

Agenda Item 4

 Executive Board Meeting  
5 March 2014

Memo No 1/14

## FINANCE AND INFORMATION SYSTEMS UPDATE

### Purpose

1. To provide the Board with an update on financial, accounting and IS matters.

### Annual Accounts 2013-14

2. For FC GB/England accounts have been prepared for the 9 months period ended 31 December 2013. NAO, our external auditors, have done transactions testing based on these accounts. Further testing will be done for January and February transactions to ease the process of preparing the final accounts for the year. Timetables and plans are in place to meet all the deadlines associated with the end of year work.

### Central Services Finances

3. Annex A outlines agreed budgets, December actuals and forecasts. The Business Monitoring exercise for the second quarter ended December 2013 was recently completed. Details of variances are provided in the annex.

### Spend recovery audit

4. As part of the Westminster Government's Fraud and Error Reduction Programme, departments were required to have their last 5 years supplier spend data analysed to identify possible instances of fraud or error. Data for all parts of the FC was analysed as part of this review. Local cost centres are currently investigating the results of the analyses which identified the following potential issues:

### Number of potential duplicate payments

	2009-10	2010-11	2011-12	2012-13	2013-14
<b>FC England</b>	5	2	1	2	3
<b>FE England</b>	29	16	26	18	8
<b>Forest Research</b>	2	2	2	1	1
<b>Silvan House</b>	4	8	6	2	3
<b>FC Scotland</b>	2	3	6	5	1
<b>FE Scotland</b>	28	20	33	22	6
<b>FC Wales/NRW</b>	4	4	2	4	1
<b>TOTAL</b>	<b>74</b>	<b>55</b>	<b>76</b>	<b>54</b>	<b>23</b>

## Value of potential duplicate payments (£'000)

SBE	2009-10	2010-11	2011-12	2012-13	2013-14
FC England	£40K	£150K	£1K	£14K	£2K
FE England	£81K	£73K	£170K	£83K	£10K
Forest Research	£2K	£4K	£2K	£1K	£1K
Silvan House	£14K	£21K	£11K	£2K	£4K
FC Scotland	£83K	£3K	£46K	£25K	£1K
FE Scotland	£70K	£48K	£75K	£87K	£27K
FC Wales	£9K	£7K	£1K	£3K	£4K
<b>TOTAL</b>	<b>£299K</b>	<b>£306K</b>	<b>£306K</b>	<b>£215K</b>	<b>£49K</b>

5. Investigations to date show that the headline numbers are overstated. Many entries reflect costs being shared by more than one cost centre or are lease payments. Many of the duplicate payments have already been identified by analyses conducted by Internal Audit and recovery effected. However, the analyses have also identified other duplicates and these are being pursued by the cost centres. The largest current recovery was for £21K from 2010.

6. In all cases, duplicate payments occurred because of a breakdown in internal controls, primarily by staff failing to carry out mandatory checks. There were no instances of possible supplier fraud. Results show a significant improvement in the past year. In part this is a result of improved system controls which are designed to prevent duplicate suppliers being set up.

### HMRC compliance review

7. HMRC has indicated that it will carry out a compliance review later in 2014. A joint HR/FAS group has been set up to identify risk areas and put in place "quick wins" before the review commences. The primary risk area is around travel and related expenses where the standard of record keeping is poor. In particular, descriptions of expenditure in both EEM and GPC frequently fail to give enough information to prove the expenditure is for business purposes or is ambiguous. A similar issue affects the use of official vehicles where the lack of mileage logs means that we cannot provide HMRC with evidence that private use is limited.

8. The HMRC audit of VAT will begin shortly following the appointment of a new review team. HMRC have carried out a fact finding visit to the New Forest and will follow this up by other visits in the coming months. Along with external consultants, FAS is reviewing the treatment of VAT within shared services and will update guidance in conjunction with HMRC in the coming months.

