

The Arts University College at Bournemouth

## **Financial Regulations**

September 2010

THE ARTS UNIVERSITY COLLEGE AT  
BOURNEMOUTH

FINANCIAL REGULATIONS

EFFECTIVE FROM SEPTEMBER 2010

# CONTENTS

|           |         |  |             |
|-----------|---------|--|-------------|
| <b>1.</b> |         | <b>Introduction.....</b>   | <b>Page</b> |
|           | 1.1     | <a href="#">Scope.....</a>   | 1           |
|           | 1.2     | <a href="#">Purpose.....</a>   | 1           |
|           | 1.3     | <a href="#">Definitions.....</a>   | 1           |
|           | 1.4     | <a href="#">Review of the financial regulations.....</a>                                   | 1           |
| <b>2.</b> |         | <b>Financial Responsibilities.....</b>   | <b>2</b>    |
|           | 2.1     | <a href="#">HEFCE Financial Memorandum.....</a>  | 2           |
|           | 2.2     | <a href="#">The Governing Board.....</a>   | 2           |
|           | 2.3     | <a href="#">Principal &amp; Chief Executive.....</a>                                       | 2           |
|           | 2.4     | <a href="#">Director of Finance &amp; Planning.....</a>                                    | 2           |
| <b>3.</b> |         | <b>Irregularities including fraud and corruption.....</b>                                  | <b>4</b>    |
|           | 3.1     | <a href="#">Responsibilities.....</a>  | 4           |
|           | 3.2     | <a href="#">Procedures for dealing with suspected Fraud or Corruption.....</a>             | 4           |
|           | 3.3     | <a href="#">Procedures for dealing with financial errors and breakdowns of control ...</a> | 5           |
| <b>4.</b> |         | <b>Budgets, forecasts and management reporting .....</b>                                   | <b>6</b>    |
|           | 4.1     | <a href="#">Budgets .....</a>  | 6           |
|           | 4.1.1   | <a href="#">Preparation.....</a>   | 6           |
|           | 4.1.2   | <a href="#">Budget Statements.....</a>   | 6           |
|           | 4.1.3   | <a href="#">Procedures.....</a>  | 6           |
|           | 4.1.4   | <a href="#">Approval.....</a>  | 6           |
|           | 4.1.5   | <a href="#">Authorisation.....</a>   | 6           |
|           | 4.2     | <a href="#">Financial Forecasts.....</a>   | 7           |
|           | 4.2.1   | <a href="#">Preparation.....</a>   | 7           |
|           | 4.2.2   | <a href="#">Approval .....</a>   | 7           |
|           | 4.2.2   | <a href="#">Authorisation.....</a>   | 8           |
|           | 4.3     | <a href="#">Financial Results monitoring and Management Reports .....</a>                  | 8           |
|           | 4.3.1   | <a href="#">Responsibilities .....</a>   | 8           |
|           | 4.3.2   | <a href="#">Management Reports.....</a>  | 9           |
| <b>5.</b> |         | <b>Cash .....</b>  | <b>10</b>   |
|           | 5.1     | <a href="#">Treasury Management .....</a>  | 10          |
|           | 5.1.1   | <a href="#">Responsibilities.....</a>  | 10          |
|           | 5.1.2   | <a href="#">Cashflow Management and Reporting.....</a>                                     | 10          |
|           | 5.1.3   | <a href="#">Borrowings.....</a>  | 10          |
|           | 5.2     | <a href="#">Banking.....</a>   | 10          |
|           | 5.2.1   | <a href="#">Bankers.....</a>   | 10          |
|           | 5.2.2   | <a href="#">Payments.....</a>  | 11          |
|           | 5.2.2.1 | <a href="#">Authorisation Limits .....</a>   | 11          |
|           | 5.2.2.2 | <a href="#">Cheque Payments .....</a>  | 11          |
|           | 5.2.2.3 | <a href="#">BACS, Direct Debits and Standing Orders .....</a>                              | 11          |
|           | 5.2.2.4 | <a href="#">Payments over the Internet and telephone .....</a>                             | 11          |
|           | 5.2.3   | <a href="#">Cheque and Cash Receipts .....</a>   | 11          |
|           | 5.3     | <a href="#">Petty Cash .....</a>   | 12          |
|           | 5.3.1   | <a href="#">Float Amounts.....</a>   | 12          |
|           | 5.3.2   | <a href="#">Petty Cash Procedures .....</a>  | 12          |

