

## **FINANCE AND OFFICE SERVICES DEPT REPORTS FOR THE FINANCE AND RESOURCES COMMITTEE FOR 22<sup>nd</sup> March 2006**

### **General**

Since the last Finance & Resources Committee Meeting, the Finance department has produced the January YTD Management Accounts and is preparing for publication of the February YTD monthly accounts.

### **March 05 Year End**

Regarding the 31<sup>st</sup> March 2005 Statutory Accounts, the Statement of Internal Control is now completed. We will adopt National Audit Office's (NAO) recent view that 05/06 fraud costs of £13k after March balance date plus fraud investigation costs (auditors, lawyers) totalling approx £118k should be recognised in the 05/06 accounts, as were incurred after the 31<sup>st</sup> March 05 balance date. Pre-31<sup>st</sup> March 2005 balance date costs included fraud costs of £120k and audit fees of £36k. Any potential recoveries of fraud-related costs from our ex-auditors are still under negotiation with their lawyers.

The final outstanding points on the March 05 Accounts are for us to agree with the auditors whether any provisions are needed in the accounts for PAYE and NI back-taxes payable and for Baker Tilly and NAO to create and sign letters stating their audit opinions about the accounts.

### **Supplier payments**

At 31 December, at least 95% by value of the £334k Creditor payments (Jan Purchase Ledger) are in the 30 days or less category in the Aged Creditors Listing. The payment date schedule is posted on the HPC intranet (for the next 12 mths) and payment runs are run approx every two weeks to ensure prompt invoice processing.

### **Fee adjustments and income receipts handling**

At the time of writing (10<sup>th</sup> March), there is a backlog in Registrant direct debit cancellations and amendments of about 0.5 processing days. We have about three days processing backlog on rejected payments/refunds and two days backlog on mid-cycle lapsing of Registrants. Banking of Registrant cheques is up to date, while credit card reconciliations are about three days behind.

### **Income Collection cycle**

Direct debit collections of Registrants' fees (cover more than 80% of renewal fees by value) are done by the Finance Dept, with collections made two months in advance. SL, PO and CS collections occurred in February. Further fee collections scheduled in March are for PH and OT professions. Most of the income comprises Renewal fees collected.

### **Insurance and Risk Management**

We recently commissioned a survey of vehicle users on HPC business from Fleetrisk-24 Ltd, a risk assessor and training provider in this area. Results of the survey should indicate the magnitude of the risk. Once understood, we can review HPC travel policies and whether further health and safety training is needed for vehicle users on HPC business.

The Risk Assessment Register has been updated in February 06 and submitted as a paper to the Audit Committee for review and approval.

### **Funds under Management**

At 9<sup>th</sup> March, the Business Reserve account balance was £0.63M, earning an interest rate of approx 2% per annum. A further £3.6M is invested in the Money Market on a rolling fortnightly basis, earning 4.2% per annum.

At the time of writing, NatWest and HSBC are active Money Market providers for HPC. There is still some proof of identification paperwork to provide to Barclays in order to activate them as an HPC Money Market provider. There are no bank loans outstanding. Approx £1.5M is also invested with Carr Sheppards Crosthwaite, professional fund managers in a fund portfolio.

We are in compliance with the Reserves Policy level Committee-approved in November 2005.

### **Employee Training**

Three Finance staff are enrolled in part-time, after hours CIMA courses (professional accountancy qualification) at present. Staff also attend Tax and Payroll update courses as required.

### **Significant Financial Projects/Issues (next few mths)**

- Publication of the 31<sup>st</sup> March 2005 accounts and preparation for the 2005/06 Financial Year End.
- Implementation of various Employment tax changes (contracts and payment) in time to “go live” from 6<sup>th</sup> April - refer separate paper.
- Resolution of VAT issues outstanding on 22-26 Stannary St – refer separate paper.
- Seek Committee, Council and Parliamentary approval to raise the International Scrutiny Fee to £350 per application from 1<sup>st</sup> January 2007 – refer separate paper.
- Avoid a significant backlog of Registrant payment rejections, balance adjustments and mid-cycle lapses building up.
- Action outstanding insurance issues, including Fleet-risk assessment (vehicle drivers).
- Implement HMRC online PAYE filing and Bulk Letter Generation projects in March 2006.
- Update the Financial Procedures manual, reconcile SAGE suppliers to authorised supplier list and encourage greater role cross-training within the department, to minimise person risk.

### **Employee Issues**

There is a team of five full-time employees in the department. Person-cover risk is an ongoing issue while financial procedure documentation is outdated. Temp staff are periodically hired to cover for permanent staff on leave and to help clear work backlogs (to maintain service levels). The new permanent Purchase Ledger Officer started work on 7<sup>th</sup> March.

### **Old CPSM Pension Scheme Wind Up**

The Chief Executive and Finance Manager met with the Pension Wind-Up Manager/Professional Trustee of the old CPSM Pension fund (now under Capita Hartshead’s management and control) in late February. The purpose of the meeting was to ascertain the timing of the CPSM pension scheme wind-up, get an update of the steps involved and receive an indication of a likely pay-out to HPC from residual scheme funds.

We were informed that by about June 2006, the financial position of the scheme should be known with certainty, after the fund is re-valued and agreement reached between Capita Hartshead and Scottish Life about likely pay-outs to members. The pension scheme members would then need

to be notified of the wind-up plans and have a three month period to respond. The indications are that a complete resolution of this issue should occur for HPC in the final three calendar months of 2006.

**Other**

- Residual AUDDIS testing is still occurring, at the time of writing.
- CPSM Charitable Trust is now de-registered.

**Office Services Report**

**Staffing**

The new Office Manager – Stephen Hall is now in post for a two month period, replacing Deborah Farley. The Office Manager manages 2 full-time Receptionists, a part-time Post Room Officer, part- time Building Maintenance Officer and part-time Catering/Tea person. The intention is to replace the temporary catering/tea person with a permanent person shortly.

**Procurement & Logistics**

- The Office Services Manager has initiated a review of HPC’s archiving policy (what we store in archive cartons and for how long). Meanwhile, the Information Services Manager is accessing archive boxes to review their contents, electronically scan relevant records and store or dispose of the remainder. Recall are HPC’s current record archiving provider. We believe there are approximately 2000 boxes in storage at Recall premises, of which a few hundred have been accessed recently.
- Replacement photocopiers to be ordered from Xerox in March
- Work to re-tender HPC’s Cleaning Contract is underway
- A written proposal to re-decorate the main traffic areas and Park House Reception completed and awaiting cost quotes.