

SUBJECT NO 17J

CORPORATE ADMINISTRATION PILOT PAPER

SUGGESTED ANSWERS

(n.b. These are suggested answers only and not model answers. They approximate in content and length to the standard expected from candidates at this level of the Professional Programme).

SECTION A

1. (a) The Working Time Regulations introduced in 1998 and 1999 set a limit of 48 hours per week maximum working time averaged over 17 weeks and a requirement for employees to have 20 days paid holiday annually after a 13 weeks qualifying period. Employees can contract out of the 48 hour working week and agree to sign voluntary opt out agreements. There is no reference in the Regulations to public holidays and they may be included in the 20 days or additional to them. Paid holiday must be taken and untaken holiday can only be paid when a job ends Pro-rata paid leave is provided for part-time workers.
- (b) The induction process can be divided into 3 main areas – pre-arrival; day one to end of month one; and end of month one to end of the first year of employment. The following issues need to be explained or provided during the induction process:
 - (i) Offer letter, draft contract, staff handbook.
 - (ii) On day 1 – P45,46 engagement form, security access, computer password, car park pass, confidentiality undertaking.
 - (iii) Site/Office tour to include: facilities, health and safety rules, cloakrooms, catering, emergency procedures.
 - (iv) Departmental matters: organisation charts, timekeeping rules, person introduction, office rules, other departments.
 - (v) H.R.issues: pay administration, disciplinary and grievance procedures, person scheme rules, insurance issues, sickness administration, staff benefits.
- (c) Statement of Health and Safety Policy.
It is the policy of the company to take all measures which are reasonably practicable to
 - (i) ensure the health, safety and welfare of all persons at work and
 - (ii) protect visitors to the premises and the public generally against risks to their health and safety which may arise from this company's activities.

The company will undertake as far as is practicable

- (i) to provide and maintain safe systems of work and plant
 - (ii) to ensure safety in the use, handling and transport of articles and substances
 - (iii) to provide adequate information and training on health and safety issues
 - (iv) to maintain a safe place of work without health risks
 - (v) to promote consultation and employee involvement in health and safety issues.
 - (vi) to identify and advise on workplace hazards
 - (vii) to provide personal protective equipment where necessary
 - (viii) to record and investigate accidents
- (d) The main data protection principles are:

Personal data shall be processed fairly and lawfully.

Personal data shall be obtained only for one or more specified and lawful purpose.

Personal data shall be adequate, relevant and not excessive in relation to its purpose.

Personal data shall not be kept for longer than is necessary for its purpose.

Personal data shall only be transferred to a country outside the European Economic Area where adequate levels of protection for data exist.

- (e) The Telecommunication Lawful Business Practice Regulations 2000 permit interception and monitoring of telephone calls and e-mails sent and received by employees without their consent. It is advisable to inform employees of the exercise of this right otherwise data protection and human rights legislation may be breached – An e-mail policy containing this information should be made available to all staff. Firms employing telesales staff in call centres and employees taking telephone orders of shares and other securities need to be particularly aware of these regulations.
- (f) The key elements of Stakeholder Pensions are:

They are primarily aimed at lower paid employees with no access to occupational schemes.

The tax treatment will be modelled on the existing treatment of personal pensions.

The limit of contributions is £3600 p.a. whether the individual works or not. The minimum contribution is £240 p.a.

Contributions will qualify for tax relief at the individual's highest rate, and can be varied or stopped without penalty.

Employers are required to provide access to a stakeholder scheme unless they have fewer than 5 employees or employees are offered membership of an occupational scheme or a group personal pension arrangement.

