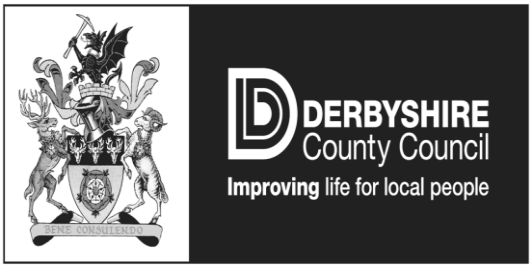
Journal Transfers Policy and User Guide



Version History

Version History			
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This document has been prepared using the following ISO27001:2013 standard controls as reference:	
ISO Control	**Description**
A.8.2	Information classification
A.7.2.2	Information security awareness, education and training
A.18.1.1	Identification of applicable legislation and contractual requirements
A.18.1.3	Protection of records
A.18.1.4	Privacy and protection of personally identifiable information

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Introduction

The Council's ledger system records primary income and expenditure. There are occasions when there is a need to perform some form of accounting entry to the primary data.

This document identifies the different types of transactions available for approved users to create, post and reverse journals in the General Ledger (SAP) and gives guidance as to when and how they should be used.

It provides guidance on the different transaction types and sets out the reasons for the different transaction types and describes when they should be used. When a user enters (parks) a journal, it must be authorised by a senior officer. The different journal transactions, their use and type are summarised below:

Journal Transaction	Journal Use	Journal Type
FV50	To enter (park) line by line a 'stand-alone' journal with no link to any previous or later document as part of a two stage process.	Park and Post
ZFIUPLOAD	To enter (park) a 'stand-alone' journal using a spreadsheet upload with no link to any previous or later document as part of a two stage process.	Park and Post
FBV0	To post any previously parked document as part of a two stage process.	Park and Post
FBS1	To process in one stage an accrual journal with no link to a previous document. The accrual journal will reverse itself in the new financial year.	Post Only
FB08	To reverse a previously posted document, at a later point in time, in order to correct it.	Post Only
FBD1	To process in one stage multiple identical journals which recur on a periodical basis.	Post Only
FB50	To enter line by line a 'stand-alone' journal with no link to any previous or later document as part of a one stage process.	Post Only Not in use. Previously used only by Exchequer

		Banking
KSUB	To process automated recharges of central service expenditure on a secondary cost element (assessments).	Corporate Finance use as part of the period end process only

The ability to enter and adjust postings will be limited to a small number of individuals, with an appropriate access level for their grade. Access to input standard journals (Park access) in SAP will be granted to nominated Finance Officers. Access to post journals (Post access) in SAP will only be granted to officers nominated by the departmental finance managers. The list of officers will be reviewed on an annual basis (prior to financial year-end) to ensure the user are appropriate for the needs of the business.

An adequate division of duties is required to ensure, as far as possible, that transfers are accurate, valid and correct. It is essential that the preparer of the transaction and the approver are separate individuals with appropriate levels of access.

“Post Only” journals are input and authorised in one stage and are therefore only available to Senior Officers who have Post access. Where these transactions are used, a Senior Officer who also has Post access must review the posting and all related supporting documents, then add a note attachment to the transfer to state that they have reviewed and approve the posting. This clearly evidences that there has been an appropriate segregation of duties. Authorisation of all “Post Only” journals is monitored and investigated on a monthly basis by Technical Section, Corporate Finance.

Officers should not attempt to authorise their own journals. The only exception to this is the FB50 “Post Only” transaction permitted for use by Exchequer Services Assistants in the Banking Team, which does not require separate authorisation. FB50 may not be used by any other Finance Officer with Post access, therefore the transaction is only available to Exchequer Services Assistants.

Finance teams should ensure that there are sufficient individuals available at any one time to cover park and posting requirements during sickness, holidays and other absences.

