These guidance notes set out the routine ‘financial housekeeping’ procedures which should be carried out within departments and finance teams on an on-going basis during the year and also provides details of any year-end processes where applicable. It is important that these tasks are undertaken in a timely manner for various reasons, which will include:-

- so that budget holders are able to effectively monitor their budgets
- to help closedown to run as smoothly as possible

Failure to undertake these tasks regularly during the year could result in budgets being either underspent or overspent unintentionally, bad advice, incorrect information being reported,…… and the list goes on. It should not be an onerous task to keep on top of these issues unless routines slip and the volume of transactions then becomes difficult to manage. This is another reason why these tasks should be completed on ideally a monthly basis; perhaps to tie in with meetings with budget holders.

General enquiries on any of the information in this document should be directed to Claire Fisher - ☏ 5418 ✉ claire.fisher@plymouth.gov.uk or Ruth Didymus - ☏ 4074 ✉ ruth.didymus@plymouth.gov.uk.

**PURCHASING COMMITMENTS**

All goods and services over £500 must have a purchase order raised via the purchasing system; once raised they are shown in the ledger as an outstanding commitments until such time as they are goods received and then matched against an invoice. Please note some goods under £500 will be purchased using a Purchasing card - see details of this below. Only invoices that are then received with the appropriate purchase order number will be processed onto the Creditor’s system as ‘Minv’ which will ensure that the commitments are cleared in the ledger.

Outstanding commitments should be reviewed on a regular basis to check that they are still applicable. Some outstanding commitments will remain due to the fact that either an invoice has been processed as a ‘Sinv’, or that orders for goods and services are no longer required. Both these circumstances will require the purchase order to be cancelled on the Purchasing system to ensure the commitment is cleared from the ledger.

Further information on procedures relating to the Purchasing System can be found using the following link:-


**Year End Procedure re Purchasing Commitments**

There are two main processes that happen at the year-end on the Purchasing system in relation to outstanding commitments:-

1. An automated accruals process will be run on the system. This process picks up all orders that have been GRN’d but not yet matched to an invoice at 31 March and posts an accrual in the old year’s ledgers These accruals are posted to reflect the fact that good or services have been received but not yet paid for at 31 March. This process eliminates the need for departments and Finance staff to have to review and carry out manual accruals of this area at year end. As long as the Purchasing system is up to date and all orders GRN’d by 31 March as appropriate then the system will do the rest for us!

2. The automated accrual process will also carry forward commitments for purchase orders that have not been goods received into the new financial year.
There are two points, therefore that are worth emphasising:-

1. All commitments outstanding at 31 March will be automatically rolled forward into the new year ledger as outlined above. It is therefore vital that departments ensure that all commitments are examined before the year-end and any commitments no longer needed are cleared before the 31 March cut-off.

2. Any commitments correctly GRN’d on the system when goods were received but subsequently the invoice was incorrectly paid as a ‘Sinv’ will generate an accrual through the automated accruals process. Again, it is vital that outstanding commitments are reviewed regularly to identify any cases where this has happened so that orders commitments can be cancelled and incorrect accruals are not posted to the accounts. The effect of any accruals of this nature being posted will be that the expenditure is double-counted in the accounts (Sinv + automated accrual). Should it be identified that this has happened, the automated accrual should be reversed by posting a negative creditor accrual. Please refer to the Year End Journal & Accrual Guidance - Plymouth City Council - Financial management for instructions on how to do this.

PROCESSING OF DIRECT DEBIT DOCUMENTATION
Any payments which are taken from our bank account via direct debit will not appear in our ledger unless a direct debit transaction is processed via the Creditors System (SIDD – effectively the same as processing an invoice in the system but no payment occurs). Sometimes people are not aware of this requirement or forget to process the direct debit; the accounts then do not reflect the correct position and the Corporate Technical Team have to spend time chasing people to process the appropriate paper work.

Budget holders, and their respective accountants, should be aware of any direct debit arrangements that have been set up in relation to their service and should ensure that invoices are processed via a SIDD as soon as practicably possible after receipt of the invoice from the supplier. Accountants should help the budget holders to review their accounts and ensure that direct debits are being processed promptly. The Corporate Accountancy Team circulates a list of outstanding direct debits to Finance Teams on a regular basis to assist with this process. Any queries in relation to charges against our bank account may be queried with Alex Arthurs on extn 4914.

The Corporate Technical Team is currently looking at options to develop a new procedure for the processing of direct debit payments whereby they are all posted centrally by the team. Further information and guidance on this will be published in due course at the time the new working practice is implemented.

