

# FINANCIAL REGULATIONS

WEST THAMES COLLEGE

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# Terminology

The diverse features of further education institutions have resulted in a wide range of different terminology for committees, staff and other individuals related to the institution. As this terminology is liable to change over time, for the purpose of more easily maintaining these financial regulations the following general terms have been used. Where the College's terminology differs from these general terms, the terminology used currently by the College is highlighted in purple in the definition.

## **Audit committee**

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. In further education, institutions are required by the audit code of practice to establish an audit committee as a condition of funding.

## **Budget holder**

The member of staff who has been assigned their own budget (other than a head of department) and is accountable to their head of department for it.

## **Chief financial officer (CFO)**

The organisation's most senior executive role charged with leading and directing financial strategy and operations.

At the College, this role is performed by the **executive director of finance, HR and development**.

## **Clerk or secretary to the governing body**

In further education institutions, the clerk or secretary is responsible for the administrative support for the governing body's work, for advising on proper procedure, and for intervening when the clerk considers that the governing body is acting inappropriately or beyond its powers, in which case the clerk may need to seek external advice. The governing body will have agreed procedures for the clerk and the governing body to follow if there are difficulties in this area.

At the College, this role is performed by the **head of governance**.

## **Executive team**

The group of executive staff comprising the senior management charged with the execution of strategy.

## Finance committee

The committee with delegated responsibility for financial matters. In some institutions the functions of the finance committee and the planning (or policy) and resources committee, as shown in this guide, will be vested in a single committee. However, in some institutions such responsibilities are retained by the governing body and are not delegated.

At the College, this role is performed by the [finance, resources and capital projects committee](#).

## Funding body

In England, this refers to the Education and Skills Funding Agency for general further education colleges, sixth-form colleges and academies.

## Governing body

The group of people charged with setting the strategic direction for the organisation and responsible for its achievement.

At the College, this role is performed by the [corporation](#).

## Heads of department

The head of an academic or non-academic department of the institution who is responsible for the budget of his or her whole department/area.

At the College, there are various terms for this role dependent on the size of the area managed and whether it is an academic or non-academic department. Typically, this role is performed by either an [assistant principal](#), a [director](#) or a [head of department](#).

## Internal audit

An assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the institution's objectives.

## Principal

The most senior executive role in the institution. He or she is accountable for the use of public funds provided by the funding body and may be requested to appear before the Committee of Public Accounts (England).

# Financial regulations

## A. GENERAL PROVISIONS

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### 1 Background

- 1.1 The institution is a further education corporation created under the provisions of the Further and Higher Education Act 1992, as amended by the Education Act 2011. Its structure of governance is laid down in the instrument and articles of government. The institution is accountable through its governing body, which has ultimate responsibility for the effectiveness of its management and administration.
- 1.2 The institution is an exempt charity by virtue of the Charities Act 2011.
- 1.3 The financial memorandum between the funding body and the institution sets out the terms and conditions on which grant is made. The governing body is responsible for ensuring that conditions of grant are met. As part of this process the institution must adhere to the funding body's audit code of practice, which requires it to have sound systems of financial and management control. The financial regulations of the institution form part of this overall system of accountability.

### 2 Status of Financial Regulations

- 2.1 This document sets out the institution's financial regulations. It translates into practical guidance the institution's broad policies relating to financial control. This document was approved by the governing body on **14 December 2022**. It applies to the institution and all its subsidiary undertakings.
- 2.2 These financial regulations are subordinate to the institution's instruments and articles of government and to any restrictions contained within the institution's financial memorandum with the funding body and the funding body's audit code of practice.
- 2.3 The purpose of these financial regulations is to provide control over the totality of the institution's resources and provide management with assurances that the resources are being properly applied for the achievement of the institution's strategic plan and business objectives on a sustainable basis, including:
  - maintaining financial sustainability
  - achieving value for money
  - fulfilling its responsibility for the provision of effective financial controls over the use of public funds
  - ensuring that the institution complies with all relevant legislation
  - safeguarding the assets of the institution.
- 2.4 Compliance with the financial regulations is compulsory for all staff connected with the institution. A member of staff who fails to comply with the financial regulations may be subject to disciplinary action under the institution's disciplinary policy. Any such breach will be notified to the governing body through the audit committee. It is the responsibility of



heads of departments to ensure that their staff are made aware of the existence and content of the institution's financial regulations.

- 2.5** The finance committee is responsible for maintaining a continuous review of the financial regulations, through the chief financial officer, and advising the governing body of any additions or changes necessary.
- 2.6** In exceptional circumstances, this committee may authorise a departure from the detailed provisions herein, such departure to be reported to the governing body at the earliest opportunity.
- 2.7** The institution's detailed financial procedures set out precisely how these regulations will be implemented and are contained in a separate manual which is available in all departments.

## B. CORPORATE GOVERNANCE

### 3 The Governing Body

- 3.1** The governing body is responsible for the management and administration of the institution. Its financial responsibilities are:

- ensuring the solvency of the institution and safeguarding the institution's assets
- appointing, grading, suspending, dismissing and determining the pay and conditions of service of the principal and other senior postholders
- setting a framework for pay and conditions of service of all other staff
- ensuring that the financial, planning and other management controls, including controls against fraud and theft, applied by the institution are appropriate and sufficient to safeguard public funds
- approving the appointment of external auditors<sup>4</sup> and an internal audit service
- securing the efficient, economical and effective management of all the institution's resources and expenditure, capital assets and equipment, and staff, so that the investment of public funds in the institution is not put at risk
- ensuring that appropriate financial considerations are considered at all stages in reaching decisions and in their execution
- planning and conducting its financial and academic affairs so that its total income is not less than sufficient, taking one year with another, to meet its total expenditure
- approving an annual budget before the start of each financial year
- determining tuition fees
- ensuring that the institution complies with the funding body's audit code of practice
- approving the institution's strategic plan
- approving the annual financial statements.

### 4 Accountable Officer

- 4.1** The principal is the institution's designated accounting officer and is responsible for ensuring the financial administration of the institution's affairs in accordance with the financial memorandum with the funding body. As the designated officer, the principal may be required to justify any of the institution's financial matters to the Public Accounts Committee at the House of Commons (England).

In particular, the articles of government 3.(2).(c) charge the principal with responsibility:

*...for preparing annual estimates of income and expenditure, for consideration and approval by the governing body, and for the management of budget and resources, within the estimates approved by the governing body.*

The principal shall demonstrate his or her oversight of financial matters by signing the balance sheet and the statement of corporate governance within the annual financial statements, and the financial forecasts submitted to the funding body.

## **5 Committee Structure**

**5.1** The governing body has ultimate responsibility for the institution's finances, but delegates specific powers and processes to the committees detailed below. These committees are accountable to the governing body. A diagram depicting the committee structure is included at Appendix A.

### **5.2 Finance, resources and capital projects committee**

The role of the committee is to ensure value for money and maximization of resources and to give assurance to the corporation on the suitability and appropriateness of the College's financial strategy and policies. The committee considers and advises the corporation on financial matters, including investment and borrowing, human resources, health and safety, the property strategy and commercial activities. The finance, resources and capital projects committee's responsibilities are listed at Appendix B.

### **5.3 Curriculum, quality and standards committee**

The role of the committee is to provide assurance to the corporation about the quality of teaching, learning and student outcomes for all provision at all levels for all age groups. The committee also participates in the moderation process for the college self-assessment report (SAR).

### **5.4 Governance, search and strategy committee**

The role of the committee is to lead on the review and appraisal of strategic options, including the monitoring of strategic risk and opportunities. The committee also nominates external candidates for the approval of the corporation to fill vacancies on the corporation and for determining the process whereby candidates are nominated.

### **5.5 Audit committee**

The committee is independent and advisory and reports to the governing body. It has the right of access to obtain all the information it considers necessary and to consult directly with the internal and external auditors. The committee is responsible for identifying and approving appropriate performance measures for internal and external audit and for monitoring their performance. It must also satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness. It has a role in reviewing the institution's systems of internal control and risk management. The audit committee's duties are listed at Appendix C.

The audit requirements of the institution are set out in the funding body's audit code of practice

### **5.6 Remuneration committee**

The committee's responsibilities are to make recommendations to the corporation on the

remuneration and benefits of the principal and other key management personnel.

The corporation has adopted the *Senior Postholder Remuneration Code* and the terms of reference for the committee confirm that the committee will adhere to and follow the requirements of the code.

## 6 Other Senior managers with Financial Responsibility

### 6.1 Chief financial officer

Day-to-day financial administration is controlled by the chief financial officer who is responsible to the principal for:

- preparing annual capital and revenue budgets and financial plans
- preparing accounts, management information, monitoring and control of expenditure against budgets and all financial operations
- preparing the institution's annual accounts and other financial statements and accounts which the institution is required to submit to other authorities
- ensuring that the institution maintains satisfactory financial systems
- providing professional advice on all matters relating to financial policies and procedures
- day-to-day liaison with internal and external auditors in order to achieve efficient processes.

Appendix D shows the finance department's organisational structure. Details of the key contacts for the main areas where advice can be sought within the finance department is obtainable from the head of finance.

### 6.2 Heads of department

Heads of department are responsible to the principal for financial management for the areas or activities they control. They are advised by the chief financial officer in executing their financial duties. The chief financial officer will also supervise and approve the financial systems operating within their departments including the form in which accounts and financial records are kept. Heads of departments are responsible for establishing and maintaining clear lines of responsibility within their department for all financial matters.

Where resources are devolved to budget holders, they are accountable to their head of department for their own budget.

Heads of department shall provide the chief financial officer with such information as may be required to enable:

- compilation of the institution's financial statements
- implementation of financial planning
- implementation of audit and financial reviews, projects and value for money studies.

### 6.3 All members of staff

All members of staff should be aware and have a general responsibility for the security of the institution's property, for avoiding loss and for due economy in the use of resources.

They should ensure that are aware of the institution's financial authority limits (see 20.2) and the values of purchases for which quotations and tenders are required (see 20.6).

They shall make available any relevant records or information to the chief financial officer or his or her authorised representative in connection with the implementation of the institution's financial policies, these financial regulations and the system of financial control.

They shall provide the chief financial officer with such financial and other information as he or she may deem necessary, from time to time, to carry out the requirements of the governing body.

They shall immediately notify the chief financial officer whenever any matter arises which involves, or is thought to involve, irregularities concerning, inter alia, cash or property of the institution. The chief financial officer shall take such steps as he or she considers necessary by way of investigation and report.

## 7 Risk management

- 7.1** Risk management can be defined as ‘coordinated activities to direct and control an organisation with regard to risk’.<sup>12</sup> The institution acknowledges the risks inherent in its business, and is committed to managing those risks which pose a significant threat to the achievement of its business objectives and financial health. Detailed guidance on the level of risk considered to be acceptable/unacceptable by the institution will be set out in a separate risk management strategy.
- 7.2** The governing body has overall responsibility for ensuring there is a risk management strategy and a common approach to the management of risk throughout the institution through the development, implementation and embedding within the organisation of a formal, structured risk management process.
- 7.3** In line with this policy, the governing body requires that the risk management strategy and supporting procedures include:
- the adoption of common terminology in relation to the definition of risk and risk management
  - the establishment of institution-wide criteria for the measurement of risk, linking the threats to their potential impact and the likelihood of their occurrence together with a sensitivity analysis
  - a decision on the level of risk to be accepted, together with tolerance levels expressed in terms of measurable outcomes (see above)
  - a decision on the level of risk to be covered by insurance (see 24.1)
  - detailed regular review at department or support function level to identify significant risks associated with the achievement of key objectives and other relevant areas
  - development of risk management and contingency plans for all significant risks, to include a designated ‘risk owner’ who will be responsible and accountable for managing the risk in question
  - regular reporting to the governing body of all risks above established tolerance levels
  - an annual review of the implementation of risk management arrangements; and
  - the capability for independent verification.

## 8 Whistleblowing

- 8.1** Whistleblowing in the context of the Public Interest Disclosure Act is the disclosure by an employee (or other party, see Appendix E) about malpractice in the workplace. A whistleblower can blow the whistle about crime, civil offences (including negligence, breach of contract, etc.), miscarriage of justice, danger to health and safety or the environment or **breach of the financial regulations** and the cover-up of any of these. It does not matter whether or not the information is confidential and the whistleblowing can extend to malpractice occurring in the UK and any other country or territory.

- 8.2** Normally, any concern about a workplace matter at the institution should be raised with the relevant member of staff's immediate line manager or head of department. However, the institution recognises that because of the seriousness or sensitivity of some issues, together with the knowledge of whom the member of staff thinks may be involved, may make this difficult or impossible.
- 8.3** A member of staff may, therefore, make the disclosure to one of the staff designated for this purpose, for example the registrar. If the member of staff does not wish to raise the matter with the designated member of staff, or with the principal or the chair of the governing body, it may be raised with the chair of the audit committee.
- 8.4** The full procedure for whistleblowing is set out in the institution's separate whistleblowing policy, which is available through the human resources department. Further details of the Public Interest Disclosure Act are set out at Appendix E.

## 9 Code of Conduct

**9.1** The institution is committed to the highest standards of openness, integrity and accountability. It seeks to conduct its affairs in a responsible manner, having regard to the principles established by the Committee on Standards in Public Life (formerly known as the Nolan Committee) which governing body members and members of staff at all levels are expected to observe. These principles are set out at Appendix F. In addition, the institution expects that staff at all levels will observe its code of conduct, contained in its detailed financial procedures, which covers:

- probity and propriety
- selflessness, objectivity and honesty
- relationships.

Governing body members are also charity trustees and as such are subject to obligations imposed by charity law. Their dual role may introduce potential conflicts of interest which they will need to manage appropriately.