Authorising users must only authorise the journals of members of their wider teams and not the journals of other departments. Journal posting may be facilitated by users with Post access creating a selection variant, populated with the user numbers of their team members, in transaction FBV0. The

Poster would then select the variant to establish whether any journals were ready for posting.

Automated journals, for example those arising out of the capital settlement process, are beyond the scope of this journal policy document.

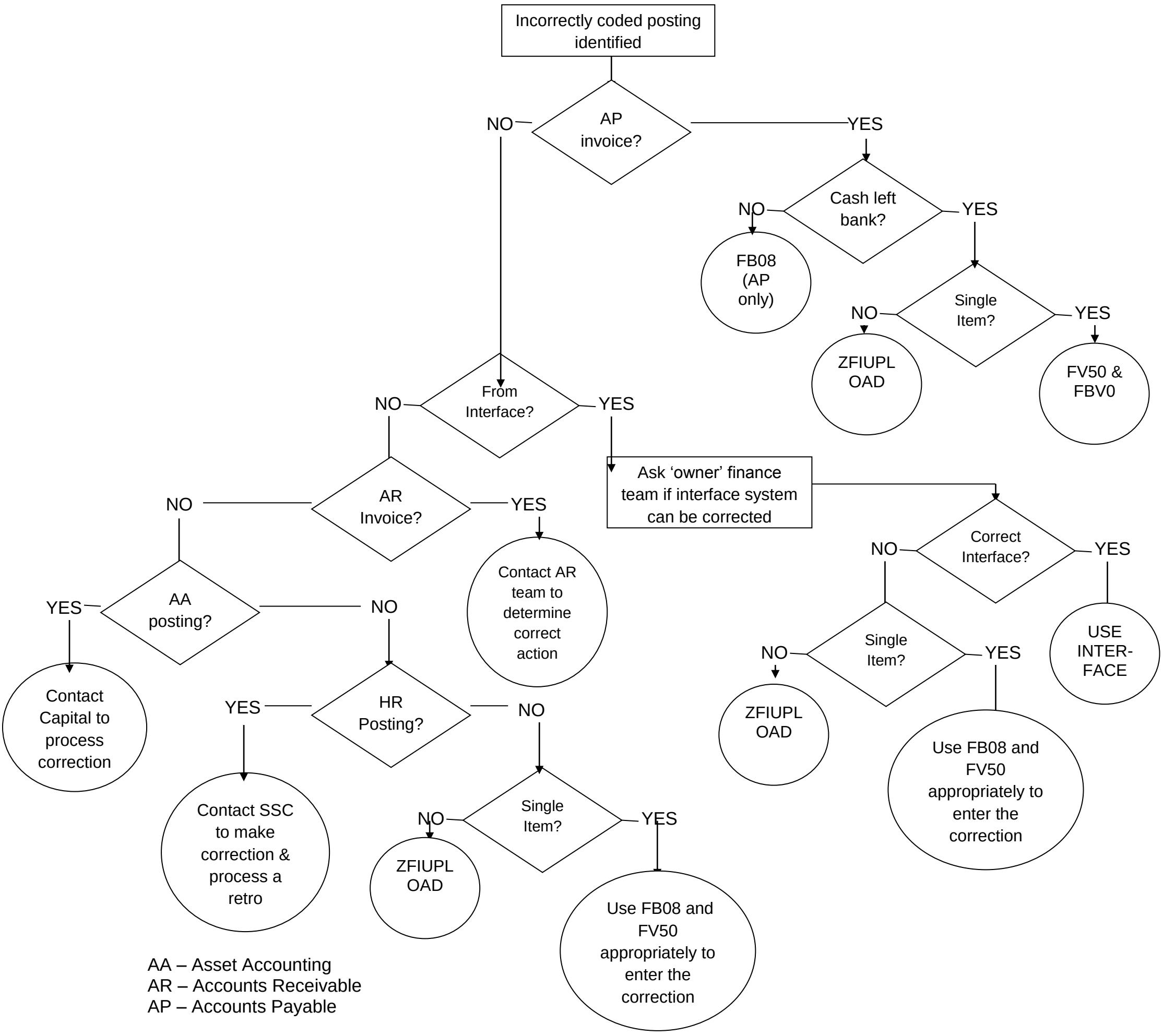
Adjustment of Primary Postings

There are a number of reasons for adjusting primary postings. The main reasons are:

- **Primary posting is incorrect** – for example, the incorrect general ledger or cost centre code has been entered or the amount entered may be incorrect;
- **Cost reallocation** – these are generally of a secondary nature and are required to determine total cost in accordance with the CIPFA Service Expenditure Reporting Code of Practice (SERCOP) (this includes internal service charges);
- **Manual adjustment** - are required to determine a true and fair view of the Council's financial position at a point in time. For example, to accrue for employee benefits, pension costs or to write-back overtime and travel;
- **Incorporation of "single entity" accounting data held on third-party systems** - for example, schools who do not use the Council's bank account, or "group" accounting data held on third-party systems; and
- **Inter-company transactions.**

Corrections

The expectation is that as far as possible journals should be corrected in such a way that the integrity of the primary posting is maintained. It is not necessary to reattach the original documentation to the correcting journal. However, a narrative note should be entered which gives the reason for the correction and notes the original journal document number. The following flow chart should be used to establish the appropriate transaction to correct an incorrectly coded posting:



AA – Asset Accounting
AR – Accounts Receivable
AP – Accounts Payable

FV50 transaction should be the last resort as there is limited ability to link corrections back to the original document. Using this transaction will create multiple postings in the ledger.

Recharge of Internal Costs

The costs of internal back office functions, such as HR and Finance, are recharged monthly to front line services by Corporate Finance using the transaction KSUB.

Charges between departments for other specific services, such as for catering, should be processed using general ledger codes beginning with 3 (i.e. '3nnnnn'), also known as "3 codes". 3 codes will accept both expenditure and income amounts and using them will result in a zero balance across the Council when the internal expenditure and income net each other off. Before any charge is made using a 3 code the charging department is required to contact the receiving department to obtain authorisation. This authorisation must be evidenced (for instance, by e-mail) and that evidence must be attached to the resulting journal.

Recurring journals offer the user the opportunity to create a multiple period entry journal just once. They may be useful for internal recharges where a standard fixed charge is applicable which cannot be input using transaction KSUB. The transaction for recurring journals is FBD1. This journal type is a Post only transaction and as such a separate Senior Officer with Post access must add a note attachment to each journal to confirm that they have reviewed the posting and approved it, thereby maintaining and demonstrating a clear segregation of duties.

Closedown Adjustments

Closedown adjustments require the use of a standard journal transfer and are the main reason for using the FV50/ZFIUPLOAD (Park) and FBV0 (Post) transactions. These closedown adjustments are generally within departmental areas of responsibility.

For postings which require reversal after the year-end, such as accruals and prepayments, an alternative transaction of FBS1 should be used. The resultant postings are reversed by automated transaction F.81, which is scheduled to run daily during the closedown period, effectively making FBS1 an automatically reversing journal. Appropriate use of FBS1 will reduce the finance teams' workloads. FBS1 is a Post only transaction and as such a separate Senior Officer with Post access should attach a note to the old-year journal to confirm they have reviewed the posting and approved it, thereby maintaining and demonstrating a clear segregation of duties.

Documents that explain the purpose and support the calculation of or need for postings should be attached to all closedown adjustments, regardless of whether transaction FV50, ZFIUPLOAD or FBS1 has been used to create that posting. It is sufficient when using FBS1 to attach documents to the old-year journal only because when the new-year reversing journal is viewed using FB03 the old-year journal with attachments is clearly and readily accessible

using the “reversal document” link. Journals that are manually reversed in the new-year require their own attachments because there is no system link to the old-year journal.

