Balance Sheet Reconciliation Policy

Section 1 - Background and Purpose

(1) This Policy and Procedure provides rules and guidance that applies to staff as to when a balance sheet account reconciliation must be prepared, who should prepare it, and who should approve it.

Section 2 - Scope

(2) Applies to:

a. University operations

Section 3 - Policy Statement

(3) Balance sheet account reconciliations are a critical control measure to minimise exposure to financial risk and for accurate financial reporting. Regular preparation of balance sheet account reconciliations ensures identification and treatment of unusual, erroneous or unallocated transactions posted to the balance sheet. A well implemented reconciliation process will foster proactive identification of issues that if left un-checked could result in misstatements in financial reports and/or impacts to reported results to Council.

Section 4 - Procedures

Part A - "When" to Prepare Reconciliation

(4) The requirement of 'when' to prepare balance sheet reconciliations is determined by Corporate Finance in consultation with the Chief Financial Officer according to an assessment of risk. Reconciliations for the month of January are not required to be prepared as January is a non-reporting period.

(5) Risk factors to be considered include, but are not limited to, the adequacy of internal controls, the magnitude of the dollar value of the class of transactions, and the probability that misreporting could lead to a significant misstatement of the results of the university, or fraud. The following table sets out assessed risk levels and timeframes for completion of balance sheet account reconciliations:

Assessed Risk Level	Reconciliation Required Timeframe
Critical: Monthly	Reconciliation completed monthly before 5th work day after month-end close. "WD+5"
Important: Quarterly	Reconciliation completed quarterly before 5th work day after month-end close. "WD+5"
Static: 6 Monthly	Reconciliation completed 6-monthly before 5th work day after month-end close. "WD+5"

Assessed Risk Level	Reconciliation Required Timeframe
Annual Accounts: Yearly	Reconciliation completed yearly before 5th work day after year-end close. “WD+5”

(6) For Critical accounts, it is expected that a reconciliation will be completed in sufficient time to allow processing of journal entries to transfer/reallocate charges to other ledger accounts, capital project ledger accounts etc. prior to the closing of the ledger for the accounting period.

(7) The risk level of the following balance sheet accounts is assessed as “Critical”. Even though reconciliation of these accounts is required by the 5th working day after month-end close, the reality is reconciliations for these accounts will need to be ongoing throughout the month to enable normal finance operations, and to receive early-warning of issues requiring follow-up action during the month, e.g. tracing the source of unidentified revenue or chasing down missing grant money.

a. Operating Bank Accounts (100010 - 100053)
b. Revenue Related Accounts, Accrued and In Advance; (130010, 200010, 200050, 27000-270020)
c. Any new balance sheet accounts created within the accounting period.

(8) Corporate Finance will maintain a master listing of all balance sheet account reconciliations to be performed, their frequency and required timeframe for completion, based on the assessed level of risk at that time. This master listing will be reviewed and updated monthly (attached).

(9) Completed reconciliations are subject to Chief Financial Officer review, which is to occur close of business on the 10th day after month-end. The approval timeline for completed reconciliations is as follows:

Work Day after Ledger Close	Responsible
WD+5	Preparers to Complete Reconciliations
WD+8	Authorisers to Approve Reconciliations
WD+10 AM	Corporate Finance Completes Review of Reconciliations
WD+10 PM	Management Sign-Off
WD+10 Close of Business	Reconciliation available for CFOO review

Part B - “Who”– Roles and Responsibilities

(10) There must be adequate segregation of duties applied in determining who is responsible for preparing balance sheet account reconciliations. For example, it is not appropriate for an accountant who is a signatory to a bank account to also reconcile the balance sheet bank ledger account. In addition, the “Preparer” and the “Authoriser” cannot be the same person. The master listing of all balance sheet account reconciliations to be performed will note who is the “Preparer”, and who the “Authoriser” is for each reconciliation.

Role of Preparer

(11) This role is to be performed by an accountant and responsibility includes:

a. Ensure each balance sheet account reconciliation is prepared using the specified template and is signed and dated;
b. Collation of documentation to support the balance sheet reconciliation entries;
c. Investigate the source of entries which have been posted to the balance sheet ledger account;

d. Ensure LTU finance accounting policies are adhered to;
e. Process journal entries to reallocate entries to other ledger accounts as required to properly record each transaction in a timely manner;
f. Highlights any reconciliation issues to the Authoriser.

