



Republic of Nauru

Financial Instruction 5

Bank Reconciliation

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Financial Instruction 5: Bank Reconciliation

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ABBREVIATIONS

AOP	Annual Operating Plans
APP	Annual Procurement Plans
Bos	Budget Officers
BoP	Balance of Payments
CA	Chief Accountant
COFOG	Classification of Functions of Government
CPI	Consumer Price Index
CSD	Chief Secretary Department
DoBD	Director of Budget and Debt
DoF	Department of Finance
DoP	Director of Processing (Payments)
DoRR	Director of Reconciliation and Reporting
FMIS	Financial Management Information Systems
FMM	Fiscal Management Model
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GoN	Government of Nauru
HoD	Head of Department
ISHT	Inter Sub-Head budget transfer
MSA	Management Systems Accountant
NSDS	National Sustainable Development Strategy
PAD	Planning and Aid Division (DoF)
PO	FMIS-based Purchase Order
PR	FMIS-based Purchase Requisition
PV	Paper-based GoN Purchase Order/Payment Voucher
Ros	Reconciliation Officers
SOE	State-owned enterprise

Financial Instruction 5: Bank Reconciliation

Contents

1. Introduction	3
2. Overview	3
3. Context	3
4. Bank Reconciliation Processes and Instructions.....	4
Outcome	4
Bank Accounts to be Reconciled	4
Bank Statement Format	4
Frequency of Bank Reconciliations	4
Bank Account Ledger Transactions	5
Bulk Payments.....	5
Payroll	5
Returned Payments.....	5
Reimbursement of ATM Withdrawals.....	5
Agency Transfers of Cash To/From RoN Reserve	5
NRO Cheque Imprest Advance Disbursements	6
Bank Account Charges.....	6
Correction of Bank Account Ledger entries - General Journals	6
5. Penalties.....	6
6. Review.....	6

Financial Instruction 5: Bank Reconciliation

1. Introduction

This Financial Instruction provides the guidelines on the methodology for conduct of the bank reconciliation between the bank statement and the general ledger.

The bank reconciliation is required for accurate financial reporting and ensures that all revenue received and expenditure paid by government is reflected within the FMIS.

This Instruction is applicable to all officers that undertake the processing of revenue and expenditure on behalf of government including: Treasury Processing Division, Nauru Revenue Office (Cashier and Taxation Divisions), Planning and Aid Division, Chief Secretary Payroll Division, as well as, the Treasury Reconciliation and Reporting Division.

2. Overview

- 2.1 The reconciliation outcome is to match all bank transactions to the FMIS general ledger. Reconciliations should be timely and discrepancies resolved.
- 2.2 Regular and timely reconciliation of the FMIS with bank accounts is to occur across all accounts.
- 2.3 Any discrepancies are to be identified, investigated and resolved in a timely way.
- 2.4 The Treasury (Department of Finance) is responsible for the reconciliation of the Government of Nauru managed bank accounts and funds. The reconciliation of these accounts will be undertaken within the FMIS (Technology One – Financials) Bank Reconciliation Module.

3. Context

- 3.1 The Government of Nauru funds are primarily maintained overseas in bank accounts held in Australia by the Bendigo and Adelaide Bank (Bendigo). These bank accounts are accessible via the internet using online banking services.
- 3.2 To facilitate access to government funds (and those of other Bendigo bank account holders) in Nauru, a Bendigo Agency (Agency) has been established and is managed by the Government of Nauru for transacting deposits and withdrawals on those Australia based bank accounts.
- 3.3 As the Agency is reliant upon the Government of Nauru to assist with administering their on-island cash holdings (in line with their maximum cash holding threshold of \$500,000), the Department of Finance through the Nauru Revenue Office (NRO) maintains a separate cash holding on-island in the RoN Reserve in which funds are transferred between the Agency and the RoN Reserve on a daily basis to maintain the Agency's maximum cash holding threshold.
- 3.4 The RoN Reserve is also utilized to replenish the cash held within the Automatic Teller Machines (ATMs) located across Nauru. The funds withdrawn by the public from the ATMs is reimbursed by Complete ATM Services (Australia based business that owns the ATMs) into the Treasury Operating bank account held by Bendigo in Australia.
- 3.5 To facilitate payments to persons who do not have a bank account (e.g. aged/disabled) or for urgent cash payments (births/deaths) the NRO maintains the Cheque Imprest in which funds are withdrawn from the Imprest on presentation of a Treasury drafted cheque and the Imprest is replenished from funds withdrawn from the Agency.
- 3.6 The Government of Nauru maintains bank accounts with Bendigo for Development Partners (donors) comprising the: DFAT Account, NZAID Account and Development Fund Account.

Financial Instruction 5: Bank Reconciliation

4. Bank Reconciliation Processes and Instructions

Outcome

- 4.1 The reconciliation outcome is to match all bank transactions to the FMIS general ledger. Reconciliations should be timely and discrepancies resolved.