# CONTENTS

|            |        |  |           |
|------------|--------|--|-----------|
| <b>6.</b>  |        | <b>Expenditure .....</b>   | <b>13</b> |
|            | 6.1    | <a href="#">Responsibilities .....</a>   | 13        |
|            | 6.2    | <a href="#">Purchasing Procedures .....</a>  | 13        |
|            | 6.3    | <a href="#">Purchase Orders .....</a>  | 14        |
|            | 6.4    | <a href="#">Contracts, other than Major Projects .....</a>   | 14        |
|            | 6.4.1  | <a href="#">Contracts for one-off provision of goods or services .....</a>                                     | 14        |
|            | 6.4.2  | <a href="#">Contracts for pre-defined provision of goods or services over a period of time .....</a>           | 14        |
|            | 6.4.3  | <a href="#">Contracts for provision of goods or services on an as-needed basis over a period of time .....</a> | 15        |
|            | 6.4.4  | <a href="#">Contracts clauses.....</a>   | 16        |
|            | 6.5    | <a href="#">Major Projects .....</a>   | 16        |
|            | 6.6    | <a href="#">Authorising invoices for payment.....</a>  | 17        |
|            | 6.7    | <a href="#">Internal Transfer of Goods and Services .....</a>  | 17        |
|            | 6.8    | <a href="#">Credit Cards .....</a>   | 18        |
|            |        |  |           |
| <b>7.</b>  |        | <b>Income .....</b>  | <b>19</b> |
|            | 7.1    | <a href="#">HEFCE and SFA Funded Courses .....</a>   | 19        |
|            | 7.2    | <a href="#">Fees .....</a>   | 19        |
|            | 7.3    | <a href="#">Commercial Activities .....</a>  | 19        |
|            | 7.4    | <a href="#">Other Income, including Grants.....</a>  | 19        |
|            | 7.5    | <a href="#">Credit Notes.....</a>  | 20        |
|            | 7.6    | <a href="#">Debit Collection and Bad Debt Write-off .....</a>  | 20        |
|            |        |  |           |
| <b>8.</b>  |        | <b>Fixed assets .....</b>  | <b>21</b> |
|            | 8.1    | <a href="#">Safeguarding of Assets .....</a>   | 21        |
|            | 8.2    | <a href="#">Disposals, Loss or Damage and Location Movements .....</a>   | 21        |
|            | 8.2.1  | <a href="#">Disposals and Loss or Damage .....</a>   | 21        |
|            | 8.2.2  | <a href="#">Asset Location Movement .....</a>  | 22        |
|            | 8.3    | <a href="#">Asset Depreciation.....</a>  | 22        |
|            | 8.4    | <a href="#">Asset Valuation.....</a>   | 22        |
|            |        |  |           |
| <b>9.</b>  |        | <b><a href="#">Stocks and Stores.....</a></b>  | <b>23</b> |
|            |        |  |           |
| <b>10.</b> |        | <b>Salaries and Expenses.....</b>  | <b>24</b> |
|            | 10.1   | <a href="#">Authority to Appoint and Pay Employees .....</a>   | 24        |
|            | 10.2   | <a href="#">Full-time and Part-time Employees .....</a>  | 24        |
|            | 10.2.1 | <a href="#">Contracts of Service .....</a>   | 24        |
|            | 10.2.2 | <a href="#">Monthly Payroll Changes .....</a>  | 24        |
|            | 10.2.3 | <a href="#">Procedures for Payment off the Monthly Payroll .....</a>   | 25        |
|            | 10.3   | <a href="#">Guest Speakers and Other Consultants .....</a>   | 25        |
|            | 10.4   | <a href="#">Actors &amp; Life Drawing Models.....</a>  | 25        |
|            | 10.5   | <a href="#">Responsibility for Inland Revenue Returns .....</a>  | 25        |
|            | 10.6   | <a href="#">Travel, Subsistence and Entertaining Expenses .....</a>  | 26        |
|            |        |  |           |

# CONTENTS

|              |        |  |           |
|--------------|--------|--|-----------|
| <b>11.</b>   |        | <b>Insurance.....</b>  | <b>27</b> |
|              | 11.1   | <a href="#">Arrangements.....</a>  | 27        |
|              | 11.2   | <a href="#">Responsibilities.....</a>  | 27        |
|              | 11.3   | <a href="#">Monitoring.....</a>  | 27        |
| <b>12.</b>   |        | <b>Taxation.....</b>   | <b>28</b> |
|              | 12.1   | <a href="#">Corporation Tax .....</a>  | 28        |
|              | 12.2   | <a href="#">Value Added Tax (VAT) .....</a>                                  | 28        |
| <b>13.</b>   |        | <b>Computer access and security .....</b>                                    | <b>29</b> |
|              | 13.1   | <a href="#">Organisation .....</a>   | 29        |
|              | 13.2   | <a href="#">Security .....</a>   | 29        |
|              | 13.3   | <a href="#">Changes to Programmes and Reports .....</a>                      | 29        |
|              | 13.4   | <a href="#">Segregation of Duties and Computerised Access Controls .....</a> | 29        |
|              | 13.5   | <a href="#">Operations and Maintenance .....</a>                             | 30        |
|              | 13.6   | <a href="#">Disaster Planning .....</a>                                      | 30        |
| <b>14.</b>   |        | <b>Audit .....</b>   | <b>31</b> |
|              | 14.1   | <a href="#">Audit Code of Practice .....</a>                                 | 31        |
|              | 14.2   | <a href="#">Internal Audit .....</a>   | 31        |
|              | 14.2.1 | <a href="#">Role.....</a>  | 31        |
|              | 14.2.2 | <a href="#">Appointment.....</a>   | 31        |
|              | 14.2.3 | <a href="#">Scope .....</a>  | 31        |
|              | 14.2.4 | <a href="#">Responsibilities and Reporting .....</a>                         | 32        |
|              | 14.2.5 | <a href="#">Independence .....</a>   | 32        |
|              | 14.2.6 | <a href="#">Access and confidentiality .....</a>                             | 32        |
|              | 14.2.7 | <a href="#">Irregularities, including Fraud and Corruption .....</a>         | 33        |
|              | 14.3   | <a href="#">External Audit.....</a>  | 33        |
|              | 14.3.1 | <a href="#">Role .....</a>   | 33        |
|              | 14.3.2 | <a href="#">Scope .....</a>  | 33        |
|              | 14.3.3 | <a href="#">Appointment.....</a>   | 33        |
|              | 14.3.4 | <a href="#">Responsibilities and Reporting .....</a>                         | 33        |
|              | 14.3.5 | <a href="#">Access and Confidentiality .....</a>                             | 34        |
|              | 14.3.6 | <a href="#">Irregularities, including Fraud and Corruption .....</a>         | 34        |
|              | 14.3.7 | <a href="#">Other Work .....</a>   | 34        |
|              | 14.3.8 | <a href="#">General Meeting .....</a>  | 35        |
|              | 14.4   | <a href="#">Audit Committee .....</a>  | 35        |
|              |        |  |           |
| Appendix I   |        | <a href="#">Audit Committee Terms of Reference.....</a>                      | 36        |
| Appendix II  |        | <a href="#">Nominated Signatories .....</a>                                  | 38        |
| Appendix III |        | <a href="#">Authorised Petty Cash Floats.....</a>                            | 40        |
| Appendix IV  |        | <a href="#">Tendering Procedures .....</a>                                   | 41        |
| Appendix V   |        | <a href="#">Schedule of Delegated Authorities.....</a>                       | 42        |

