# Shropshire Community Health NHS

**NHS Trust**

Policies, Procedures, Guidelines and Protocols

| Document Details | |
|---|---|
| **Title** | **Finance Procedure W2: Preparation of Journal Entries** |
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| Main points the document covers | How journals are made in the general ledger and checks that must be made |
| Who is the document aimed at? | Finance staff |
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| Approved by (Committee/Director) | Director of Finance |
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| 1 | June 2008 | Changes because of Oracle |
| 2 | August 2013 | Minor amendments to terminology & remove references to PCTs |
| 3 | August 2016 | Remove references to self-approved journals & funds checking and add paragraphs 2.4 & 4.2 re evidence |
| 4 | August 2019 | 5.1 - Replaced 'Deputy Director of Finance' with 'Head of Finance' |
| 5 | August 2022 | 4.2 and 5.2 added checks to ensure journal backing meets current Financial Standards and fulfils audit requirements |

# Shropshire Community Health NHS Trust

**Finance Procedures**

**Section W    General Ledger**
**W2             Preparation of Journal Entries**

## 1 – Introduction

1.1   Journals are used by Finance Department staff to create or move around actual and budget values within the General Ledger.

## 2 – Use of journals

2.1   Journals are used to create entries:
   a)    that are not automatically created by the routine feeds from other financial systems e.g., accruals not related to the Accounts Payable sub-ledger, depreciation, etc.
   b)    that correct errors e.g., expenditure incorrectly coded.
   c)    that clear suspense accounts e.g., the creation of a recharge to be cleared later by a cash payment.
   d)    that set up or amend budgets.

2.2   Journals may be entered manually into the General Ledger or prepared on ADI journals which use Excel spreadsheets to import the journal to the General Ledger. Paper copies of journals are not kept as access to any journal is electronic through the ledger.

2.3   Finance staff should save electronic copies of the Excel document used for journal input to allow access to the journals should they be required e.g., for auditors. Each team will determine how they save their journals.

2.4   Where possible, evidence should be available if required to back-up a journal entry (e.g., during an audit review), but it is recognised that this is not always practical.

## 3 – Journal categories

3.1   There are several categories of journal used:
   - Transfer journal
   - Accrual's journal
   - Budget journal

3.2   Journals can either be in GBP (i.e., £'s) or STAT (for manpower).

## 4 – Journal entry

4.1   Journals are entered using the "Enter" screen off the Journals menu, either manually or as an imported ADI journal (see paragraph 2.2). The following fields are compulsory and must be completed: -

- Journal: this is the journal name and should be initials followed by the date and for more than one journal on a particular day use A, B, C, etc. e.g., "DC 2022/4/20" then "DC 2022/4/20A". Note – the date in reverse aids searches. The journal name must be identical on both journal entry screens when inputting budget journals.
- Period
- Category
- Description – a general description to cover the journal as a whole
- Debit and credit account codes
- Debit and credit amounts – these must be equal in total as unbalanced journals cannot be posted
- Line description – this must clearly identify the reason for the journal line e.g., "M10 accruals" is not acceptable. For accruals journals, as a minimum, the description should include the organisation, months covered and what is being accrued for.

4.2 The person preparing the journal (who may not be the person physically inputting it) is responsible for ensuring there is adequate backing information to support the entries. If the journal has no external (Third Party) backing, then the preparer needs to ensure working papers meet the current Financial Standards and fulfil audit requirements.

4.3 Once the journal details are complete, the journal is approved and then posted – both using the buttons on the screen.


**5 – Journal approval**

5.1 There is a journal approval hierarchy whereby the Head of Finance, Head of Financial Accounting and the Head of Management Accounting and those staff reporting directly to them are classed as approvers. They approve the journals of those accountable to them.

5.2 Journal approval is a key control over the input of journals and therefore, when approving a journal, the following must be considered before approval takes place, and raised with the preparer if necessary:
   a) the journal name is in the agreed format
   b) the posting period is correct
   c) the journal category is correct
   d) the account codes are correct
   e) the amounts are correct
   f) descriptions are clear and appear sensible
   g) the journal is relevant to that person's area of work
   h) the recurrent tick box is checked when posting recurrent budget journal entries and not checked when non recurrent journals are being posted
   i) the values in the 'Next Year' columns are identical to the values in the 'This Year' columns when entering budget journals
   j) the 'Full Year' option should be selected when entering budget journals; the 'Part Year' option should never be selected.
   k) If a journal does not have external (Third Party) backing check with the person who prepared the journal that their backing meets current Financial Standards and fulfils audit requirements prior to approval.

## 6 – Accruals journals

6.1    When an accruals journal is input to the ledger, a reversing journal is required in the following period. Once that following period is open, the accrual reversal program is generated automatically, and a reversing journal is created automatically.

6.2    If any further accruals journals are input to the old period, the accrual reversal program must be re-run by generating it manually. This can be done by any Finance staff by generating the report called "Program Automatic Reversal".


## 7 – Budget journals

7.1    When recurrent budgets (GBP or STAT) are entered this must be done either via manual input or via Data Load.

7.2    When non recurrent budgets (GPB or STAT) are entered this must be done either via manual input or via ADI.

7.3    All journals must clearly state whether the entries are recurrent or non recurrent.

7.4    Each data set within a General Ledger is a separately totalled and balanced set of values and, although the system may allow it, it is important that both sides of any journal relate to the same data set.

7.5    A member of Management Accounting generates a report at month end to ensure the non recurrent and recurrent budget data sets are in balance.  This is reconciled and, where anomalies occur, they are corrected.


**References & associated documents**

None




Reviewed By  _____         Date  _____


Authorised By _____         Date  _____