



**Light
Regional
Council**

General Ledger Procedure

Reference Number:	Section 1 No. 18
Responsible Department:	Finance
Related Policy/Procedure:	
Date of Adoption:	19 February 2019
Current Review Date:	13 June 2023
Minute Reference:	OCM-2023/119
Version Number:	1
Applicable Legislation:	Local Government Act 1999
Next Review Date:	February 2025
Review Frequency:	Triennially

1. Purpose

The general ledger, job cost ledger and chart of accounts provides the ability to input and extract information accurately and efficiently in order to produce internal reporting for management and external financial reporting.

The management of the general ledger, job-cost ledger and chart of accounts includes:

- Maintenance of the chart of accounts through the addition, deletion and modification of general ledger accounts, including project/job ledger and plant ledger accounts;
- Management and maintenance of the general ledger framework;
- Accurate processing and the effective review of general journals;
- Regular reconciliation of financial position accounts and their independent review; and
- Adequate data security measures within a formal disaster recovery plan, including access controls.

This procedural statement outlines the how Finance staff involved in the recording of financial transactions manage the chart of accounts and general ledger, make changes to the general ledger or job ledger or subsequently produce ledger reports and reconciliations.

2. Scope

The chart of accounts and ledgers are used to record all financial transactions of Light Regional Council.

- The chart of accounts is a list of all accounts in the general ledger and job cost ledger tracked by a single accounting system which is designed to capture financial information. Each account in the chart is assigned a unique identifier and is classified into one of five categories - assets, liabilities, equity, income and expenses.
- The general ledger is a central repository of accounting information in which the financial summaries of all transactions of Council (derived from subsidiary ledgers) are recorded and categorised into assets, liabilities, equity, income and expenses.
- The job-cost ledger is a central repository of accounting information specifically for tracking capital works projects and related maintenance works.

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3. Procedure Detail

This procedural statement and any associated guidelines apply to all Light Regional Council staff generally but is managed specifically by the organisation's finance team.

3.1 General Ledger Framework and the Chart of Accounts

Changes to the chart of accounts will be:

- Requested in writing on the general ledger account number request form to the Financial Controller, with the following exceptions;
 - i. New accounts that are required for initiatives approved within Council's annual budget. The Finance Team has responsibility for management of this requirement.
 - ii. Accounts from the standard account set that are additions to an existing set of general ledger accounts, dimensions and job accounts.
- Made as appropriate to ensure correct account allocations are made;
- Approved by the Financial Controller or designate;
- Assessed as to the impact upon processes and financial reporting; and
- Amended by a member of Finance with the appropriate responsibility.

Changes to the general ledger and job-cost framework will be:

- Approved by the Manager Finance;
- Consistent with the local government model financial statements, approved annually;
- Assessed as to the impact upon processes and financial reporting;
- Amended by a member of Finance with the appropriate delegation; and
- Documented and recorded in Council's document management systems.

General Ledger accounts have a defined allocation as follows:

Particular classification levels are allocated to each unique account number combination and serve the purpose of collation of accounts for reporting purposes. The standard structure is as follows:

Account Category	Account Sub-Category	Department/Function	Division/Sub-Function
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- Account Category defines the account as either income or expenditure
- Account Sub-Category groups the income or expenditure accounts that share similar functions e.g. Fees, Grants, Employee Costs, etc.
- Department/Function groups accounts into the Local Government Grants Commission (LGGC) main purpose e.g. council administration, cultural services etc.;
- Division/Sub-function groups accounts into the LGGC sub-purpose e.g. work, health & safety, halls and institutes etc.

Account numbers are structured as follows:

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Account Number	General Manager Level	Department Level	Area
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- Master level describes at a high-level the activity being undertaken by Council e.g. Legal, Consultants, Rate Revenue, etc.
- General Manager Level - the General Manager that is responsible for the income or expenditure action being undertaken
- Department Level - the Manager/Co-ordinator responsible for the transaction that is occurring e.g. Information Technology, Tourism, Property and Facilities, etc.
- Area defines a particular location or task to be costed to e.g. Kapunda Office, Freeling Library, Reserves, etc.