- 9.2** Additionally, members of the governing body, senior management or those involved in procurement are required to disclose interests in the institution's register of interests maintained by the registrar (or other designated officer). They will also be responsible for ensuring that entries in the register relating to them are kept up to date regularly and promptly, as prescribed in the financial procedures.
- 9.3** In particular, no person shall be a signatory to an institution contract where he or she also has an interest in the activities of the other party.

### 9.4 Receiving gifts or hospitality

The Bribery Act 2010 came into force on 1 July 2011. The Act introduced new offences for acts of bribery by individuals, or persons associated with relevant organisations. The penalties are severe for any employee convicted under the Act, which could mean a criminal record with ten years' imprisonment and unlimited fines. The institution's anti-bribery policy statement can be found on the finance department's webpages.

The guiding principles to be followed by all members of staff must be:

- the conduct of individuals should not create suspicion of any conflict between their official duty and their private interest

- the action of individuals acting in an official capacity should not give the impression (to any member of the public, to any organisation with whom they deal or to their colleagues) that they have been (or may have been) influenced by a benefit to show favour or disfavour to any person or organisation.

Thus, members of staff should not accept any gifts, rewards or hospitality (or have them given to members of their families) from any organisation or individual with whom they have contact in the course of their work that would cause them to reach a position whereby they might be, or might be deemed by others to have been, influenced in making a business decision as a consequence of accepting such hospitality. The frequency and scale of hospitality accepted should not be significantly greater than the institution would be likely to provide in return.

When it is not easy to decide between what is and is not acceptable in terms of gifts or hospitality, the offer should be declined or advice sought from the relevant head of department or the chief financial officer. Guidance on acceptable hospitality is contained in the detailed financial procedures. For the protection of those involved, the chief financial officer (or other designated officer) will maintain a register of gifts and hospitality received where the value is in excess of £50. Members of staff in receipt of such gifts or hospitality are obliged to notify the chief financial officer (or other designated officer) promptly.

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## C. FINANCIAL MANAGEMENT AND CONTROL

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### 10 Financial Planning

**10.1** The chief financial officer is responsible for preparing annually a rolling three- year financial plan for approval by the governing body on the recommendation of the finance, resources and capital projects committee and for preparing financial forecasts for submission to the funding body. Financial plans should be consistent with the strategic plans and estates strategy approved by the governing body.

#### 10.2 Budget objectives

The governing body will, from time to time, set budget objectives for the institution. These will help the chief financial officer in preparing his or her more detailed financial plans for the institution.

#### 10.3 Resource allocation

Resources are allocated annually by the governing body on the recommendation of the planning and resources committee, and on the basis of the above objectives. Heads of departments are responsible for the economic, effective and efficient use of resources allocated to them.

#### 10.4 Budget preparation

The chief financial officer is responsible for preparing each year an annual revenue budget and capital programme for consideration by the finance committee and by the planning and resources committee before submission to the governing body. The budget should also include monthly cash flow forecasts for the year and a projected year-end balance sheet. The chief financial officer must ensure that detailed budgets are prepared in order to support the resource allocation process and that these are communicated to heads of department as soon as possible following their approval by the governing body.

During the year, the chief financial officer is responsible for submitting revised budgets to the finance committee for consideration before submission to the governing body for approval.

## **10.5 Capital programmes**

The capital programme includes all expenditure on land, buildings, equipment, furniture and associated costs whether or not they are funded from capital grants or capitalised for inclusion in the institution's financial statements. Expenditure of this type can only be considered as part of the capital programme approved by the governing body.

The chief financial officer will establish protocols for the inclusion of capital projects in the capital programme for approval by the governing body. These will set out the information that is required for each proposed project as well as the financial criteria that they are required to meet. They are summarised at Appendix H and are shown in more detail in the financial procedures.

The chief financial officer will also establish procedures for the approval of variations, including the notification of large variations to the funding body, as laid down in funding body guidelines.

The chief financial officer is responsible for providing regular statements concerning all capital expenditure to finance committee (and/or estates committee, where appropriate) for monitoring purposes.

Following completion of a capital project, a post-project evaluation or final report should be submitted to the finance committee and/or the estates committee including actual expenditure against budget and reconciling funding arrangements where a variance has occurred as well as other issues affecting completion of the project. Post-project evaluations may also need to be sent to the relevant funding body, as laid down in funding body guidelines.

## **10.6 Other major developments including overseas activity**

Any new aspect of business, or proposed establishment of a company or joint venture or overseas activity, which will require an investment in buildings, resources or staff time of more than £100,000 should be presented to the finance, resources and capital projects committee. The institution must have due regard to the relevant guidelines issued by the funding body.

The chief financial officer will establish protocols for these major developments to enable them to be considered for approval by the governing body. These will set out the information that is required for each proposed development including a business plan, using a risk-based approach and covering risk and accountability issues, as well as the financial criteria that they are required to meet. They are summarised at Appendix I and are shown in more detail in the financial procedures.

# **11 Financial Control**

## **11.1 Budgetary control**

The control of income and expenditure within an agreed budget is the responsibility of the designated budget holder, who must ensure that day-to-day monitoring is undertaken effectively. Budget holders are responsible to their head of department for the income and expenditure appropriate to their budget.

Significant departures from agreed budgetary targets must be reported immediately to the chief financial officer by the head of department concerned and, if necessary, corrective action taken.

### **11.2 Financial information**

The budget holders are assisted in their duties by management information provided by the chief financial officer. The types of management information available to the different levels of management are described in the detailed financial procedures, together with the timing at which they can be expected.

The chief financial officer is responsible for supplying budgetary reports on all aspects of the institution's finances to finance committee on a basis determined by the finance committee but subject to any specific requirements of the funding body. The relevant extracts from the overall position are reported to each committee so that they are aware of their own financial performance against budget. These reports are presented to the governing body, which has overall responsibility for the institution's finances.

### **11.3 Changes to the approved budget**

Changes proposed to the approved budget will be first considered by the finance committee, which will make proposals to the governing body, unless they fall within the delegated approval arrangements:

- principal up to £100,000
- finance committee up to £300,000

### **11.4 Virement**

Where a budget holder is responsible for more than one budget, virement is permitted of up to 100% of the budget from which virement is sought, with the written approval of the head of department in accordance with the financial scheme of delegation.

Virement between budgets held by different budget holders is permitted up to 100% of the budget from which virement is sought with the written approval of the transferring budget holder and the head of department within the financial scheme of delegation.

The chief financial officer is responsible for submitting requests for virement of resources above £100,000 to the finance committee for approval within the financial scheme of delegation.

### **11.5 Treatment of year-end balances**

At the year end, budget holders will not normally have the authority to carry forward a balance on their budget to the following year unless the finance committee has approved a specific scheme for carrying forward all or part of unspent amounts. Specific departmental consumables and equipment account balances may be carried forward with the approval of the finance committee.

## **12 Accounting Arrangements**

### **12.1 Financial year**

The institution's financial year will run from 1 August until 31 July the following year.

### **12.2 Basis of accounting**

The consolidated financial statements are prepared on the historical cost basis of



accounting and in accordance with applicable accounting standards.

### 12.3 Format of the financial statements

The financial statements are prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education*, subject to any specific requirements of the funding body, and in accordance with the provisions of the Companies Act 1985, if that is appropriate.

### 12.4 Capitalisation and depreciation

New land and buildings will be recorded in the balance sheet at actual build or acquisition cost, except where they are received as gifts, where they will be recorded at depreciated replacement value. Buildings will be depreciated in equal instalments over their estimated remaining useful life. Land will not be depreciated.

Expenditure incurred on repair, refurbishment or extension of existing buildings will not be capitalised unless it can be demonstrated that the resultant value of the building, on the basis of depreciated replacement value, is greater than the current book value.

Expenditure incurred on the acquisition of assets other than land and buildings will be recorded in the balance sheet where the acquisition cost per item is £250 or more.

Grouped items (e.g. a suite of computers) may be capitalised where appropriate.

Capitalised assets other than land and buildings will be depreciated commencing in the year of acquisition over their expected useful economic life as follows:

- Motor vehicles 3 years
- Computer equipment 4 years
- Furniture, fittings and general equipment 5 years
- Cabling equipment of a permanent nature 10 years

Depreciation will commence in the month of acquisition.

### 12.5 Accounting records

The chief financial officer is responsible for the retention of financial documents. These should be kept in a form acceptable to the relevant authorities.

Prime documents include:

- official purchase orders
- paid invoices
- accounts raised
- bank statements
- copies of receipts
- paid cheques
- payroll records including part-time lecturers' contracts.

The chief financial officer will make appropriate arrangements for the retention of electronic records.

The institution is required by law to retain prime documents for six years. Additionally, for auditing and other purposes, other financial documents should be retained for three years or as determined by the funder. Members of staff should ensure that retention arrangements comply with any specific requirements of funding organisations.

## 12.6 Public access

Under the terms of the financial memorandum/funding agreement, the governing body is required to supply any person with a copy of the institution's most recent financial statements within two months of a request. The Act enables the governing body to levy a reasonable fee and this will be charged at the discretion of the chief financial officer. The institution will also allow members of the public to inspect the statement of accounts during normal working hours, provide copies to local libraries and make a summary available on the institution's website.

## 12.7 Taxation

The chief financial officer is responsible for advising heads of department on all taxation issues, in the light of guidance issued by the appropriate bodies and relevant legislation as it applies to the institution. Therefore, the chief financial officer will issue instructions to departments on compliance with statutory requirements including those concerning VAT, PAYE, National Insurance, corporation tax and import duty.

The chief financial officer is responsible for maintaining the institution's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

# 13 Audit Requirements

## 13.1 General

External auditors and internal auditors shall have authority to:

- access institution premises at reasonable times
- access all assets, records, documents and correspondence relating to any financial and other transactions of the institution
- require and receive such explanations as are necessary concerning any matter under examination
- require any employee of the institution to account for cash, stores or any other institution property under his or her control
- access records belonging to third parties, such as contractors, when required.

The chief financial officer is responsible for drawing up a timetable for final accounts purposes and will advise staff and the external auditors accordingly.

Following consideration by the finance committee, the financial statements should be reviewed by the audit committee. on the recommendation of the finance and audit committees, they will be submitted to the governing body for approval and to the court of governors (where appropriate).

## 13.2 External audit

The external auditors must be reappointed annually by the governing body. The governing body will be advised by the audit committee. It is good practice for a competitive tendering exercise to be held at regular intervals, at least every five years.

The primary role of external audit is to report on the institution's financial statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements and to report on the appropriate use of funds. Their duties will be in accordance with advice set out in the funding body's audit code of practice and the Auditing Practices Board's statements of

auditing standards.

In addition, the funding body will appoint separate auditors to carry out an external audit of the institution's Individualised Learner Record return. The primary role of this audit is to give assurance to the funding body that the institution's funding

is accurate within certain agreed tolerances. This work will also help the external auditors of the institution in their work on the income elements of the financial statements.

### 13.3 Internal audit

The internal auditor is appointed by the governing body on the recommendation of the audit committee.

The institution's financial memorandum with the funding body requires that it has an effective internal audit function and their duties and responsibilities must be in accordance with advice set out in the funding body's audit code of practice. The main responsibility of internal audit is to provide the governing body, the principal and senior management with assurances on the adequacy of the internal control system.

The internal audit service remains independent in its planning and operation but has direct access to the governing body, the principal and the chair of the audit committee. The formal responsibilities of internal audit are detailed at Appendix J.

### 13.4 Fraud and corruption

It is the duty of all members of staff, management and the governing body to notify the chief financial officer immediately whenever any matter arises which involves, or is thought to involve, irregularity, including fraud, corruption or any other impropriety. The institution's fraud policy statement is included at Appendix K.

The chief financial officer shall immediately invoke the fraud response plan, which incorporates the following key elements (see Appendix K for fuller details):

- He or she will notify the principal and the audit committee (through its chair) of the suspected irregularity and shall take such steps as he or she considers necessary by way of investigation and report.
- The principal shall inform the police if a criminal offence is suspected of having been committed.
- Any significant cases of fraud or irregularity shall be reported to the funding body in accordance with its requirements as set out in the audit code of practice/the Academies Financial Handbook.
- The audit committee shall commission such investigation as may be necessary of the suspected irregularity, by the internal audit service or others, as appropriate.
- The internal audit service, or others commissioned to carry out an investigation, shall prepare a report for the audit committee on the suspected irregularity. Such report shall include advice on preventative measures.

If the suspected fraud is thought to involve the chief financial officer and/or the principal, the member of staff shall notify the chair of the audit committee direct of his or her concerns regarding irregularities.

### 13.5 Value for money

It is a requirement of the financial memorandum that the governing body of the institution is responsible for delivering value for money from public funds. It should keep under review its arrangements for managing all the resources under its control, considering guidance on

good practice issued from time to time by the funding body, the National Audit office, the Public Accounts Committee or other relevant bodies.

Internal audit is to have regard to value for money in its programme of work. This will be used to enable the audit committee to refer to value for money in its annual report.

### **13.6 Other auditors**

The institution may, from time to time, be subject to audit or investigation by external bodies such as the funding body, the National Audit office, the European Court of Auditors, HM Revenue & Customs. They have the same rights of access as external and internal auditors.

## **14 Treasury management**

### **14.1 Treasury management policy**

The finance committee is responsible for approving a treasury management policy statement (based on CIPFA's *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes* and sector-specific guidance) setting out a strategy and policies for cash management, long-term investments and borrowings. This will require compliance with any funding body rules regarding approval for any secured or unsecured loans that go beyond the general consent levels set out in the financial memorandum. The finance committee has a responsibility to ensure implementation, monitoring and review of such policies.