Year End Procedure re Direct Debits
If direct debits are not processed in the Creditors system by 31 March then they will not hit the ‘old year’ ledger. In order that we account for expenditure in the correct financial year, it will be necessary to process an accrual (if the value is over £500) for any payments that have been charged to our bank account prior to and including 31 March assuming that the payment relates to goods or services that were received on or before the 31 March.

It is therefore particularly important that these transactions are reviewed on the run-up to year-end to ensure everything is up-to-date and minimise the requirement to process accruals for missing expenditure.
In order to assist Finance Teams to identify accruals relating to direct debits the Corporate Accountancy Team will circulate a list of outstanding direct debits at the beginning of April.

**PROCESSING OF DCal TRANSACTIONS**

Similar to direct debits above, the payments for goods and services that have been paid for by using a Purchasing Card do not hit the ledger without being 'processed' via electronic statements from the Purchasing Card company (currently the Co-operative Bank's online system - http://www.dcalonline.com/). This should be done promptly so the ledger reflects the correct position.

The Purchasing cardholder DCal guide which contains step-by-step instructions on how to process purchasing card transactions can be accessed using the link below:-

http://documentlibrary/documents/Purchasing%20Cardholder%20Dcal%20Guide%20v4.0.PDF

**Year End Procedure re DCal**

For the year-end all DCal transactions need to be reviewed and approved by the end of the day on 27th March 2013 in order to be charged to the 2012/13 ledger. Any processed after this date will be posted to the new year.

In order that we account for expenditure in the correct financial year, it will be necessary to process an accrual (if the value is over £500) for any purchasing card payments made up to and including 31 March which have not been approved on the DCal system by the year-end deadline (assuming that the payment relates to goods or services that were received on or before the 31 March).

It is therefore particularly important that DCal transactions are reviewed and approved on the run-up to year-end to ensure everything is up-to-date and minimise the requirement to process accruals.

In order to assist Finance Teams to identify accruals relating to purchasing card payments, the Corporate Accountancy Team will circulate a list of transactions at the beginning of April.

**PROCESSING OF OFFICE CASH SUSPENSE**

When income is paid into the authority which does not relate to a council tax, business rates or debtors account it is posted to the ledger via the office cash system. This entails allocating both a ledger code and a VAT type at the point that the income is processed by Cashiers. If these details do not accompany the receipt, for example, for an amount paid straight into our bank account by BACS, then Cashiers are unable to process the income to the ledger and the income remains in a suspense account until such time that correct allocation details have been established.

In order that income can be processed as quickly as possible to the ledger, Cashiers need to be provided with as much information as possible from anyone sending payments or expecting income. In order to facilitate this, details of expected income should be entered into the office cash register S:\QATDS\Civ03-data2\workgrp\Office\Central Incomes Register\Central Income Register.xls. This also assists our Treasury Management activities as it helps to produce more accurate cash flow projections. Please note, where you do not have access to the office cash register, information can also be emailed to the Cashiers’ inbox - cashiers@plymouth.gov.uk.

If income remains in office cash suspense then this could impact on the accuracy of budget monitoring and other aspects of financial management. There is an unallocated cash account within the ledger that income can be coded to pending identification of correct account details, but this still needs to be cleared in the same way as office cash suspense.
It is imperative, therefore that Finance teams allocate time to regularly review those items in suspense in order to assist with their clearance. It is especially important that Finance teams treat these transactions as a high priority in the lead-up to the year-end and for the first few days of April when we will need to identify coding for all receipts paid in by 31 March.

**Year End Procedure re Office Cash**

It is important that income is allocated to the financial year to which it relates. In the case of office cash this will normally be the date of receipt but this will not necessarily be the case, e.g. if someone makes a prepayment. Service Accountants will work with Budget Managers to ensure that, wherever possible and taking into account materiality, income is accounted for in the correct financial year.

In order that we can ensure that office cash income is correctly accounted for (taking into account the concept of materiality whereby we do not analyse every last pound), it is important that we process and review the bank statements that will contain income relating to the ‘old year’ as soon as possible after 31 March.

Cashiers will process all bank statements dated 31st March or earlier as quickly as possible after 1 April. In order to allow all statements to be processed, Cashiers will code any office cash which they have not received ledger codes for (either because the information has not been received by the bank or finance teams have not yet supplied codes) to the unallocated cash account, rather than leaving them in ‘suspense’ as usually happens before coding information is received. This will mean that all ‘old year’ cash can be posted to the correct financial year, thereby assisting with cash reconciliations and ensuring that our ledger reflects the correct cash position. Finance Teams will need to identify ledger codes for the transactions that have been coded to unallocated cash; Corporate Accountancy will circulate a list detailing the relevant transactions to Finance Teams.