Role of Authoriser

(12) The role of the “Authoriser” is to perform a timely review and approval of the balance sheet account reconciliations. The role is to be generally performed by supervisor/manager of the “Preparer” and is generally the senior finance officer/manager of the area. Responsibility includes:

a. Ensure reconciliations are prepared within the required timeframes;
b. Ensure LTU finance policies and procedures that impact reconciliations are adhered to;
c. Ensure reconciling items are cleared in a timely manner;
d. Checks any assumptions and calculations that have been made in preparation of the reconciliations;
e. Approve the accounting treatment, and seek advice from the Financial and Tax Accountant as required;
f. Support the preparer with resources/advice to ensure reconciliation items can be cleared in a timely manner;
g. Review, verify and approve the reconciliation in line with timeframes specified in this Procedure;
h. Escalate issues to the Manager Corporate Finance, if material.

Role of Corporate Finance

(13) The role of Corporate Finance includes:

a. Maintaining this Procedure to ensure consistency with current processes, the university’s organisational structure and audit requirements;
b. Obtaining evidence that balance sheet account reconciliations are regularly prepared and approved in accordance with this Procedure;
c. Following up non-compliance with this Procedure and escalate as required.

Role of Chief Financial Officer

(14) The Chief Financial Officer will maintain oversight of the implementation and operation of this Procedure, including undertaking periodic review of individual balance sheet account reconciliations.

Part C - Templates and Supporting Documentation

(15) All reconciliations must be prepared using a template approved by Corporate Finance.

(16) All reconciliations must have adequate supporting documentation attached (SAP downloads are not considered adequate back-up).

(17) A schedule of prepaid invoices must be maintained at all times, providing adequate detail to confirm the balance of prepayment in the Balance Sheet prepayments ledger account.

(18) A printout of open purchase orders and other information (if a purchase order has not been raised) must be provided to confirm the accruals for unprocessed invoices.

(19) All reconciliations must as a minimum standard provide the following information:

a. Account name, number and cost centre number;

b. Account owners listed – preparer, reviewer & Authoriser including printed name;
c. Period (dates being reconciled);
d. Assessed risk level, and timeframe by which reconciliation is required to be complete;
e. High level summary of reconciling items and the aging thereof;

(20) As best practice, where deemed appropriate, it is recommended that:

a. Reconciling items should include amount, age of item, what action is required and by whom;
b. Where there is a large number of reconciling items, they should be grouped into categories and aging shown by month;
c. State the normal range for the account balance;
d. Identify difference according to root cause i.e. timing, errors;
e. Where it adds value, the balance sheet account reconciliation should include;
    i. a movement reconciliation i.e. doubtful debts provision, annual leave provision;
    ii. a comparison to the balance at a comparable point in time;
    iii. explanation of significant movements.

Compliance

(21) Corporate Finance will undertake random audits of balance sheet reconciliations to check for compliance with this Procedure.

Section 5 - Definitions

(22) For the purpose of this Policy and Procedure:

a. Accountant: Includes all Finance Services staff, all Finance Officers, and any other staff assigned balance sheet ledger account reconciliation responsibilities.
b. Accrued Expense: A commitment made on behalf of the university which has/will lead to a payment for goods and or services, typically via a supplier invoice. We accrue expenses when we can be reasonably certain that we have incurred a liability i.e. an invoice is expected to be received and payment will occur in a subsequent accounting period.
c. Accrued Income: Income due to the university which has not been received at balance date.
d. Authoriser: The person who is responsible for reviewing and approving the balance sheet account reconciliation.
e. Balance Date: Last day of an accounting period, i.e. 31st March, or for year-end – December 31st.
f. Hard Close: A process requiring full reconciliation of all balance sheet ledger accounts and processing of all financial transactions, with external audit review of the data and reported information.
g. Preparer: The person who is responsible for preparing the balance sheet account reconciliation.
h. Prepayment - A payment made to an external party for goods or services to be received in a subsequent accounting period (excluding GST).
i. Organisational Unit: Includes, but is not limited to schools, departments, institutes, portfolios etc.
j. Reconciliation: The process of comparing information from two different sources (e.g. a general ledger account balance from the Finance System and an external (to SAP) source, i.e. an invoice, or email, investigating and analyzing differences and making corrections so that the information is accurate, complete and consistent in both sources.
k. Revenue in Advance: When the University receives money for services that have not yet been provided. Also referred to as “Unearned revenue” or “Fees in Advance”. It can be thought of as a "pre-payment" for services

which the University is expected to provide to the student/customer at a later date and should be allocated to a balance sheet account until the income has been earned.

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