

**CARLISLE
CITY COUNCIL**



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ACCOUNTS COMMITTEE

Committee Report

Public

Date of Meeting: 7 March 2006

Title: BANK RECONCILIATION – PROGRESS REPORT

Report of: Director of Corporate Services

Report reference: FS49/05

Summary:

This report provides members with an update with progress with the bank reconciliation system.

Recommendations:

Members are asked to note the report.

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Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

CITY OF CARLISLE

To: Accounts Committee
7 March 2006

FS49/05

BANK RECONCILIATION - PROGRESS REPORT

1. INTRODUCTION

- 1.1 At the Accounts Committee on 15th February, Members requested a further report on progress with the bank reconciliation system.

2. BACKGROUND AND PROGRESS TO DATE

- 2.1 The authority introduced a new financial information system and commenced electronically downloading bank statement transactions on 1st April 2004. Whilst the basic systems were introduced successfully, problems were encountered with producing a balanced reconciliation from the new bank reconciliation module.
- 2.2 Discussions took place with the system supplier throughout the summer of 2004 to try to identify the problem but without success. These discussions have taken place with the supplier on a regular basis and progress was fully documented (albeit some has been lost following the January floods).
- 2.3 In August 2004 a major problem with report totals was identified and raised as an urgent issue with the supplier.
- 2.4 Because of the concern regarding the absence of a working system, it was decided in September 2004 to transfer some of the available resources to producing a manual reconciliation, whilst still continuing discussion with the supplier to try to resolve the system problems. Considerable work was carried out on the manual reconciliation, but unfortunately the work was completely lost in the January 2005 floods.
- 2.5 At this stage it was considered virtually impossible to duplicate the manual exercise again and so efforts reverted fully back to resolving the system problems.

- 2.6 In February 2005 staff identified the transactions causing the report total problems. In late May 2005, using this information, the supplier resolved the system reporting problems.
- 2.7 A balanced bank reconciliation for the whole of 2004/05 was subsequently produced in July 2005 and was presented to the Audit Commission for audit purposes.
- 2.8 Internal resources then commenced on clearing the backlog of the 2005/06 bank reconciliation. Unfortunately work on this did not progress as quickly as hoped. This was partly due to the significant resources required to produce additional evidence to the Audit Commission to support the 2004/05 reconciliation, and also the sheer volume of transactions that had not automatically matched since the system was implemented. For information, in 2004/05 over £202m of payments and income had gone through the Council's bank account involving over 140,000 individual transactions.
- 2.9 The current situation is that the bank reconciliation is currently balanced for the whole period 1st April 2004 to 31st December 2005. Audit Commission assurance on this is awaited. Work is in progress for the reconciliation up to January 2006 and most of the backlog has now been cleared.

3. AUDIT - PROGRESS TO DATE

- 3.1 The 2004/05 reconciliation was presented to the external auditors in July 2005 and audit work commenced on this version. Following discussions on format, the format was revised in August and resubmitted to the Audit Commission (see Appendix A).
- 3.2 In October, the auditors concluded, after acknowledging the considerable effort on both sides, that the reconciliation produced was unauditably. The audit view was that the debit and credit balances of £14m and £15m respectively which due to system problems could not be evidenced as matched, either individually or in total did not give them the assurance they needed. They also felt that the reconciliation should be balanced in full and so a sample check would not be regarded as appropriate in this instance.

- 3.3 Agreement was reached that a manual version would be produced. This was done in October, (Appendix B) but unfortunately this did not fully balance and remains unreconciled by a few pence.
- 3.4 To try to provide further assurance the Audit Commission suggested in January 2006 that balancing fully either the income or expenditure side would provide the additional assurance required. This was attempted but proved impossible to do, as the system is not set up to produce the information in that way.
- 3.5 In January 2006, a fully balanced reconciliation was produced for the 21-month period 1st April 2004 to 31st December 2005 i.e. including the whole of the 2004/05 period (Appendix C). This was presented to the auditors but as yet no feedback has yet been received as to whether this provides them with the assurance they seek.
- 3.6 The January 2006 reconciliation is underway but has not yet been fully balanced as the priority for the available resources is being given to providing further assurance to the Audit Commission.
- 3.7 In addition to the audit checking on the bank reconciliation, the Audit Commission is reviewing the work that Internal Audit carried out during 2004/05 on the core financial systems. These reports were submitted to the Audit Commission in May 2005, and it is hoped that their review of these reports will provide additional assurance that there are no material weaknesses elsewhere in the Council's internal control systems.
- 3.8 No feedback has been received to date as to whether adequate assurance has now been provided.

