

Findings and recommendations

Original Reconciliation Processes

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response and update	Officer responsible & implementation date
Control Design						
1	Officers may be unaware of their roles and responsibilities leading to an increased risk of error.	<p>There are no procedure notes in place for the Special Interest, OAP or General Rate Account Reconciliations.</p> <p>In addition the procedure notes for the Agresso reconciliation process are not up-to-date. The notes contain no information on the new system for cheques over 6 months old.</p>	<p>● Medium</p>	Procedures notes should be updated and drawn up for all reconciliations prior to being distributed to all responsible officers.	<p>Agreed</p> <p>Review of all bank reconciliations is underway. Procedure notes to be drawn up and tested as part of this review.</p> <p>OAP Bank A/c no longer used.</p> <p>General Rate Fund being reviewed as part of the project</p>	<p>Phil Morrison</p> <p>Special Interest A/c procedure notes implemented</p>
4	Bank accounts do not reconcile to the general ledger.	With the exception of the Agresso Payments account, no other accounts are being reconciled back to the general ledger. Instead bank balances are being agreed back to the various feeder systems.	<p>● High</p>	Bank balances should be agreed to the ledger system as part of the new reconciliation process. This will ensure that correct financial data has been recorded on the general ledger.	<p>Agreed</p> <p>In hand, all bank accounts will be agreed to the ledger and feeder system as part of the new reconciliation process.</p>	<p>Phil Morrison</p> <p>Housing Benefit A/c set to go live on Agresso wk beginning 15th December 08.</p> <p>All other Bank accounts by 1 April 09.</p>

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7	The General Rate account reconciliation is not being performed in a timely and effective manner.	<p>During our walkthrough of the General Rate account reconciliation we noted the following:</p> <ul style="list-style-type: none"> The format of the reconciliation appears to be unnecessarily complicated and confusing. Staff were not able to explain the type of transactions that are recorded in the cash book and couldn't account for the difference between the ledger and bank balance. Working papers for the preparation of the reconciliation are often not retained. The process itself appears to be intrinsically risky as it involves a great deal of manual matching. 	<p>● High</p>	<p>The Authority should ensure that the format of this reconciliation is reviewed and simplified through the ongoing Bank Reconciliation review.</p> <p>Staff should be able to demonstrate an understanding of how this reconciliation works and all supporting documentation should be retained in order to ensure a clear audit trail.</p>	<p>Agreed.</p> <p>Currently under review as part of the project. To be completed by Year end. Likely that this account will no longer be required. A clear audit trail will be produced on closedown.</p>	<p>Phil Morrison</p> <p>28 February 2009</p>

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Operating Effectiveness						
8	Special Interest account balance is inaccurate.	<p>During testing of monthly Special Interest reconciliations it was noted that the opening balance does not agree to the ledger. At the start of the year, the ledger balance for the account was £500k more than stated.</p> <p>This was due to a posting error which was subsequently reversed out. The opening balance should therefore reflect this and the cash outflows increased by £500k. This will have nil effect on the balance; however it discloses a more accurate representation of the account movement.</p>	<p>● Medium</p>	All reconciliations should reflect the actual balance on both the bank statement and ledger.	<p>Agreed.</p> <p>Final adjustments to be made during Year end reconciliation process.</p> <p>Special Interest a/c part of the Banking project being reviewed</p>	<p>Phil Morrison/Bev Dixon</p> <p>Implemented</p> <p>28th February 2009</p>

New Reconciliation Processes

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Control Design						
15	<p>By not completing the review, the Authority has little comfort over the accuracy and completeness of their bank balances. This could lead to misstatement of the financial statements and increases the risk of fraudulent activity.</p> <p>Where reconciliations have not been performed for the entire year, no comfort can be gained.</p>	<p>As at the 31 March 2008 (year end), the following work was still outstanding:</p> <ul style="list-style-type: none"> The Authority had commenced but not completed their review of the Credit Suspense and Housing Rent accounts. No reconciliations have been performed on these accounts during 2007/08. The Authority had not begun their review of the Special Interest or General Fund Account. <p>As such, no cumulative reconciliation has been completed for all of the above accounts. In addition, no regular process of reconciliation (3 way) has been designed or implemented for the above and the OAP account.</p>	<p>● High</p>	<p>The Authority should ensure that the Bank Reconciliations review is completed as a matter of urgency.</p> <p>For each account:</p> <ul style="list-style-type: none"> a cumulative reconciliation should be performed for 06/07 and 07/08, and a new process of 3 way reconciliation should be designed and implemented for 2008/09. <p>The process for the new reconciliations should be clearly documented in procedure notes and all officers given training to understand both the process and purpose of the reconciliation.</p>	<p>Agreed</p> <p>The Authority is ensuring that Bank Reconciliation review is completed as a matter of urgency.</p> <p>Reconciliations have been completed cumulatively for a number of accounts under the existing process.</p>	<p>Phil Morrison</p> <p>1 April 2009</p>

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16	Errors remain unresolved and as such the Agresso bank balance may be misstated.	<p>Efforts have been made to investigate why the cash book balance on the Agresso reconciliation does not agree to the cash book. From 17 March 2008 the reconciling amount has stood consistently at £315.34 (verified through testing). The constituting transactions have been identified and a query logged with Agresso to identify what should be done to rectify this difference.</p> <p>A number of other weaknesses have already been raised in relation to this reconciliation. (See issues 2, 3, 5 & 9 above).</p>	<p>● Medium</p>	Efforts should be made to rectify the reconciling item as a matter of urgency. Going forward, any difference between the balances should be investigated on a prompt basis.	<p>Agreed</p> <p>The reconciliation is operating under the same process as before. However review processes have been introduced to ensure that reconciling items are followed up. The result of this will ensure that limited numbers of reconciled items occur.</p> <p>Follow up calls have been made to Agresso to ensure appropriate action is taken to correct outstanding difference.</p> <p>To be picked up as part of the Banking review.</p>	<p>Phil Morrison</p> <p>30th January 2009</p>
18	The bank balance is not reconciled and therefore may be inaccurate.	<p>A number of un-reconciled items exist on the new Benefits reconciliation. At the time of the review the preparer was still unsure as to what these relate.</p> <p>These ranged in value from £1k to £7k.</p>	<p>● Medium</p>	Efforts should be made to identify what the un-reconciled items relate to and all should be cleared promptly.	<p>Agreed</p> <p>Un-reconciled items will be identified during the year end closedown and cleared in the first 2 months of the new financial year.</p>	<p>Phil Morrison</p> <p>Implemented</p> <p>July/August</p>