



Internal Audit & Corporate Fraud Services

TREASURY MANAGEMENT - BANK & CASH RECONCILIATIONS 2016-17

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FINAL

1.0 EXECUTIVE SUMMARY

1.1.1 Introduction

Internal Audit & Corporate Fraud Services acts in accordance with the Accounts and Audit Regulations (2015), Public Sector Internal Audit Standards and Local Government Application Note (2013). This audit has been prepared in accordance with our Audit Charter.

As part of the 2016/17 Audit Plan approved by the Audit & Governance Committee on 1 March 2016, we have undertaken an audit of the systems of internal control in place over Bank and Cash Reconciliations.

This report sets out our findings and raises recommendations to address areas of weakness and/or non-compliance with existing controls, as set out in the action plan.

1.1.2 Audit Scope & Objectives

In planning this audit, a risk assessment has been undertaken, with the following considered to represent the potential key risks relating to Cash and Bank Reconciliations which could impact on the Council's ability to deliver relevant Council Priorities and service objectives:

- Errors or fraudulent transactions may be made through the bank accounts resulting in the misstatement of transactions, loss of revenue and / or reputational damage.

The objective of the audit was to ascertain the extent to which the identified risks have been managed and to evaluate whether effective controls to mitigate the risks have been established, and have been operating effectively throughout the period under review.

1.2 ASSURANCE STATEMENT

1.2.1 Overall Assurance Level**

Good	Adequate	Limited	Unsatisfactory
		✓	

** For definitions see Appendix A

1.2.2 Positive Audit Comments

We would like to draw management attention to key controls in operation over Treasury Management - Bank & Cash Reconciliations 2016-17 processes and procedures that were operating effectively and efficiently:

All Bank Reconciliations were produced within a week of the statement date with all adjustments investigated and corrected accordingly.

1.2.3 Audit Report Follow-up

A follow-up review was undertaken to ensure that recommendations agreed in the previous audit report (Treasury Management – Bank & Cash Reconciliations 2015-16) RM019 issued 12/2016) had been implemented. It was found of the 2 recommendations made, 1 has been partially implemented, and 1 has not been implemented. Of those not implemented the following were considered as High Risk:

- A Cash Reconciliation error of £74,730.60 was identified by External Audit as part of their review of 2015/16 transactions; while it has now been confirmed that an adjustment is not required in the accounts it shows the importance of secondary check back to source documents.

1.2.4 Control Issues

This review has identified the following control areas where we consider that key improvements to current processes and procedures are needed or where there is the potential risk of fraud and corruption:

- RM036 - Timeliness & Review of Reconciliation.

The following recommendation(s) arising from this work should be considered as part of the Annual Governance Statement.

The Cash Reconciliation as at 01/05/16 was not completed until 18/11/16; this indicates that the cash account was not reconciled for six months. This is not good practice and does not comply with F.S.O 4.6.28 which states that all bank accounts and cash are regularly reconciled with the control totals held within the Agresso Ledger. In addition counter-signatory of the reconciliation should include verification of all source documents.

1.2.5 Adequacy of Individual Control Areas

Control Area	Adequacy assessment **	Number of recommendations raised		
		High**	Medium**	Low**
IBC - Treasury Management Key Controls - Bank Rec & Cash Rec.	Limited	1	0	0
Total recommendations raised	1	1	0	0

** For definitions see Appendix A

1.3 ACKNOWLEDGEMENTS

We would like to thank management and staff for their co-operation during the course of this audit.

2.0 ACTION PLAN

1. IBC - Treasury Management Key Controls - Bank Rec

REC No.	RISK	FINDING	RECOMMENDATION	REC. PRIORITY**	RESPONSIBLE OFFICER	MANAGEMENT IMPLEMENTATION DATE	MANAGEMENT RESPONSE
1	Errors or fraudulent transactions may be made through the bank accounts resulting in misstatement of transactions, loss of revenue and/or reputational damage.	The Cash Reconciliation as at 01/05/16 was not completed until 18/11/16; this indicates that the cash account was not reconciled for six months. This is not good practice and does not comply with F.S.O 4.6.28 which states that all bank accounts and cash are regularly reconciled with the control totals held within the Agresso Ledger. In addition counter-signatory of the reconciliation should include verification of all source documents.	That the Cash Reconciliation is completed monthly with independent review of the reconciliation and supporting documentation prior to counter-signatory.	High	Finance Manager - Technical	31.03.17	The cash reconciliation will be completed monthly with any reconciling items reviewed and adjusted promptly. The reconciliation will be supported by copies of all source documents which will be checked before the reconciliation is signed off as a true and accurate record.

** For definitions see Appendix A

APPENDIX A

3.0 OVERALL ASSURANCE LEVEL

Control Adequacy Assessments

We have four categories by which we classify our overall level of assurance of the processes examined and, also, the adequacy of the individual key control areas. They are defined as follows:

Good	All controls are being applied consistently and effectively. This means that all the control areas in the audit are being properly managed and the associated risks are being mitigated.
Adequate	Controls exist but there is some inconsistency in their application. This means that a few of the risks in the audit may need attention.
Limited	Some controls do not exist. This means that a reasonable number of the risks in the audit need attention.
Unsatisfactory	A significant number of controls do not exist and/or there are major omissions in the application of controls. This means that a significant number of risks in the audit are not being properly managed.

4.0 RECOMMENDATION PRIORITIES

We have three categories by which we classify our recommendations. They are defined as follows:

High	A top priority due to the absence of or non-compliance with a fundamental control process, creating the risk that significant error or malpractice could go undetected. These recommendations should normally be implemented within 1 to 3 months.
Medium	An important issue, which is needed to bring the internal control system up to an adequate standard or eliminate a serious level of non-compliance with an existing control process. These recommendations should normally be implemented within 1 to 6 months.
Low	An issue, which, if addressed, would contribute towards raising the standard of internal control to a level higher than adequate or help to reduce a less serious level of non-compliance with an existing control process. These recommendations should normally be implemented within 12 months.