- (g) The basis and commercial use of a captive insurance company are.
A captive insurer is an insurance company wholly owned by a commercial organisation and usually dedicated solely to the underwriting of its parent company's risks.
An organisation with a risk which it cannot carry or which cannot find one or more insurers to take the bulk of that risk from it, may form a captive insurer to carry that risk in another domicile.
Premiums remitted to the captive can be invested to earn dividends. As premiums and claims are paid between countries, profits can be made on currency exchange. A foreign captive can have lower taxes on its profits.
- (h) The key principles of Statutory Value Added tax are:
Individuals or companies (businesses) who trade must register for Value added tax if their turnover is above a certain level.
Registration means that their customers must be charged VAT on the goods or services that the business sells, but the business can reclaim VAT on things that it buys to sell or use in the business.
On a quarterly basis the business must pay the Customs and Excise department the net amount of VAT it has collected or claim a refund if the VAT paid exceeds the amount that has been charged. Certain categories of business e.g. booksellers, food, or children's clothes are exempt from VAT or are zero-rated.
- (i) The main priorities of a Facilities Management function are:
To integrate multi-disciplinary activities within the built environment and to manage their impact on people and the workplace. Such activities can include: cleaning, catering, energy management, security, office services, office maintenance, space planning, fire protection, waste management, electrical cabling heating and lighting, car parking, vehicle fleet management, health and safety and environmental legislation.
- (j) The key issues to be covered in a security audit are:
- classification of data and other resources
 - human resources policy including recruitment and selection checks and terms of employment.
 - the organisation and resources of the security department
 - security awareness and training for employees

- full review of physical security including sensitive areas, monitoring devices,
- security of essential supplies and threats from 3rd parties
- definition of the profile of a security adviser

SECTION B

2. DISCIPLINARY AND GRIEVANCE PROCEDURE

Background

Every disciplinary procedure should firstly aim to show the offending employee the nature of their offence and the means by which acceptable behaviour can be introduced and secondly where applicable provide evidence that may support a dismissal and successfully defend any subsequent tribunal case. All procedures must be fair, accepted and adhered to and the management must ensure that all staff know the procedure.

The principles of a grievance procedure are that it should provide details of the following:

- how to notify the concern, or, if it arises from the application of the disciplinary procedure, the appeal.
- who to appeal to and, should it be rejected by them, details of the next and any further stages.
- time limits that apply regarding each decision and
- how decisions are to be communicated.

DISCIPLINARY PROCEDURE

(a) Purpose of the procedure

The Company's aim is to encourage improvement in individual conduct and performance. This procedure sets out the action which will be taken when Company rules are breached.

(b) Principles

If you are subject to disciplinary action:

- The procedure is designed to establish the facts quickly and to deal consistently with disciplinary issues. No disciplinary action will be taken until the matter has been fully investigated;

- At every stage you will be advised of the nature of the complaint, be given the opportunity to state your case, and be represented or accompanied by a fellow employee of your choice;
- You will not be dismissed for a first breach of discipline except in the case of gross misconduct, when the penalty will normally be dismissal without notice and without pay in lieu of notice;
- You have the right to appeal against any disciplinary action taken against you;
- The procedure may be implemented at any stage if your alleged misconduct warrants such action.

(c) Informal discussions/counselling

Before taking formal disciplinary action, the Company will make every effort to resolve the matter by informal discussions with you. Only where this fails to bring about the desired improvement should the formal disciplinary procedure be implemented.

THE PROCEDURE

(d) Formal verbal warning

If, despite informal discussions, your conduct or performance does not meet acceptable standards, you will be given a formal verbal warning by the Company. You will be told:

- The reason for the warning;
- That this warning is the first stage of the disciplinary procedure;
- That you have the right to appeal.

A brief note of the warning will be kept but it will lapse after 6 months, subject to satisfactory conduct and/or performance.

(e) Written warning

If there is no improvement in standards, or if a further offence occurs, a written warning will be given. This will state the reason for the warning and a note that, if there is no improvement after 3 months, a final written warning will be given. A copy of this first written warning will be kept on file but the warning will lapse after 12 months subject to satisfactory conduct and/or performance.