## **1. INTRODUCTION**

### **1.1 Scope**

The financial regulations are determined by the Governing Board under powers conferred to them by the Articles of Government.

The financial regulations apply to the University College and to any subsidiary company. They are binding on all staff and students of the University College and any subsidiary company. Where the financial regulations refer to the University College, this shall be taken to mean the University College and all subsidiary companies unless specifically stated otherwise.

### **1.2 Purpose**

The financial regulations detail the financial management responsibilities within the University College and any subsidiary company and provide detailed guidance to all staff with regard to financial matters.

Adherence to the system of financial regulation will help to ensure that accurate and complete accounting records are maintained which allow for:

- the safeguarding of assets and;
- the effective and efficient use of resources,

in accordance with the provisions of the Further and Higher Education Act 1992, the Charities Act 2006 and the requirements of the Higher Education Funding Council, the Skills Funding Agency and the Young Peoples Learning Agency.

### **1.3 Definitions**

For ease of use the following terms have been abbreviated:

|           |                                    |
|-----------|------------------------------------|
| HEFCE     | - Higher Education Funding Council |
| SFA       | - Skills Funding Agency            |
| YPLA      | - Young People's Learning Agency   |
| the Board | - the Governing Board              |

### **1.4 Review of the Financial Regulations**

The Director of Finance & Planning is responsible for ensuring that the financial regulations are reviewed each year by the Finance & Resources Committee. This review must include obtaining the views of the Internal Audit Committee and their views must be passed to the Board.

Any amendments to the financial regulations must comply with directives issued by HEFCE, SFA, YPLA and with statutory legislation as appropriate.

## **2. FINANCIAL RESPONSIBILITIES**

### **2.1 HEFCE Financial Memorandum**

The University College will comply in all respects, with the Financial Memorandum issued by HEFCE.

### **2.2 The Governing Board**

HEFCE's Financial Memorandum stipulate that the Board is responsible for:

- exercising proper stewardship over public funds;
- designation of a principal officer of the institution;
- ensuring that the University College remains financially solvent;
- ensuring that the University College has a sound system of internal control;
- delivering value for money from public funds;
- providing information reasonably requested by HEFCE or its agents;
- having due regard for equal opportunities legislation, and the race relations amendment act;
- subscribing to HESA, QAA and the quality enhancement academy;
- connecting to JANET or SuperJANET; and
- ensuring that there is an effective policy of risk management.

### **2.3 Principal & Chief Executive**

The Principal is the Chief Accounting Officer of the University College in accordance with HEFCE's Financial Memorandum. The Principal is responsible for the University College's application of public funds and for ensuring that a robust system of control is in place to safeguard against corruption, fraud and negligent financial management.

As Chief Executive of the University College, the Principal is personally responsible to the Board for ensuring that the University College honours all the legal, financial, personnel and commercial obligations determined by the Board. These objectives must be in accordance with the stipulations of the Articles of Government.

A key element of the Principal's duties is the presentation of periodic capital and revenue budgets to the Board, for their consideration and approval.

Once budget approval has been obtained from the Board, the Principal may designate members of staff as budget holders. Each budget holder is responsible for the control and monitoring of funds allocated to them, and must ensure that all transactions authorised by them are in accordance with the financial regulations.

### **2.4 Director of Finance & Planning**

The Director of Finance & Planning, acting on the Principal's behalf, will regularly monitor financial performance and will ensure that appropriate action is taken whenever significant unexpected variances occur. It is the Director of Finance & Planning's duty to keep the Principal informed of significant developments as soon as they have been identified.

The Director of Finance & Planning's duties include:

- setting up and maintaining a satisfactory financial control system;
- advising the Principal on important aspects of the University College's financial management policy,;
- preparing budgets and forecasts in accordance with HEFCE guidelines and otherwise as required by the Board and / or management;
- preparing periodic financial reports for the Board and management; and
- preparing financial statements in accordance with HEFCE guidelines and recommended accounting practice.

In relation to the maintenance of a satisfactory system of control, this will include:

- the maintenance of a clearly defined structure, roles and responsibilities within the finance function;
- the maintenance of an up to date and accurate accounting procedures manual; and
- the maintenance of clearly defined expenditure authorisation and delegated authority levels.

