

# AGA KHAN UNIVERSITY

## Guidelines, Policies and Procedures

<b>Policy Name</b>	Bank Reconciliation Policy
<b>Policy Number</b>	AKU-K/FIN/PL - 004
<b>Approved by</b>	Chief Financial Officer
<b>Date of Approval</b>	4th November 2022
<b>Contact Office</b>	Office of the University Registrar

1. **Purpose:**

- 1.1. All bank reconciliation statement shall be prepared monthly in order to ensure that bank accounts are reconciled with financial records. This activity shall be carried out on a monthly basis, independently by persons other than those responsible for cash receipts (wherever possible) and disbursements, Manager / Assistant Manager Finance / Head of Finance shall review and approve these bank reconciliation statement.

2. **Scope:**

- 2.1. The policy is applicable to all units of The Aga Khan University Kenya (AKU-K). The word AKU-K is herein referred to as the "Institution".

3. **Responsibility:**

- 3.1. Treasury Section of Finance Department is responsible to implement this policy.

4. **Terms and Definitions:**

- 4.1. **"Bank Reconciliation"** This is a statement that analyses the difference between the balance appearing in the Bank Statement (BS) and bank account of the institution General Ledger (GL) Account. Certain transactions recorded in the Cash Book may not have been recorded by the bank and vice versa. The most common examples of reconciling items are:
- 4.2. **"Unpresented/Outstanding Cheques"** Cheques issued but not yet presented to the bank for payment. These would appear in the cash book as paid out not debited in the bank statement.
- 4.3. **"Deposit in Transit"** All un-cleared deposits by bank are to be listed under "Deposit in Transit".
- 4.4. **"Direct Bank Debits/Credits"** Transactions which may appear as debits or credits on the bank statement but which have not yet been recorded in the cash book, as bank advices/information has not been received, such as:
- 4.4.1. Bank Services charges
- 4.4.2. Cheque book charges
- 4.4.3. Interest Income
- 4.4.4. Receipts from third party or direct bank deposits

5. **Process / Procedure:**

5.1. **Observations and limitations**

5.1.1. Bank Reconciliation Statement should be prepared at least once and month and should be approved by head of Finance or Manager Finance.

5.2. **Procedure for bank reconciliation statement preparation**

5.2.1. The bank reconciliation statement shall be prepared using standard format(s) attached as Annexure I.

5.2.2. Bank Statement should be received as follows:

5.2.2.1. Latest by 3<sup>rd</sup> of the following month for all online accounts.

5.2.2.2. Latest by 5<sup>th</sup> of the following month for all remaining accounts

5.2.3. Cash Book (from General Ledger) and Bank Statement (from Bank) shall be used for preparing bank reconciliation statement of all entities.

5.2.4. Compare the deposits listed on the bank statement (credit column) with the deposits shown in the cash book. Insert the check sign & tick marks in the cash book and on the bank statement besides the items, which agree or alternatively items can be reconciled by use of any automation method such as excel etc. Any unticked/unreconciled items in the cash book against deposits would be considered as such deposits which are not yet recorded by then bank and should be added to the balance reported by the bank. Ensure that all UNTICKED/UNRECONCILED deposits in transit relating to last month's bank reconciliation are also included in the current month's bank reconciliation.

5.2.5. Cheques presented in the bank appearing in the bank statement (debit column) should be compared with the cheques appearing in the cash book (credit column). This reconciliation is done by ticking entries in the cash book against bank statements or alternatively items can be reconciled by use of any automation method such as excel etc.

5.2.6. Direct bank debits not recorded due to non-receipt of bank advice will be recorded in the cash book.

5.2.7. Direct bank credit not recorded due to non-receipt of bank advice, will be added in cash book balance.

5.2.8. Subsequent clearance of all reconciling items should be followed-up on a continuous basis. Following would be the process:

5.2.8.1. First follow up should be done within ten working days after the approval of the bank reconciliation statement.

5.2.8.2. Subsequent follow up should be done within fifteen to twenty days with the strong intimation to all the concerned.

5.2.8.3. Efforts should be done to clear all the outstanding items in the immediate subsequent month and in case of non-resolution of items, these should be brought to the notice of the Finance Manager who will then follow up with the concerned and ensure that such outstanding items are closed before the next bank reconciliation.

- 5.2.9. Stale cheque (s) which are not yet presented to bank and which appear in the cash book as outstanding over six months should be reversed by Treasury section, Liability should be reinstated (in a separate liability account) and bank should also be increased. The Stale cheque(s) amount should be transferred to “Other Creditor Account” under the current liabilities.
- 5.2.10. Ensure that the reconciliation statements are signed by person preparing, checking and approving such statements.
- 5.2.11. Bank reconciliation statement of all bank accounts should be prepared, checked and approved latest by 15<sup>th</sup> of the subsequent month. In case of delay, Finance Manager should be informed and revised dates for completion should be notified accordingly.

5.3. **Reporting of exchange rate**

- 5.3.1. **At budgeting stage** current market rates and forecast by financial institutions form the basis of establishing the annual budget exchange rates. The AKDN financial team are responsible for evaluating, consolidating, reviewing, and recommending the exchange rates to the board. The approved exchange rates are shared to the country finance team for budgeting.
- 5.3.2. The system administrator is responsible for updating the daily exchange rate received from bank into the financial system. This rate is used to capture all expenses posted in the system as per that date. Monthly revaluation is run through the system and the exchange gain or losses are recorded in the financial books.

6. **Review of Policy**

- 6.1. This policy document shall be reviewed every three year or as required.

7. **Reference(s):**

- 7.1. N/A

8. **Annexures:**

- 8.1. Bank Reconciliation Statement

Bank Reconciliation Statement

Bank Name: \_\_\_\_\_  
Bank Account No: \_\_\_\_\_  
GL Code: \_\_\_\_\_  
For the Month of: \_\_\_\_\_

	Annexure	Amount
Balance as per bank statement		-
Add: Reconciling Items at bank's end		
1. Deposits in Transit		-
Less: Reconciling Items at bank's end		
1. Unpresented cheques		-
Adjusted bank balance		_____
Add: Reconciling items in GL		
1. Profit received / Bank credits		-
Less: Reconciling items in GL		
1. Bank charges / Bank debits		-
Adjusted as per GL		_____

Prepared by

Checked by

Approved by

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_