

## **FINANCE DEPT REPORT FOR THE FINANCE AND RESOURCES COMMITTEE FOR 8<sup>TH</sup> FEBRUARY 2006**

### **General**

Since the last Finance & Resources Committee Meeting, the Finance department has produced the December YTD Management Accounts and is preparing for publication of the January 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 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 92% by value of the £389k Creditor payments (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.

When the Accounts Payable Officer resigned in early December, we were two weeks behind in processing Accounts Payable invoices. At present, we are about three weeks behind. In explanation, various signatory managers were away over Xmas/early January delaying some sign-offs and we have experienced delays in the temp replacement person clearing the backlog. Other Finance staff have also provided limited assistance in this area, due to competing work priorities.

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

At the time of writing (24<sup>th</sup> January), there is a backlog in Registrant direct debit cancellations and amendments of about 2 processing days. We are up to date on rejected payments, refunds and mid-cycle lapsing of Registrants. Banking Registrant cheques and credit card reconciliations are up to date.

### **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. CH collections occurred in December with R, PA and OR ones in January. Further fee collections are scheduled in February for the SL, PO and CS professions. Most of the income comprises Renewal fees collected.

### **Insurance and Risk Management**

The HPC Risk Management document (last updated in November 2005) was presented to the Audit Committee meeting on 18<sup>th</sup> January. Baker Tilly Insurance Services were approached to

provide an alternative annual premium quote on insurance coverage, but at the time of writing, have yet to respond.

### **Funds under Management**

At 25<sup>th</sup> January, the Business Reserve account balance was £0.9M, earning an interest rate of approx 2% per annum. A further £2.1M is invested in the Money Market on a rolling weekly/fortnightly basis, earning approximately 4% per annum.

NatWest, Barclays and HSBC are now the three nominated Money Market providers but at the time of writing we are waiting on NatWest to release proof of identification paperwork to the other nominated banks. 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**

Tax Update training is scheduled for the three senior staff in February. Three Finance staff are enrolled in CIMA courses (part-time, after-hours professional accountancy qualification) at present.

### **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
- Recruitment & appointment of a permanent Accounts Payable Officer in Feb-March 2006
- Resolution of the Employment tax changes (travel claims and Council Member employment status), including communication to affected parties and appropriate additions to Payroll records.
- Completion and approval of Version 3 of the 2006/07 Budget for Finance & Resources Committee approval at their 22<sup>nd</sup> March meeting
- Seek Committee, Council and Parliamentary approval to raise the International Scrutiny Fee to £300 per application from 1<sup>st</sup> January 2007.
- 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 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).

### **Other**

- Residual AUDDIS testing is still occurring at the time of writing.
- In November, the Finance Manager, FTP Director and the Chief Executive met with senior partners of Kingsley Napley and Bircham Dyson Bell (legal firms heavily used by HPC) to achieve improved invoice transparency, quarterly summaries and more timely billing, effective immediately.

- Various Jan/early Feb extra-ordinary meetings – Council Workshop pre-meeting with facilitator and workshop, prospective Internal Auditor firm briefings, Council member and staff inductions, Needs Analysis with G.B.Training, Sector Finance manager benchmarking meeting and EMT Away Day.

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