In relation to the approval of the financial statements, the Principal will present them to the Board for their formal approval, normally at the last meeting of the calendar year. The Board's approval will be evidenced by the signature of the Chairman, or his nominated deputy, and the Principal and the Director of Finance and Planning.



### **3. IRREGULARITIES INCLUDING FRAUD AND CORRUPTION**

#### **3.1 Responsibilities**

The Board is responsible for ensuring that the University College operates policies and procedures which discourage fraudulent and corrupt practices. They must actively seek to discourage fraud by putting in place effective checks and controls and by ensuring that where fraud and corruption do occur that the reporting of such practices can ensure that quick corrective action is taken.

The Principal is responsible for ensuring that the University College operates policies and procedures which minimise the possibility of errors occurring. Errors are differentiated from fraud and corruption by the absence of intent. An error can be a isolated occurrence or may be repeated consistently on a number of occasions; in each case this is regarded as a single error. Errors may result either in incorrect cash transactions or in inaccurate financial reporting.

All staff with budgetary responsibility are responsible for adhering to the financial regulations and procedures to ensure that the internal system of financial control is maintained. Breakdowns of financial control may, or may not, be intentional and they may, or may not, result in actual loss or error.

The Audit Committee is responsible for overseeing the internal system of control. The Committee must ensure that University College practices do not allow for the possibility of fraud, corruption and error without unduly restricting operational efficiency.

The responsibilities of the Internal Audit Service and the External Auditors regarding irregularities, fraud and corruption are set out below.

The Principal is responsible for ensuring that the internal system of control is enforced throughout the University College. The Director of Finance & Planning is responsible on the Principal's behalf for monitoring on a day to day basis that compliance with the internal system of control is observed.

#### **3.2 Procedures for dealing with suspected Fraud or Corruption**

Where an employee suspects that fraudulent and / or corrupt practices have occurred or may be about to occur, these suspicions must be reported to the Director of Finance & Planning. The Director of Finance & Planning must immediately report these suspicions to the Deputy Principal and the Principal who must in turn immediately report these suspicions to the Chair of Governors, the Chairman of the Audit Committee and the Head of Internal Audit.

The responsibilities of the Internal Audit Service and the External Auditors in such circumstances are set out in section 14 below. These regulations should also be read in conjunction with the University College's Public Interest Policy and Procedure and with the Fraud Response Plan which are both contained in the Policies Handbook.

The Principal and the Chairman of Audit Committee must arrange for these suspicions to be investigated as they consider appropriate. This may or may not involve the Internal Audit Service but in any event the Audit Committee, the Head of Internal Audit and the Chair of Governors must be kept informed of progress. This may also include the reporting of the suspicions to the police.

Where the suspected fraud is of a significant nature, a fraud recovery team must be put together, reporting to the Audit Committee. Such a team should normally include the Director of Finance & Planning and may be required to take action to counter the effect of the fraud. This team must not replicate the work being carried out by the investigating team, but must work closely with them and also with the police if appropriate, to ensure that the work of the two teams is not counterproductive.

Where the chain of reportage set out above cannot be observed for any reason e.g. due to the suspected involvement of one or more of these people, then suspicions must be reported at any level of this chain. Where it is not possible to report to any of these, then approaches must be made to any Governor or ultimately to HEFCE's Audit Service.

### **3.3 Procedures for dealing with financial errors and other breakdowns of control**

Where an employee suspects that a financial error or a non-fraudulent breakdown of financial control has occurred these suspicions must be reported to the Director of Finance & Planning. The Director of Finance & Planning must immediately conduct an investigation to establish the veracity of the suspicions and must simultaneously instigate special procedures in the area affected by the suspicions to ensure no further error occurs during the investigation period.

Where the cash impact of an error(s) is expected to exceed £5,000 the Director of Finance & Planning must immediately report it to the Principal.

Where an error is confirmed and it results in a total unrecoverable cash loss exceeding £10,000 the Principal must in turn report it to the Head of Internal Audit. In any event, all confirmed errors exceeding £20,000 must be so reported, even where the cash is subsequently recovered.

Breakdowns of financial control must be dealt with within the University College's Disciplinary procedure at the discretion of Director of Finance & Planning, the employee's line manager and/or the Principal.

## **4. BUDGETS, FORECASTS AND MANAGEMENT REPORTING**

### **4.1 Budgets**

#### **4.1.1 Preparation**

The Director of Finance & Planning is responsible to the Principal for the preparation of detailed budgets over specified HEFCE financial periods, based on the current strategic and operational plans and other resource strategies e.g. the accommodation strategy, the HR strategy.

In preparing the budget, the Director of Finance & Planning must liaise with the Principal, the Deputy Principal and the individual members of the Faculties and Directorates. The budget must incorporate all planned capital and revenue expenditure for the period.

Budgets must be prepared in accordance with the procedures set out at 4.1.3 below and in accordance with the issued budget timetable and guidance issued from time to time.

Budgets must be prepared in accordance with the following timescale:

- May meeting of Directorate Team to review and consider the composite budget;
- June meeting of Finance & Resources Committee to consider the final draft; and
- July meeting of the Board to approve the final version.

The Board's approval of the final version will form the authority to incur expenditure.

#### **4.1.2 Budget Statements**

Separate budgets must be prepared for the University College and each subsidiary and / or associated company. A consolidated budget must also be prepared.

