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18.0 BANK RECONCILIATION

18.1 Nature and Frequency of Reconciliation

Within the Schools Accounting Process there are three separate systems, each performing a different role, i.e.

- **ORACLE Financials** - This is the County Council's central financial information system which contains global details of all the County's financial transactions.
- **RM Finance - This local system contains details of only those transactions** relating to an individual school.
- **The School Bank Account**

These three systems - all essential - are closely inter-related and it is imperative that they are regularly reconciled to each other. Unless this is done promptly and accurately, errors may remain undetected, which may prove very expensive to a school and bring into question the whole foundation upon which the systems of financial administration is based.

The nature of this reconciliation is basically two-fold:

1. **ORACLE - Schools Financial System**

This part of the reconciliation process is described under Section 19 of this manual.

2. **Schools Financial System - The School Bank Account**

The financial system maintains under one account all transactions which should go through the School Bank Account. At any one point in time, however, there will invariably be differences between this account and the actual Bank Balance because:-

- Cheque payments recorded on the financial system may not have been presented by creditors.
- Bank interest or charges may be shown on the bank account but have not yet been entered onto the financial system.
- Direct Debit/Credit Entries (i.e. BAFS, monthly remittance) may not be entered onto the financial system until receipt of a bank statement.
- Transactions may have been omitted or made in error by either bank or school staff.

Head teachers must therefore ensure that reconciliations are performed on a **monthly basis**. An electronic bank reconciliation statement should be sent via Anycomms to Children & Young People's Finance each month. Hard Copies of the bank reconciliation and bank statement are not required by the LA other than at year end but a copy should be printed and signed and kept in school every month.

18.2 How to Reconcile the Bank Account

It is easier to reconcile the account if all transactions are promptly updated onto the financial system - a backlog will considerably complicate the exercise.

When a bank statement(s) is received, ensure that the brought forward balance on the bank statement is equal to the carry forward balance on the previous reconciled statement on the financial system. If the school has more than one bank account (i.e. current and deposit) it will be necessary to ensure that statements are available for all accounts as the balances form part of the reconciliation process.

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At this early stage of the reconciliation process, it is suggested that the financial system be updated with details of:-

- bank charges
- bank interest
- Standing Orders (unless already done)
- Direct Debits (unless already done)

For instructions on the actual reconciliation process please refer to the Individual System User Manuals.

Other Entries on Bank Statements but not in the Schools Financial Systems

These may occur if:-

- (i) *An omission was made in entering up the financial system*

ACTION Update the financial system immediately with full details.

- (ii) *An item has been erroneously debited/credited to the School Account by the Bank*

ACTION Contact the Bank immediately. If an error has been made it will then be adjusted on the next Bank statement. If there is a suspicion that there may be fraudulent entries contact the Internal Audit Service for advice.

Entries on the financial system but not on bank statement

These may occur if:-

- (i) *The financial system has been updated before banking has taken place*

ACTION Refer to the Bank Paying-in book to ensure that the money has indeed been banked but after the statement date. No other action is necessary at this stage.

- (ii) *The financial system has been updated but there is no corresponding entry on the Bank Statement*

ACTION In this case the most common reason for differences is because cheques have not been presented or income recorded on the financial system has not been shown on the bank statement. The financial systems reconciliation procedures will take account of this. However if the income does not appear on the bank statement within 2 days of being banked there are two potential problems. Either the money has never reached the bank or conversely there has been an error in the Banking system. In the former case an investigation should immediately be carried out and either the money immediately paid in or in the event of any irregularity having taken place, the Internal Audit Service should immediately be notified. In the latter case the evidence of a stamped bank paying-in book should be presented to the Bank and hopefully this error will then be identified and credited by the Bank on the ensuing month's statement.

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18.3 Further Actions after Initial Reconciliation Completed

If the two systems have now been reconciled successfully all that remains to be done is:-

- The person completing the **Bank Reconciliation Statement (see Appendix 1)** should sign and date it. (NB An equivalent statement to Appendix 1 can be produced directly from RM Finance in respect of each bank account). Please ensure that the correct period is showing on the reconciliation statement.
- It should then be presented to the Headteacher who should also sign it.
- An electronic **Bank Reconciliation Statement** should be sent each month to Children & Young People's Finance, see Appendix 2 for instructions.
- The signed paper copy of the **Bank Reconciliation Statement, Bank Statements and RM Finance listings** should be filed and retained.