Job ledger accounts are used for the purposes of any capital works undertaken. They are posted to work-in-progress on the statement of financial position until the project is determined to be complete and capitalised. The layout is as follows;

Job Number	Job Task Number	Asset Activity
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- Job Number indicates the identifying number given to particular project being undertaken e.g. Wilkinson Road, Enterprise Project, Waste Water Treatment Plant, etc.
- Job Task Number accounts for the Asset Class to be costed and budgeted to e.g. Roads, Footpaths, Lighting, etc.
- Asset Activity recognises the task that is being undertaken by each entry e.g. Salaries, Plant Usage, Contractors, etc.

Total account number structures are defined and “mapped”. Several procedural documents are used as references to guide the management of the general ledger and Job accounts.

3.2 Journal Processing

All journals must have the following characteristics before being posted:

- The sum of the debits and credits shall be equal for each transaction to be processed;
- Each journal shall have supporting documentation to evidence the purpose of the transaction that would satisfy an independent reviewer and auditor;
- Each journal must include a summarised explanation of the transaction which is entered into the accounting system; and
- Each journal shall be reviewed and authorised by an independent approver with the required skill to understand the transaction prior to after being posted.

The accounting system provides for the following types of general ledger journals:

- Manual journal
- Control account journal
- Spreadsheet import journal
- Job employee cost and plant/machinery upload journal

- Payroll Import journal
- Rates and Receivables Import Journal

All journals must have the following characteristics after being posted:

- Each journal will have a unique document number issued by the system;
 - The unique document number for each journal will ensure none are overlooked; and
 - Each journal will be filed in the central repository in numerical order.
- All other journals must have the following characteristics after being posted:
- The system generated journal number must be manually written onto the hard-copy output journal.

3.3 Account Reconciliations

- Financial Position account reconciliations are an internal control which assist in ensuring accuracy and reliability of financial information.
- Suspense accounts are used by Light Regional Council to record transaction amounts which are temporarily held therein, pending a determination as to the appropriate allocation within the general ledger.

Reconciliations for both types of accounts noted above will:

- Be performed within 5 working days of the completion of any month;
- Have corrective action performed in a timely manner;
- Be reviewed and authorised by an appropriate person with the necessary skills that is independent of the preparer;
- Have supporting documentation for any reconciling items; and
- Be stored in a central repository.

3.4 Data Security

A key risk in relation to the general Ledger is that data contained within the ledger is permanently lost. Council's risk aversion and management strategies include:

A formal Business Continuity Plan. The objective of this plan is to ensure that there is a set of clear and comprehensive instructions relating to the recovery of records, to ensure the minimum of loss and disruption of services in the event of an emergency or disaster.

Council's corporate data system (Business Central) is a hosted, cloud based solution provided and serviced by Microsoft.

Local Government Act 1999

This procedure provides guidance for the appropriate maintenance and recording of transactions into the general ledger, to comply with Section 124 of the Local Government Act 1999 which states:

(1) A Council must:

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- a) Keep such accounting records as correctly and adequately record and explain the revenues, expenses, assets and liabilities of the Council
- b) Keep its accounting records in such manner as will enable –
 - i. The preparation and provision of statements that present fairly financial and other information; and
 - ii. The financial statements of the Council to be conveniently and properly audited.

4. Review

This procedure may be amended at any time and must be reviewed at least every three (3) years from its inception (or last amendment).

5. History of Procedure Amendment

Procedure adopted at the Audit and Risk Committee meeting held 19 February 2019 at Item No. AUD9.2.4/2019 General Ledger Procedures on Page 2019/15.

Amendment 1 of the General Ledger Procedure adopted at the Ordinary Council Meeting held 27 June 2023 Minute Reference OCM-2023/119.