For each company and for the consolidation, the following statements must be prepared:

- a) an income & expenditure (or profit and loss) account,
- b) a forecast balance sheet as at the end of the budget period,
- c) a cash flow forecast,
- d) specific details of the University College's capital expenditure,
- e) a commentary including the financial objectives on which the budget is based,
- f) key indicators, key ratios and assumptions contained within the budget,
- g) a sensitivity analysis.

For presentational purposes, the proposed budget must be compared to the previous year's forecast out-turn and significant variances must be explained.

#### **4.1.3 Procedures**

Budgets must be calculated for academic areas based on planned student recruitment. Budgets for non-academic areas must be prepared on a zero based basis and the activities included must be clearly linked to the University College's annual operating statement.

#### **4.1.4 Approval**

The Board indicates its approval of the final budget by passing a resolution, evidenced in the minutes of the meeting.

#### **4.1.5 Authorisation**

Once the Board has approved the budgets, the Principal is authorised to incur expenditure in accordance with the University College's financial regulations and the terms of HEFCE's financial memorandum for the following areas:

- all revenue budgets contained within the income & expenditure account;
- the annual minor works programme; and

- the annual minor capital programme (see 6.4 below for further definition).

The Principal may vire between individual budgets at his discretion and such amendments must be reflected in the budgets reported in the management accounts. Such virements may occur where:

- there is a mutual agreement between budget areas to transfer amounts between one another and the Principal concurs with the agreement;
- there is a need to finance new requirements of a higher priority than those known at the time of the initial budget allocation;
- some emergency arises which requires urgent action; and
- there is a transfer to/from the contingency budget.

Amendments which are in excess of £250,000 or which affect the operating surplus / (deficit) must be approved by the Board, normally via the Finance & Resources Committee.

In this way, the University College has a constant yardstick against which to monitor and compare its actual results, but is able to react to circumstances on a day by day basis. Significant variances must be investigated and brought to the attention of relevant parties by the Director of Finance & Planning in the form of regular management reports.

Virements between capital and revenue budgets are not permitted without the authorisation of the Principal.

Unspent capital budgets may be vired between financial years with the agreement of the Principal. Virement of unspent revenue budgets between financial years is not permitted.

Although indications of planned major capital must be included in the annual budget approved by the Board, actual expenditure can only be incurred in accordance with the financial regulations section 6.5.

## **4.2 Financial Forecasts**

### **4.2.1 Preparation**

Financial forecasts for the current year will be prepared as follows:

- a mid year update, based on the recruitment as at 1<sup>st</sup> December is presented to the Finance & Resources Committee and then to the Board at the spring term meetings; and
- a further update is prepared based on the April management accounts and is presented to the Finance & Resources Committee and then to the Board at the final summer term meetings as part of the 5 year forecast.

A 5 year financial forecast is presented to Finance & Resources Committee and then to the Board at the final summer term meetings. This forecast must be based upon the activities included in the University College's Strategic Plan, with any significant departures clearly highlighted.

This cycle does not preclude the preparation of additional forecasts where the Director of Finance & Planning is aware of significant variances in either capital or revenue budgets.

In the preparation of financial forecasts, the basic principles set out under 4.1.3 Budget Procedures must be followed.

Once the mid year forecast is approved by the Board it must be used as the basis for comparisons in the management accounts.

#### **4.2.2 Approval**

The Board must indicate its approval of the forecast by passing a resolution, evidenced in the minutes of the meeting.

#### **4.2.3 Authorisation**

Once the Board has approved the forecast, the Principal is authorised to incur expenditure in accordance with the University College's financial regulations and the terms of HEFCE's financial memorandum. The Principal may vire between individual budgets at his discretion and such amendments must be reflected in the budgets reported in the management accounts. Amendments which affect the operating surplus / (deficit) must be approved by the Board, normally via the Finance & Resources Committee.

### **4.3 Financial Results Monitoring and Management Reports**

#### **4.3.1 Responsibilities**

The Principal is responsible to the Board for effective control within the approved capital and revenue budgets. One of the key ways of monitoring the University College's performance will be through the Director of Finance & Planning's management reports.

The Director of Finance & Planning is responsible to the Principal for producing regular management reports, which give details of actual against latest forecast, as set out in 4.3.2. Separate management accounts must be prepared for the University College and all subsidiary companies. All such reports must be considered by the Board and the Directorate as the operations of subsidiary companies impact upon the performance of the University College.

It is the Deans, Associate Deans and Directors' responsibility to monitor actual spend against budgets and to ensure that their area does not fall into deficit by the end of the financial year.

Although the Deans, Associate Deans and Directors remain accountable for all budgets in their area, they may delegate signing authority for any non pay budget to others in their area. However, they may not delegate signing authority for any pay budgets which are authorised by the Board and they remain accountable for the management of all budgets in their area.

Where budgets, either pay or non pay, are managed in areas not within the control of any of the Deans, Associate Deans and Directors, then the Principal shall either be the authorised signatory or shall delegate this authority to another nominated person, including the manager responsible for the area.

Where budgetary authority is delegated, a written record must be kept in the Finance Section with the specimen signature of the Principal, or other authorised signatory, delegating the authority and the budget holder receiving it. This requirement must be complied even if the signing authority is delegated only on a temporary basis due to the budget holder 's absence.