All executive decisions concerning borrowing, investment or financing (within policy parameters) shall be delegated to the chief financial officer and an appropriate reporting system set up. All borrowing shall be undertaken in the name of the institution and shall conform to any relevant funding body requirements. The chief financial officer and his or her staff are required to act in accordance with CIPFA's code of practice.

The chief financial officer will report to finance committee termly in each financial year on the activities of the treasury management operation and on the exercise of treasury management powers delegated to him.

### **14.2 Appointment of bankers and other professional advisers**

The governing body is responsible for the appointment of the institution's bankers and other professional financial advisers (such as investment managers) on the recommendation of the finance committee. The appointment shall be for a specified period after which consideration shall be given by the finance committee to competitively tendering the service.

### **14.3 Banking arrangements**

The chief financial officer is responsible, on behalf of finance committee, for liaising with the institution's bankers in relation to the institution's bank accounts.

Only the chief financial officer may open or close a bank account for dealing with the institution's funds. All bank accounts shall be in the name of the institution or one of its subsidiary companies.

All automated transfers on behalf of the institution, such as BACS or CHAPS, must be authorised in the appropriate manner and on the basis approved by the finance committee.

Details of authorised persons and limits shall be provided for in the institution's detailed financial procedures (see 20.2).

The chief financial officer is responsible for ensuring that all bank accounts are subject to regular reconciliation and that large or unusual items are investigated as appropriate.

## **15 Income**

### **15.1 General**

The chief financial officer is responsible for ensuring that appropriate procedures are in operation to enable the institution to receive all income to which it is entitled. All receipt forms, invoices, tickets or other official documents in use and electronic collection systems must have the prior approval of the chief financial officer.

Levels of charges for contract research, services rendered, goods supplied and rents and lettings are determined by procedures approved by the finance committee, and are approved by the governing body.

The chief financial officer is responsible for the prompt collection, security and banking of all income received.

The chief financial officer is responsible for ensuring that all grants notified by the funding body and other bodies are received and appropriately recorded in the institution's accounts.

The chief financial officer is responsible for ensuring that all claims for funds, including research grants and contracts, are made by the due date.

### **15.2 Maximisation of income**

It is the responsibility of all staff to ensure that revenue to the institution is maximised by the efficient application of agreed procedures for the identification, collection and banking of income. In particular, this requires the prompt notification to the chief financial officer of sums due so that collection can be initiated.

### **15.3 Receipt of cash, cheques and other negotiable instruments**

All monies received within departments from whatever source must be recorded by the department on a daily basis together with the form in which they were received, for example cash, cheques and other negotiable instruments.

All monies received must be paid to the cashier promptly, and in accordance with a timetable prescribed by the chief financial officer and set out in financial procedures. The custody and transit of all monies received must comply with the requirements of the institution's insurers.

All sums received must be paid in and accounted for in full, and must not be used to meet miscellaneous departmental expenses or be paid into the departmental petty cash float. Personal or other cheques must not be cashed out of money received on behalf of the institution.

#### **Receipts by credit or debit card**

The institution can receive payments by debit or credit card over the telephone or cash office counter using merchant terminals provided by the institution's banker.

These terminals support primary account number (PAN) truncation where the card number

is partially obscured on the customer receipt. A copy of the receipt should be retained to support evidence of payment.

In operating this facility, the institution is bound to the Payment Card Industry Data Security Standard (PCI DSS), which is designed to ensure cardholder information is stored, processed and transmitted securely.

The chief financial officer is responsible for ensuring the institution maintains PCI DSS compliance, which is monitored by the bank's merchant services unit.

#### **15.4 Collection of debts**

The chief financial officer should ensure that:

- debtors invoices are raised promptly on official invoices, in respect of all income due to the institution
- invoices are prepared with care, recorded in the ledger, show the correct amount due and are credited to the appropriate income account
- any credits granted are valid, properly authorised and completely recorded
- VAT is correctly charged where appropriate, and accounted for
- monies received are posted to the correct debtors account
- swift and effective action is taken to collect overdue debts, in accordance with the protocols noted in the financial procedures
- outstanding debts are monitored and reports prepared for management.

Only the chief financial officer can implement credit arrangements and indicate the periods in which different types of invoice must be paid. These were approved by the corporation on 25 May 2005. Any subsequent changes must be submitted to the finance committee for approval.

- 15.5** Requests to write off debts in excess of £50,000 must be referred in writing to the principal for submission to the finance committee for consideration. Debts below this level may be written off with the permission of the principal. Debts below £20,000 may be written off with the permission of the chief financial officer. The requirements of the institution's articles of government should be considered.

#### **15.6 Student fees**

The procedures for collecting tuition and residence fees must be approved by the chief financial officer. He or she is responsible for ensuring that all student fees due to the institution are received.

Any student who has not paid an account for fees or any other item owing to the institution shall be prevented from re-enrolling at the institution and from using any of the institution's facilities unless appropriate arrangements have been made.

#### **15.7 Refunds**

The institution seeks to minimise the opportunities for money laundering in accordance with the Money Laundering Regulations 2007. Where refunds are required, they should be made to the original payer and follow the method by which the money was received. For further information see the institution's policy on bribery and money laundering.

#### **15.8 Student loans**

Appropriate records will be maintained to support all transactions involving student loans.

### 15.9 Emergency/hardship loans

The institution's scheme for emergency/hardship loans must be approved by the governing body. This will include the maximum assistance that can be given in any individual case. Under no circumstances should payments be made other than in accordance with the approved scheme.

The chief financial officer is responsible for ensuring the adequacy of the systems in place for:

- approving loans in accordance with the scheme
- paying loans that have been approved
- recovering loans that have been paid.

## 16 Other Income-generating Activity

### 16.1 Private consultancies and other paid work

Unless otherwise stated in a member of staff's contract:

- outside consultancies or other paid work may not be accepted without the consent of the head of department (and in the case of the head of the department, the principal)
- applications for permission to undertake work as a purely private activity must be submitted to the head of department or the principal, as appropriate, and include the following information:
  - the name of the member(s) of staff concerned
  - title of the project and a brief description of the work involved
  - the proposed start date and duration of the work
  - full details of any institution resources required (for the calculation of the full economic cost)
  - an undertaking that the work will not interfere with the teaching and normal institutional duties of the member(s) of staff concerned.

### 16.2 Short courses and services rendered

In this context a short course is any course that does not form part of the award-bearing teaching load of the department.

Any staff wishing to run a short course must have the permission of his or her head of department. The course organiser will be responsible to the head of department for day-to-day management of the course.

The term 'services rendered' includes testing and analysis of materials, components, processes and other laboratory services or the use of existing facilities in order to gain additional information.

### 16.3 Collaborative provision including franchising

Any contract or arrangement whereby the institution provides education to students away from institution premises, or with the assistance of persons other than the institution's own staff or with independent contractors (partner organisations), must be subject to the following procedure.

There shall be a contract signed by the principal and on behalf of any partner organisation that shall comply with the funding body model contract (as amended from time to time) in place before any provision is made. Contracts for significant changes in franchising activity

shall be approved in advance by the governing body.

The form of the contract shall be scrutinised in advance of its operation by the audit committee and approved by the planning and resources committee or the governing body.

The impact of the contract(s) shall be subject to scrutiny by the planning and resources committee or the governing body. The format for regular reports shall be as stated in funding body guidance. They shall consider the risk factors associated with the proposed partnership and agree an appropriate entry in the institution's financial forecast.

Where the partnership would represent a significant departure from the institution's strategic plan, the governing body shall approve the departure, and the principal shall seek the views of and inform the funding body.

#### **16.4 European Union and other 'match funding'**

Any such project requires the approval of the appropriate officer prior to any commitment being entered into. Such approval shall be dependent upon the relevant head of department being able to demonstrate that eligible matching funds are available and that the project is financially viable by the application of the institution's costing and pricing policy.

Individual applications for funds in excess of £300,000 shall be the subject of a report by the principal to the governing body which will set out, among other things, the potential risks generated by the project.

If the institution sub-contracts such work to external providers, the relevant head of department shall ensure that:

- this is on the basis of a written contract which allows for full audit access to detailed records
- appropriate monitoring procedures are in place to ensure that the outputs are achieved and the provision is of suitable quality
- payments are only made against detailed invoices.

#### **16.5 Profitability and recovery of overheads**

All other income-generating activities must be self-financing or surplus generating unless it is intended that a new course be launched as a loss leader. If that is the case, the reason for it must be specified and agreed by the head of department and the chief financial officer.

other income-generating activities organised by members of staff must be costed and agreed with the chief financial officer before any commitments are made. Provision must be made for charging both direct and indirect costs in accordance with the institution's costing and pricing policy, in particular for the recovery of overheads.

#### **16.6 Deficits**

Any unplanned deficits incurred on other income-generating activities will be a charge to departmental funds.

#### **16.7 Additional contributions to departments**

Distribution of profits on other income-generating activity between central funds of the institution and individual departments will be in accordance with the policy approved by the finance committee.

#### **16.8 Additional payments to staff**



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Any proposal which involves additional payments to members of staff should be supported by a schedule of names and values and must be approved by the head of department, and in the case of a head of department, the principal.

## **17 Intellectual Property Rights and Patents**

### **17.1 General**

Certain activities undertaken within the institution including research and consultancy may give rise to ideas, designs and inventions which may be patentable. These are collectively known as intellectual property.

### **17.2 Patents**

The finance committee is responsible for establishing procedures to deal with any patents accruing to the institution from inventions and discoveries made by staff in the course of their research.

### **17.3 Intellectual property rights**

In the event of the institution deciding to become involved in the commercial exploitation of inventions and research, the matter should then proceed in accordance with the intellectual property procedures issued by the institution and contained in the institution's detailed financial procedures.

## **18 Expenditure**

### **18.1 General**

The chief financial officer is responsible for making payments to suppliers of goods and services to the institution.

### **18.2 Scheme of delegation/financial authorities**

The head of department is responsible for purchases within his or her department. Purchasing authority may be delegated to named individuals within the department. In exercising this delegated authority, budget holders are required to observe the purchasing policies and financial procedures.

Under procedures agreed by the chief financial officer, central control shall be exercised over the creation of requisitioners and authorisers and their respective financial limits.

Any changes to the authorities to commit expenditure must be notified to the chief financial officer immediately.

Heads of department and budget holders are not authorised to commit the institution to expenditure without first reserving sufficient funds to meet the purchase cost.

The member of staff (or budget holder) authorising the invoice for payment must be different from the member of staff responsible for signing the purchase order form.

Expenditure on a single item in excess of £5,000 shall require the approval of the chief financial officer. Expenditure on items in excess of £50,000 shall require the approval of the principal. Expenditure on items in excess of £100,000 shall require the approval of the finance committee.

Full details of financial authorities to commit expenditure are contained in the institution's financial scheme of delegation (see Appendix N).

### 18.3 Procurement

The institution requires all budget holders, irrespective of the source of funds, to obtain supplies, equipment and services at the lowest possible cost consistent with quality, delivery requirements and sustainability and equality legislation, and in accordance with sound business practice, considering framework agreements as appropriate. Factors to be considered in determining lowest cost are noted in the financial procedures.

The purchasing function is the responsibility of the chief financial officer (or other designated officer) although it may be delegated to another member of staff. It will:

- ensure that the institution's purchasing policy is known and observed by all involved in purchasing for the institution
- provide advice on matters of institution purchasing policy and practice
- provide advice to and assist departments where required on specific departmental purchases
- develop appropriate standing supply arrangements on behalf of the institution to assist budget holders in meeting their value for money obligations
- vet all orders above £5,000 before they leave the institution
- draft and negotiate all large-scale purchase contracts (generally in excess of £100,000 ) undertaken by the institution, in collaboration with the responsible department
- ensure that the institution complies with European Union regulations on public purchasing policy.

### 18.4 Purchase orders

The ordering of goods and services shall be in accordance with the institution's detailed financial procedures/purchasing policies. official institution orders must be placed for the purchase of all goods or services, except those made using purchasing cards, company credit cards or petty cash. In exceptional circumstances, urgent orders may be given orally but must be confirmed by an official purchase order endorsed 'confirmation order only' not later than the following working day.

When transferring goods or services between departments, an interdepartmental transfer form must be used.

It is the responsibility of the chief financial officer (through the institution's purchasing officer) to ensure that all purchase orders refer to the institution's conditions of contract (see 20.8 and Appendix L).

### 18.5 Purchasing cards, credit and debit cards

The operation and control of the institution's purchasing cards, credit and debit cards are the responsibility of the chief financial officer. There will be appropriate oversight of the distribution of such cards and the associated card limits.

Holders of cards must use them only for the purposes for which they have been issued and within the authorised purchase limits. Such cards shall be used for the payment of valid business expenses only, and the misuse of such cards shall be grounds for disciplinary action. Cards must not be loaned to another person, nor should they

be used for personal or private purchases. Cardholders should obtain approval to purchase from the relevant budget holder and should ensure that there is sufficient budget available to meet the costs. The chief financial officer shall determine what information is required on purchases made with cards from cardholders and deadlines for receipt in the finance

section to enable financial control to be maintained. There should be appropriate segregation of duties, with those reviewing and reconciling cards not holding and using those cards.

Details of the operation of the scheme are set out in financial procedures.

### 18.6 Tenders and quotations

Heads of department and delegated budget holders must comply with the institution's tendering procedures contained in the institution's code of tendering practice, which are applicable as follows:

- under £5,000 – the budget holder shall have the discretion to decide whether or not to obtain quotations, but value for money must always be obtained
- from £5,000 to £15,000 – the budget holder shall be required to obtain at least three quotations
- from £15,000 to £100,000 – the budget holder shall be required to obtain at least three written quotations
- over £100,000 – all items will require formal competitive tenders
- the award of contracts over £100,000 shall be reported to the finance committee.

