



**FINANCIAL CONTROL PROCEDURE  
NO 23  
BALANCE SHEET  
DRAFT**

**FINANCE DIRECTORATE**  
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## 1 INTRODUCTION & BACKGROUND

- 1.1 This document aims to provide guidance on how to manage the Health Board's Balance Sheet, in order to improve the governance framework enabling a standard and consistent reconciliation process.
- 1.2 The FCP aims to outline the requirements for:
- The preparation, review and corporate review of all balance sheet reconciliations;
  - Appropriate balance sheet backing for review and audit purposes;
  - The correct application of classification/coding for balance sheet transactions;
  - Communication of mitigating actions to resolve queries following review;
  - The timescales within which to complete the reconciliation process.
- 1.3 The balance sheet is managed by the Accounting and Governance team within Finance. A separate Balance sheet review protocol has been developed to define the core review team, timescales, and the responsibilities of the preparers, reviewers and corporate reviewers. It also outlines the reporting mechanisms and escalation process, where required. The protocol is outlined in section 3 within this Financial control Procedure.
- 1.4 The Director of Finance or the Assistant Director of Finance (Accounting and Governance) listed below may be contacted regarding interpretation of this procedure, or for any further guidance and advice in respect of Balance sheet management.

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## 2 SCOPE

- 2.1 To outline the Health Board's process of preparation, review and corporate review of the Balance sheet, and the management of the Balance sheet transactions;
- 2.2 To substantiate the general ledger account by analysing line items in the account;
- 2.3 To ensure every transaction has been recorded and accounted for in each service group/corporate directorate/balance sheet code – and applied the proper classification in the process;

To provide assurance to the Assistant Director of Finance (ADoF) / Deputy Director of Finance (DDoF) on the robustness of the Balance Sheet throughout the year and in readiness for Year End;

- 2.4 To set out the escalation process where management input is required to facilitate timely intervention, during the current financial year.

### **3 BALANCE SHEET REVIEW PROTOCOL**

- 3.1 A review protocol has been approved by the Finance Senior Leadership Team (SLT) setting out the responsibilities of Finance within the review process;
- 3.2 It is the responsibility of the Accounting and Governance team within Finance to manage and control the review process;
- 3.3 The core review team consists of:
- Head of Accounting and Governance
  - Principal Finance Manager – Accounting and Governance
  - Finance Manager – Accounting and Governance
  - Site Leads
  - OFT Support
- 3.4 Where there is a specific focus area being discussed, other representation from within the Finance team could attend as required. Chaired (alternating) by:
- Head of Accounting – Accounting and Governance
  - Principal Finance Manager – Accounting and Governance
  - Finance Business Partner or Deputy if value is significant and needs further discussion
- 3.5 Frequency of meetings –
- Core review team - monthly
  - Specific focus area – monthly in rotation, as per timetable.

### **4 PREPARATION**

- 4.1 The preparer responsibilities include:
- creating the balance sheet reconciliation containing the ledger transactions;
  - collating the supporting documentation for ledger transactions over £20,000;
  - uploading and archiving both the reconciliation and supporting documentation;
  - ensuring that the backing is clear, up-to-date and reconciles back to the amount declared on the reconciliation;
  - Signing off the balance sheet reconciliation and then communicating to the approver that the reconciliation is ready for their review.
- 4.2 The detail required by Preparer needs to include sufficient information that enables the reviewer to understand the following:
- What the accrual is for;
  - To whom the amount is due;
  - What period the accrual covers;
  - What the basis of the accrual is and how it was calculated;
  - Reference should be hyperlinked to the backing for the accrual;
  - The accrual needs to be clearly identifiable in the backing schedule and agree to the figure shown in the reconciliation.

#### 4.3 Preparer - Reconciling Items

- A transaction or item that represents a difference between the general ledger balance and the subsidiary ledger or other supporting schedule(s) balance;
- All reconciling items are required to be identified, should be explained and have supporting documentation.