Deans, Associate Deans and Directors must inform the Director of Finance & Planning immediately if it appears that any area under their control may fall into a deficit so that appropriate action can be taken.

Budget holders are responsible for University College funds allocated to them and must ensure that they:

- authorise expenditure against their allocated budgets, in accordance with the financial regulations;
- monitor actual and committed expenditure levels against budget; and
- inform their Dean, Associate Dean or Director immediately if it appears that their budget may fall into deficit by the end of the financial year so that appropriate action can be taken.

Where a budget holder mismanages their delegated budget, the Director of Finance & Planning may remove their delegated authority, even where such authority is given by another Dean, Associate Dean or Director. Appeals against such debar must be made to the Principal via the relevant Dean, Associate Dean or Director. The Principal's decision is final.

#### **4.3.2 Management Reports**

All monthly management reports and accounts must be issued within 10 working days of the end of each month. They must contain the following information:

- a summarised income & expenditure account for the year to date which provides a breakdown of actual against the latest forecast;
- a balance sheet as at the end of the reporting period;
- a cash flow analysis for the reporting period;
- a cash flow forecast to the end of the financial year;
- a commentary giving explanations for any significant variances in the above schedules and highlighting any potential changes to the current forecast; and
- where significant variances likely to affect the out turn have occurred in any area since the last update was approved, a revised statement must be prepared.

The monthly management report and accounts must be distributed and discussed at the Directorate Team Meeting (DTM). In addition to the monthly management accounts, the Deans, Associate Deans and Directors must also receive a summary of their area's accounts.

The monthly reports for budget holders must provide a detailed statement showing year-to-date actual commitments and payments against the latest approved cumulative forecast.

The monthly management report and accounts must be sent to the University College's bank. The latest reports and accounts must be discussed at each meeting of the Finance & Resources Committee which then reports on to the Board.

In addition to receiving the report of the Finance & Resources Committee, the Board must receive a summary financial statement at each of its main termly meetings. The content of these reports may vary but should include reference to the following as appropriate:

- progress against the achievement of University College annual objectives and any financial impact;
- the management of financial risk;
- the University College's summary operating position based on the latest available accounts;
- identification of any major variances or other relevant issues; and
- forecast annual outturn.

## **5. CASH**

### **5.1 Treasury Management**

#### **5.1.1 Responsibilities**

The Principal is responsible to the Board for the management of the University College's cash position. The Principal may authorise overdraft arrangements but must ensure that such decisions are reported immediately to the Chair of the Governors.

The Director of Finance & Planning is responsible for monitoring cash on a weekly basis, and must ensure that surplus funds are invested either directly or through the approved cash fund managers, Tradition, with counterparties as approved by the Board, so as to maximise the University College's investment returns without exposing the University College's cash balances to foreseeable risk.

The Director of Finance & Planning must inform the Principal immediately if it becomes apparent that the University College may need to operate an overdraft or if an overdraft unexpectedly occurs.

The Director of Finance & Planning may negotiate with providers to obtain investment agreements and overdraft facilities within the powers delegated by the financial regulations and the financial memorandum. Any such agreements must be reported immediately to the Principal and must be highlighted in management reports.

The Director of Finance & Planning shall adhere to the requirements of the Treasury Management Policy Statement.

#### **5.1.2 Cashflow Management and Reporting**

The Director of Finance & Planning must manage the University College's cashflow as follows:

- the information received daily from the Lloydslink connection must be checked on a daily basis by the Assistant Accountant, who must report any unusual or unexpected transactions immediately to the Director of Finance & Planning; and
- monthly cash flow forecasts for both the following quarter and the following 12 month Income period must be prepared by the Income Accountant, who must report any unexpected variances to the Director of Finance & Planning.

#### **5.1.3 Borrowings**

The Principal may only authorise short term borrowings, less than a month, within the limits determined by HEFCE's Financial Memorandum. Any such borrowings must be reported immediately to the Chair of Governors and advised to the Board at the next subsequent meeting.

Long term borrowings, longer than a month, require the prior agreement and authorisation of the Board and must also comply with HEFCE's financial memorandum.

## **5.2 Banking**

### **5.2.1 Bankers**

The Board must formally ratify the appointment of the University College's bankers. The provision of banking services must be reviewed every five years.

The Director of Finance & Planning has the delegated authority to deal with the appointed bankers on a daily basis, including the opening and closing of bank accounts and the issue of cheques provided that these actions comply with the financial regulations.

The Director of Finance & Planning must ensure that the Finance Section performs monthly bank reconciliations on all bank accounts, and is responsible for reviewing these reconciliations.

University College employees, other than the Finance Section, and students are not allowed to operate a bank account in the University College's name or in a name which may be construed as being a part of the University College. Any University College employee or student found to be operating such a bank account will be open to disciplinary action by the Principal.

## **5.2.2 Payments**

### **5.2.2.1 Authorisation Limits**

Payments by the University College may only be made through the Finance Section as this is the only area in the University College authorised to hold and maintain bank accounts on the University College's behalf.

The authorisation limits and nominated signatories of cheques, standing orders and BACS payments from all University College bank accounts are as shown in Appendix II.

By following the authorisation rules every payment must, therefore, be signed by two signatories.

### **5.2.2.2 Cheque Payments**

Although the University College aims to make most of its payments by BACS or standing order there will be occasions where cheque payments will have to be made. Authority levels for cheque payments are set out at Appendix II.