Only partnership arrangements for the supply of goods or services specifically approved by the finance committee or the governing body will fall outside these arrangements for tenders and quotations.

The main points covered by the institution's code of tendering practice are described at Appendix M and may be subject to special rules imposed by funding bodies.

### 18.7 Post-tender negotiations

Post-tender negotiations (i.e. after receipt of formal tenders but before signing of contracts) with a view to improving price, delivery or other tender terms can be entered into provided:

- it would not put other tenderers at a disadvantage
- it would not affect their confidence and trust in the institution's tendering process.

In each case a statement of justification should be approved by the principal prior to the event showing:

- background to the procurement
- reasons for proposing post-tender negotiations
- demonstration of the improved value for money.

All post-tender negotiations should be reported to the finance committee.

### 18.8 Contracts

Building contracts are the responsibility of the finance, resources and capital projects committee and are administered by the executive director of resources and student experience.

Proposals will normally be initiated by the executive director of resources and student experience in respect of planned replacements, general improvement schemes, or space planning, or in response to requests from departments.

Consultants may be appointed if the project, as determined by the finance, resources and capital projects committee, is too large or too specialised for estates department resources.

Appointments shall be subject to tendering and other procedures where appropriate.

Proposals shall be presented in the form of costings or investment appraisals prepared in conjunction with the chief financial officer as appropriate for estates committee consideration. Investment appraisals should comply with appropriate funding body guidance.

Following consideration by the finance, resources and capital projects committee, and approval by the governing body, submissions should be forwarded to the funding body where appropriate. If required agreement is secured from the funding body, funding body procedural rules should be followed. Funding body guidance on best practice should be followed even when funding body approval is not required.

The achievement of value for money will be an objective in the letting of all contracts.

Conditions of contract for the purchase of goods will be followed as described in the institution's detailed financial procedures. The main points are described at Appendix M.

### **18.9 EU regulations**

The purchasing officer is responsible for ensuring the institution complies with its legal obligations concerning EU procurement legislation. EU procurement regulations apply to written contracts for all forms of procurement, purchase or hire (whether or not hire purchase) with a total value exceeding a threshold value.

The purchasing officer will advise heads of department on the thresholds that are currently in operation. A breach of these EU regulations is actionable by a supplier or potential supplier.

It is the responsibility of heads of departments to ensure that their members of staff comply with EU regulations by notifying the purchasing officer of any purchase that is likely to exceed the thresholds. This will need to be done well in advance in order to permit advertisements in journals such as OJEU.

The purchasing officer is also required annually to submit to the funding body details on expenditure which exceeds the threshold. Copies of the relevant documentation falling into this category must be provided by heads of department to the purchasing officer.

### **18.10 Receipt of goods**

All goods shall be received at designated receipt and distribution points. They shall be checked for quantity and/or weight and inspected for quality and specification. A delivery note shall be obtained from the supplier at the time of delivery and signed by the person receiving the goods.

All goods received shall be entered onto an appropriate goods received document or electronic receipting system on the day of receipt. If the goods are deemed to be unsatisfactory the record shall be marked accordingly and the supplier immediately notified so that they can be collected for return as soon as possible. Where goods are short on delivery the record should be marked accordingly and the supplier immediately notified.

All persons receiving goods on behalf of the institution must be independent of those who negotiated prices and terms and placed the official order.

### **18.11 Payment of invoices**

The procedures for making all payments shall be in a form specified by the chief financial

officer.

The chief financial officer is responsible for deciding the most appropriate method of payment for categories of invoice. Payments to UK suppliers will normally be made by computer cheques or BACS transfer each week. In exceptional circumstances the chief financial officer will prepare cheques manually for urgent payments.

Heads of department are responsible for ensuring that expenditure within their departments does not exceed funds available.

Suppliers should be instructed by the budget holder to submit invoices for goods or services to the finance department.

Care must be taken to ensure that discounts receivable are obtained.

Payments will only be made by the chief financial officer against invoices that can be matched to a receipted order or have been certified for payment by the appropriate head of department or budget holder.

Certification of an invoice or receipting of an electronic order will ensure that:

- the goods have been received, examined and approved with regard to quality and quantity, or that services rendered or work done is satisfactory
- where appropriate, it is matched to the order
- invoice details (quantity, price discount) are correct
- the invoice is arithmetically correct
- the invoice has not previously been passed for payment
- where appropriate, an entry has been made on a stores record or departmental inventory
- an appropriate cost centre is quoted – this must be one of the cost centre codes included in the budget holder's areas of responsibility and must correspond with the types of goods or service described on the invoice.

#### **18.12 Staff reimbursement**

The institution's purchasing and payments procedures are in place to enable the majority of non-pay supplies to be procured through the creditors system without staff having to incur any personal expense. However, on occasions, staff may incur expenses, most often in relation to travel, and are entitled to reimbursement (see 21.5).

Where such purchases by staff are planned, the chief financial officer and the relevant head of department may jointly approve cash advances to staff who are going to incur expenditure on the institution's behalf. Upon completion of the travel or project to which the advance relates, within one month a final account must be prepared to demonstrate how the advance was disbursed and any unspent balance repaid. Under no circumstances will a second advance be approved when the final accounting for an earlier advance to an individual is still outstanding.

#### **18.13 Petty cash**

Where a single item is for less than £100 it may be paid from departmental petty cash. It must be supported by receipts or vouchers where available.

The chief financial officer shall make available to departments such imprests as he or she considers necessary for the disbursements of petty cash expenses. However, it is important for security purposes that petty cash imprest floats are kept to a minimum.

Requisitions for reimbursements must be sent to the chief financial officer, together with appropriate receipts or vouchers, before the total amount held has been expended in order to retain a working balance pending receipt of the amount claimed.

The member of staff granted a float is personally responsible for its safe keeping. The petty cash box must be kept locked in a secure place in compliance with the requirements of the institution's insurers when not in use and will be subject to periodic checks by the head of department or another person nominated by him or her.

Standard institution petty cash books are supplied by the chief financial officer and must be used for recording all imprest accounts.

At the end of the financial year a certificate of the balances held should be completed by the member of staff responsible for the float and counter-signed by the head of department.

#### **18.14 Other payments**

Payments for maintenance and other items to students on behalf of sponsoring organisations shall be made on the authority of the chief financial officer, supported by detailed claims approved by the head of department.

Individual payments under 'outward collaborative provision' contracts shall be authorised by the chief financial officer. This authority shall be on the basis that the payment represents a bona fide element of the contract which has been approved under a scheme set out by the planning and resources committee.

#### **18.15 Late payment rules**

The Late Payment of Debts (Interest) Act 1998 was introduced to give small businesses the right to charge interest on late payments from large organisations and public authorities. Key points are:

- small businesses can charge interest on overdue invoices
- interest is chargeable on sales made after 1 November 1998
- the rate of interest is currently 8% per annum above the official daily rate of the Bank of England
- the Act also applies to overseas organisations
- the institution can be sued for non-payment.

In view of the penalties in this Act, the governing body requires that invoices must be passed for payment as soon as they are received.

#### **18.16 Project advances**

The chief financial officer and the relevant head of department may jointly approve cash advances for projects carried out away from the institution where cash expenditure may unavoidable. other forms of payment will be expected to be used wherever possible, such as an official purchase order and subsequent payment or an institution credit card.

Receipts or paid invoices will be retained for all sums expended in this way. Upon completion of the project to which the advance relates, within one month a final account must be prepared to demonstrate how the advance was disbursed and any unspent balance repaid. Under no circumstances will a second advance be approved when the final accounting for an earlier advance to a project or individual is still outstanding.

**18.17 Giving hospitality**

Staff entertaining guests from outside bodies at lunch time should normally use the institution's catering facilities. Where this is not the case, reasons must be stated when submitting a claim for reimbursement.

The limits concerning acceptable expenditure for entertaining guests are set out in the institution's detailed financial procedures.

It is an offence under section 7 of the Bribery Act 2010 for commercial organisations to fail to prevent persons associated with them from bribing another person on their behalf. The institution's anti-bribery policy statement can be found on the institution's intranet site at <https://connect.west-thames.ac.uk/>.

**18.18 Telecoms**

The institution will reimburse staff for the cost of necessary business calls made from a private home phone or personal mobile in performance of employment duties.

The institution does not reimburse the cost of private line rental or broadband connections.

The institution provides mobile phones to a limited number of employees where there is a genuine business requirement to enable performance of employment duties.

**18.19 Provision of clothing**

Where clothing is provided to employees whose duties require them to wear a uniform, that clothing must bear an institution logo. The logo must be permanent and clearly identify the wearer as a member of staff.

**18.20 Payments to volunteers**

It is the responsibility of the head of department to ensure that payments made to volunteers are correctly administered. The institution allows two types of payment from an approved budget:

- reimbursement of actual travel costs when fully supported by receipts
- a small gift or thank you payment as long as it is clearly a token of appreciation, not compensation, and there is no sense that those goods, vouchers or cash are expected in advance.

**19 Pay Expenditure****19.1 Remuneration policy**

All institution staff will be appointed to the salary scales approved by the governing body and in accordance with appropriate conditions of service. All letters of appointment must be issued by the human resources office.

The governing body will determine what other benefits, such as cars, medical and life insurance, are to be available, the basis of their provision (contributory or not) and the staff to whom they are to be available.

Salaries and other benefits for senior management will be determined by the remuneration committee set up by the governing body.

**19.2 Appointment of staff**

All contracts of service shall be concluded in accordance with the institution's approved human resources practices and procedures and all offers of employment with the

institution shall be made in writing by the director of human resources. Budget holders shall ensure that the chief financial officer and the director of human resources are provided promptly with all the information they may require in connection with the appointment, resignation or dismissal of employees.

### **19.3 Salaries and wages**

The chief financial officer is responsible for all payments of salaries and wages to all staff including payments for overtime or services rendered. All time sheets and other pay documents, including those relating to fees payable to external examiners, visiting lecturers or researchers, will be in a form prescribed or approved by the chief financial officer.

The director of human resources will be responsible for keeping the chief financial officer informed of all matters relating to human resources for payroll purposes. In particular these include:

- appointments, resignations, dismissals, supervisions, secondments and transfers
- absences from duty for sickness or other reason, apart from approved leave
- changes in remuneration other than normal increments and pay awards
- information necessary to maintain records of service for superannuation, income tax, and national insurance
- visa checks where relevant in accordance with legislative requirements.

The chief financial officer is responsible for payments to non-employees and for informing the appropriate authorities of such payments. All casual and part-time employees will be included on the payroll.

The chief financial officer shall be responsible for keeping all records relating to payroll including those of a statutory nature.

All payments must be made in accordance with the institution's detailed payroll financial procedures and comply with HM Revenue & Customs regulations. Staff should be aware that the institution could incur penalties for non-compliance with such regulations.

### **19.4 Superannuation schemes**

The governing body is responsible for undertaking the role of employer in relation to appropriate pension arrangements for employees.

The chief financial officer is responsible for day-to-day superannuation matters including:

- paying contributions to various authorised superannuation schemes
- preparing the annual return to various superannuation schemes
- administering the institution's pension fund.

The director of human resources is responsible for administering eligibility to pension arrangements and for informing the chief financial officer when deductions should begin or cease for staff.

### **19.5 Expenses and allowances**

The institution has dispensation from HM Revenue & Customs to make payments to employees for certain specified items without deduction of income tax.

Reimbursement by the institution of expenditure not included in the dispensation is subject to the deduction of income tax before payment.



## Travel, subsistence and other allowances

All claims for payment of subsistence allowances, travelling and incidental expenses shall be completed in a form approved by the chief financial officer.

Claims by members of staff must be authorised by their head of department (or principal in the case of heads of departments). The certification by the head of department shall be taken to mean that:

- the journeys were authorised
- the expenses were properly and necessarily incurred
- the allowances are properly payable by the institution
- consideration has been given to value for money in choosing the mode of transport.

Arrangements for travel by the principal or members of the governing body shall be approved by the chair of the governing body. Arrangements for travel by the chair shall be approved by the planning and resources committee.

### 19.6 Overseas travel

In further education institutions, all arrangements for overseas travel must be approved by the principal in advance of committing the institution to those arrangements or confirmation of any travel bookings. Arrangements for overseas travel by the principal or members of the governing body shall be approved by the chair of the governing body. Arrangements for travel by the chair shall be approved by the planning and resources committee.

Where spouses, partners or other persons unconnected with the institution intend to participate in a trip, this must be clearly identified in the approval request. The institution must receive reimbursement for the expected costs it may be asked to cover for those persons in advance of confirming travel bookings.

Where the institution's equipment is taken overseas, appropriate arrangements for its security and insurance must be in place.

### 19.7 Allowances for members of the governing body

Claims for members of the governing body will be authorised by the clerk to the governors. Claims for meeting attendance will be based on out-of-pocket expenses, but only reasonable expenses can be reimbursed.

### 19.8 Severance and other non-recurring payments

Severance payments shall only be made in accordance with relevant legislation and funding body guidance and under a scheme approved by the governing body. Professional advice should be obtained where necessary. No amounts shall be expended which exceed the budget allocated for the purpose. All such payments up to the value of £10,000 shall be authorised by the principal and calculations checked by the chief financial officer. Payments in excess of £10,000 and up to £100,000 shall be authorised by the chair of the corporation. Any individual amounts which do not fall within the parameters above or are in excess of £100,000 require approval by the corporation. In exceptional circumstances this approval may be given by the chair of the human resources committee and the chair of the planning and resources committee in consultation with the principal, to be reported to the next meeting of the relevant committee. Amounts paid should be declared in the financial statements.

