

1.0 SCOPE OF THIS SOP

Sections:

- A. Bank Reconciliation Definition and Overview
- B. House Bank Concept
- C. Bank Ledgers
- D. Automatic and Manual Reconciliation
- E. Month End Process
- F. Quality Assurance

2.0 REFERENCES IN CONJUNCTION WITH THIS SOP

- Financial Regulations and Rules of the UN
- Umoja Bank Reconciliation User Guide
- BFMS Procedures Manual

3.0 ROLES INVOLVED IN THIS SOP

- FA User (GL) (Umoja FA.01)
- FA User (AR) (Umoja FA.03)

Section A. Bank Reconciliation Definition and Overview

1. Bank Reconciliation is a process that identifies and explains the difference between the bank balance shown in an organization's bank statement as supplied by the bank, and the corresponding amount shown in the organization's own accounting records (General Ledger – nominal bank account) at a particular time.
2. The recommended interval for bank reconciliation for entries with deployed Umoja solution is daily.
3. The vast majority of bank reconciliation activities are based around identifying two types of transactions: Outgoing Payments and Incoming Payments .

Section B: House Bank Concept

4. The UN Treasury with the Umoja solution has introduced the concept of House Banks. All bank accounts now belong to one of three Treasury Pool Funds:
 - Main Pool – Cash and Investments (**64VQA**),
 - EUR Pool – Investment (**64VQE**) and

- UNSMIS Pool – Investment (**64VQZ**).
5. Organizations (Business Areas) such as UNON, UNEP and UN-HABITAT no longer have balances in their own bank accounts. Instead, Business Areas have equity in the Treasury Main Pool. The equity of each Fund in the Pool increases with the Fund's incoming payments and falls with outgoing payments.
 6. Outgoing Payments will be pooled by currency, based on House Bank Determination logic. Foreign currency payments will be delegated to the appropriate House Bank account maintained by UNHQ Treasury. Local currency payments will continue to be the responsibility of the local cashiers.
 7. Outgoing Payments will result in a decrease in the equity that Business Area fund has in the Treasury Main Pool. Similarly, incoming payments will be recorded in the Treasury Main Pool Fund and will result in an increase in the equity of the Business Area for which the funds are destined.
 8. UNON Treasury is currently managing 24 House Banks; 7 of which are fully-functioning House Banks, 3 are 'Cash and Cheque' Banks and 14 are solely maintained for receipt of contributions for UNEP/UN Habitat. UNON Treasury Services Unit (TSU) is responsible for reconciliation of all these accounts.

Section C: Bank Ledgers

9. In Umoja, each House Bank has 8 related General Ledger (GL) accounts. The first is the Nominal Account which reflects the actual cash balance in the physical bank account.
10. Besides the Nominal Account opened for each physical bank account, there are 7 other GL accounts associated with the same bank account. These GLs are Open Item Managed (OIM) ledgers and are the ones that are cleared when users are carrying out the reconciliation.
11. The taxonomy of the GLs is always consistent:
 - 11##XX10 Cash HQ USD Nominal
 - 11##XX11 Cash HQ USD Cheque Out
 - 11##XX12 Cash HQ USD Cheque In
 - 11##XX14 Cash HQ USD EFT Out
 - 11##XX16 Cash HQ USD EFT In
 - 11##XX17 Cash HQ USD Invest
 - 11##XX18 Cash HQ USD Charges
 - 11##XX19 Cash HQ USD Unidentified

Note: ## is 01, 02 or 10 and XX is unique to a House Bank.

Section D: Automatic and Manual Reconciliation

12. The task of reconciling transactions with the bank, which result from created Outgoing Payments, is essentially the processing of the credits that are temporarily booked to these clearing accounts when the cashier generates payments. While some of the transactions will reconcile automatically, others will have to be cleared manually. Full instructions are contained in the TSU procedures manual.
13. Automatic clearance takes place when the details (reference and amount) on the outgoing payment document (KZ) exactly matches the details on the bank reconciliation document (ZR – the bank statement upload document). The automatic clearance process takes place every day, when the bank statement is uploaded into Umoja.
14. Where the automatic reconciliation fails, the bank reconciler will have to manually reconcile the bank ledgers.
15. In Umoja, a bank account is termed as fully reconciled when one of the following conditions are satisfied:
 - There are no open line items on the bank GLs 11-19 (i.e. the balances on the bank clearing GLs 11-19 are zero) or
 - All Open Items are identified and explained (e.g. unrepresented cheques).

Section E: Month End Process

16. At the close of every month in Umoja, the Month End Bank Reconciliation statement is prepared.
17. The reconciler downloads the open items for all the ledgers of the required bank account, including the nominal ledger.
18. The open items are then entered into a pre-formatted excel template (Annex A), signed and dated.
19. The following supporting documentation is attached when the reconciler submits the reconciliation for approval:



- Print screen of FEBAN balance at month end, showing balance per bank equal to Nominal.
- Printout of FAGLL03, showing GL account balance for all reconciling GL Accounts for that bank (i.e. GL ending in 10 to 19).
- Printout of bank statement obtained from bank (if available).

20. The signed month-end reconciliation report is filed for audit purposes.

Section E: Quality Assurance

21. The key Quality Assurance (QA) Requirements for Bank Reconciliations are as follows:

- a. Supervising Officers are to ensure that all original documents are properly secured and that access to documents is restricted to External Auditors or properly-authorized representatives of Headquarters organizations.
- b. OC TSU, BFMS, UNON is to ensure that Procedures Manuals, Job Aids and Desktop Instructions are regularly reviewed and updated as necessary and that all relevant changes are brought to the attention of users.
- c. Certifying Officers, Headquarters Offices and BFMS, UNON are to ensure that effective monitoring and checking systems are in place to minimize the risks of fraud, theft or misuse of United Nations funds.
- d. Bank Reconciliation team is to submit Monthly Management Report highlighting Risks and Issues and measuring performance against benchmarks.

Annex:

A. Example of month end reconciliation report

UNITED NATIONS ENVIRONMENTAL PROGRAMME (UNEP)

ANNEX A to BFMS SOP 108

BANK RECONCILIATION 31ST DECEMBER 2015

BANK ACCOUNT: HSBC BANK MIDDLE EAST A/C 002114379001 (BHD) BHHS1

Example of a fully reconciled house bank month end report

Description	G/L Account	Document Type	Assignment	Document Num	Posting Date	Amount in doc. curr.	Document currency	Clearing Docum	Clearing date	Text
Balance as per Bank	11109810					184,218.161	BHD			
Outstanding Cheques Outgoing	11109811					0.000				
Outstanding Cheques Incoming	11109812					0.000				
Outstanding EFT Out	11109814					0.000				
Outstanding EFT In	11109816					0.000				
Incoming / Outgoing Transfer (Investme	11109817					0.000				
Bank Charges / Revenue	11109818					0.000				
Unidentified cash Movements	11109819					0.000				
Total: Balance as per General Ledger						184,218.161	BHD			

Prepared By: Kevin Kabutha Date: _____

Reviewed By: Lucy Ndeeri Date: _____

Approved By: James Getty Date: _____