FINANCIAL PROCEDURES

Section 16 – General Ledger Policies and Procedures

Approving Body: Resources and Performance Committee
Date of Approval: December 2021
Policy Owner: Finance and Compliance
Last Review Date: December 2021
Next Review Date: June 2022

16. Section 16: General ledger Policies and Procedures

16.1.   Description of ledger structure

16.1.1. The University ledger has a matrix structure. The activities are grouped by projects and the type of income or expenditure is grouped by account code.
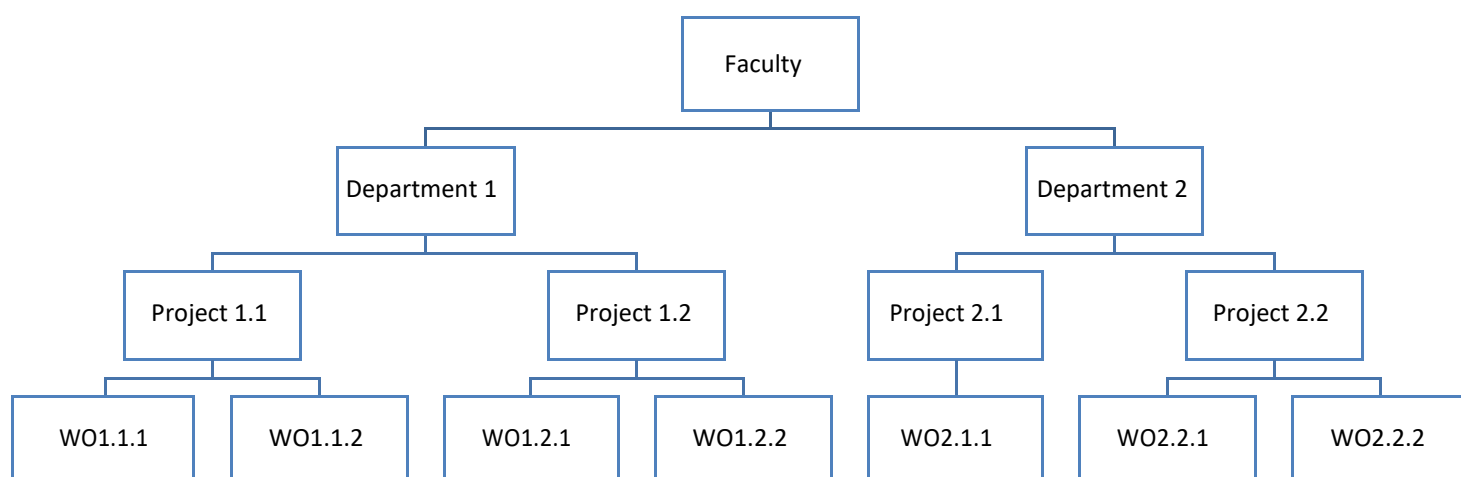
16.2.   Account structure

16.2.1   All items of income and expenditure are also allocated an account code. The account code sets out the type of income and expenditure incurred. The general account structure is shown 20. Appendix A - General Ledger Appendices.

.
16.2.2. The University also uses product codes to break down types expenditure in more detail. There are system controls within ABW to ensure that a product code is also inputted when a transaction is coded to a specific account codes.

16.3.   Project structure

16.3.1. The smallest unit of management is work orders. Work orders are then grouped into projects which are grouped into cost centre which are grouped into departments which are grouped into institutes.

```
                              ┌─────────────┐
                              │   Faculty   │
                              └──────┬──────┘
                   ┌─────────────────┴─────────────────┐
          ┌────────┴────────┐                 ┌─────────┴───────┐
          │  Department 1   │                 │  Department 2   │
          └────────┬────────┘                 └─────────┬───────┘
        ┌──────────┴──────────┐             ┌───────────┴─────────┐
   ┌────┴─────┐        ┌───────┴────┐   ┌────┴──────┐      ┌───────┴────┐
   │Project1.1│        │Project 1.2 │   │Project 2.1│      │Project 2.2 │
   └────┬─────┘        └───────┬────┘   └────┬──────┘      └───────┬────┘
   ┌────┴────┐          ┌──────┴───┐   ┌─────┴────┐         ┌──────┴───┐
┌──┴──┐ ┌────┴─┐    ┌───┴──┐ ┌─────┴┐ ┌┴─────┐ ┌──┴───┐ ┌───┴──┐ ┌─────┴┐
│WO1.1.1│WO1.1.2│  │WO1.2.1│WO1.2.2│ │WO2.1.1│WO2.2.1│ │WO2.2.2│
```

16.4   Setting up new account codes

16.4.1. If a department wishes to set up new account codes they should contact the Financial Manager. The Financial Manager will ensure that the appropriate information is available and that it is appropriate to set up a new account code rather than set up a new project and work order.