All matters referred to an industrial tribunal shall be notified to the human resources and the planning and resources committees at the earliest opportunity in order that budget provision may be made as necessary. All determinations of tribunals must be similarly notified.

## **20 Assets**

### **20.1 Land, buildings, fixed plant and machinery**

The purchase, lease or rent of land or building or fixed plant can only be undertaken with authority from the governing body and with reference to funding body requirements where exchequer-funded assets or exchequer funds are involved.

### **20.2 Fixed asset register**

The chief financial officer is responsible for maintaining the institution's register of land, buildings, fixed plant and machinery. Heads of departments will provide the chief financial officer with any information he or she may need to maintain the register.

### **20.3 Inventories**

Heads of departments are responsible for maintaining inventories, in a form prescribed by the chief financial officer, for all plant, equipment, furniture and stores in their departments with a value in excess of £250. The inventory must include items donated or held on trust.

Inventories must be checked at least annually as described in the institution's detailed financial procedures.

When transferring equipment, etc., between departments, a transfer record must be kept and the inventories amended accordingly.

### **20.4 Stocks and stores**

Heads of departments are responsible for establishing adequate arrangements for the custody and control of stocks and stores within their departments. The systems used for stores accounting in departments must have the approval of the chief financial officer.

Heads of departments are responsible for ensuring that regular inspections and stock checks are carried out. Stocks and stores of a hazardous nature should be subject to appropriate security checks.

Those heads of department whose stocks require valuation in the balance sheet must ensure that the stock-taking procedures in place have the approval of the chief financial officer and that instructions to appropriate staff within their departments are issued in accordance with advice contained in the institution's detailed financial procedures.

### **20.5 Safeguarding assets**

Heads of department are responsible for the care, custody and security of the buildings, stock, stores, furniture, cash, etc. under their control. They will consult the chief financial officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

Assets owned by the institution shall, so far as is practical, be effectively marked to identify them as institution property.

### **20.6 Personal use**

Assets owned or leased by the institution shall not be subject to personal use without proper authorisation.

### **20.7 Asset disposal**

Disposal of equipment and furniture must be in accordance with procedures agreed by the finance committee and contained in the institution's detailed financial procedures.

Disposal of land and buildings must only take place with the authorisation of the governing body. Funding body consent may also be required if exchequer funds were involved in the acquisition of the asset.

### **20.8 All other assets**

Heads of departments are responsible for establishing adequate arrangements for the custody and control of all other assets owned by the institution, whether tangible (such as stock – see above) or intangible (such as intellectual property – see paragraph 19), including electronic data.

## **21 Funds Held on Trust**

### **21.1 General**

The chief financial officer is responsible for ensuring that incoming funds are properly classified and designated as appropriate.

### **21.2 Gifts, benefactions and donations**

The chief financial officer is responsible for maintaining financial records in respect of gifts, benefactions and donations made to the institution and initiating claims for recovery of tax where appropriate.

### **21.3 Student welfare and access funds**

The chief financial officer will prescribe the format for recording the use of student welfare funds.

Records of welfare funds will be maintained according to funding body requirements.

### **21.4 Trust funds**

The chief financial officer is responsible for maintaining a record of the requirements for each trust fund and for advising finance committee on the control and investment of fund balances.

Finance committee is responsible for ensuring that all the institution's trust funds are operated within any relevant legislation and the specific requirements for each trust. They will also be responsible for investment of fund balances.

### **21.5 Voluntary funds**

The chief financial officer shall be informed of any fund, not being an official fund of the institution, which is controlled wholly or in part by a member of staff in relation to their function in the institution.

The accounts of any such fund shall be audited by an independent external person and shall be submitted with a certificate of audit to the appropriate body. The chief financial officer shall be entitled to verify that this has been done.

### **21.6 Donation of equity shares**

When shares are offered by a donor, the development office is responsible for the same due diligence they would normally undertake for a donation of cash. In addition, they should ensure:

- the donor is the rightful owner of the donated shares
- the company holding the shares complies with the institution's ethical policies.

At the time of the donation, the development office should obtain in writing the purpose of the donation.

All share certificates should be held in the safe.

## **22 Other**

### **22.1 Insurance**

The chief financial officer is responsible for the institution's insurance arrangements, including the provision of advice on the types of cover available. As part of the overall risk management strategy (see paragraphs 8.1 to 8.4), all risks will have been considered and those most effectively dealt with by insurance cover will have been identified. This is likely to include important potential liabilities such as terrorism and provide sufficient cover to meet any potential risk to all assets. This portfolio of insurances will be considered and approved by the finance committee annually.

The chief financial officer is responsible for effecting insurance cover as determined by the finance committee. He or she is therefore responsible for obtaining quotes, negotiating claims and maintaining the necessary records. The chief financial officer will keep a register of all insurances effected by the institution and the property and risks covered. He or she will also deal with the institution's insurers and advisers about specific insurance problems.

Heads of departments must ensure that any agreements negotiated within their departments with external bodies cover any legal liabilities to which the institution may be exposed. The chief financial officer's advice should be sought to ensure that this is the case. Heads of departments must give prompt notification to the chief financial officer of any potential new risks, additional property and equipment that may require insurance and any alterations affecting existing risks. Heads of department must advise the chief financial officer, immediately, of any event that may give rise to an insurance claim. The chief financial officer will notify the institution's insurers and, if appropriate, prepare a claim in conjunction with the head of department for transmission to the insurers.

The director of estates is responsible for keeping suitable records of plant which is subject to inspection by an insurance company and for ensuring that inspection is carried out in the periods prescribed.

All staff using their own vehicles on behalf of the institution shall maintain appropriate insurance cover for business use.

### **22.2 Companies, joint ventures and consortium arrangements**

In certain circumstances it may be advantageous to the institution to establish a company or a joint venture or consortium arrangement to undertake services on behalf of the institution. Any member of staff considering the use of such arrangements should first seek the advice of the chief financial officer, who should have due regard to guidance issued by the funding body.

The governing body is responsible for ensuring that the required procedures are followed.

The process involved in forming a company, joint venture or consortium and arrangements for monitoring and reporting on the activities of these undertakings are documented in the institution's financial procedures.

It is the responsibility of the governing body to establish the shareholding arrangements and appoint directors of companies wholly or partly owned by the institution. These and other arrangements will be set out in a memorandum of understanding.

The directors of companies where the institution is the majority shareholder must submit, via the finance committee, an annual report to the governing body. They will also submit business plans or budgets as requested to enable the committee to assess the risk to the institution. The institution's internal and external auditors shall also be appointed to such companies.

Where the institution is the majority shareholder in a company, the funding body requires that the company's financial year must be consistent with that of the institution.

### **22.3 Security**

Keys to safes or other similar containers must be kept securely at all times. The loss of such keys must be reported to the chief financial officer immediately.

An officer shall be responsible for maintaining proper security and privacy of information held on the institution's computer network. Appropriate levels of security will be provided, such as passwords for networked PCs, together with restricted physical access to network servers. Information relating to individuals held on computer will be subject to the provisions of the Data Protection Act. A data protection officer shall be nominated to ensure compliance with the Act and the safety of documents.

The chief financial officer is responsible for the safekeeping of official and legal documents relating to the institution. Signed copies of deeds, leases, agreements and contracts must, therefore, be forwarded to the chief financial officer. All such documents shall be held in an appropriately secure, fireproof location and copies held at a separate location.

### **22.4 Students' union (constituent part)**

The students' union is a constituent part of the institution and as such is responsible to the governing body.

Subject to any constraints imposed by the funding body, the governing body shall determine the level of grant to be paid annually to the students' union and approve their budget for the year.

The students' union is responsible for maintaining its own bank account and financial records and for preparing its own annual financial statements.

In accordance with an agreement between the institution and the students' union, the union will provide monthly statements of income and expenditure to the chief financial officer and the finance committee promptly to enable them to ensure that financial disciplines are maintained.

At year end the students' union accounts will be audited by a firm of auditors approved by the institution and will be presented to the finance committee for information.

In accordance with an agreement between the institution and the students' union, the institution's internal auditor shall have access to records, assets and personnel within the

students' union in the same way as in other areas of the institution.

### **22.5 Students' union (arm's length)**

The students' union is a separate legal entity from the institution but is recognised to fulfil a valuable role in relation to the institution's students.

Subject to any constraints imposed by the funding body, the governing body shall determine the level of grant to be paid annually to the students' union. The governing body requires the union to provide details of its proposed budget to assist in determining the appropriate level of grant.

The students' union is responsible for maintaining its own bank account and financial records and for preparing its own annual financial statements.

In accordance with an agreement between the institution and the students' union, the union will provide monthly statements of income and expenditure to the chief financial officer and the finance committee for information purposes only.

At year end the students' union financial statements will be audited by an appropriately qualified firm of auditors and will be presented to the finance committee for information.

In accordance with an agreement between the institution and the students' union, the institution's internal auditor shall have access to records, assets and personnel within the students' union in the same way as in other areas of the institution.

### **22.6 Use of the institution's seal**

Where a deed or document requires the institution's seal, it must be sealed by the registrar or, in his or her absence, the chief financial officer, in the presence of a member of the governing body.

The registrar is responsible for submitting a report to each meeting of the governing body detailing the use of the institution's seal since the last meeting.

### **22.7 Provision of indemnities**

Any member of staff asked to give an indemnity, for whatever purpose, should consult the chief financial officer before any such indemnity is given.

## **23 Appendices**

- Appendix A Committee Structure
- Appendix B Responsibilities of the Finance Committee
- Appendix C Audit Committee Duties
- Appendix D Finance Department Organisational Structure
- Appendix E Main Features of the Public Interest Disclosure Act
- Appendix F The Seven Principles of Public Life
- Appendix G Model Anti-bribery Policy and Procedures
- Appendix H Summary of Protocols for Proposed Capital Expenditure
- Appendix I Summary of Protocols for Proposed Major Developments
- Appendix J Internal Audit Responsibilities

Appendix K	Fraud Policy Statement, Procedures, Response Plan and Investigation
Appendix L	Contents of Conditions of Contract for the Purchase of Goods
Appendix M	Main Points included in the Institution's Code of Tendering Practice
Appendix N	Financial Scheme of Delegation

# APPENDIX A (II)

## COMMITTEE STRUCTURE

INSERT WTC COMMITTEE STRUCTURE



## APPENDIX B

# RESPONSIBILITIES OF THE FINANCE, RESOURCES & CAPITAL PROJECTS COMMITTEE

- Ensuring that the institution maintains proper accounts and related records.
- Ensuring that systems are in place for all employees and creditors to be paid by their due date and that such systems are effective.
- Ensuring that all income received is correctly accounted for and that income receivable is collected promptly.
- Receiving and commenting on the institution's revenue and capital budgets.
- Ensuring effective integration of budgeting and operational planning.
- Ensuring that the requirement of the financial memorandum with the funding body to maintain financial solvency is fulfilled.
- Ensuring value for money when making decisions.
- Managing the institution's investments.
- overseeing budget monitoring and ensuring corrective action takes place when required.
- overseeing:
  - cash management and borrowing policies
  - the institution's banking arrangements
  - the institution's insurance arrangements.
- Ensuring that risks associated with the institution's plans have been fully considered.
- Ensuring that the financial plans reflect the institution's corporate and strategic plans.
- Any other matters as directed by the governing body.

Source: *Guide for Finance Committee Members in Further and Higher Education*, CIPFA, 2008

# APPENDIX C

## AUDIT COMMITTEE DUTIES

### RISK MANAGEMENT AND INTERNAL CONTROL

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- Gaining assurance that an institution's risk management, control and governance arrangements are adequate and effective.
- Monitoring implementation and maintenance of the institution's risk management plan.
- Reviewing the effectiveness of the institution's systems of internal control and advising the governing body accordingly.

### INTERNAL AUDIT

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- Considering and advising the governing body on the appointment and terms of engagement of the internal audit service (where appropriate).
- Considering and advising the governing body on the internal audit service's audit risk assessment strategy.
- Considering the major findings of internal audit investigations and management responses.
- Promoting and securing appropriate co-ordination between the internal and the external auditors.
- Advising the governing body on the internal audit plan and progress against it.
- Monitoring the implementation of audit-based recommendations.
- Advising the governing body on whether it should approve the internal audit annual report.
- Establishing and monitoring appropriate performance indicators to measure the effectiveness of the work of internal audit and advising the governing body accordingly.
- Considering the adequacy of resources for internal audit.

### EXTERNAL AUDIT

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- Advising the governing body on the appointment of the external auditors (where appropriate).
- Monitoring the effectiveness and performance of the external auditors through appropriate performance indicators.
- Reviewing the nature and scope of the external audit strategy and plan.
- Considering the objectives and scope of any non-financial audit or consultancy work.
- Reviewing the annual external audit management letter and the financial statements if appropriate.
- Securing appropriate liaison between external and internal audit.
- Reviewing the self-assessment statement (in further education).

### VALUE FOR MONEY

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- Ensuring satisfactory arrangements are in place to promote the economical, efficient and effective management of all the institution's resources.

## REPORTING

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- The audit committee should report to the full governing body after each meeting. A copy of the audit committee minutes, or an appropriate summary covering key points, would normally suffice.
- The audit committee should also prepare an annual report for the governing body covering the financial year. It should detail any significant events up to the date of preparation of the report and include the committee's opinion on the adequacy and effectiveness of the institution's arrangements for:
  - risk management, control and governance
  - economy, efficiency and effectiveness.
- This opinion should be based on the information presented to the committee.
- A copy of the audit committee's annual report should be sent to the relevant funding body within one month of presentation to the governing body.

## SECRETARIAL ARRANGEMENTS

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- To maximise the committee's objectivity and independence, the secretary should normally be a post holder without significant financial responsibilities within the institution.