Once all the old year bank statements have been processed, Cashiers will then prioritise the processing of the first few days of April (new year) bank statements. These will all hit the new year ledger, but could contain income which relates to goods or services provided in 2012/13 (likely to be minimal and only relate to the last few days of March). Corporate Accountants will be responsible for identifying office cash processed to the new year ledger that should have been posted to the old year accounts. Again, this information will be circulated to Finance Teams as early as possible in April (deadline 9th) and Finance Teams will need to decide whether to post debtor accruals depending on the values involved.

**LEDGER SUSPENSE (AKA INVALIDS)**

Similarly to all of the other issues covered within this document, it is imperative that suspense transactions are cleared regularly to ensure the accounts accurately reflect income and expenditure incurred at the earliest possible opportunity.

Ledger suspense reports are run on a weekly basis and emailed to those officers with responsibility for dealing with the clearance of suspense transactions. Ledger suspense transactions are cleared using a suspense reversal journal. Guidance on this can be found under the Financial System pages on Staff Room:-

http://www.plymouth.gov.uk/homepage/staffroom/howwework/financialmanagement/financialsystems/generalledger.htm

**Year End Procedure re Ledger Suspense**

It is even more crucial that ledger suspense transactions are cleared promptly over the year end period (end of March and first few days of April). This is to ensure that the accounts reflect the
final outturn position as quickly as possible and service accountants are able to concentrate on finalising the explanations for variations against budgets.

**Suspense reversal journals**

*Correction of Old year suspense must be undertaken on a new transaction code called ‘SuspenseRevOldyr’.*

New Year suspense corrections should be corrected using the existing transaction code ‘SuspReversal’

**PLEASE BE VERY CAREFUL IN GL TO ONLY SELECT TRANSACTIONS FOR ONE YEAR AT A TIME.**

**RECONCILIATION OF HOLDING / SUSPENSE ACCOUNTS**

Again, the prompt reconciliation and clearance of holding / suspense accounts are crucial to enable effective financial management. Wherever possible the use of holding accounts should be minimised and entries should be charged direct to revenue accounts. This will improve the accuracy of the spend for monitoring purposes.

As part of ongoing review of your accounts, you should review what your suspense accounts are being used for and if they are still necessary. You should also consider whether your account might sit better elsewhere in the ledger in terms of the coding structure. The following two scenarios provide examples where this might be appropriate:

- a suspense account for collecting costs and then recharging them on to another body could be classified as a debtor account rather than a holding account as it is likely that the year-end position would reflect a timing difference for costs incurred but not yet charged on. By having the account set up as a debtor on the balance sheet coding structure, this would eliminate the need to post an accrual at the year end and ensure the balance automatically ends up in the correct place for the statutory accounts. This will not, however, be appropriate for codes which might reflect a debit or credit balance at the year end depending on circumstance each year. In these cases, finance teams will have to assess the year end position on an annual basis.

- where suspense accounts are being used to account for non PCC transactions. It might be more appropriate to be transferred to another section of the ledger which are outside of the main PCC accounts, such as the Agency ledger.

Should you have a holding account (or any other account) where you have uncertainty over the correct place for it to sit within the ledger then please contact Claire Fisher - ☎️ 5418 📧 claire.fisher@plymouth.gov.uk or Ruth Didymus - ☎️ 4074 📧 ruth.didymus@plymouth.gov.uk.

**Year End Procedure re Holding Accounts**

Holding accounts **MUST be either cleared to zero or allocated to another section of the balance sheet** at the end of the year as the IFRS Code does not include provision for holding accounts to be shown on the balance sheet.

Finance teams should do as much as possible to prepare for year-end by undertaking work on these accounts at an early stage. This will include reconciliation and investigating and resolving discrepancies. Any balances at the year-end, whether due to timing differences or unresolved items will need to be cleared. You will either have to process a debtor or creditor accrual for the balance if this is appropriate or request that Corporate Accountants post a CONTRA entry in the balance sheet to reallocate the balance to the correct category on the balance sheet for statutory
account purposes. Should you have any queries on this then please contact Claire Fisher - ☎️ 5418 ✉️ claire.fisher@plymouth.gov.uk or Ruth Didymus - ☎️ 4074 ✉️ ruth.didymus@plymouth.gov.uk.