



AUDIT COMMITTEE - 16TH OCTOBER 2018

SUBJECT: JOURNAL TRANSFER AUTHORISATION LIMITS

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

1. PURPOSE OF REPORT

1.1 To present the Audit Committee with the option to implement authorisation levels within the software module used by the Authority to process journals entries in its Ledger.

2. SUMMARY

2.1 In their 2016-17 ISA260 report Grant Thornton raised an issue around the authorisation of Journals across the authority. Although journal authorisation is possible within the current ledger product it is currently only implemented in one service area. The Authority agreed as part of its response to the recommendation in the auditor's report that it would review its journal authorisation procedures.

2.2 It was concluded from the review that the current journal authorisation structure within the Authority is acceptable given the limited number of staff with authorisation to process journals.

2.3 Also there is the nature of the journals being undertaken. They are predominantly dealing with miscoding's arising from the detailed budget monitoring undertaken by the staff processing the journals. This linked to the security structures within the ledger product lead to the conclusion that there was no requirement to switch on batch authorisation across the Authority.

2.4 Grant Thornton still considered this a risk and raised it again in their 2017-18 ISA260 report presented to Audit Committee on 24 July 2018.

2.5 A question was raised at Audit committee around whether the system would allow us to implement authorisation thresholds on journals to ensure that large value transactions are required to be reviewed and authorised by senior staff. It was agreed that the introduction of authorisation limits would be explored.

3. LINKS TO STRATEGY

3.1 The Financial Accounts deal with resources available to the Authority that influence the delivery of policies and strategies.

3.2 Effective financial planning and robust budget management support the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015: -

- A prosperous Wales.
- A resilient Wales.

- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

4. THE REPORT

- 4.1 Officers undertook a review of the journal upload module to ascertain whether or not it would be technically possible to implement authorisation limits to require authorisation of the journal entries prior to posting to the General Ledger.
- 4.2 Currently each service area has a distinct batch type to process journals.
- 4.3 Each batch type is linked to a limited number of finance users. The security profile of each user defines what account codes and service areas they can post too.
- 4.4 Officers have the ability to link authorisation to these batch types by adding an authorisation user/users to the batch type. When the input user processes the batch it sends an e-mail to the authoriser notifying them that the batch is available for review and authorisation. Once authorised the batch posts to the ledger.
- 4.5 Officers also have the ability in the software to add authorisation limits to each user. In this instance if a user attempts to process an entry over their allowable limit it will suspend the batch and notify the allocated authoriser by e-mail that there is a posting that requires them to review and authorise.
- 4.6 The system administrators are able to set the limit, for each individual user, at any value from £1 to £999,999,999,999.
- 4.7 A user can only authorise to the limit assigned to them in the system, if they exceed this limit authorisation will be invoked, with security in the background preventing them from authorising the posting.
- 4.8 Each journal batch type will be allocated its own Authorisation Group. There is no limit to the number of authorisers attached to each group. Behind that Authorisation Group will be the list of users identified to authorise journals and each user will be defined a financial limit in a range to be agreed.

5. WELL-BEING OF FUTURE GENERATIONS

- 5.1 Effective financial planning and robust budget management are key elements in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

6. EQUALITIES IMPLICATIONS

- 6.1 There are no equalities implications arising from this report.

7. FINANCIAL IMPLICATIONS

- 7.1 As identified throughout the report.

8. PERSONNEL IMPLICATIONS

8.1 There are no direct personnel implications arising from this report.

9. CONSULTATIONS

9.1 There are no consultation responses that have not been reflected in this report.

10. RECOMMENDATIONS

10.1 The Audit Committee is asked to endorse a recommendation by officers to implement an authorisation threshold of £100,000 to its journal transfer software.

11. REASONS FOR THE RECOMMENDATIONS

11.1 To mitigate the risk of inappropriate or erroneous journal postings impacting upon the financial statements.

12. STATUTORY POWER

12.1 Accounts and Audit (Wales) Regulations 2014.

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Background Papers:

Working Papers for 2017/18 Financial Accounts