Source: *Handbook for Audit Committee Members in Further and Higher Education*, CIPFA, 2005

# APPENDIX D

## (II) FINANCE DEPARTMENT ORGANISATIONAL STRUCTURE

INSERT FINANCE DEPARTMENT ORGANISATIONAL STRUCTURE CHART

# APPENDIX E

## MAIN FEATURES OF THE PUBLIC INTEREST DISCLOSURE ACT

### SUMMARY

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The Act came into force on 2 July 1999. It encourages people to blow the whistle about malpractice in the workplace and is designed to ensure that organisations respond by acting on the message rather than against the messenger. The Act applies to employees blowing the whistle about crime, civil offences (including negligence, breach of contract etc.), miscarriage of justice, danger to health and safety or the environment and the cover-up of any of these. It applies whether or not the information is confidential and extends to malpractice occurring in the UK and any other country or territory. In addition to employees, it covers trainees, agency staff, contractors, home workers and every professional in the NHS. Employment law restrictions on minimum length of service and age do not apply. At present the Act does not cover the genuinely self-employed, volunteers, the army, intelligence services or police officers. The Act has been described as *'the most far reaching whistleblower protection in the world'*.

### INTERNAL DISCLOSURES

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A disclosure in good faith to a manager or the employer will be protected if the whistleblower has a reasonable suspicion that the malpractice has occurred, is occurring or is likely to occur.

### REGULATORY DISCLOSURES

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The Act protects disclosures made in good faith to prescribed bodies such as the Health and Safety Executive, the Financial Conduct Authority and HM Revenue & Customs, where the whistleblower has a reasonable belief that the information and their allegation(s) are substantially true.

### WIDER DISCLOSURES

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Wider disclosures (e.g. to the police, the media, MPs, and non-prescribed regulators) are protected if, in addition to the tests for regulatory disclosures, they are reasonable in all the circumstances and they meet one of the three preconditions. Provided they are not made for personal gain, these preconditions are that the whistleblower:

- reasonably believed he or she would be victimised if they raised the matter internally or with a designated regulator
- reasonably believed a cover-up was likely and there was no regulator, or

- had already raised the matter internally or with a prescribed regulator.

An employee who makes a wide public disclosure is more likely to be protected if there was no internal procedure set up.

## FULL PROTECTION

---

Where the whistleblower is victimised in breach of the Act he or she can bring a claim to an employment tribunal for compensation. Awards are uncapped and based on the losses suffered. Additionally, where an employee is sacked, he or she may apply for an interim order to keep their job. Not all disclosures made by an employee are protected under the Act. Those that are include criminal acts, health and safety violations, breaches of legislation, and miscarriages of justice. However, such acts are only protected as long as the disclosure is made in good faith to the employer, or any other person authorised under a procedure set up by the employer for this purpose. (Disclosures can also be made to appropriate regulatory bodies, such as the Health and Safety Executive). Where an employee reasonably suspects malpractice (and this includes any crime), he or she will be protected from victimisation where they raise the matter in good faith with a person who is legally responsible for whistleblowing.

## QUALIFYING AREAS

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The qualifying areas for whistleblowing are information which the employee reasonably believes tend to show one or more of the following matters is either happening now, took place in the past, or is likely to happen in the future:

- a criminal offence
- the breach of a legal obligation
- a miscarriage of justice
- a danger to the health or safety of any individual
- damage to the environment
- deliberate covering up of information tending to show any of the above five matters.

# APPENDIX F

## THE SEVEN PRINCIPLES OF PUBLIC LIFE

### SELFLESSNESS

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Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

### INTEGRITY

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Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

### OBJECTIVITY

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In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

### ACCOUNTABILITY

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Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

### OPENNESS

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Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

### HONESTY

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Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

## LEADERSHIP

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Holders of public office should promote and support these principles by leadership and example.

Source: *Standards in Public Life: First Report of the Committee on Standards in Public Life* (the Nolan Committee), 1995



# APPENDIX G

## ANTI-BRIBERY POLICY AND PROCEDURES

### POLICY STATEMENT – ANTI-BRIBERY

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Bribery is a criminal offence. We do not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor do we, or will we, accept bribes or improper inducements.

To use a third party as a conduit to channel bribes to others is a criminal offence. We do not, and will not, engage indirectly in or otherwise encourage bribery.

We are committed to the prevention, deterrence and detection of bribery. We have zero-tolerance towards bribery. We aim to maintain anti-bribery compliance ‘business as usual’, rather than as a one-off exercise.

### OBJECTIVE OF THIS POLICY

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This policy provides a coherent and consistent framework to enable the organisation’s employees to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.

We require that all personnel, including those permanently employed, temporary agency staff and contractors:

- act honestly and with integrity at all times and to safeguard the organisation’s resources for which they are responsible
- comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the organisation operates, in respect of the lawful and responsible conduct of activities.

### SCOPE OF THIS POLICY

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This policy applies to all of the organisation’s activities. For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.

Within the organisation, the responsibility to control the risk of bribery occurring resides at all levels of the organisation. It does not rest solely within assurance functions, but in all business units and corporate functions.

This policy covers all personnel, including all levels and grades, those permanently employed, temporary agency staff, contractors, non-executives, agents, members (including independent members), volunteers and consultants.

## THIS ORGANISATION'S COMMITMENT TO ACTION

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This organisation commits to:

- setting out a clear anti-bribery policy and keeping it up to date
- making all employees aware of their responsibilities to adhere strictly to this policy at all times
- training all employees so that they can recognise and avoid the use of bribery by themselves and others
- encouraging its employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution
- taking firm and vigorous action against any individual(s) involved in bribery
- provide information to all employees to report breaches and suspected breaches of this policy
- include appropriate clauses in contacts to prevent bribery.

## BRIBERY

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Is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

## THE BRIBERY ACT

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There are four key offences under the Act:

- bribery of another person (section 1)
- accepting a bribe (section 2)
- bribing a foreign official (section 6)
- failing to prevent bribery (section 7).

The Bribery Act 2010 ([www.opsi.gov.uk/acts/acts2010/ukpga\\_20100023\\_en\\_1](http://www.opsi.gov.uk/acts/acts2010/ukpga_20100023_en_1)) makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business. There is also a corporate offence under Section 7 of

failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.

## ARE WE A ‘COMMERCIAL ORGANISATION’?

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The guidance states that a ‘commercial organisation’ is any body formed in the United Kingdom and ‘...it does not matter if it pursues primarily charitable or educational aims or purely public functions. It will be caught if it engages in commercial activities, irrespective of the purpose for which profits are made’.

We are a ‘commercial organisation’.

## WHAT ARE ‘ADEQUATE PROCEDURES’?

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Whether the procedures are adequate will ultimately be a matter for the courts to decide on a case-by-case basis. Adequate procedures need to be applied proportionately, based on the level of risk of bribery in the organisation. It is for individual organisations to determine proportionate procedures in the recommended areas of six principles. These principles are not prescriptive. They are intended to be flexible and outcome focused, allowing for the different circumstances of organisations. Small organisations will, for example, face different challenges to those faced by large multi-national enterprises. The detail of how organisations apply these principles will vary, but the outcome should always be robust and effective anti-bribery procedures.

### Proportionate procedures

An organisation’s procedures to prevent bribery by persons associated with it are proportionate to the bribery risks it faces and to the nature, scale and complexity of the organisation’s activities. They are also clear, practical, accessible, effectively implemented and enforced.

### Top-level commitment

The top-level management (be it a board of directors, the owners or any other equivalent body or person) are committed to preventing bribery by persons associated with it. They foster a culture within the organisation in which bribery is never acceptable.

### Risk assessment

The organisation assesses the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it. The assessment is periodic, informed and documented. It includes financial risks but also other risks such as reputational damage.

## Due diligence

The organisation applies due diligence procedures, taking a proportionate and risk-based approach, in respect of persons who perform or will perform services for or on behalf of the organisation, in order to mitigate identified bribery risks.

## Communication (including training)

The organisation seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risks it faces.

## Monitoring and review

The organisation monitors and reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary.

**This organisation is committed to proportional implementation of these principles.**

## PENALTIES

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An individual guilty of an offence under sections 1, 2 or 6 is liable:

- on conviction in a magistrates court, to imprisonment for a maximum term of 12 months (six months in Northern Ireland), or to a fine not exceeding £5,000, or to both
- on conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both.

organisations are liable for these fines and if guilty of an offence under section 7 are liable to an unlimited fine.

## BRIBERY IS NOT TOLERATED

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It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to 'facilitate' or expedite a routine procedure
- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
- engage in activity in breach of this policy.

## FACILITATION PAYMENTS

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Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions.

## GIFTS AND HOSPITALITY

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This policy is not meant to change the requirements of our gifts and hospitality policy. This makes it clear that:

- no gift or hospitality is to be offered or accepted
- nominal gifts and hospitality up to a financial value of £50 are acceptable
- reasonable, proportionate gifts and hospitality made in good faith and that are not lavish are acceptable.

## PUBLIC CONTRACTS AND FAILURE TO PREVENT BRIBERY

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Under the Public Contracts Regulations 2006 (which gives effect to EU law in the UK), a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. There are no plans to amend the 2006 Regulations for this to include the crime of failure to prevent bribery. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. This organisation has the discretion to exclude organisations convicted of this offence.

## STAFF RESPONSIBILITIES

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The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the organisation or under its control. All staff are required to avoid activity that breaches this policy.

You must:

- ensure that you read, understand and comply with this policy
- raise concerns as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.

As well as the possibility of civil and criminal prosecution, staff that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.

## RAISING A CONCERN

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This organisation is committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity. We want each and every member of staff to know how they can raise concerns.

We all have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

There are multiple channels to help you raise concerns. Please refer to the whistleblowing policy and determine your favoured course of action. Preferably the disclosure will be made and resolved internally (e.g. to your head of department/online reporting/telephone hotline). Secondly, where internal disclosure proves inappropriate, concerns can be raised with the regulator (e.g. external auditor. See link to 'blowing the whistle to a prescribed person' at the end of this document). Raising concerns in these ways may be more likely to be considered reasonable than making disclosures publicly (e.g. to the media).

Concerns can be anonymous. In the event that an incident of bribery, corruption, or wrongdoing is reported, we will act as soon as possible to evaluate the situation. We have clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind. This is easier and quicker if concerns raised are not anonymous.

Staff who refuse to accept or offer a bribe, or those who raise concerns or report wrongdoing can understandably be worried about the repercussions. We aim to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.

We are committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith.

If you have any questions about these procedures, please contact Jacquie Glasgow, head of finance.

## OTHER RELEVANT POLICIES

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Fraud and corruption policy

Anti-money-laundering policy

Whistleblowing policy

Gifts and hospitality policy

## USEFUL LINKS

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### **CIPFA Better Governance Forum**

[www.cipfanetworks.net/governance](http://www.cipfanetworks.net/governance)

### **Bribery Act 2010**

[www.legislation.gov.uk/ukpga/2010/23/contents](http://www.legislation.gov.uk/ukpga/2010/23/contents)

### **Bribery Act Guidance**

[www.cipfanetworks.net/fileupload/upload/briberyact2010guidance142011261754.pdf](http://www.cipfanetworks.net/fileupload/upload/briberyact2010guidance142011261754.pdf)

### **Bribery Act Quick Start Guide**

[www.cipfanetworks.net/fileupload/upload/briberyact2010quickstartguide142011271739.pdf](http://www.cipfanetworks.net/fileupload/upload/briberyact2010quickstartguide142011271739.pdf)

### **Joint Prosecution Guidance of the Director of the Serious Fraud Office and the Director of Public Prosecutions**

[www.cipfanetworks.net/fileupload/upload/BRIBERY%20ACT%202010%20JOINT%20PROSECUTION%20GUIDANCE142011281730.pdf](http://www.cipfanetworks.net/fileupload/upload/BRIBERY%20ACT%202010%20JOINT%20PROSECUTION%20GUIDANCE142011281730.pdf)

**National Fraud Authority**

[www.gov.uk/government/organisations/national-fraud-authority](http://www.gov.uk/government/organisations/national-fraud-authority)

**Transparency International UK**

[www.transparency.org.uk](http://www.transparency.org.uk)

**Public Concern at Work**

[www.pcaw.org.uk](http://www.pcaw.org.uk)

**Department for Work & Pensions (*Blowing the Whistle to a Prescribed Person*)**

[www.gov.uk/government/publications/blowing-the-whistle-to-a-prescribed-person](http://www.gov.uk/government/publications/blowing-the-whistle-to-a-prescribed-person)

This briefing was produced by the CIPFA Better Governance Forum, with particular thanks to all those individuals and organisations that commented and contributed.

# APPENDIX H

## SUMMARY OF PROTOCOLS FOR PROPOSED CAPITAL EXPENDITURE

Proposed capital projects should be supported by:

- a statement which demonstrates the project's consistency with the strategic plans and estates strategy approved by the governing body
- an initial budget for the project for submission to the planning and resources committee and to the estates committee; the budget should include a breakdown of costs including professional fees, VAT and funding sources
- a financial evaluation of the plans together with their impact on revenue plus advice on the impact of alternative plans
- an investment appraisal in an approved format which complies with funding body guidance on option and investment appraisal
- a demonstration of compliance with normal tendering procedures and funding body regulations – this will require careful consideration where partnership arrangements are in place)
- a cash flow forecast.

More detail on these protocols can be found in the institution's financial procedures.



