.3 Bank Reconciliation Review Working Paper Files

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