16.4.2. The Finance Systems Controller is authorised to create new account codes within the ABW system.

Key relationships on Project code	Reason required	Officer to advice
Account type	*Budget setting and management accounting* - To ensure that transactions are appropriately split between income and costs.	FBP
VAT – Tax Code (TC)	*VAT accounting* – To ensure that the University recovers the correct amount of VAT.	Tax team

16.5 Setting up new project codes

16.5.1. If a department wishes to set up new project codes they should contact their Finance Business Partners. The Finance Business Partners will ensure that the appropriate information is available and the correct relationships are known.

16.5.2. The Strategic Capital, Tax and Treasury team will contact the Finance Systems Controller to create a new project code or account code and should provide all relevant relationships for that project code.

16.5.3. The staff members authorised to create new projects on the ABW ledger are the Research Finance team, the Finance Systems Controller.

16.5.4. The Finance Business Partners are responsible for ensuring that the project codes within their departments align with the management accounting structure for the department.

16.5.5. The Financial Manager is responsible for maintaining the integrity of the overall project code structure on the ledger by reviewing the project structure as part of the year-end process.

16.5.6. The tax team should be consulted on the correct tax category if the project is likely to generate non grant and non-tuition fee income streams.

16.5.7. The Finance Systems Controller will ensure that a report is created on a monthly basis and sent to the Financial Manager who will review a list of new projects created to confirm that the Department and Cost Centre and the authorising relationships are appropriate.

16.5.8. An automatic report will be created on a monthly basis and sent to the tax team to review to confirm that the tax relationships are appropriate.

Key relationships on Project code	Explanation of relationship	Officer to advise
Department and Cost Centre	*Budget setting and management accounting* - To ensure that income and costs are coded to the correct departmental budget.	FBP
Project type	*Budget setting and management accounting* - To ensure that income and costs are coded to the correct activity within the department.	FBP
VAT Tax category	*VAT accounting* – To ensure that the University recovers the correct amount of VAT.	Tax team
Corporation Tax category	*Corporation Tax accounting* – To allow the University to prepare a robust Corporation tax return	Tax team
Res no.	*Cost control* – To ensure that only an appropriate signatory can authorise spend £50 - £999 on ABW.	Head of Department
Second authoriser	*Cost control* – To ensure that only an appropriate signatory can authorise spend of £1000 - £5,000 on ABW.	Head of Department
Third authoriser	*Cost control* – To ensure that only an appropriate signatory can authorise spend of £5,000 - £10,000 on ABW.	Head of Department

4th authoriser	*Cost control* – To ensure that only an appropriate signatory can authorise spend of £10,000+ on ABW.	Head of Department
Fund	*HESA reporting* – Used for research projects only to ensure that the University reports the source of income correctly in the HESA return and the completion of the research grants and contracts note within the financial statements.	Research FBP
PI	*Management Information* - Used to capture the Principle Investigator responsible for each research grant.	RBI Grant Manager

16.6.   Journal Entry

16.6.1. Only members of the University Finance Department and Research Finance are authorised to input manual journals onto the ABW ledger.

16.6.2. Journals input onto the ABW ledger are subject to electronic authorisation control a senior person to the person entering the journal, normally their line manager.

16.6.3. In the case of error correction journals or simple transfer journals it is appropriate for the explanation for the journal to be included within the journal text on the ABW ledger. The originator of the journal is required to keep backing documentation for a journal where the journal is more complex and requires further explanation. It is also recommended that all journal workings are attached to the journal within ABW for future reference.

16.7.   Period end procedure

16.7.1. On the last day of each month, the default period is changed by the Financial and Compliance Assistants. This does not restrict posting to the previous period, however the user needs to make a conscious choice of amending the period. After the fifth working day, the Financial and Compliance Assistants will password protects the previous period and the system process posting to the previous period is closed. No further postings are allowed unless authorization comes from the Financial Manager.

16.8.   Process for reconciling control accounts

16.8.1. The Financial Manager manages the process for reconciling the general ledger and subsidiary ledgers on a monthly/quarterly basis. The Financial and Compliance Assistants are responsible for each control account and suspense account code. Once the Financial and Compliance Assistants has completed the reconciliation, they must save an electronic copy to the share drive and complete the checklist summary ready to be reviewed and authorised by the Tax & Financial Accountant or the Financial Manager.