4. RESOURCES

- 4.1 Throughout the period, considerable effort has gone into trying to resolve this problem. Two senior members of the finance team have been working on resolving the problem virtually full time. The Audit Commission has recognised the considerable effort applied to the issue.

- 4.2 It should be noted at this point that the authority has never before had problems with its bank reconciliation which have always in the past been completed on a timely monthly basis. The problems currently encountered are entirely related to the implementation of the new financial information system.
- 4.3 The supplier has recognised this fact and has made available additional resources to help with the backlog and also to help develop the rest of the financial information system as this has been delayed pending the resolution of the bank reconciliation issue.
- 4.4 Members have been made aware of the problems encountered. The 2003/04 amended Statement of Accounts reported the issue in the Statement of Internal Control (SIC). Member of Corporate Resources Overview and Scrutiny Committee now consider the SIC on a regular basis and the meetings on 20th October 2005 and 19th January 2006 considered the issue.

5 FUTURE PROGRESS

- 5.1 As much evidence as is considered possible has now been provided to the Audit Commission to give them assurance that the system is robust. Feedback is awaited.
- 5.2 The supplier has recently undertaken a review of the Council's operation of the system to identify areas for future improvement. A meeting is due to take place on 27th February to progress this. It is known that other authorities use the system successfully, although these authorities started using the system after the system reporting problem was fixed. The one other authority who implemented the system to the same timescale as Carlisle, did not succeed in reconciling their system fully for 2004/05 (a situation accepted by their external auditors, subject to further assurance being provided in the current year).
- 5.3 A further issue that has been raised by the Audit Commission is the format of the new reconciliation. It is accepted that the format of the new system reconciliation is completely different from a traditional bank reconciliation format and ongoing discussions are taking place to agree what format would be acceptable to them.

6 RECOMMENDATION

6.1 Members are asked to note progress on the issue.

ANGELA BROWN

Director of Corporate Services

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Corporate Services
Carlisle City Council
20 February 2006
AB/CH

Bank Rec to 31/03/05 (August 2005)					
Source Info					
Prefix	GL				
01	B/f	526,594.28	355,594.21	Manual Bank Rec Period 13/04	
			171,000.00	Late Adjustment - Capital Receipt	
			0.01	Manual Bank Rec Diff 02/03 b/f	
			0.06	Debtors Diff b/f	
	X0001/5900	-261,974,201.01		Expenditure Control Code	
	X0001/5903	4,064,899.71		Expenditure Control Code Adj	
	X0001/8900	257,359,287.44		Income Control Code	
	X0001/8903	-381,381.70		Income Control Code Adj	
	X0001/8963	-91,047.46		Transfer Invoice (Internal Payments)	
02		-1,022,443.02		Shown in GL	
		-495,848.74			
Bal at Bank 31/03/05					
	Payments A/c	-12,334,104.80		Bank Statement Figure 31/03/05	
	Collection A/c	-38,111,403.75		Bank Statement Figure 31/03/05	
	CTAX/NNDR	50,607,744.88		Bank Statement Figure 31/03/05	
03		162,236.33		Bank Rec System Report	
04	Unmatched Statement to 31/03/05 @ 01/06/05	-430,010.06		Bank Rec System Report	
05	Matched Statement Items >01/04/05 @ 01/06/05	15,124,568.50		Bank Rec System Report	
06	Unmatched System to 31/03/05 @ 01/06/05	481,281.08		Bank Rec System Report	
05	Matched System Items >01/04/05 @ 01/06/05	-14,118,305.92		Bank Rec System Report	
03	Chqs canc post 31/03/05	-2,024.58		Bank Rec System Report	
07	In GL not in CB X2 & X3	8,621.23	8,357.21	ICON Reports at 13/07/05	
			264.02		
08	CL Journals	-2,087,603.11		Reversing 03/04 Creditors Year End adj	
08	MB Journals	-287,498.17		Reversing 03/04 Debtors Year End adj	
10	Cash & Cards In Hand 310305	240,136.85	238,369.11 C&D	Not in Bank at 31/03/05	

1,413.24 C&D
64.50 Tullie Hse
290.00 Car Parks

11	Canc BACS 28/06/04	500.00
12	DSS TPP 23/03/04 Proc as Batch 05/04/04	4,933.80
13	Canc SPS Payroll Chq	833.56
14	BBC Income 31/03/05	13.38
14	EDC	6,987.08