(f) Final written warning

If your conduct or performance remains unsatisfactory, or if the misconduct is sufficiently serious to warrant only one written warning, then a final written warning will be given making it clear that any recurrence of the offence or other

serious misconduct within a period of 1 month will result in dismissal. A copy of the warning will be kept on file but the warning will lapse after 12 months subject to satisfactory conduct and/or performance.

(g) Dismissal

If there is no satisfactory improvement or if further serious misconduct occurs, you will be dismissed.

(h) Gross misconduct

If, after investigation it is deemed that you have committed an offence of the following nature (the list is not exhaustive), the normal consequence will be dismissal:

- Theft, fraud, deliberate falsification of company documents
- Fighting, assault on another person
- Deliberate damage to company property
- Sexual or racial harassment
- Being unfit for work through alcohol or illegal drugs
- Gross negligence
- Gross insubordination

While the alleged gross misconduct is being investigated, you may be suspended from work during which time you will be paid the normal hourly rate. Such suspension is not to be regarded as a form of disciplinary action and will be for as short a period as possible. Any decision to dismiss will be taken only after a full investigation. If you are found to have committed an act of gross misconduct, you will be dismissed without notice or payment in lieu.

(i) Appeals

If you wish to appeal against any disciplinary decision, you must appeal, in writing within five working days of the decision being communicated to you to

Representation

At all stages in disciplinary and grievance procedures, employees have a right to be accompanied by a representative of their choice.

Record

Full notes of any hearing will be made independently at disciplinary and grievance procedures, with an opportunity for either party to challenge and correct the record of the proceedings.

3. EMAIL AND INTERNET USE POLICY

(a) Use of e-mail – Introduction

The rules contained in this policy document form part of your staff handbook and your employment contract. A serious breach of these rules could lead to dismissal. You need to be aware of the security and legal implications of using e-mail whilst at work. You should consult your departmental manager or the Administration Manager if you are unsure about any issues. It is your responsibility to read the latest version of this document which should be both e-mailed to you and sent in the internal.

- (b) You may use your company computer to access the Internet whilst at work provided such access has been put in place by the IT department. You are expected to use the Internet sensibly and not so that it interferes with efficient working practices. You may be asked to justify the amount of time you have spent on the Internet or the sites you have visited. You must not bring your own laptop or other computer into work to surf the Internet unless permitted by your Manager.

Any registration on websites, commitment to licences and contracts and downloading of files and software requires prior approval by the company and checking with the IT department.

(c) Personal Use

You may access the Internet for personal use only during your lunch breaks provided that such use is limited to 20 minutes per day, you do not order goods and services without your Manager's permission, you do not access any sites which would result in charges being levied, you do not use the Internet for Unlawful material and you do not enter into any contracts or commitments in the name of your company.

(d) Use of E-Mail

You may send work related e-mail but not send or receive personal e-mails at work using the company's computers. Private e-mails may only be sent by staff using their own laptops during their lunch hours. You must ensure that the company's official corporate information is given on the e-mail and that the messages are carefully read for typing and spelling errors. You must be aware that the company can be sued for libel if you make inaccurate statements in your e-mail which disparage or denigrate other people or companies. Do not attach anything to an e-mail which may contain a virus as the company could be liable to the recipient for loss suffered. The company will routinely monitor your e-mails and websites accessed at work to ensure compliance with the law.

(e) Contracts

You will be told by the company whether you have authority to enter into contracts on behalf of the company and the rules and financial limits that apply.

When ordering electronically on behalf of the company you must follow the company's purchasing procedures (available on the company's Intranet). If in doubt take advice from the Company Secretary.

(f) Copyright

Most information available electronically is protected by copyright in the same way as printed material. Copying electronically is a breach of the Copyright, Designs and Patents Act 1998, with which the company complies. If in doubt check with the Company Secretary and do not assume that because information is on the Internet it can be freely copied.

(g) Trade Marks

The Company's name is a registered Trade Mark and you should advise the Company Secretary if you see anyone else using it. You must not register any new domain names or trade marks relating to the Company without prior approval.