Where an advance payment or emergency loan is made, arrangements to recover the money must be made at the time of the payment e.g. by taking credit card details or post dated cheque.

### **5.2.2.3 BACS, Direct Debits and Standing Orders**

Where regular payments are made the University College intends to pay by BACS, direct debit or standing order (fixed payments). All payments made in this way must be authorised by the designated signatories as shown in Appendix II and supporting documentation must be systematically filed.

### **5.2.2.4 Payments over the Internet and Telephone**

Where goods are ordered and pre-paid over the Internet or by telephone, then the relevant paperwork must still be raised. Payment can be made through the Finance Section using the credit card held in the name of the Income Accountant or those credit cards held by the posts detailed at Appendix II. VAT receipts must still be obtained in the normal way.

Credit card purchases should not be effected when goods can be purchased on credit in accordance with our standard purchasing procedures.

## **5.2.3 Cheque and Cash Receipts**

Wherever possible, payments must be made only to the Finance Section. If cash is received in areas other than the Finance Section, it must be handed into the finance office immediately on receipt.

When cash or cheque receipts are collected from staff or students the employee responsible for the safeguarding and accounting of funds must issue the payee with a receipt. On receipt of the money from other areas, the Finance Section must issue a till receipt.



In those cases where it is identified that receipts have been deliberately sent to employees or staff outside the Finance Section, without the prior knowledge and consent of the Director of Finance & Planning, detailed explanations will be required as to the nature and reason for such transactions. If as a result of these discussions, it appears that University College funds are being invoiced and / or held outside the Finance Section, then the staff or students concerned will be referred to the Principal for appropriate disciplinary action to be taken.

Cash receipts exceeding £10,000 in a single transaction will not be processed without the authority of the Director of Finance & Planning. Where such transactions are accepted, then the Director of Finance & Planning is responsible for ensuring that the University College is in full compliance with statutory anti-money laundering regulations.

### **5.3 Petty Cash**

#### **5.3.1 Float Amounts**

Under normal circumstances, petty cash floats will only be operated in those areas set out in Appendix III. The Director of Finance & Planning may from time to time, authorise other areas of the University College to run temporary floats providing they adhere strictly to the petty cash procedures.

#### **5.3.2 Petty Cash Procedures**

The following rules apply to all University College petty cash floats:

- employees in charge of floats must ensure that their staff always obtain valid VAT invoices, where petty cash is spent on obtaining VAT-rated supplies;
- petty cash payments must not relate to routine creditor items nor staff subsistence / travel claims and all employees must, therefore, ask the Purchase Ledger Administrator whether or not the University College holds a credit account with the intended supplier, before requesting any cash;
- individual petty cash transactions must be authorised by the relevant budget holder and must never exceed £100 without the prior permission of the Director of Finance & Planning or Income Accountant;
- all receipts must be attached to the back of the authorised petty cash voucher so that the University College can recover all the VAT to which it is entitled and any unspent cash must be paid back into the float;
- income receipts must never be paid into petty cash floats;
- at any one time the total of cash and vouchers must equal the totals set out in Appendix III;
- employees in charge of floats, will be directly responsible for the safekeeping of their respective floats, and will be held personally liable for any identified shortfalls;
- the Director of Finance & Planning will have a right of access to all books and records relating to petty cash floats. All floats will be audited on a regular basis, and explanations required from relevant employees where an unusual transaction and / or a shortfall is identified;
- the Director of Finance & Planning must ensure that a float is intact before the employee in charge leaves the University College's employment; and
- where an advance payment or emergency loan is made, arrangements to recover the money must be made at the time of the payment e.g. by taking credit card details or post dated cheque.

## 6. EXPENDITURE

### 6.1 Responsibilities

The Principal is responsible for all expenditure made on the University College's behalf.

The Principal is authorised to delegate the routine expenditure decisions to individual budget holders via the relevant Dean, Associate Dean or Director. Budget holders may only authorise expenditure in their areas of responsibility once they are satisfied that they are complying with the financial regulations and have checked that they have sufficient funds to cover the transaction.

### 6.2 Purchasing Procedures

The Principal is responsible for securing the economy, efficiency and effectiveness of the University College in the deployment of its resources.

Each budget holder is expected to use the funds allocated to their area in an expeditious and effective manner. All goods and services purchased by the University College must be made on the most favourable rates and terms available, based on figures from estimates, quotations or competitive tenders quoted by suppliers, depending on the magnitude of the purchase.

To this end, budget holders must adopt the following purchase procedures for all purchases except for building works:

| <b>Value of commitment*</b> | <b>Procedure</b>   |
|-----------------------------|--|
| up to £10,000               | Obtain up to three estimates from suppliers which will be included on the purchase requisition.    |
| £10,001 to £30,000          | Obtain three written quotations which must be attached to the purchase requisition.                |
| More than £30,000           | Obtain three tender proposals in accordance with the tender procedure as specified in Appendix IV. |

For building works, the following limits apply:

| <b>Value of commitment*</b> | <b>Procedure</b>   |
|-----------------------------|--|
| up to £25,000               | Obtain up to three estimates from suppliers which will be included on the purchase requisition.    |
| £25,001 to £75,000          | Obtain three written quotations which must be attached to the purchase requisition.                |
| More than £75,000           | Obtain three tender proposals in accordance with the tender procedure as specified in Appendix IV. |

\* Including VAT and, in the case of a contract, based on the total value over the whole contract period.