15	Cashbook Opening Bals	1,119,330.59
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-80,145,334.68 OB	Bank Statement Figure 31/03/04
28.69 X3	
79,868,580.26 OB	Bank Statement Figure 31/03/04
-22,276.80 X2/X3	
-146,167.00 OB	Bank Statement Figure 31/03/04
-1,564,500.12	
1,564,500.12	
1,564,500.12	

16	Cashbook Op Bal Correction SPS BACS in 03/04	-1,564,500.12
17	Cashbook Adj XL 31/03/04-Cash & Duality Cards 31/03/04	-183,885.90

-1,408.19 Duality
-2,832.27 Duality
-40.00 Cash
-79,060.76 Cash
-17,519.63 Cash
-38,952.73 Cash
-2,996.64 Cash
-25,945.53 Cash
-15,130.15 Cash

17	Cashbook Adj Switch Cards 31/03/04	-1,633.85
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-677.59 Switch
-956.26 Switch

18	Cashbook Adj Issued Payments in 03/04	823,214.62
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705,037.41 Creditors
117,205.93 HB
130.77 IMAN
840.51 Payroll

01	Cashbook Adj Girobank in Hand 31/03/04	-30,851.18	Girobank	
19	Cashbook Adj Cancelled SPS Chqs	-55,947.44	SPS	
20	Cashbook Adj KG Fixes	-622.76		
21	Cashbook Adj KG Fixes	-68,612.20		
			-16,551.00	
			-17,691.00	
			-124.20	
			-16,553.00	
			-17,693.00	
22	R/D Chq more than original Chq	0.50		Chq rec'd 78.49 but R/D as 78.99
23	Debtors unpaid DDs in CB after 01/04/05	5,522.54	Debtors	
24	Cashbook Adj HB Cancelled Chqs	-1,067.08		04/05 HB Chqs canc 05/06
25	Car Park Card Inc 06/05/04	75.00		Posted as 06/05/05 in error
26	R/D Chq 11/03/04 in XQ	-25.00		Posted 03/04 Adj on C&D 04/05
01	Bal b/f	526,594.28		
01	Adj to Bal B/f	-171,000.00		
			355,594.28	
27	NNDR Internet Payment	1,715.50		GL 04/05 Bank/Cashbook 05/06
28	Ctax TI	1,173.79		
		<u>-495,848.74</u>		

GL

B/f	526,594.28	
	(0.07)	
Final Bank Rec Mar 04		526,594.21
X0001/5900	(261,974,201.01)	
X0001/5903	4,064,899.71	
X0001/8900	257,359,287.44	
X0001/8903	(381,381.70)	
X0001/8963	(91,047.46)	
Movement		(1,022,443.02)
		(495,848.81)
Bal at Bank 31/03/05		
Payments A/c		(12,334,104.80)
Collection A/c		(38,111,403.75)
CTAX/NNDR		50,607,744.88
		162,236.33

LESS**In bank not in GL - Income**

B/f Direct Credits	(101.89)	
B/f Adjustments	(162.40)	
B/f Cashbook	(779.09)	
XL 08/02/05	(20.00)	
XL 25/02/05	(20.00)	
XL 17/02/05 410072	(9.64)	
XL 24/03/05 393335	(5.00)	
XL TIC Card Income - 28-31/12/05	(298.18)	
XL TIC Cash Income - 28-31/12/05	(685.04)	
XL Ref: 101068	(54.35)	
XL Ref:180804 Car Park Income	(4,666.10)	
XL Ref: 200804	(450.00)	
XL Ref: 101301	(50.00)	
XL Ref: Advised	(800.00)	
XL PAIDINAT401622 Jnl twice	(52.10)	
XL PAIDINAT401622 Jnl twice	(535.00)	
XL PAIDINAT401622 Jnl twice	(26.50)	
XL Ref: 051602	(96.00)	
XL 28/10/04 101701	(4,459.37)	
XL 23/12/04	(105.00)	
XL 06/12/04	(61.68)	
		(13,437.34)

PLUS

In bank not in GL - Expenditure

B/f - Direct Debits	22,708.84
B/f - Unpaid Direct Debit Income	3,630.10
B/f Unpaid chq still unprocessed	(167.54)
RD Chq HSBC Dr 50p more than Cr	0.50
Unpaid chq bank 31/03 GL 01/04	410.00

