

<b>REPORT REFERENCE NO.</b>	<b>ACG/24/6</b>
<b>MEETING</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>
<b>DATE OF MEETING</b>	<b>26 MARCH 2024</b>
<b>SUBJECT OF REPORT</b>	<b>REVIEW OF JOURNALS POSTED DURING 2023-24 TO DATE</b>
<b>LEAD OFFICER</b>	<b>Director of Finance &amp; Corporate Services (Treasurer)</b>
<b>RECOMMENDATION</b>	<i>That the Committee notes the analysis of journal activity for 2023-24.</i>
<b>EXECUTIVE SUMMARY</b>	At the meeting of the Committee on 22 January 2024, the External Auditor made a recurring comment on the risk associated with the fact journals cannot be authorised via the ledger. It was requested, by Committee, that a short report be presented on the volume of the journals processed which were categorised into themes.
<b>RESOURCE IMPLICATIONS</b>	As indicated in the report.
<b>EQUALITY IMPACT ASSESSMENT</b>	An initial assessment has not identified any equality issues emanating from this report.
<b>APPENDICES</b>	Nil.
<b>LIST OF BACKGROUND PAPERS</b>	Audit & Governance Committee papers for 18 <sup>th</sup> January 2023, the Audit Findings report for 2021-22 audit – Section 2 - Significant Risks plus previous auditor reports. <a href="#">(Public Pack)Supplementary Agenda for Audit &amp; Governance Committee Agenda Supplement for Audit &amp; Governance Committee, 18/01/2023 14:00 (dsfire.gov.uk)</a>

## 1. **INTRODUCTION**

- 1.1. For a number of recent audits, the External Auditors have highlighted the risk associated with the fact there is no formal approval process when posting journals. Due to limitations with the current Finance system, it has not been possible to introduce system automated safeguards to ensure all journals are authorised before they are processed.
- 1.2. Manual safeguards and mitigation have been put in place, however, which include:
  - a. A random selection check of journals after they have been posted is completed by the Head of Finance and Deputy Head of Finance;
  - b. The Head of Finance and Deputy Head of Finance do not have system authority and access to input journals, thereby ensuring segregation of duties; and
  - c. Budget Holders review their devolved budget on a monthly basis to check expenditure is in-line with their expectations.
- 1.3. The Finance Team are in the process of replacing the current Finance system and will ensure this risk is addressed within the new system. Procurement is underway and the new system is expected to be in place within 2025-26 financial year.
- 1.4. A journal is used as a way of either; entering data into the ledger or to move costs that have been incorrectly coded. Examples of these being the monthly payroll for both active employees and pensioners, monthly stores recharges, recharges for utility costs. Other examples would include moving costs that have been incorrectly coded, perhaps against a wrong Department or Station or a wrong Expense Code has been used.
- 1.5. All journals are processed by the Finance Department where any necessary checks are completed before a journal is actioned.
- 1.6. During the first 9 Months of the 2023-24 financial year, the team have processed 350 journals, some of these (the payroll journal as an example) will have over 27,000 lines including Debits and Credits, others are just 2 lines moving a single item of expenditure.
- 1.7. As can be seen within Table 1 below, the percentage of journals that are payroll related equate to over 96% of the journal values processed (i.e. payroll, pensions and HMRC). There are no risks of manipulation associated with these transactions as they are generated from the payroll and pension systems (i.e. MHR and West Yorkshire) and are fully reconciled by the Finance Team before they are uploaded to the ledger.

1.8. Therefore, only 4% of the value of journals present a risk of manipulation which equates to £3.3m. A detailed analysis of these journals is provided in section 2 and Table 2 overleaf.

1.9. **Table 1**

Journal Type	Value(£)	% Value	Volume	% Volume
Payroll	59,448,216.97	64.36	16	4.57
Pensions	20,245,448.50	21.92	17	4.86
HMRC	9,358,234.15	10.13	7	2.00
Utility Recharges	921,406.45	1.00	33	9.43
Stores Recharges	562,010.49	0.61	61	17.43
Printing Recharges	344,327.50	0.37	12	3.43
Travel Recharges	27,997.75	0.03	39	11.14
Miscellaneous	1,454,401.76	1.57	165	47.14
	92,362,043.57		350	

**2. DETAILED ANALYSIS OF NON-PAYROLL RELATED JOURNALS**

2.1. **Utility recharges:** these are initially coded against a suspense account code and then moved to the relevant property as and when the management information arrives. This process covers Gas, Electricity and Water charges.

2.2. **Stores Recharges:** A monthly recharge is actioned relating to the issue from stores for items such as uniform, equipment carried on the fire appliance and cleaning equipment for the Stations.

2.3. **Travel recharges:** Similar to Utility recharges, the monthly fee for any travel and accommodation is charged to a suspense account. These are then recharged to the relevant Station/Department once the management information has been received.

2.4. **Printing recharges:** All printing and photocopying is identified by the user's ID – based on where the individual is located, the volume per month is recharged to their respective Department/Station.

2.5. **Miscellaneous:** A breakdown of the highest value journals can be found within Table 2 overleaf.

**Table 2 - Detailed breakdown of Miscellaneous Journals**

<u>Miscellaneous Journals</u>	<u>Reason for journal</u>	<u>Value (£)</u>
SAN Server Replacement miscoded	Incorrect ledger code used originally	311,181.36
Interest on an investment coded incorrectly	Incorrect ledger code used originally	149,700.00
Accrual for PWLB loan interest paid in April	Preparing for year-end	180,534.94
USAR income coded to wrong expense code	Incorrect income code used originally	78,699.48
CFRMIS Project recode	Move costs to Project Code	75,000.00
DDaT Server maintenance prepayment	Preparing for year-end	74,872.00
Closure of an Earmarked Reserve	Reserve no longer required	74,714.22
Asset management Project Costs	Move costs to correct project code	70,400.00
Recode Instructor Costs	Incorrect Cost Code used originally	32,408.08
Other smaller value journals (154 lines in total)	Incorrect ledger code used originally	406,891.68
		1,454,401.76

**SHAYNE SCOTT**  
**Director of Finance and Corporate Services (Treasurer)**