Reflection of Data Held on Third-Party Systems

Transactions to post Single Entity or Group data held on third-party systems to the Council’s ledger must be completed as standard journal transfers using the FV50/ZFIUPLOAD (Park) and ZBV0 (Post) transactions.

Inter-Company Transfers

Inter-company transfers (transfers between different company codes in SAP) must be completed as standard journal transfers using the FV50/ZFIUPLOAD (Park) and ZBV0 (Post) transactions. However, as these transactions can create a cash movement between bank accounts, users are advised to check with CRD Corporate Accountancy that the proposed journal is appropriate before entering the transaction.

The timing of inter-company transfers must also be considered because movements between company codes should not be completed after the date specified as part of the closure timetable, at which point inter-company balances are agreed.

Transfers from Reserves

Departments should complete their own transfers from Reserves. It is unnecessary to request Technical Section to process these.

Attachments

Following creation of a journal, information must be attached to provide sufficient evidence to confirm the amount and to support the selection of codes for the posting.

Attachments must make it clear why a journal is being entered without the need to ask supplementary questions. If documentary evidence attached does not enable someone without detailed knowledge to understand why the journal is necessary, then a simple narrative note to the journal which states why the journal has been entered and to give any further information necessary to support the posting should also be added.

Attaching the upload document as the journal attachment, or a working paper that only replicates the journal detail, without any supplementary information, is insufficient evidence, as it gives no more information or evidence than the journal itself.

If the person entering the journal was asked to enter it by another person, there should also be a narrative note or other audit trail, for example a requesting e-mail, identifying that person. The person entering the journal should challenge the requester to provide more evidence or information, if that provided does not meet the requirements of this policy. However, journal approvers have ultimate responsibility for determining the quality and sufficiency of journal attachments and should not post journals where attached evidence and information is insufficient.

The ability to view journals and their attachments in SAP is controlled using SAP roles and is restricted to those members of staff for whom it is appropriate, based on the requirements of their post. For this reason attachments should not be password protected or referred to as being held outside of SAP on the grounds of sensitivity.

If a journal relates to a code correction, then attaching a note stating 'please see line text for details', would be sufficient, if the line items refer to the original document, the misused/correct codes and give the identity of the requester, if different to the person entering the journal. It is insufficient evidence to refer to the journal being a "code correction" if there is no reference to the original document number with details of why the correction is required and no detail of who has requested the journal, if not the person entering it.

There are three types of documentary evidence, which are explained below.

Type	Use	Qualities	Examples
External Evidence	Very Good – should be used in most cases	Not open to edit; more reliable	Bank Statement, AP Invoice, Remittance, Contract
Strong Internal Evidence	Acceptable – should be used only where External Evidence does not exist	Evidence that is formally documented; unlikely to have had internal influence	Cabinet Report, AR Invoice, Policy Document
Weak Internal Evidence	Poor –should only be used as a last resort	Evidence that is open to editing	E-mail, Excel Documents, Word Documents

For example, the documentation attached to a year-end accrual (write back) may be an invoice which has been received after the year-end but relates to a supply of goods or services received before the year-end. The invoice provides external evidence that the amount is due at the year-end and confirms the amount and the nature of the supply to support the codes used. Attaching an additional narrative will make it clear that the journal is writing the amount back to the previous year; it could also provide details of any adjustment to the invoice amount because of the period the invoice covers.

There are a number of important reasons for attaching information to journals:

- Departmental finance team managers are provided with ongoing assurance as to the validity of journals by evidencing that adequate controls are in place.
- Audit Services have ready access to supporting information in the event that reviews are required.
- Attached documentation is helpful as a prompt as to what is required in the preparation of similar journals in the future, for instance journals that are input each year-end.
- Technical Section, Corporate Finance, prepares the Council's Statement of Accounts from the trial balance and consolidation packs, and submits Government statutory returns. Attachments provide information to answer preparation and review queries and ensure that disclosure is appropriate.
- Helps budget holders to understand the costs associated with their areas of responsibility.
- External Audit has the ability to review all postings made in SAP and to access attachments, providing them with initial answers to audit queries they may have without a lengthy request and provision process, saving officers' time. If the External Audit takes longer than planned this could increase the cost of our External Audits.

