



**Final Draft  
Internal Audit**

Chief Executives Unit - Strategic Finance  
**Review of General Ledger Operations  
Bank Reconciliations  
2007/2008**  
June 2008

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## **4. SUMMARY OF MAIN FINDINGS**

### **Bank Reconciliation Procedures**

#### **4.1 Overall conclusion**

The various procedures and controls tested were found in general to be adequate and operating as expected. The main controls operated are set out below in paragraphs 4.2 to 4.5 with audit review comments. There was, however, a particular problem with the income bank account which is explained below at paragraph 4.6.

#### **4.2 Adequate written procedures are in place**

It was found that written procedure notes are in place for one of the four bank accounts and partly in place for another. Two of the accounts did not have written procedures in place. They were the Expenditure Bank and Local Tax Bank Account.

#### **4.3 The reconciliations are prepared timeously at the end of each month**

It was found that at the time of the audit this was not the case for 2 of the 4 bank accounts i.e. Income and Local Tax Bank Accounts. There were reasons given to explain this.

#### **4.4 Adequate records are kept of evidence to back up the reconciliation procedures**

Adequate evidence was kept to back up the reconciliation procedures for all 4 bank accounts. However cross-referencing of the evidence to the bank reconciliation statement would be helpful.

#### **4.5 All monthly reconciliation statements are signed and dated by the preparing officer and by a line manager**

This was the case for the Expenditure Bank Account and the Housing Benefits Bank Account. However the other income account had been signed but not dated, and at the time of the audit the local tax account had not been signed at all because the April 2007 reconciliation had not yet been completed.

### **Loomis Cash Problems**

4.6 It came to Internal Audits attention recently that problems had arisen in tracing Loomis cash banking deposits to the Income Bank Account. Reconciliations to this bank account had been proving difficult to carry out for some weeks. Accordingly, a decision was taken not to prepare a cash income journal or post it to the ledger until the relevant banking appeared in the bank account. This instruction had not, in Internal Audit's opinion, been agreed by the Head of Strategic Finance and consequently contravened the Council's Constitution.

4.7 Investigations have now found that some of the "missing" cash had been paid erroneously into the bank accounts of other Council's and therefore it was never going to be possible to reconcile the income bank account until this problem

had been identified and resolved. This problem may have been identified and resolved more timeously if the decision to change the cash posting system had been brought to the attention of the Head of Strategic Finance or a Departmental Finance Manager.

**APPENDIX 2**

**ACTION PLAN**

<b>ACTION PLAN NO</b>	<b>APP 1 PARA</b>	<b>GRADE</b>	<b>WEAKNESSES IDENTIFIED</b>	<b>AGREED ACTION</b>	<b>RESPONSIBLE OFFICER</b>	<b>DATE OF IMPLEMENTATION</b>
1	Appx Para 2	Material	There are not always adequate written procedure notes kept by each officer responsible for individual bank reconciliations	Written reconciliation procedures or flowcharts are to be prepared for all main bank accounts	Head of IT and Financial Services	September 2008
4	Appx 1 Para 5	Material	The other cash bank account reconciliation statements had been signed but not dated. The local tax statements had not been signed or dated	All reconciliation statements are to be signed and dated by the preparing officer and by a line manager	Head of IT and Financial Services	Done
5	Appx 1 Para 6	Material	A decision was taken to change a financial procedure .The decision was not authorised by the Head of Strategic Finance and therefore contravened the Council's Constitution.	Decisions affecting financial procedures are always to be taken by the Head of Strategic Finance or an officer delegated by him. Reminder to be issued to all Heads of Service and Managers through department Directors.	Head of Strategic Finance	Done