



INTERNAL AUDIT
FINAL REPORT

Title: Bank Accounts

Report Distribution

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Contents	Page
Executive Summary	2
Introduction	3
Detailed Findings	4
Annex A – Audit Definitions / Responsibilities	5-6

EXECUTIVE SUMMARY

Introduction

Contracts for the Authority's banking arrangements and service provision are renewed by the Head of Finance and are subject to approval by the Members. The current contract has been extended for a further three-year period until 31st March 2008, and negotiations are underway for a further extension.

There are five accounts in operation with HSBC Bank, one general account and four subsidiary accounts, which provide segregation of income types. In addition there are a further ten giro accounts maintained by the Alliance & Leicester, which were set up to provide an alternative method of payment to customers.

The Authority's day to day banking is undertaken electronically via the web server. This arrangement enables the authority's Treasury function to monitor the accounts and transfer payments to external bodies and between its own bank accounts with HSBC electronically.

The Financial Services section, within the Finance Department, is responsible for the operational function of banking activities. Transactions within the main bank accounts are monitored on a daily basis by the Treasury function.

Any unidentified transactions and outstanding cheques are identified and recorded and subject to investigation.

Principal Findings

	High	Medium	Low
Number of recommendations	0	0	1

The detailed findings and associated recommendations are provided in the second part of the report.

Assurance Statement

Internal Audit can provide **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

INTRODUCTION

Objective & Scope

The purpose of the review was to confirm that all receipt / payment banking transactions are accurate and valid and that banking services provide value for money for the Authority.

The key risks associated with the system objectives are:

- Failure to comply with legislation and organisational regulations and policies.
- Loss, damage or unauthorised disclosure data /information.
- Loss, theft or misappropriation of income / cash.
- Failure to undertake timely and effective reconciliations.
- Lost, stolen or cancelled cheques not identified.
- Inadequate insurance cover on the authority's policy.

The control areas included within the scope of the review are:

- Bank accounts are controlled centrally by the Head of Finance.
- All transactions in the bank accounts are accurate and valid and subject to timely reconciliation.
- The banking service is operated effectively and efficiently.

This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the authorities objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

DETAILED FINDINGS

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 1 – Un-presented Cheques Level of Risk - Low</p>			
<p>Reports are generated from both the Creditor [AGGRESSO] and Housing Benefit systems detailing all outstanding cheques. Reconciliations are undertaken between the two system outputs.</p> <p>Whilst all un-presented cheques are recorded, no action is currently taken to identify reasons and initiate further investigation by the originating Department.</p>	<p>Lost, stolen or cancelled cheques are not identified.</p>	<p>Consideration should be given to providing periodic reports of un-presented cheques to the respective originating Departments to enable timely investigation and resolution.</p> <p>Action: Sue Healey – Principal Accountant</p>	<p>Management Comment: We will investigate the possibility of the AGRESSO system providing a regular listing of outstanding creditor cheques.</p> <p>Planned Corrective Action: To investigate and take appropriate action for all un-presented cheques prior to 1st April 2006 and cheques with a value of over £500 after this date.</p> <p>Timescale: April 2007</p>

ANNEX A**Risk & Assurance – Standard Definitions**Audit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	High	Action is essential to manage exposure to fundamental risks.
2	Medium	Action is necessary to manage exposure to significant risks.
3	Low	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect the risk emanating from the controls reviewed. The categories of assurance are as follows:

Category	Definition
No	The majority of the significant risks relating to the area reviewed are not effectively managed.
Limited	There are a number of significant risks relating to the area reviewed that are not effectively managed.
Substantial	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

What Happens Now?

The final report is distributed to those involved with discharging the recommended action, the Head of Finance, Audit Commission and, where applicable, the relevant Head's of Service.

A synopsis of the audit report is provided to the authority's Audit Sub-Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Sub-Committee.

Any Questions?

If you have any questions about the audit report on any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Resource Services Manager on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk