

## General Ledger Policy

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Responsible Officer:	General Manager, Corporate and Development
Relevant Legislation:	<i>Local Government Act 1999</i> <i>Local Government (Financial Management) Regulations</i>
Related Documents:	Internal Financial Controls Framework Policy Local Government Association (LGA) Financial Sustainability Information Paper No.18 – Financial Policies and Procedures Financial Delegations Policy Corporate Credit Card Policy Taxation Policy Fixed Assets Policy Procurement Policy

### 1. Introduction

- 1.1 This Policy applies to the provisions of the *Local Government Act 1999* (the Act) Section 124 (Accounting Records to be Kept), regarding Council's financial General Ledger and how financial information is established and maintained with accuracy and integrity for transactions undertaken across all Council operations.
- 1.2 It is subordinate to the Internal Financial Control Framework which outlines the risk management framework all Council financial policies are created under and must comply with.
- 1.3 This Policy also underpins how Council's administration treats various categories of transactions recorded on the General Ledger, culminating in their subsequent publication in the annual financial statements required under Section 127 (Financial Statements) of the Act.

## **2. Strategic Community Plan Desired Outcome**

2.1. The strategic Desired Outcomes are:

2.1.1. Governance - Delivery of good governance in Council business.

2.1.2. Finance - A financially sound Council that is accountable, responsible and sustainable.

## **3. Strategic Community Plan Approach**

3.1 The strategic Community Approaches are;

3.1.1 Regularly review, update and adopt leading governance, risk management and administrative practices.

3.1.2 Provide sufficient resources to meet current and future needs of the community.

## **4. Legislative Requirements and Corporate Policy Context**

4.1. This Policy forms part of the Internal Financial Control Framework as a direct consequence of the provisions of Section 125 (Internal Control Policies) of the Act for South Australia.

4.2. This commits Council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets, and to secure the accuracy and reliability of council records.

4.3. Section 127 (Financial Statements) of the Act prescribes a Council to produce annual financial statements in accordance with standards required by the regulations.

4.4. In addition, Section 129 (Conduct of Audit) of the Act requires an external auditor to form an opinion as to whether there is sufficient evidence providing reasonable assurance that the financial transactions of Council have been conducted properly and in accordance with law.

4.5. This has been further elaborated upon within (the Regulations) at Part 3 – Accounting Principles, Part 4 – Financial Statements and Part 6 – Audit clause 19(b).

4.6. Part 3 of the Regulations prescribes the standards adopted are the Australian Accounting Standards overseen by the national peak body for accounting policies and principles, the Australian Accounting Standards Board.

- 4.7. Part 4 of the Regulations prescribes the statements are compiled according to the Model Financial Statements, according to those published by the Local Government Association (LGA) an annual basis for administrative adoption.
- 4.8. In addition, the LGA has published revised Financial Sustainability Information Papers (FSIP) as part of its ongoing Financial Sustainability Program (FSP) with the aim of harmonising high-level policy positions for council administration adoption and use.
- 4.9. The Information Papers are not statutory measures however they are considered best practice for council administrations to commit to.
- 4.10. The Internal Financial Control Framework references and makes use of:

*LGA FSIP No. 18 – Financial Policies and Procedures.*
- 4.11. In formulating this Policy, reference to this FSIP has been undertaken to complement the Council's Internal Financial Control Framework this Policy is subordinate to.

## **5. Interpretation**

- 5.1 For the purpose of this policy:
  - 5.1.1 "Council" means the City of Burnside.
  - 5.1.2 "Legislation" means all relevant State and Commonwealth legislation and Council By-Laws.

## **6. General Ledger Financial Information**

- 6.1. This Policy guides Council and its administration in how financial information is recorded in the administration's financial systems and the integrity checks required to meet statutory requirements in forming the annual financial statements.
- 6.2. The financial information required relates to:
  - 6.2.1. General and Subsidiary Ledger Journals;
  - 6.2.2. General and Subsidiary Ledger Reconciliations; and
  - 6.2.3. Other financial information required to fully document the business Council undertakes to comply with the Act and the Regulations.
- 6.3. In order to mitigate risk of error or fraud, all ledger reconciliations will be completed and reviewed in accordance with the timing in Finance Department's Reconciliations Matrix. This will ensure the integrity of the ledger is maintained with reasonable frequency.

- 6.4. This Policy prescribes that segregation of duties should exist within the General Ledger cycle in preparation of journals and Balance Sheet reconciliations and the review of the same.
- 6.5. It also provides an external auditor assurance that internal control frameworks are being adhered to with diligence and due care.
- 6.6. The administrative processes to complete the reconciliations are further included in internal Management Protocols, subordinate to this Policy.
- 6.7. The reconciliations apply to the following financial information recorded as part of Council operations in the General Ledger system, either directly or via Subsidiary Ledger journals:
  - 6.7.1. Debtors and Debt Collection
  - 6.7.2. Monies or Cash Received
  - 6.7.3. Creditor Payments
  - 6.7.4. Petty Cash transactions
  - 6.7.5. Bank Account reconciliations and operations
- 6.8. Fixed Asset information integrity is subject to the Fixed Assets Policy specifically prescribing guidelines in how this information is recorded and maintained, and will be monitored in accordance with the timing in Finance Department's Reconciliation Matrix.

#### Debtor Reconciliations

- 6.9. As a result of Council undertaking a wide range of services purchased by external parties, services are provided in advance of income being received.
- 6.10. Debts raised and issued to those external parties shall be recorded in the Accounts Receivable subsidiary ledger and reconciled with the General Ledger.
- 6.11. The initial reconciliation shall be completed by the officer responsible for Debts and Debtor collections.
- 6.12. The reconciliation shall be checked and authorised by a senior finance officer. If a senior finance officer is not available to undertake the check this shall be undertaken by the Group Manager Finance & Governance.

#### Debt Collection

- 6.13. Council is obliged to review outstanding debtor balances on a regular basis. This review shall be undertaken in accordance with the timing in the Finance Department's Reconciliations Matrix for all outstanding Council debts inclusive of Rates.

- 6.14. Outstanding debtor balances shall be dealt with according to the amount of time the debt has been outstanding from the time a debtor invoice has been raised by Council.
- 6.15. Council is obliged to ensure outstanding debt is treated in a fair and equitable manner, where a debtor's financial circumstances may impact on their ability to acquit the debt.
- 6.16. It is incumbent on the debtor to notify Council of these circumstances before any exceptional circumstances for payment are agreed. Council administration must undertake to negotiate with the debtor before being referred to an external debt collector.

#### Provision for Doubtful Debts (Non Rates Debts)

- 6.17. A provision for doubtful debts will be established for aged debts outstanding for greater than one hundred and fifty (150) days for which follow up action taken to recover the debt has been unsuccessful.
- 6.18. In considering the creation of the provision, the quantum of the debt, the nature of the debt and the payment history, if one has been established, of the debtor may have a bearing on providing for the outstanding debt prior to it being outstanding for 150 days. This is particularly the case if it is known that debt recovery is unlikely prior to it reaching 150 days outstanding.
- 6.19. Outstanding debtor balances reaching this benchmark shall be reviewed and appropriate action should be taken to recover debt in consultation between Council's Accounts Receivable function and its outsourced debt recovery provider to ensure outstanding debts are monitored and managed in a prudent manner.
- 6.20. If all reasonable attempts at recovery have been exhausted, the Group Manager Finance & Governance may recommend an unrecoverable debt to be written off. This recommendation shall be endorsed by the manager of the operational unit responsible for raising the debt.
- 6.21. Once this endorsement has been gained, The Group Manager Finance & Governance may then commence the protocol to write-off the debt in line with the process prescribed in the Delegations Register.

#### Monies or Cash Received

- 6.22. Monies or Cash Received shall be recorded by an entry to the General Ledger Bank Account on an individual transaction basis.
- 6.23. The payer shall be issued with a cash receipt originating from the entry into the General Ledger Bank Account.
- 6.24. Receipts for cash payments shall be issued in unbroken sequential order.

- 6.25. If the payment is made by cheque, the cheque shall be crossed “Not Negotiable” by the payer before receipt by administrative staff.
- 6.26. Voided or receipt reversals shall be retained in order to maintain unbroken sequential receipting for reconciliation purposes.
- 6.27. Monies received by mail shall be forwarded to the Customer Experience representative for receipting and banking.

#### Banking

- 6.28. Monies received by a designated Council officer must be deposited into the physical Council bank account, on the day or as soon as practicable after receipt by Council.
- 6.29. Deposits shall be prepared by the appropriate compiling officer to ensure the physical cash reconciles to the end of day balance. The banking is reviewed by an independent authorised officer.
- 6.30. Cash deposits shall be reconciled with the General Ledger Bank Account, as part of the reconciliation of the Bank Account(s) encompassing all financial information affecting the Account including journals originating from the;
  - 6.30.1. Accounts Receivable subsidiary ledger;
  - 6.30.2. Accounts Payable subsidiary ledger;
  - 6.30.3. Credit and Purchase Card payment information and;
  - 6.30.4. Petty Cash payments
- 6.31. If required to do so, cash held on premises overnight shall be insured to a commensurate value at Council’s discretion.

#### Petty Cash

- 6.32. Cash Payments may be made out of an established Council petty cash account for the purposes of making small expenditure reimbursements of an ad-hoc nature, with a limit of up to \$50 for an individual transaction (including GST). Any amounts over \$50.00 are to seek approval from the Group Manager Finance & Governance.
- 6.33. Petty cash purchases require evidence of the reimbursement and shall be subject to Council’s Delegations and as such will require authorisation by the appropriate authoriser.
- 6.34. Petty cash accounts shall be reconciled to reimbursement docketts and the residual float on a regular basis in accordance with the timing in Finance Department’s Reconciliation Matrix.
- 6.35. An independent senior finance officer shall authorise all Petty Cash reconciliations.

6.36. An audit of all petty cash accounts matched to the General Ledger will be undertaken as part of the annual financial accounts audit.

#### Bank Accounts

6.37. Bank accounts will be operated by Council exclusively for conducting its business and for no other business purpose.

6.38. All bank accounts will be in the name of The City of Burnside. New accounts can only be opened, and/or existing accounts closed, with the express approval of Council.

6.39. At least two (2) authorised signatories are required to disburse any funds from Council bank accounts.

6.40. Authorised signatories are to match those officers delegated to perform these duties under Council's Delegations.

#### Creditor Payments

6.41. All purchase order requisitions shall be authorised by a delegate with the appropriate approval authority.

6.42. All creditor payments originating from creditor invoices raised via purchase orders agreed with suppliers shall be transacted through Council's Accounts Payable subsidiary ledger.

6.43. All accounts for payment shall be created by an Accounts Payable officer and certified by an Authorising Officer, as per Council's Delegations ensuring:

6.43.1. The receipt of the goods and services being in accordance with the relevant official purchase order;

6.43.2. The prices charged being fair and reasonable;

6.43.3. The calculations and additions being correct and;

6.43.4. The allocation of the payment to the correct ledger.

6.44. Creditor payments made by cheque, Electronic Funds Transfer and BPAY shall be drawn on the Council's bank account.

6.45. Payments for goods or services via cheque shall be made via council stationery, pre-numbered and issued in numerical sequential order.

6.46. Unused cheques shall be stored securely by the Accounts Payable Officer responsible for maintaining the pre-printed cheque register. The register is to be reconciled in accordance with the timing in Finance Department's Reconciliation Matrix, authorised by a senior finance officer.

6.47. A General Ledger to Accounts Payable Subsidiary Ledger and Bank Account reconciliation is to be undertaken in accordance with the timing in the Finance Department's Reconciliation Matrix.

6.48. These reconciliations are to be compiled by a finance officer, and reviewed and authorised by a senior finance officer.

6.49. Any unexplainable anomalies that are found as a result of performing this reconciliation are to be reported to the Group Manager Finance & Governance.

### Manual Journals

- 6.50. Manual Journals, when required, are to be compiled by a finance officer, and reviewed and authorised by a senior finance officer, ensuring that segregation of duties is maintained.
- 6.51. The senior finance officer is required to ensure that the correct account allocation has been used and all other details on the journal are correct.
- 6.52. The journal along with any supporting documentation is required to be approved by the senior finance officer and then posted in the General Ledger through Council's accounting software.

## **7. Availability**

- 7.1 The Policy is available to be downloaded, free of charge, from Council's website [www.burnside.sa.gov.au](http://www.burnside.sa.gov.au).
- 7.2 The Policy will be available for inspection without charge at the Civic Centre during ordinary business hours and a copy may be purchased at a fee as set annually by Council.

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