# APPENDIX I

## SUMMARY OF PROTOCOLS FOR PROPOSED MAJOR DEVELOPMENTS

The proposal should be supported by a three-year business plan which sets out:

- a demonstration of the proposal's consistency with the strategic plans approved by the governing body and with the institution's powers under current legislation
- details of the market need and the assumptions (based on reference data) of the level of business available
- details of the business and what product or service will be delivered
- an outline plan for promoting the business to the identified market place and achieving planned levels of business
- details of the staff required to deliver, promote and manage the business, together with any re-skilling or recruitment issues
- details of any premises and other resources required
- a financial evaluation of the proposal together with its impact on revenue and surplus, plus advice on the impact of possible alternative plans and sensitivity analyses in respect of key assumptions
- contingency plans for managing adverse sensitivities
- consideration of taxation and other legislative or regulatory issues
- a three-year financial forecast for the proposal including a monthly cash flow forecast and details of the impact on the institution cash flow forecast for the financial years in question.

More detail on these protocols can be found in the institution's financial procedures.

## APPENDIX J (II)

# INTERNAL AUDIT RESPONSIBILITIES – FURTHER EDUCATION

The internal audit service (IAS) is responsible for giving assurance to the further education (FE) college's governing body and principal on the adequacy and effectiveness of the FE college's risk management, control and governance processes. The IAS assists FE college management by evaluating and reporting to it the effectiveness of the controls for which it is responsible. This work contributes to the opinion that the IAS provides on risk management, control and governance processes.

All the FE college's activities, funded from whatever source, fall within the remit of the IAS. The IAS may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that FE college management has taken the necessary steps to achieve these objectives and manage the associated risks. The scope of the IAS's work shall cover operational and FE college management controls and should not be restricted to the audit of systems and controls necessary to form an opinion on the financial statements.

The IAS's work will be performed with due professional care in accordance with the standards for IAS promulgated by HM Treasury.

Source: Supplement B, Annex D, *Audit Code of Practice*, Learning and Skills Council, 2004

## APPENDIX K (I)

# FRAUD POLICY STATEMENT

This institution has a duty to its stakeholders to take all responsible steps to prevent fraud occurring, whether perpetrated by staff, students, contractors and suppliers, other organisations or members of the public.

The institution will maintain robust control mechanisms to both prevent and detect fraud. All line managers have a responsibility for maintaining documented control systems and must be seen to be setting an example by complying fully with procedures and controls. The effectiveness of controls will be subject to cyclical review by the institution's internal auditors.

All members of staff have a responsibility to protect the assets and reputation of the institution and are expected to be alert to the potential for fraud. Line managers should brief staff on the common types of fraud perpetrated in their areas of responsibility.

Confidential mechanisms have been established to allow staff to report suspected frauds to management. All reported suspicions will initially be investigated by the fraud investigation group. The members of such a group may include:

- director of human resources (chair)
- head of internal audit
- chief financial officer.

Further information for staff on reporting fraud and their role in the prevention and detection of fraud is provided in the institution's policy for fraud prevention, detection and investigation, which can be found at Appendix K (ii).

# APPENDIX K(II)

## PROCEDURE FOR FRAUD PREVENTION, DETECTION AND INVESTIGATION

### INTRODUCTION

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The institution's procedure for fraud prevention, detection and investigation is set out below. The objectives of the procedure are to:

- encourage staff to be aware of fraud
- bring suspected fraud to notice
- provide a framework response plan for investigating and reporting fraud (set out at Appendix K (iii))
- Ensure that both alleged and proven fraud are dealt with in a consistent and timely manner.

The institution has a unique role to play in the community and any instances of fraud or corruption may be damaging to public confidence and support. Losses due to fraud, theft or corrupt practices can have a direct effect on jobs and the level and quality of service provision. Vigilance is essential since all staff are responsible for ensuring that the best possible service is provided to the institution's students and that value for money is secured from public funds.

Successful fraud prevention involves creating an environment which inhibits fraud. Taking immediate and vigorous action if fraud is detected is not only necessary to prevent future losses, but also helps deter frauds. A manager who is alert to the possibility of fraud and who acts accordingly on a day-to-day basis is a powerful deterrent to fraud.

### FRAUD PREVENTION

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Fraud can be defined as *any act of wilful dishonesty to gain individual or collective advantage*. It is taken to include theft, misuse of property, corruption, the alteration of financial or other records or any unauthorised act which results directly or indirectly in financial gain to the perpetrator or a third party. Fraud can be perpetrated against staff, students, suppliers, government agencies or departments or the public.

Staff should be aware that gifts, including hospitality, offered by contractors, suppliers and other service providers may place employees in a vulnerable position (see the financial regulations).

## MANAGEMENT RESPONSIBILITY FOR RISK MANAGEMENT

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The prime responsibility for preventing fraud lies with management through:

- identifying risks to which systems and procedures are exposed
- designing, implementing, documenting and operating internal controls
- establishing an environment that promotes compliance with internal controls
- promoting fraud awareness amongst staff
- fostering an anti-fraud culture.

However, while managers are responsible for assessing and controlling the level of risk within their areas of authority, it is the responsibility of all staff to be aware of fraud and to take the necessary steps to minimise risk to the institution. Managing the risk of fraud is the same in principle as any other business risk. It is best approached systematically both at organisational and at operational level. Managers should identify risk areas, assess the scale of risk, allocate responsibility for managing specific risks and implement and test controls to minimise the risks.

Managers also have a responsibility to familiarise themselves with common fraud techniques in the areas for which they have control. Managers should also ensure that staff in their areas of operation are familiar with common types of fraud.

## INTERNAL CONTROLS

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Internal controls are the key element in preventing fraud. They include both financial and non-financial controls, for example annual leave records, and those that are in place to safeguard the misuse of institution assets, including computing systems. The financial regulations are one example of these controls. The institution's financial and other

non-financial procedures are the definitive guide and are available to all staff. It is the responsibility of management to ensure that controls in their area of responsibility have been documented and communicated.

In order to set a good example, managers should be seen to be complying with all controls. The emphasis should be on creating a culture of honesty and fraud detection, not increasing the volume of detailed operational and supervisory checks and controls unnecessarily.

## MANAGEMENT CHECKS

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The prevention and detection of fraud and impropriety is only possible where strong internal controls are present and constantly applied. Routine checks and monitoring by management to ensure that procedures are being followed are, therefore, essential. The benefits of implementing a culture of strong management controls are:

- a deterrent effect when it is known that management is actively involved in ensuring that procedure are followed
- the results of the check will allow management to identify any operational areas where controls are not being uniformly applied and investigate whether systems have been

exploited.

Periodic monitoring of compliance with controls by management will be supported and reinforced by reviews conducted by internal audit. It should be emphasised that the prime function of internal audit is to evaluate the effectiveness of the overall framework of internal control with management being responsible for ensuring the implementation and monitoring framework.

Common excuses for non-compliance with controls is that they are no longer applicable, there is insufficient time available or they are not appropriate. It is important that such comments are reported to line managers so that the need for such controls is evaluated

## STAFF TRAINING

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Staff adhering to procedures, and who are not inhibited to challenge matters which do not appear to be correct, provide the best protection against fraud and corruption. It is important, therefore, that the institution's policy on fraud prevention and investigation is fully communicated to all staff. The lack of clear guidance and ignorance of procedures will often be the first excuse used by offenders.

The recruitment of suitable staff is the institution's first defence in preventing fraud. Best practice recruitment policies such as detailed application forms including a statement on criminal records, communication with referees and past employers and verification of educational and professional qualifications must be strictly adhered to.

Staff awareness of policy and procedures is fundamental to the effective operation of systems. The institution will comply with best practice, including:

- instruction in and discussion of control and probity issues as part of staff induction
- formal staff training on operational procedures
- desktop instructions for specific tasks
- publication of the institution's policy on fraud
- regular staff notices regarding any changes to financial procedures.

## FRAUD DETECTION

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The primary responsibility for the detection of fraud lies with management through the implementation, documentation and operation of effective systems of internal control. The institution's internal auditors through their evaluation of the control framework also have a role to play in preventing and detecting fraud.

All staff have a responsibility to be aware of potential fraud and to take necessary steps to minimise risk to the institution.

Proper and consistently applied procedures for reporting and investigating fraud play an important part in preventing further fraud. The institution expects that reported suspicions will be investigated. The institution's fraud response plan, set out at Appendix K (iii), must be implemented where fraud is suspected.

# APPENDIX K (III)

## FRAUD RESPONSE PLAN

### INTRODUCTION

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Management and staff are likely to have little experience of dealing with fraud and when suspected cases arise, may be unsure of the appropriate action to take. The objectives of this response plan are to:

- provide a documented framework which the institution can refer to in the event that fraud is suspected or reported
- ensure that in the event of fraud, timely and effective action is taken to prevent further losses, identify fraudsters, safeguard evidence, minimise publicity, reduce adverse effect on business and learn lessons.

Fraud investigation checklists for line managers and the fraud investigation group are included at Appendix K (iv).

### REPORTING FRAUD

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All actual or suspected incidents of fraud should be reported without delay to the chief financial officer or other member of the fraud investigation group. The members are:

- director of human resources (chair)
- head of internal audit
- chief financial officer.

When staff report suspected fraud, it is important that their suspicions are treated seriously and that all details provided by the reporting employee are recorded accurately and in a timely manner. They should be repeated back to the reporting employee to confirm understanding. It is essential that staff are put at ease, since the decision to report the suspected fraud may be traumatic for the individual concerned. Those reporting fraud should be assured that all information will be dealt with in the strictest confidence and that anonymity will be preserved if requested, unless that is incompatible with a full and fair investigation. The anonymity of any whistleblower must be guaranteed at the initial investigation stage.

Once the chief financial officer has recorded the details of the case, he or she should, within 24 hours, hold a meeting of the fraud investigation group to decide on the initial response.

At this stage management should also take whatever steps are necessary to prevent further losses, for example by changing procedures or suspending payments without compromising the quality of evidence or alerting the fraudsters.

## INITIAL ENQUIRY

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On receiving the details of the suspected fraud, the fraud investigation group should undertake as limited review as necessary to establish whether further action needs to be taken. This will normally be an investigation, led by internal audit. The decision by the group to initiate a special investigation shall constitute authority to internal audit to use time provided in the internal audit plan for special investigations, or contingency time, or to switch internal audit resources from planned audits.

If this initial investigation suggests that suspicions are confirmed, the group will decide which body is best placed to undertake further investigative work and will inform the principal, the chair of audit committee, the chair of the governing body, auditors, the funding body and the police as appropriate. The circumstances in which the institution must inform the funding body of actual or suspected fraud are set out in the funding body's audit code of practice. The principal is responsible for informing the funding body of any such incidents.

## PREVENTION OF FURTHER LOSS

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Where the initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the fraud investigation group will need to decide how to prevent further loss. Fraudulent or corrupt activity is regarded as a breach of contract and where there are reasonable grounds for suspicion then suspension, with or without pay, of the suspects is likely, pending the outcome of enquiries. The rights of staff on suspension must be acknowledged, for example their right to union representation and to be informed of the reason for their suspension.

It may be necessary to plan the timing of suspension to prevent the suspects from destroying or removing evidence that may be needed to support disciplinary or criminal action. Suspect(s) should be supervised at all times before leaving the institution's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the institution. Any security passes and keys to premises, offices and furniture should be returned.

Advice should be obtained on the best means of denying access to the institution while suspects remain suspended (for example by changing locks and informing security staff not to admit the individuals to any part of the premises). Similarly, access permissions to the institution's computer systems should be withdrawn without delay.

Internal audit should consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the suspect may have had opportunities to misappropriate the institution's assets.

At this stage, the institution should decide if external parties including the funding body and the police are to be involved. Delays in contacting the police may prejudice future enquiries and alerting them immediately is important since they will be able to advise the institution on how best to proceed and the most effective methods to gather evidence.



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## CONDUCTING A FRAUD ENQUIRY

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Once it has been agreed that there is sufficient evidence to justify a fuller investigation, the fraud investigation group should meet with the police where appropriate to decide who is best placed to undertake further investigation. Should it be decided that an internal investigation is appropriate, either in tandem with a police investigation or on its own, it is important that it is undertaken by individuals with experience of fraud investigations. This is most likely to be internal auditors, supported as necessary by the institution's staff, who may have specialist knowledge, and external specialists where appropriate.

Where fraud and corruption are suspected, contact by the chief financial officer and the head of internal audit with the local fraud squad should be considered in order to agree an appropriate course of action.

For internal investigations, the fraud investigation group should agree the following:

- detailed remit and scope for the investigation; for example, is it to confirm that there is sufficient evidence to support the allegations, to gather evidence for the police, or does the institution wish to quantify the total potential loss?
- who should undertake the investigation
- reporting procedures and deadlines
- a programme of regular meetings.

There is a clear requirement to record all details fully, accurately and in a manner that is accessible. The police should be able to advise on an appropriate recording format.

Developing a simple form to log all events and contacts made will provide a quick summary, ease the recording process and provide documented support for any future enquiries or possible prosecution.

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## RECOVERY OF LOSSES

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It is important that any losses incurred by the institution are fully and accurately recorded and that costs are correctly apportioned. In addition to the direct cost of losses attributable to fraud, all costs associated with enquiries should be recorded. These will be required under loss reporting procedures and may also be required by the courts if the decision to prosecute is taken and in determining any assessment of costs or compensation and insurance recoveries.

Where the loss is substantial, legal advice should be obtained without delay about the need to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice should also be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment.

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## STAFFING ISSUES

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A major objective in any fraud investigation will be the punishment of the perpetrators, to act as a deterrent to other personnel. The institution must follow disciplinary procedures against any member of staff who has committed fraud.