26,581.90

PLUS

In GL not in Bank - Income

C&D Cash 30/03/05	9,576.46
C&D Cash 31/03/05	9,205.05
C&D Chqs 31/03/05	22,880.31
C&D Chqs 31/03/05	205,847.75
C&D Chqs 31/03/05	136.00
C&D Chqs 31/03/05	300.00
C&D Cards 31/03/05	1,231.24
C&D Cards 31/03/05 - Epay	2,580.80
C&D Cards 31/03/05	182.00
C&D Cards 31/03/05 - Epay	2,349.29
Car Parks Cash 29/01/05	4,917.45
Car Parks Cash 30/01/05	1,056.65
Car Parks Cash 15/02/05	4,628.35
Car Parks Cash 15/02/05	5,142.55
Car Parks Cash 16/02/05	3,260.05
Car Parks Cash 30/03/05	2,468.85
Car Parks Cash 30/03/05	4,575.85
Car Parks Cash 31/03/05	3,771.20
Car Parks Cards 31/03/05	290.00
Tullie Hse Cash 21-27/03/05	4,733.71
Tullie Hse Cash 28-31/03/05	2,262.63
Tullie Hse Cards 31/03/05	224.50
Tullie Hse Cards 31/03/05	259.50
Tullie Hse Cards 31/03/05	64.50
Tullie Hse Cards 31/03/05	85.43
Tullie Hse Cards Amex 280305	34.20
TIC Cash 31/03/05	221.37
TIC Cards 31/03/05	88.70
Brampton BC Cash 31/03/05	13.38
Brampton TIC Cash 31/03/05	195.39
NNDR Internet Card late 31/03/05	1,715.50

294,298.66

Girobank 31/03/04	32.00
Girobank 19/11/04	83.00
Girobank 30/03/05 in GL 05/04/05	(103.00)
Girobank 24-31/03/05	98,661.23

98,673.23

(10.00)

SPS Debtors Negative cash 06/12/04 corr 05/06		
SPS Debtors 99th Payment 11/02/05 corr 25/04/05	20.00	
In GL twice	13.50	
In GL twice	5.50	
In GL twice	63.59	
B/f ATP 30092523 in GL twice	93.89	
In GL twice - corrected 110705	80.71	
In GL twice - corrected 110705	1,672.76	
In GL twice - corrected 110705	12.60	
In GL twice - corrected 110705	211.23	
In GL twice - Car Pks 30/11/04	6,439.89	
		8,603.67
Over/Underbankings		
B/f	(5,118.02)	
In Year	(1,479.13)	
		(6,597.15)
<u>LESS</u>		
<u>In GL not in Bank - Expenditure</u>		
Bacs 30/04/05	(620,457.72)	
		(620,457.72)
Unpresented Cheques	(442,537.66)	
	(1,067.08)	
	(2,017.50)	
	(128.52)	
		(445,750.76)
		(495,849.18)
Still to Analyse		0.37
		(495,848.81)

Amount highlighted on paper statement
Included in amount highlighted on paper statement
B/f from Previous Years bank reconciliation
Evidence previously provided

Bank Rec to 03/01/06 (Provided January 2006)

Appendix C

GL

B/f 01/04/04		526,594.28	
adj		(0.07)	

GL 2004/05

X0001/5900	-261,974,201.01	Expenditure
X0001/5903	4,064,899.71	Control Code Adj
X0001/8900	257,359,287.44	Income
X0001/8903	-381,381.70	Control Code Adj
X0001/8963	-91,047.46	TI adj

Movement 2004/05		-1,022,443.02
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GL 2005/06

X0001/5900	-184,143,871.02	Expenditure
X0001/5903	-1,564,500.12	Control Code Adj
X0001/8900	189,069,646.20	Income
X0001/8901	0.00	Suspense
X0001/8903	-1,798,749.03	Control Code Adj
X0001/8904	-1,890.38	Offset Ledger
X0001/8963	-64,160.26	TI adj
X0001/8990	0.00	

Movement 2005/06 @ 03/01/06		1,496,475.39
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1,000,626.58

Bal at Bank

Payments A/c	-9,570,482.37
Collection A/c	-38,196,439.31
CTAX/NNDR	48,006,482.22

Statements 29/12/05		239,560.54
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Ustat (Unmatched Statement Report) to 02/01/06	-844,649.92	In Bank not in System side of Bank Rec
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Usys (Unmatched System Report) at 02/01/06	837,509.71	in GL not in Statement side of Bank Rec
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(7,140.21)

In GL as Funds X1-X3 (ICON Suspense Report)	15,127.28	In Ustat above but have posted to GL
X2 should be XL	23,700.00	In GL due to wrong MOP

38,827.28

Transfer Invoices (Internal Payments should not be in Cash Code)

