

Briefing Note:

SAP issues

9 August 2011

A SAP health check took place on 3 August 2011 with Service Birmingham which was represented by a SAP system support person and an accountant seconded to the team. A number of operational issues were raised covering revenue budgeting, reporting and forecasting, balance sheet reporting and capital accounting and reporting – where Harrow finance staff sought advice from the Service Birmingham Team. These issues are referred to below with recommendations. BCC refers to Birmingham City Council and it is recognised that their advice is based on their own practices which may not always suit Harrow's business needs. The list of issues from Harrow is attached for reference.

The higher level strategic use of SAP needs to be considered as part of what the finance function will look like in the future and how this best meets the needs of the Council.

Operational issues

1. **Drill Down to POs and Transactions**

✓ Finance staff feel that the drill down to POs and transactions is poor in terms of what this allows either finance or budget holder to see and that this is often inadequate to allow the user to see what the transaction relates to.

✓ Service Birmingham reply: the drill down is as expected and fit for purpose. However, agree that adequate description is missing.

Recommendation:

✓ Require Abap (hard coded) change to system to bring across text being entered at stage PO is raised. Business must remind all PO raisers to supply adequate description.

2. **Other users can raise orders or make charges against someone else's budget.**

✓ Service Birmingham reply: this is standard procedure in BCC. The budget holder is expected to raise a query where necessary with the source of the charge.

Recommendation:

Business decision for Harrow.

3. **Profiling**

Harrow has not switched on any other profile than 1/12ths, this hinders measuring budget against actual in a meaningful way.

Service Birmingham reply: BCC uses a range of profiles which are discussed in depth

with the budget holder at the start of the year. Actual is measured against profiled budget and the differences are highlighted and explained in conjunction with the budget holder.

Recommendation: Harrow to switch on distribution keys so that a suitable profile can be applied. Business decision: cash or accruals profiling.

4. Revenue and capital reports in SAP.

Service Birmingham reply: BCC use BI to design reports. BCC use Funds Management and same report format for revenue and capital.

Recommendation: Harrow to review suite of reports and to implement a flexible report writer

1. Transactions. There is no clear drill down to a transaction.
2. KP06 is antiquated and not user friendly. What is best practice?
3. Is there a better system for capital monitoring and forecasting. Fund management? What is best practice?
4. Purchase orders. Again drill down is insufficiently clear.
5. Integration between HR and Financial Ledger.

Major Developments

1. Pension Fund separate legal entity along with separate bank accounts;
2. WLWA separate legal entity along with separate bank accounts; and
3. HRA going forward

Capital Accounting

1. Need to investigate if further transactions can be posted once the project code is settled to an asset.
2. Cannot run depreciation for current year periods until fixed assets are closed for previous year. This distorts the budget monitoring reports. The previous year does not get closed until end of September when the audit is completed.
3. Need to stop amortisation of grant in the system.
4. Residual amount is left at the end of the useful economic life on some of the assets.
5. Amend useful economic life as per the valuation report
6. SORP 2007/08 changes is still outstanding
7. Need to explore the use of sub assets to have an overall view of how much is spent on the asset. This will also enable us to accommodate different useful life of the assets under the component accounting policy.
8. Use of the funding stream to support the monitoring process
9. Use system to calculate MRP which is based using the information in 6 above and the life of the asset.

Budget Issues

1. Virements – The current KP06 screens only allows overwriting the virements which makes it impossible to track the changes and do the reconciliation. Would be ideal via a virement journal with all the features of a journal (e.g. actioned by, approved by, balance to zero, etc.).

Other issues

1. The general ledger allows posting to both capital WBS and Cost centres
2. Report names
3. Drill down
4. ZFI_grir seems to produce inconsistent data. PO's show up one month but not the next month.
5. User friendly names of the report.