18.4 Retention of Records

Bank Statements and Reconciliation Statements should be retained for a period of six years.

SCHOOL BANK RECONCILIATION STATEMENT

AT MONTH END

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Final balances on bank statement	- Current Account	_____
	- Deposit / Investment Account	_____
Deduct - unpresented cheques (from School Financial System)		_____
Add - unbanked income at date of bank statement		_____
Add / deduct posting errors agreed with bank which will be adjusted on next bank statement		_____
Adjusted bank balance		_____
Balance on School Financial System bank account		_____

Signed _____ Date _____
Person Performing Reconciliation

_____ Date _____
Headteacher

Using RM Finance to produce 'E' Bank Reconciliation and VAT Returns

'E' VAT Returns

VAT Returns should be produced as soon after the date shown in the schedule provided as possible to ensure any VAT due to you is refunded to your Bank Account.

In RM Finance select **Reporting** and then click on the **Custom** tab and select **VAT Return**.

Begin by entering the dates for your VAT return and sending a report to screen. This will give you an opportunity to check that you aren't reclaiming any VAT against any code other than 1 or 2. Close down the screen print.

This time take the tick out of the Detailed Print box and click the **Export** button.

You should get a message telling you that:

VAT Return export completed. File created at C:\vatrec**03vat.ny**

*(Where VATREC is the folder we created for our returns, **** is your DFE number and 03 is the current period showing in RM Finance~).*

You will have the option to overwrite the return (by repeating the process) up until the point you make a connection via Anycomms.

The 'e' report is transmitted by clicking on your Anycomms client icon (**not** Anycomms Finance) and starting the call.

N.B. It would be good practice to send your 'e' Bank reconciliation at the same time.

'E' Bank Reconciliations

It is good practice to reconcile your bank statements as they arrive and to send in a reconciliation at the same time as your VAT return. However, should you receive weekly bank statements please only complete a monthly bank reconciliation statement.

In RM Finance select **Reporting** and then click on the **Custom** tab and select **Bank Balance**.

Highlight the appropriate Fund. At this stage you could send the report to screen to run a final check against your bank statement close the screen print.

This time choose your fund and press the **Export** button. You will get a message telling you:

File created at c:\vatrec\111103BB.NY

*(Where VATREC is the folder we created for our returns, **** is your DFE number and 03 is the current period showing in RM Finance with BB standing for Bank Balance).*

You will have the option to overwrite the return up until the point you make a connection via Anycomms.

The 'e' report is transmitted by clicking on your Anycomms client icon (**not** Anycomms Finance) and starting the call.

N.B. It would be good practice to send your 'e' VAT Return and Bank reconciliation at the same time.

It is no longer necessary to send copies of your Bank Statements to Children and Young People's Service Finance other than at year end and upon request.

For Audit purposes you should continue to print out a paper reconciliation which should be signed by the Head Teacher (or other suitable person). The person signing should be able to check the final bank statement figure with the reconciled total on the printout.

Second Bank Accounts - the system only allows for one Bank balance to be submitted electronically. This means that you can only submit details from your 'day to day' account. At the end

RM Finance: "E" Bank Reconciliation and VAT Returns

of the year (or on request) you will be asked to send in (on paper) information relating to your second bank account.

At Year End you will be asked to send in a hard copy Bank Reconciliation, Bank Statement and a list of unpresented cheques, for both accounts if applicable, just as you are at the moment.

Period Ends on RM Finance - When you produce your first VAT return, you need to be in Period 1 in RM Finance. It would be good practice to do a Period End on RM Finance once your 'e returns' had been sent off. You need to check you are in the right period before submitting returns as the Period number forms part of the file name of the information which you are submitting.

If you have any problems producing your returns please contact the FMS Helpline on 01609 778968