#### 4.4 Preparer – Supporting documentation

- The preparer needs to ensure that transactions within the Balance Sheet codes are at detail level and are not a total value for an accrual/prepayment etc. i.e. the same level of detail transacted on the I&E needs to be transacted against the Balance sheet.
- Provides details for and substantiates the general ledger account balance being reconciled. Supporting documentation should be detailed enough so that a person without extensive knowledge of the account can review the reconciliation and understand the nature of the balance.
- Examples of supporting documentation include, but are not limited to, bank or other third-party statements, reports from sub ledgers or other internal systems, calculation work papers, and notes or commentary by the preparer/approver.
- Evidence and supporting documentation does not include internal (Finance) generated information or copies of journals.
- The supporting documentation should also be from the most recent source available. Where the source documentation is older than 6 months, commentary should be provided by the preparer/approver to explain the reasons why an older source is being used. For example, invoiced annually or latest invoice not received at preparation date etc.
- If the supporting documentation is a number of documents, please ensure that a summary is provided referencing the individual documentation, so that it is clear, where the figures have come from
- The Corporate review will require backing for any items over £20,000 by default. However, should the backing of any items within a reconciliation be insufficient or an item has been included for a prolonged period, the Balance Sheet Review group may request backing for any value. Where an item is one-off or would not be on the balance sheet after 1-2 months e.g. an Income accrual where an invoice is raised quarterly, these can be excluded from the need to provide backing, but only for maximum of 2 months.

## 5 REVIEW

### 5.1 The approver is the individual who is responsible for the following:

- Reviewing the reconciliation and supporting documentation for validity, accuracy, and completeness;
- Confirming that the reconciliation agrees to the balance per the balance sheet at the period end;
- Being aware of and accountable for (where appropriate – e.g. for CHC the site lead is not accountable) the ledger transactions making up the balances shown on the balance sheet;

- Ensuring that all backing has been provided and is easily identifiable and accurate.
- Communicating with the preparer at review point, with relevant notes where backing is insufficient;
- Signing off the reconciliations linked to the Reviewer/Approver/Preparer schedule published on the Accounting and Governance SharePoint site;
- If you are reviewing the reconciliation and have queries/adjustments to be made by the preparer, please sign off the reconciliation but add a note to the front cover, so that the Corporate reviewer knows that it has been reviewed, but requires further work.

## **6 CORPORATE REVIEW**

6.1 The corporate reviewer is responsible for ensuring the following:

- The approver has signed off the reconciliation;
- Ensuring the reconciliation matches the trial balance;
- Reviewing the ledger entries, items over £20,000 are cross checked against the backing provided;
- Reviewing ledger entries that have been held on the ledger for a prolonged period;
- Reviewing ledger entries that have been completed by site, that could have been completed in OFT;
- Reviewing ledger entries that have been incorrectly coded;
- Communicate with relevant notes;
- Highlighting risk and opportunities to the Assistant Director of Finance (ADoF) – Accounting and Governance and the Head of Accounting and Governance.

6.2 An Action Log is to be maintained on a monthly basis, which will highlight any issues found during the corporate review process. The action log will be available on the SharePoint.

## **7 TIMESCALES**

7.1 The timescales for completing each element of the Balance sheet review process are set out within the Finance Month End timetable. Any changes to the timings will be reflected in the timetable.

7.2 The Finance Manager (OFT) manages the Finance Month End timetable.

## **8 REPORTING**

8.1 The Balance Sheet Review Group will report findings via a Highlight report to the Assistant Director of Finance (ADoF) – Accounting and Governance and the Head of Accounting and Governance;

8.2 The Highlight report will be shared with the SLT on a quarterly basis;

8.3 The Action Log will be published (as a live document) on the Accounting and Governance Share point site – Balance Sheet Review;

8.4 On a quarterly basis the log will be presented to Finance Business Partner meeting to ensure any actions are addressed at a senior level.

## **9 ERROR IDENTIFICATION AND CORRECTION**

- 9.1 Any errors should be corrected as soon as possible following identification;
- 9.2 Errors should be communicated to the relevant area(s) that are affected by the misstatement and explain any impacts the error may cause;
- 9.3 Where an error cannot be resolved by the relevant area, these are to be escalated to the core review team in a timely manner.

## **10 TRAINING**

- 10.1 A training program is to be provided to staff in each category to outline the roles, responsibilities and expectations with regard to the balance sheet process.

## **11 AUDIT**

- 11.1 Following Year End, all preparers and reviewers may be required to support the responses to audit
- 11.2 Any items of any value on the balance sheet could be subject to audit scrutiny and therefore preparers and reviewers should supply sufficient backing if requested.