The institution will normally pursue the prosecution of any such individual. Of crucial importance is the need to conduct enquiries within the parameters of relevant laws and regulations. Employees have certain statutory rights, and if infringed, the likelihood of success of disciplinary action is diminished. It is vital, therefore, that any interviews with suspects are undertaken strictly in accordance with established procedures. No interviews should take place without first seeking advice from the police and from the director of human resources on the relevant procedures and rules to be followed. In particular all those involved in interviewing suspects should have knowledge of the 1994 Police and Criminal Evidence Act.

Internal audit will need to:

- maintain familiarity with the institution's disciplinary procedures, to ensure that evidence requirements will be met during any fraud investigation
- establish and maintain contact with the police where appropriate
- establish whether there is a need for audit staff to be trained in the evidence rules for interviews under the Police and Criminal Evidence Act
- ensure that staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings.

If fraud is proven which involves staff, appropriate disciplinary action will be taken. Such action may be considered not only against those found to have perpetrated the fraud, but also against managers whose negligence may have facilitated it.

## REPORTING DURING THE INVESTIGATION

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The fraud investigation group should provide a confidential report to the chair of the governing body, the chair of audit committee, the principal and the external audit partner at least monthly, unless the report recipients request a lesser frequency. The scope of the report should include:

- quantification of losses
- progress with recovery action
- progress with disciplinary action
- progress with criminal action
- estimate of resources required to conclude the investigation
- actions taken to prevent and detect similar incidents.

Any variation from the approved fraud response plan, together with reasons for the variation, should be reported promptly to the chairs of both the governing body and the audit committee.

## CONCLUDING AN INVESTIGATION

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At the end of a case, irrespective of the outcome, it is important that the progress of the investigation is reviewed to see what lessons can be learned and to assess the effectiveness of the action taken. Such reviews will help identify any weaknesses in internal control that initially led to the fraud and should highlight any deficiencies in these systems for reporting and investigating, enable more effective future enquiries and precipitate changes to internal procedures designed to prevent reoccurrence.

on completion of a special investigation, a written report should be submitted to the audit committee for consideration and discussion containing:

- a description of the incident, including the value of any loss, the people involved, and the means of perpetrating the fraud
- the measures taken to prevent a recurrence
- any action needed to strengthen future responses to fraud, with a follow-up report on whether or not the actions have been taken.

This report will normally be prepared by internal audit.

## REFERENCES FOR EMPLOYEES DISCIPLINED OR PROSECUTED FOR FRAUD

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The staff handbook includes a requirement that any request for a reference for a member of staff who has been disciplined or prosecuted for fraud should be referred to the director of human resources. The director of human resources should prepare any answer to a request for a reference having regard to employment law.

## REVIEW OF THE FRAUD RESPONSE PLAN

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This plan will be reviewed for fitness of purpose at least annually or after each use. Any need for change will be reported to the audit committee for approval.

# APPENDIX K (Iv)

## FRAUD INVESTIGATION

### CHECKLIST FOR LINE MANAGERS

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The following is a checklist of points for consideration following the reporting of an alleged fraud to management:

- Do not rush in – consider all options and plan the approach.
- Establish the facts without alerting anyone.
- Maintain confidentiality.
- Make an immediate note of everything reported. Repeat these notes to whoever is reporting the details to ensure clear understanding.
- Take steps to minimise any immediate further losses.
- Secure any evidence.
- Inform the chief financial officer or member of the fraud investigation group.

### CHECKLIST FOR THE FRAUD INVESTIGATION GROUP

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The following is a checklist of points for consideration following the reporting of an alleged fraud by line management to a member of the fraud investigation group:

- Convene a meeting of the group to consider the allegation.
- Conduct an initial investigation to establish the substance of the allegation.
- Consider legal implications.
- If substantiated, inform the principal, etc.
- Agree if further investigation is required and who will undertake it.
- Agree a remit, and establish scope and reporting deadlines for the investigation.
- Ensure the investigating team has adequate resources, including secure storage.
- Prepare for interviews thoroughly.
- Ensure existing staff disciplinary procedures are followed.
- Secure any evidence.
- Assume the worst-case scenario in terms of losses and staff involved.
- If not already requested to undertake the investigation, inform the police and the funding body as appropriate.
- Hold regular progress meetings at which progress and agreed action are documented.
- Identify all internal and external sources of information and evidence.

# APPENDIX L

## CONTENTS OF CONDITIONS OF CONTRACT FOR THE PURCHASE OF GOODS

### LIST OF HEADINGS

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- Interpretation
- Variation of conditions
- Specification
- Identification of goods
- Packaging
- Containers and pallets
- Forms
- Delivery
- Property and risk
- Rejection of goods
- Default by contractor
- Force majeure
- Price and payment
- Indemnity
- Insurance
- Transfer and sub-contracting
- Patents, etc.
- Confidentiality
- Inducements to purchase
- Insolvency
- Publicity
- Law.

# MAIN POINTS INCLUDED IN THE INSTITUTION'S CODE OF TENDERING PRACTICE

- Duty to comply by the institution's staff.
- EU directives to be complied with.
- Competitive tendering procedure. This will:
  - ensure fairness of competition
  - ensure that companies invited to tender are financially and technically able to meet the institution's requirements
  - indicate the terms of the contract
  - outline the appropriate British standards to be complied with.
- Quotation procedure. This will indicate:
  - the minimum number of firms that should be expected to provide quotations
  - lists of available firms in existence that have been approved by the institution that might undertake the work specified
  - the terms by which the contractors will be paid
  - the national requirements concerning good practice that should be followed.
- Submission of tenders (e.g. time, date, etc.).
- Receipt and safe custody of tenders and records.
- Admissibility and acceptance of tenders.
- Acceptance of tenders/quotations.
- Justification of acceptance of tenders not at the lowest price.

# APPENDIX N

## FINANCIAL SCHEME OF DELEGATION

Operational Area	Corporation	Chair of Board	Board Committee	Principal	Executive Director (Funding and Finance)	Head of Finance	Human Resources Executive Group	Budget Holders
Annual budget and financial forecast.	Approve and monitor.		<b>Finance, Resources and Capital Projects</b> Consulted on, recommend and monitor.	Monitor	Develop, Monitor and report on.	Develop.		
Financial KPIs	Approve and monitor.		<b>Finance, Resources and Capital Projects</b> Review and develop, recommend and monitor.	Monitor	Develop, monitor and report on.	Report on.		
Financial delegations.	Approve financial delegations.		<b>Finance, Resources and Capital Projects</b> Recommend and monitor.	Monitor	Develop, monitor and report on.			
Delivering management accounts and forecasts.	Monitor		<b>Finance, Resources and Capital Projects</b> Monitor and report on.	Monitor	Develop, monitor and report on.	Develop, monitor and report on.		
Cash management, planning and cash flow.	Monitor		<b>Finance, Resources and Capital Projects</b> Monitor and report on.	Monitor	Develop, monitor and report on.	Develop, monitor and report on.		
Annual accounts and trustees report.	Approve.		<b>Finance, Resources and Capital Projects Committee</b> Be consulted on and recommend. <b>Audit and Risk Committee</b> Be consulted on and recommend		Develop.	Develop.		
Ordering goods and services	Over £300,000.	Over £300,000 in exceptional circumstances.	<b>Finance, Resources and Capital Projects Committee</b> Up to £300,000.	Up to £100,000.	Up to £50,000.			Up to £5,000.

Operational Area	Corporation	Chair of Board	Board Committee	Principal	Executive Director (Funding and Finance)	Head of Finance	Human Resources Executive Group	Budget Holders
Invoice approval				Over £50,000.	Up to £50,000.			Up to £5,000.
Quotes and tenders	Over £300,000. Formal tendering process.	Over £300,000 in exceptional circumstances. Formal tendering process.	<b>Finance, Resources and Capital Projects Committee:</b> Up to £300,000. Formal tendering process over £100,000.	Up to £100,000.	Up to £50,000. Three written quotations.			Up to £5,000. Ensure value for money.
Leasing agreements and long term contracts.	Over £300,000 and multiple years.	Over £300,000 in exceptional circumstances if within current budget.	<b>Finance, Resources and Capital Projects Committee</b> Up to £300,000 if within current budget.	Up to £100,000 within current budget. Up to £50,000 if multiple years.	Up to £50,000 within current budget. Up to £5,000 if multiple years.			Up to £5,000 and within current budget.
Charge cards.					Approve up to £15,000.	Approve up to £15,000.		Approve up to £5,000.
Virement of budget between budget headings.					Approve release of contingency.	Approve within budget.		Approve within budget.
Entering into operating lease agreements.					Approve.			
Bank payment approval.						Approve.		
Bid submission and contract award.				Approve.	Approve.			
Signatories for cheques				Up to £5,000. Over £5,000 both Principal and ED.	Up to £5,000. Over £5,000 both Principal and ED.			



Operational Area	Corporation	Chair of Board	Board Committee	Principal	Executive Director (Funding and Finance)	Head of Finance	Human Resources Executive Group	Budget Holders
BACS and other bank transfers.					Approve.	Approve.		
Disposal of assets (excluding land and buildings). Assets with no net book value can be disposed of without written approval.	Write offs: Treasury approval is required for write offs that exceed 1% of income or £45k individually or 5% or annual income cumulatively (subject to £250k ceiling).				Approve unless treasury approval is required. .			Approve for own budget area unless treasury approval is required. .
Write off bad debts				Approve up to: £20,000	Approve up to: £20,000	Write offs: Treasury approval is required for write offs that exceed 1% of income or £45k individually or 5% or annual income cumulatively (subject to £250k ceiling).		
Payments from petty cash								Approve. Up to £100.
Recruitment approval.							Approve.	
Staff severance and compensation.	Approve over £10,000 and up to £50,000 if treasury approval is not required.			Approve up to £10,000	Settlement agreements of more than £50,000 or more than 3 months pay will require treasury approval. Any linked to an NDA will require treasury approval. Approval will also be required for any exit packages which includes a special severance package and is at or above £100,000 (including pension) and if the employee earns over £150,000.			
Ex gratia Payments	All ex gratia payments require Treasury approval.							
Staff expenses.		Chair of Board to approve for		Approve expenses for				Approve up to

Operational Area	Corporation	Chair of Board	Board Committee	Principal	Executive Director (Funding and Finance)	Head of Finance	Human Resources Executive Group	Budget Holders
		members of the Corporation and Principal.		Chair of the Board with Head of Governance				approval limit.
<b>Additional staff payments</b>							Approve.	
<b>Senior Pay</b>	Approval of pay awards for Senior Post Holders.		<b>Remuneration Committee</b> Recommend and monitor pay awards for Senior Post Holders.		Colleges will need approval from treasury for any new appointments where the salary is £150k or more or if there will be bonuses of £17.5k or more. For any existing appointments, approval will be needed if the member of staff exceeds £150k or if the pay rise exceeds 9%.			
<b>Opening or closing bank accounts.</b>				Approve.	Approve.			
<b>Student Fees</b>			<b>Finance, Resources and Capital Projects</b> Approve.		Develop, monitor and implement.			
<b>External Auditor</b>			<b>Audit Committee</b> Approve and monitor.		Develop, monitor and report on.	Develop, monitor and report on.		
<b>Internal Audit</b>			<b>Audit Committee</b> Approve and monitor.		Develop, monitor and report on.	Develop, monitor and report on.		
<b>Sub-contracting Provision</b>			<b>Finance, Resources and Capital Projects</b> Approve and monitor.  <b>CQS Committee</b> Monitor quality of sub-contracted provision.	Develop.				
<b>Acquiring Freehold on land or buildings.</b>	Approve.		<b>Finance, Resources and Capital Projects</b> Recommend and monitor	Develop	Develop and monitor.			
<b>Disposing of freehold on</b>	Approve.		<b>Finance, Resources and Capital Projects</b>	Develop.	Develop and monitor.	Disposal of land: Colleges are required to ringfence the proceeds of any asset		

Operational Area	Corporation	Chair of Board	Board Committee	Principal	Executive Director (Funding and Finance)	Head of Finance	Human Resources Executive Group	Budget Holders
land or buildings.			Recommend and monitor			disposals for reinvestment in capital assets.		
Taking up a leasehold or tenancy agreement on land or buildings from another party of 7 or more years.	Approve.		<b>Finance, Resources and Capital Projects</b> Recommend and monitor	Develop	Develop and monitor.			
Granting a leasehold or tenancy agreement on land or buildings from another party of any duration.	Approve.		<b>Finance, Resources and Capital Projects</b> Recommend and monitor	Develop and propose.	Develop and monitor.			
Fixed Assets			<b>Finance, Resources and Capital Projects</b> Monitor.	Monitor	Monitor.	Maintain and report on		
Insurance	Over £300,000	Over £300,000 in exceptional circumstances.	<b>Finance, Resources and Capital Projects Committee</b> Up to £300,000.	Up to £100,000.	Up to £50,000.			Up to £5,000.
Compensation Payments	Approve over £10,000 and up to £49,999.			Approve up to £10,000.	Compensation payments: Approval will be required for compensation payments of £50k or more.			

Operational Area	Corporation	Chair of Board	Board Committee	Principal	Executive Director (Funding and Finance)	Head of Finance	Human Resources Executive Group	Budget Holders
<b>Borrowing</b>	Permission from DfE required.							
<b>Novel, Contentious and Repercussive Transactions</b>	All novel, contentious and repercussive transactions must have prior approved by DfE.							
<b>Indemnities, Guarantees and Letters of Comfort</b>	Colleges should not enter into liabilities without explicit parliamentary authority, other than those arising in the normal course of business. Many commercial contracts include indemnity clauses which are not restricted and DfE consent is not required. DFE consent is required in respect of indemnities beyond the normal course of business, guarantees and letters of comfort in excess of: 1% of annual income or £45k (whichever is smaller); or 5% of annual income cumulatively (subject to a cumulative ceiling of £250k).							