Bank reconciliation

A bank reconciliation is a control schedule prepared by the Council that agrees the balance per the bank statement at the year end to the bank balance per the Council's own records e.g. the cashbook. The Council should prepare a bank reconciliation every time it receives a bank statement to ensure that any errors are identified at an early stage.

The bank reconciliation(s) should cover all the Council's bank accounts. If the Council has more than one bank account it is helpful if you can provide a summary of the bank reconciliations that agrees to Box 8 on the Annual Return in addition to the detailed reconciliations prepared for each account.

If there are no outstanding items at the year-end you must still supply a bank reconciliation. A zero or "Nil" should be included in the relevant lines on the schedule or a clear statement should be made to that effect.

An example bank reconciliation is provided on page 4. We recommend that councils use this format.

Explanations of significant variances on the Accounting Statements

We require explanations for significant variances (increases or decreases) of more than 15% between the current audit year and the last audit year in lines 3, 4, 5, 6, 8, 10, 12 and 13. Variances of less than 15% need not be explained.

Positive and negative variances must be explained.

Your explanations must be quantified, i.e. state how much of the variance is covered by each specific explanation. Your explanations must ensure that the variances for each line are explained and quantified to within 15%.

You can set out your explanations of variances in any way you wish, but they should be clear and complete and easy to follow. You should not simply send a copy of a cashbook. We need to understand why the council's activity level changed.

Our suggested method of how to identify variances that require explanation, and suggested layout for providing explanations are set out on pages 7 and 8.

Well-being of Future Generations (Wales) Act 2015

For those councils subject to the requirements of the Well-being of Future Generations (Wales) Act 2015, a copy of the Council's report on how it is contributing to the wellbeing of its area.

Bank reconciliation[1]

COUNCIL NAME: ……LLANCARFAN COMMUNITY COUNCIL……

COUNTY : ……VALE OF GLAMORGAN……

		£
A	Balance on the bank statement at 31 March (taken from bank statement)	26645.84 494.00
B	**Outstanding items** **Less** unpresented cheques (List each outstanding cheque)	
C	**Plus** uncleared payments into bank (to agree with attached list)	0
D	**Petty cash** **Plus** any petty cash balance held at 31 March	0
E	Balance in the cash book (Authority's own records) at 31 March (Calculated as A-B+C+D=E and agrees with Box 9 on the Annual Return)	26588

[1] The bank reconciliation provided must equal line 9 on the annual return. Therefore, you need to either provide a reconciliation for every account held by the Council or combine them all on one sheet.

If there are no reconciling items please tell us and provide copies of the year end bank statements.

Explanation of variances

Working out what variances need to be explained

Line in section 1	Last Year £	This Year £	Variance Increase (+) or decrease (-) (This Year minus Last Year) £	% (Variance divided by Last Year figure multiplied by 100)	Explanation required? Less than 15% - NO More than 15% - YES
Line 3 Total other receipts	66	265	199	302%	YES
Line 4 Staff costs	6184	6670	486	0.07%	NO
Line 5 Loan interest/ capital repayments					
Line 6 Total other payments	6269	5389	880	14%	NO
Line 8 Debtors and stock balances					
Line 10 Creditors					
Line 12 Total fixed assets and long term assets	13147	14035	888	6.75%	NO
Line 13 Total borrowing					

Suggested layout for explanations

One sheet to be prepared for **each variance** that requires explanation.

Line …3	**£**
Figure in This Year column	265
Figure in Last Year column	66
Variance (This Year figure less Last Year figure) A positive figure is an increase, a negative figure is a decrease	199

Reasons (as many as are applicable)	**Amount** **£**
Reason 1 Burial income of Exclusive Rights Transfers x 2	166
Reason 2 Burial income Burial Records search	33
Reason 3	
Reason 4	
Unexplained	0
Confirm unexplained amount is less than 15% of Last Year figure	YES

Please note that explanations should be quantified and should consider one off items in both the current and prior years. Monetary values **must** be attached to each explanation. Explanations that do not quantify each element of the variance will not be accepted as a full explanation and will likely result in a qualified opinion. Examples of unacceptable explanations include:

- Expenditure increased because the Council spent more on staff.
- Other payments increased because of park benches and grass cutting,