(h) Data Protection

The Company is registered under the Data Protection Act 1998 which governs the transmission of personal data by e-mail or otherwise. You should ensure that you are aware of these rules before transmitting personal data.

4. FROM COMPANY SECRETARY

TO BOARD MEMBERS

The changing role of the Administrator and the need to secure effective administration in the modern company.

(a) Introduction

Increasingly organisations are recognising that efficient administration can benefit use of resources and better control over core activities. The Administrator, in many cases the Company Secretary has responsibility for a wider range of activities in contemporary organisations and I have listed these functions in this paper. I have also detailed the administrative framework and the areas where efficient administration can benefit the modern company and ensure cost effective delivery of core activities'

(b) Definitions

Administration can be defined as the establishment, operation and control of the systems by which an organisation determines, communicates and progresses towards its objectives. It can also be defined as; the receiving, processing, transmitting and retrieving of information; a service function providing an infrastructure on which the rest of the organisation stands; that part the management process concerned with the institution and carrying out of

procedures by which the programme is laid down and communicated and the progress of activities is regulated and checked against targets and plans.

In the modern company Administration is about a framework of corporate governance, communication and the handling of information, in a rational approach to identifying needs, making and implementing decisions and monitoring and reviewing performance.

(c) Administrative functions.

The following can be considered to be typical administrative functions in the modern company:

- The organisation, co-ordination and interpretation of business needs.
- Managing legal compliance, corporate governance and codes of Behaviour.
- Solving detailed business problems.
- Highlighting the wider implications of strategic planning, and operational decisions.
- a range of tasks requiring high degrees of planning, analysis and detailed implementation.
- a range of tasks requiring demanding time-scales and very specific treatment.
- the simplification of work within the organisation.

(d) The administrative framework

The administrative function provides a framework for the organisation to do three things:

- Decide what it wants to do
- Do what it wants to do
- Ensure that it does what it should have done

The level of support that might be given in each area will of course vary considerably from one organisation to another and from one administrator's role to another. For example the Company Secretary of a modern organisation could well take the leading role in legal compliance, the management of human resources, financial management, information systems development and management, facilities management and internal communication.

(e) Areas where efficient administration can benefit the modern company

- The organisation of management and board meetings with agenda, papers and effective minute taking.
- The implementation of a system for vertical and lateral communication throughout the company including the complete range of intranet, electronic mail action centred minutes and working procedures
- The design, implementation, and internal approval in budget terms, of company wide administrative system.
- The organisation and allocation of administrative staff responsibilities.
- The organisation and implementation of appropriate administrative procedures.
- The implementation of a set of performance measures, based on Board approval for the systematic monitoring and review of the company's administration.
- The acquisition and use of suitable information technology to ensure the optimum management of information within the company.

5. FROM: COMPANY SECRETARY
TO: BOARD MEMBERS

INSURANCE PROVISIONS TO PROTECT THE COMPANY'S HUMAN RESOURCES

The company recognises that it should provide a range of insurance covers and policies which would benefit both the company itself in terms of staff morale and retention, and the employees who will recognise that the company will insure against the possibility of loss or damage to human resources in the same way that they protect physical assets.

The following are the key insurance provisions that the company will need to introduce:

(a) Personal Accident Insurance

This type of insurance pays specified benefits when the insured is injured by an accidental cause. Group personal accident insurance can be provided for all employees or for selected groups and typically insurers require classification by occupation of the insured employees. Declarations are made annually to the insurance company and prior medical examinations are not normally required. This type of policy will include medical expenses cover and a business travel element both of which are important for overseas travel.

(b) Sickness Insurance

This is an annual insurance which replaces earnings lost through incapacity caused by illness or by specified illnesses. The level of benefits provided will depend on the nature and length of the illness and whether there is total or partial disablement. Typically proposal forms are required for this type of insurance since current and previous medical history is important.

(c) Permanent Health Insurance

This cover is designed to replace earned income on a long term basis, usually up to the insured's anticipated retirement date. The policies are administered like annual contracts to a specific amount, usually up to 75% of salary and subject to PAYE deduction. The disabled person generally remains an employee of the company and can remain a member of the company pension scheme throughout his incapacity.

(d) Private Healthcare

The company may wish to contribute to a corporate scheme for private healthcare cover for its employees. This would involve subscription to a scheme offered by one of the major providers of health care insurance. Employees and their families can be invited to join the scheme and the cost of membership is classed as a benefit in kind for the employees and taxed accordingly. An excess payment for a certain amount of treatment payable by the employee, can often help to reduce premium levels.

(e) Key-Man Insurances

The company may seek to use insurance to replace loss to the business due to the death or incapacitating illness of a key employee ('key-man'). A more detailed proposal would be required to effect this insurance and this would include information on recent trading figures and projections for the future. The sums insured will need to approximate to the employee's demonstrable financial value to the company.

(f) Life Assurance

The three types of life assurance are term assurance which is for a fixed term and pays the agreed benefit if the life assured dies within the term, endowment assurance which pays the sum assured if the life assured survives to the end of the term and whole life assurance which pays the sum assured on the life assured's death and has not fixed term. The company would need to consider the cost of life assurance linked to the pension scheme as a means of providing death in service cover for its employees.

6. REPORT TO MANAGING DIRECTOR

'The Introduction of an Occupational Pension Scheme for Staff'

Introduction

An occupational pension scheme requires two types of document at the outset, an interim trust deed and a definitive trust deed and rules. Subsequently scheme

approval, membership, continued financing and communication with members are key issues that need to be addressed.

(a) Interim Trust Deed

This deed starts the scheme quickly and contains the basic trust provisions covering investment, appointment and removal of trustees and winding up provisions. Staff are informed of the broad provisions of the scheme and the benefits and contributions people.

(b) Definitive trust deed and rules

These require to be produced within two years and must be approved by the employer, the trustees, the Inland Revenue and the Occupational Pensions Regulatory Authority. The rules will cover the following issues: the trustee's powers and indemnity provisions, contributions payable by the employer and members, the benefits available to members, normal retirement age and provisions for early or late retirement, transfers into and out of the scheme investment policy, procedures for amending or winding up the scheme and all relevant legislative provisions.

(c) Scheme Approval

The Pension Schemes Office of the Inland Revenue will need to approve the scheme as tax relief is then available on employee's contributions. Any changes to the pension scheme will require notification to the Pension Schemes Office and to members, as will any changes to the Company's circumstances, such as takeovers or mergers, which could result in discontinuance or winding up of the scheme.

(d) Membership

The company may wish to provide pensions for several categories of employees such as directors, senior executives, salaried or weekly paid staff. The eligibility criteria will stipulate minimum age of entry, length of service prior to entry and possibly maximum age of entry. There should of course be equality of treatment between men and women in the area of retirement benefits provision and access to pension provision.

(e) Scheme Financing

Any pension scheme will require the appointment of an actuary, who will advise on the contribution rate to be paid into the scheme and will carry out, usually every three years, valuations to check the financial position of the scheme. The statements of Standard Accounting Practice, Accounting for pension costs, cover the main 'actuarial considerations, 'The Pension Act 1995 provides that approved defined benefit schemes must meet a solvency standard.

(f) Communication with Members

All members must be given written particulars of all essential features of the scheme. These will cover, the Pension scheme's contributions, the Pension scheme's administration and finance and the rights which arise under the scheme. All new entrants must be informed of eligibility criteria, conditions of membership,

contributions, calculations, normal pension age, transfer values and members' rights. Benefits statement must be provided to members and it is normal for pension scheme booklets covering all relevant details to be provided to members. An annual report containing full financial details, the trustees' report, an investment report, a compliance statement, an audit report and an actuarial statement must also be produced and issued to members.