Bank Accounts to be Reconciled

- 4.2 The following bank accounts are to be reconciled through the FMIS Bank Reconciliation Module:
 - a. Treasury Operating Account
 - b. RON Reserve
 - c. NRO Cheque Imprest
 - d. DFAT Operating Account
 - e. NZAID Operating Account
 - f. Development Fund Account

Bank Statement Format

- 4.3 An electronic bank statement (BAI2 format) file is downloaded from the Bendigo online banking website for the following bank accounts:
 - a. Treasury Operating Account
 - b. DFAT Operating
 - c. NZAID Operating
 - d. Development Fund Account

This file is uploaded into the FMIS Bank Reconciliation Module and matched against transactions posted within the respective bank account ledger.

- 4.4 An electronic cashbook is maintained in Microsoft Excel by NRO in the format of a bank statement (deposits, withdrawals and running balance) for the following:
 - a. RON Reserve
 - b. NRO Cheque Imprest

Each cashbook is matched against transactions posted within the respective bank account ledger.

Frequency of Bank Reconciliations

- 4.5 The following bank accounts are to be reconciled daily:
 - a. Treasury Operating Account
 - b. RON Reserve
 - c. NRO Cheque Imprest
- 4.6 The following bank accounts are to be reconciled at least monthly:
 - a. DFAT Operating
 - b. NZAID Operating
 - c. Development Fund Account

Financial Instruction 5: Bank Reconciliation

Bank Account Ledger Transactions

- 4.7 General Ledger transactions affecting a bank account are to be posted on the same or next working day.
- 4.8 Payments (Bulk, EFT or TT) reflected in the bank account ledgers are to be processed via online banking (unless deemed necessary for another method of payment) and are to be processed in a timely manner.
- 4.9 Over the counter income received at NRO should be receipted into the FMIS on the day in which the funds are received and deposited into the Bendigo Bank Account on the same or next working day.
- 4.10 Direct deposits into the bank account should be receipted within the General Ledger on the day in which they appear within the Bank Statement (or the next working day). The receipting of the direct deposit within the bank account ledger requires the following information to be included in the FMIS narration:
 - a. Narration 1 – Details recorded within the Bank Statement pertaining to the deposit
 - b. Narration 2 – Relevant Details pertaining to the transaction
 - c. Narration 3 - Payee Name
- 4.11 Any unknown deposits that appear within the Treasury Operating Account Bank Statement are to be receipted into Treasury against Miscellaneous Income (16-0000-00000-1475) with the subsequent identification of these deposits requiring a general journal to reallocated these funds from 16-0000-00000-1475 to the correct department (Head) and natural (income) ledger account.
- 4.12 Reimbursement of GON funds used to make payment for Development Partner (Donor) funded projects is to occur monthly in the first week of the following month for all reimbursable transactions occurring within the previous month.

Bulk Payments

- 4.13 Bulk payments processed as a batch through the upload of the Bank File to Bendigo Bank via the online banking service and recorded as a withdrawal from the Treasury Operating Account should be reconciled against the EFT Confirmation received from Bendigo.

Payroll

- 4.14 Salaries, wages and other employee remuneration paid through the Payroll Module should be posted to the General Ledger immediately following the successful upload of the Bank File to Bendigo Bank via the online banking service. The Payment Voucher and General Ledger transaction should reflect the same amount as the bank file uploaded to the online banking service.

Returned Payments

- 4.15 A general journal for the complete amount of the returned amount as reflected within the bank statement and the notification (T2 Return Report) from Bendigo Bank should be should be processed in the bank account ledger on the same or next working day by the Reconciliation Section within Treasury. Reprocessing of any payment is the responsibility of the Processing Section within Treasury.

Reimbursement of ATM Withdrawals

- 4.16 The reimbursement of ATM withdrawals by Complete ATM Services into the Treasury Operating account should have the consolidated deposit amount (reflecting the total of all ATMs) posted via general journal on the next working day.

Agency Transfers of Cash To/From RoN Reserve

- 4.17 The Daily transfer of Surplus Cash to the RON Reserve and Release of Cash from the Reserve should have a general journal reflecting the net transferred amount posted on the same or the next working day.

Financial Instruction 5: Bank Reconciliation

NRO Cheque Imprest Advance Disbursements

- 4.18 Advance disbursement of funds from the NRO Cheque Imprest shall only occur for Birth and Death Claims upon submission of a certificate or official advice from the Registrar of Births, Deaths and Marriages. A Treasury cheque will be drafted subsequent to the advance disbursement, forwarded to NRO and reflected within the NRO Cheque Imprest cashbook.

Bank Account Charges

- 4.19 Bank Charges are to be recorded via general journal in the first week of the following month for all bank charges occurring within the previous month.

Correction of Bank Account Ledger entries - General Journals

- 4.20 Errors that occur during posting of transactions to the bank account ledgers should be notified to the Reconciliation Section within Treasury for correction.
- 4.21 The correction is to be undertaken as a complete (not a partial) reversal of the original incorrect journal transaction entry and reposted as the correct journal transaction entry.

5. Penalties

- 5.1 Compliance with these instructions is required by all employees of the Government. Non-compliance with the following instructions will be regarded as misconduct under the Public Service (Disciplinary Procedures) Regulations 2016.

6. Review

- 6.1 These instructions will be reviewed periodically.