Council Tax TI's incl in ICON	15,194.76	ICON report
Adj Council Tax TI's incl in ICON for 04/05 GL Entry	(316.69)	
Less 05/06 adj by GL Jnl	<u>(12,366.14)</u>	GL X0001/8963
	2,511.93	

T I's - SPS Debtors	10,259.67	DebtorsMaster
Less 05/06 adj by GL Jnl	<u>(9,079.46)</u>	
T I's - SPS Debtors Nov 05	1,180.21	

T I's - Fin Debtors	54,960.59	1SSTRI
Less 05/06 adj by GL Jnl	<u>(42,714.66)</u>	X0001/8963 part
	12,245.93	

15,938.07

Income in GL not in Usys

Cash In Hand C&D 30/12/05	111,671.12	Compare C&D and Usys
Cards in Hand C&D 30/12/05	4,771.12	
Debtors DD's - Jan 06	82,481.80	

198,924.04

Unprocessed R/D Cheques

R/D Chq amount error	0.50
R/D Chq 22/12/05 not in GL	25.00
R/D Chq 23/12/05 not in GL	25.00
R/D Chq 28/12/05 not in GL	139.10
R/D Chq 29/12/05 not in GL	172.00

361.60

Adjustments

- Debtors Errors

SPS Write Off Errors 19/07/04	4.00	on Cash code sb W/O
SPS Write Off Errors 06/08/04	112.66	on Cash code sb W/O
SPS Credit Notes corr as a Pymt 05/01/05	(21.02)	on Cash code sb Invoice Code
SPS Write Off Errors 21/03/05	(313.39)	on Cash code sb W/O
SPS Write Off Errors 01/04/05	425.73	on Cash code sb W/O
SPS Write Off Errors 17/06/05	381.47	on Cash code sb W/O
SPS Write Off Errors 27/06/05	9.50	on Cash code sb W/O
SPS Write Off Errors 29/06/05	10.00	on Cash code sb W/O
SPS Write Off Errors 03/10/05	(1,808.61)	on Cash code sb W/O
SPS Write Off Errors 04/10/05	(905.61)	on Cash code sb W/O
SPS Write Off Errors 06/10/05	9,167.74	on Cash code sb W/O
Fin 5000001131 19/04/05	(187.99)	on Invoice Code sb Cash code
Debtors TI reversal through ICON RK0277	(123.88)	TI reversed in ICON but not there originally
GL jnl cr & dr on same code for SPS pymt	(1.00)	XS0001743

15

6,749.60

SPS 06/10/05 not posted	(428.30)
Debtors Unpaid DD 03/11/05	1,120.84

7,442.14

- GL journals needed

05/06 Invoices paid Apr 05	502,226.18	Y/E Jnl not reversed
04/05 Inc not reversed	7,000.46	Y/E Jnl not reversed
Duplicate Car Parks 03/03/05 re 30/11/04	6,439.89	04/05 Return entered twice
B/f ATP dupl in GL not in reports 30092523	93.89	03/04 Internet timing problem
Debtors 99th Pymt not corrected	20.00	
Purchasing rounding	(0.01)	GU0042
ICON timing	750.18	

516,530.59

- 03/04 Adjustments not in GL or Bank Rec reports

Cashbook	(779.09)	
DB re 03/04 corrected 13/08/04	3.00	Cashbook figure above understated
Over/Under bankings	(5,118.02)	

(5,894.11)

- Bank Rec reports adjustments

B/f Creditors Unpresented Chqs diff	0.60	
Cards 31/03/04 in Bank, GL and UStat	481.90	
in Ustat 21/01/2005 not in Usys as jnld twice	108.90	in Ustat
in Ustat 25/01/2005 not in Usys as jnld twice	3,522.90	in Ustat
in Bank and GL 24/05/04	(2,089.62)	in Mstat/Msys/Usys
A&L R/D Chq loaded with wrong sign	64.00	
Unpaid Debtor DD 05/04/05	(2,683.78)	in Bank/GL not adj in Cashbook
Unpaid Debtor DD 08/04/05	(1,412.50)	in Bank/GL not adj in Cashbook
Unpaid Debtor DD 05/05/05	(1,516.16)	in Bank/GL not adj in Cashbook
Unpaid Debtor DD 03/06/05	(408.35)	in Bank/GL not adj in Cashbook
Chq canc twice	8.75	

(3,923.36)

1,000,626.58

Spreadsheets in Dec 05 Bank Rec File

Printed Documents in Wallet

Supplied With Previous Year Bank Rec - Copy Lost in Flood