Departments will periodically monitor journals created using a Business Warehouse ("BW") report, to ensure that they have attachments, or that they do not require attachments because of the exceptions below. Departments will be asked to confirm that they have done this as part of their completion of in-year Assurance Packs, at certain period ends and the Sign Off Pack, at year-end. To ensure that Pension Fund journals are also monitored for attachments, the Pension Fund Accountant will be asked to confirm this concurrently with Departmental confirmation.

There are exceptions to the attachment rule:

- It is sufficient when using FBS1 to attach documents to the old-year journal only because when the new-year reversing journal is viewed using FB03 the old-year journal with attachments is clearly and readily accessible using the “reversal document” link. Journals that are manually reversed in the new-year require their own attachments because there is no system link to the old-year journal.
- When a journal is input to correct a previously misposted journal, it is not necessary to reattach the original documentation to the correcting journal. However, a narrative note should be entered which identifies the person requesting the correction (if not the person entering the journal), the reason for the correction and notes the original journal document number (or, alternatively, this can be in the journal text, with a note reference to it).

Uploads (bulk transfers)

Transaction ZFIUPLOAD provides the ability to enter up to 950 line items (the upload spreadsheet must not be populated below row 955 including five rows for the header) on a standard journal using an upload spreadsheet designed for the purpose. Using this transaction significantly reduces inputting time for journals with multiple line items. It is expected that ZFIUPLOAD will not be used for journals with only a few line items.

VAT

The vast majority of journal transfers have no implications for VAT. However, depending on the configuration of General Ledger codes being used in a journal, a warning message will sometimes be produced when a journal is entered without reference to tax. In these situations the reference to tax code must be included before the journal can be parked or posted.

VAT queries relating to journals should be sent to VAT.enquiries@derbyshire.gov.uk .

Technical Section (using VAT.enquiries@derbyshire.gov.uk) must be notified before any journal is posted directly to the manual VAT Output/Input General Ledger codes. Under HMRC disclosure rules a record must be maintained of all manual VAT journals required to correct errors in previous tax periods. The term ‘error’ has a wide brief and it must be decided whether an entry is a genuine error or not. For example, adjusting an expenditure code to credit VAT previously paid because a VAT invoice was not held at the time of input is not an error, whereas mistakenly coding the gross amount on a VAT invoice to expenditure is an error.

Good Practice

Journal transfers can materially affect both the operating financial position for budget holders and the statutory final accounts of the Council. It is therefore essential that good practice is followed by all users of the transactions. For the avoidance of doubt good practice necessitates that:

- The journal must be for a proper purpose.
- The appropriate transaction should be used.
- Text should be entered in the header and line item fields that indicate the basic purpose of the journal. Speech marks should not be used in the line item field as this causes problems when journal data is downloaded into Excel for External Audit purposes.
- Self-authorised transactions (FBS1, FB08 and FBD1) should have a note attachment from a separate individual with Post access to act as authorisation.
- Appropriate supporting documentation and narrative should be attached to all transactions. Attaching the upload document as the journal attachment, or a working paper that only replicates the journal detail, without any supplementary information, is insufficient evidence, as it gives no more information than the journal itself. In addition, narrative attachments giving further information are useful.
- Authorising users should only authorise the journals of members of their wider teams and not of other departments.

Parked Journals

To ensure good ‘housekeeping’, parked journals that have not been posted within 10 days of the period-end will be deleted. The process will be completed by the Corporate Accountancy team as part of the period-end processes.