



GEDLING
BOROUGH COUNCIL



INTERNAL AUDIT

Report

Banking (Bank Accounts) Audit
McJoy Nkhoma
March/April 2005

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INTERNAL AUDIT REPORT

KEY FINANCIAL SYSTEM AUDIT
Banking (Bank Accounts) Audit

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1. **INTRODUCTION**

- 1.1 An audit of the Authority's Banking and Bank Accounts audit has recently been undertaken in accordance with the 2004/05 Audit Plan.
- 1.2 The audit assessed the procedures and controls in place and evaluated their adequacy and effectiveness in ensuring the control objectives, listed below, are achieved and that potential risk is minimised.
- 1.3 The control objectives of the audit were:
- Bank accounts are controlled (managed) centrally by Head of Finance
 - All receipt transactions in the bank accounts system are accurate, complete and valid
 - All payment transactions in the bank accounts system are accurate, complete and valid
 - The bank accounts and the banking system is operated efficiently effectively and
 - Blank cheques cannot be stolen and that the opportunity to intercept or alter cheques is reduced to a minimum
- 1.4 There are adequate procedures throughout the banking system i.e. separation of duties in the functions of income receipting, collection for banking, reconciliation processes and also in recording into the main accounting system. Other control procedures also exist in sub functions across all relevant departments. Movements in the main bank accounts are monitored regularly and in some cases daily by the treasury function in order to ensure effective management.
- 1.5 The councils banking transactions and monitoring functions are mainly carried out via the Hexagon banking system. Controls over separation of duties are built within the Hexagon user' structure.
- 1.6 The council has one main account, four subsidiary accounts (with HSBC) and ten other giro accounts. The giro accounts are maintained at the post office and are set up to offer customers, alternative methods of payments. These are currently set up for Council tax, Housing Rents, Sundry Debtors and Bus Pass services. Some of the giro accounts are simply set up to manage adjustments and are eventually cleared to the main account services.
- 1.7 The audit examined the current procedures and internal controls in place and evaluated their effectiveness at satisfying the identified control objectives.

2. **CONDUCT OF AUDIT**

- 2.1 The audit ascertained and evaluated the system controls for banking and bank accounts. Various officers in treasury, creditors and revenues sections within the

finance section were interviewed/consulted to establish the control procedures in operation and appropriate tests of controls (compliance testing) conducted.

- 2.2 The compliance testing was substantiated by tests of individual transactions (substantive testing) to confirm occurrence, existence and validity. Checks were also made on the banking transactions to ensure that they were legitimate, accurate and also reflected the activities of the council.
- 2.3 System (notes) procedures have been documented, and are recorded in the working papers and where appropriate in the audit control evaluation matrix.

2.4 **ACKNOWLEDGEMENTS**

The Audit section would like to thank the following staff of the Financial Services, and all other auditees who are not specifically mentioned in this report for their help and co-operation given during the course of this audit.

- Sue Healey (Principal Accountant – Treasury)
- Beverley Beal (Assistant Accountant – Treasury)
- Kerry Lucas (Clerical Assistant – Treasury)
- Alan Doig (Assistant Accountant – Creditors) and
- John Vickers (Revenues Manager)

3. **EXECUTIVE SUMMARY**

- 3.1 As a result of the work undertaken during this audit, it was concluded that the banking & bank accounts system is in the main operating satisfactorily as expected and that procedures currently in place are adequate in ensuring that potential risk is minimised.

The audit however highlighted some weaknesses as detailed in *appendix A*. The Internal Audit section considers the potential risks of these weaknesses to be of either “Low” or “Medium” level to the authority should they materialise as detailed in section 5 (pages 7) of this report and recommends an early implementation as per schedule detailed on pages 5 of this report.

- 3.2 The audit Commission fraud checks for the applicable aspects of the cheque controls were also reviewed as part of the audit and were found satisfactory.

AUDIT ASSURANCE

<p>As a result of the work undertaken during the audit, it was concluded that the banking and bank accounts system is well controlled and the majority of the controls are sound and fairly well applied on a consistent basis.</p>

Cntrl ref	Audit recommendation	Agreed (Y/N)	Implementation date	Responsible officer	Priority (L/M/H)	Client comments
1.5	The telephone indemnity instruction and other mandates should be revised and notified to the bank immediately in order to safeguard the authority's assets. It should be noted that this is the authority's responsibility and not the bank's.	Yes	Immediately	The Treasury Principal Accountant	Medium	A set of renewal documents has been prepared by the principal accountant (treasury) and ready to be sent to the bank
4.3	An updated list of signatories should be retained on the bank mandate file and be subjected to annual review.	Yes	Immediately	The Treasury Principal Accountant	Low	As above... and this was signed by all current signatories except for the Financial Services manager. Copies will be available for audit inspection when completed.
1.5 (S1)	A record of cheque 'stock checks' should be kept showing the date when the stock take was conducted and also the officer who completed the stock take exercise.	Yes	June/July 2005	Assistant Accountant (Treasury)	Low	A pro-forma cheque "stock take" record will be will be completed by an Assistant accountant (Treasury)