### Business Continuity Management

9. Significant progress continues to be made in developing business continuity within the Central Services based in Silvan House. The focus of planning has moved from divisional level to an integrated Central Services view and this has resulted in major changes to the structure of the web-based continuity management system. Despite high levels of staff turnover amongst staff responsible for business continuity, all Divisions have updated their business impact assessments and updated continuity plans are held within the new central system. Initial analyses of the impact assessments identified a number of key resource factors which were investigated and new or updated strategies developed to cope with them. For example, identifying the practical issues of supporting staff who could work from home following an incident. Next year will see more refinement and testing of the plans.

10. The central services continuity team has developed a good level of expertise and continues to work with other parts of the Commission to assist with their continuity management process.

## Procurement Services update

11. EU regulation changes have been agreed by the EU Member States and have two years to be transposed into law in UK by Westminster and Scottish Government. Westminster Government has published 8 papers on their proposed approach and have a committee looking at the best way to make the regulations law in England and Wales. There is no declared date yet, but there is still an expectation that they will come into force in Q3 of 2014/15.

12. The procurement team are reviewing all of the information coming out of Westminster and keeping the FC/FE England management team informed of developments and their impact. The Scottish Government has indicated that they will consult on the changes during 2014 and expect to finalise the new regulation in the summer of 2105. The Procurement Team are finalising an impact assessment document on the new Public Procurement regulations for FC senior management team.

13. The Procurement reform Bill (Scotland) has passed stage 1 of its journey through the Scottish Parliament. The principles of the Bill have been agreed and stages 2 and 3 will determine its final form. No firm date for the Bill to be enacted has been disclosed, but it is still expected to become law this year. The Procurement Team have produced an impact assessment document on the Bill for the FC senior management team.

14. Both above legislation changes have a significant impact on the way procurement is conducted in the FC and the Procurement Team are providing detailed information for the senior management teams in England and Scotland to allow them to make informed decisions on the future direction.

# Finance and IS Update

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## Information Systems Update

15. The EB will be aware of the significant block of work that has been on-going throughout 2013-14 to meet the Cabinet Office requirements for Public Sector Network (PSN) compliance. I am pleased to report that the FC has now received accreditation subject to some further improvements that will be taken forward in the next few months to ensure accreditation is maintained.

## eFinancials accounting ledger

16. We have completed a major upgrade of our financials systems with the implementation of Version 4.2 of eFinancials. This involved a rewrite of the software and has provided a range of enhanced functionality to system users. We have taken the opportunity to install the system on new hardware that should improve performance and provide a more robust environment. Over 200 FC staff attended Workshops and Webinars on the new system and feedback from those involved has been very positive.

## Impact on resources

17. As described in the paper.

## Risk Assessment, Communications issues and Implementation and evaluation proposals

18. The changes in Procurement legislation have been highlighted above.

## Recommendations

19. The Board is asked to note the contents of the paper.

Paul Snaith  
Director Finance  
February 2014

## Business Monitoring 2013-14

£000

### Shared Services

	Budget	Actual @Dec-13	Forecast @Dec-13	Variance from Budget
Information Services	6,352	4,823	6,523	+171
Human Resources	4,560	3,045	4,412	-148
Finance & Accounting Services	2,040	1,534	2,005	-35
Internal Audit	587	407	585	-2
IFOS	3,850	2,885	3,850	
FES Skills Support Unit	218	129	197	-21
FEE Apprentice Support	163	78	139	-24
Office Services	2,554	1,705	2,533	-21
<b>Total</b>	<b>20,324</b>	<b>14,606</b>	<b>20,244</b>	<b>-80</b>

### Corporate & Forestry\*

\* Annual budget includes £7,657k FR funding

	<b>13,137</b>	<b>8,642</b>	<b>13,122</b>	<b>-15</b>
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### Forest Research (RDEL)

	<b>7,657</b>	<b>6,498</b>	<b>7,657</b>	
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## Details of significant variances (+/- 2%) from original budgets are as follows:

### HR (incl FES Skills Support Unit, FEE Apprentice Support and Office Services)

During the year a number of savings have occurred across the various service areas. These arose mainly through staff numbers running below budget and other running costs being lower than expected. As a result it has been possible to re-direct funding to IS to fund essential Public Sector Network compliance work.

### IS

The majority of the variance relates to essential work on the Public Sector Network compliance exercise.