The University College will normally commit itself to the supplier offering the best value for money. This will not necessarily be the one offering the cheapest goods and/or services; in these circumstances the Director of Finance & Planning's authorisation is required (or the Principal's for expenditure in excess of £30,000).

Where goods or services up to a value of £30,000 are procured via a recognised purchasing consortium of which the University College is a member, then written quotes do not need to be obtained for attaching to the purchase requisition. Purchases in excess of £30,000 made via a consortium are subject to the tender procedures set out in Appendix IV.

Commitments must not be broken down artificially into separate orders to circumvent the above limits. Where a series of orders to the same supplier is made in close succession they must be treated as a single order unless otherwise agreed with the Principal.

Commitments in excess of £5,000 must be countersigned by the budget holder's line manager.

### **6.3 Purchase Orders**

An order requisition must be raised for all expenditure to be incurred by purchase order. Order requisitions must be approved by the relevant budget holder and, if appropriate, countersigned in accordance with Appendix V.

Each order must clearly indicate the nature and quantity of the goods and services required, the estimated purchase price (inclusive of VAT), and details of any discounts being offered.

### **6.4 Contracts, other than Major Projects**

Contracts may fall into any of the following categories:

- a one-off provision of goods or services;
- a contract with a supplier for the pre-defined provision of goods or services over a period of time; and
- the purchase of a category of goods on an as-needed basis over a period of time.

Copies of all signed contracts must be lodged with the Finance Section..

Contractors are required to provide evidence of public liability insurance on an annual basis. The responsibility for acquiring and retaining such evidence lies with the relevant budget holder.

#### **6.4.1 Contracts for one-off provision of goods or services**

The contractor must be selected in line with the procedures set out in 6.2 above.

Prior to obtaining estimates, quotes or tenders, either a draft contract or a full specification must be prepared which must be approved by the relevant budget holder and, if appropriate, countersigned in accordance with Appendix V.

The draft contract or specification must then be used as the basis for obtaining costs.

The final agreed contract must be signed by the relevant budget holder or the appropriate counter signatory in accordance with Appendix V. The person signing the contract is responsible for checking any changes from the original approved draft version.

Where a repeat supply is required, a new contract must be entered into.

#### **6.4.2 Contracts for pre-defined provision of goods or services over a period of time**

This covers contracts for goods or services where the service levels are defined in advance e.g. cleaning, grounds maintenance, software licences.

The contractor must be selected in line with the procedures set out in 6.2 above.

Prior to obtaining estimates, quotes or tenders, either a draft contract or a full specification must be prepared which must be approved by the relevant budget holder and, if appropriate, countersigned in accordance with Appendix V. Where the commitment extends into future accounting periods for which no budgets have yet been agreed, then the authority of the Director of Finance & Planning is required. Where this is expected to exceed £30,000 in any one year, the authority of the Principal is required and where it is expected to exceed £250,000 the authority of the Board is required.

The draft contract or specification must then be used as the basis for obtaining costs.

The final agreed contract must be signed by the relevant budget holder or the appropriate counter signatory in accordance with Appendix V. The person signing the contract is responsible for checking any changes from the original approved draft version. Where final annual costs vary from estimated costs and as a result exceed either £30,000 or £250,000 then a retrospective report, to either the Principal or the Board respectively, is required.

Variations, or extensions, to the original contract may be agreed if the budget holder is satisfied that this represents best value for the University College and subject to not then exceeding the approval levels set out in the previous paragraph. However, no contract can be extended beyond seven years from the date of the start of the original contract without a tender exercise being held, without the approval of the Board. Where such approval is given by the Board then they must satisfy themselves that there are particular circumstances that warrant such an extension and they must also assure themselves that the University College can demonstrate that continuing value for money is being secured e.g. by conducting a best value exercise.

#### **6.4.3 Contracts for provision of goods or services on an as-needed basis over a period of time**

This covers contracts for goods or services where the level of activity cannot be defined in advance e.g. purchase of gas, electricity, stationery, and computer support agreements.

The contractor must be selected in line with the procedures set out in 6.2 above.

Prior to obtaining estimates, quotes or tenders, either a draft contract or a full specification must be prepared which must be approved by the relevant budget holder and, if appropriate, countersigned in accordance with Appendix V. Where any commitment to standing charges (i.e. any costs chargeable in the event of zero activity) extends into future accounting periods for which no budgets have yet been agreed, and then the authority of the Director of Finance & Planning is required. Where this is expected to exceed £30,000 in any one year, the authority of the Principal is required and where it is expected to exceed £250,000 the authority of the Board is required.

The draft contract or specification must then be used as the basis for obtaining costs.

The final agreed contract must be signed by the relevant budget holder or the appropriate counter signatory in accordance with Appendix V. The person signing the contract is responsible for checking any changes from the original approved draft version. Where final annual costs vary from estimated costs and as a result exceed either £30,000 or £250,000 then a retrospective report, to either the Principal or the Board respectively, is required.

Variations, or extensions, to the original contract may be agreed if the budget holder is satisfied that this represents best value for the University College and subject to not then exceeding the approval levels set out in the previous paragraph. However, no contract can be extended beyond seven years from the date of the start of the original contract without a tender exercise being held, without the approval of the Board. Where such approval is given by the Board, then they must satisfy themselves that there are particular circumstances that warrant such an extension and they must also assure themselves that the University College can demonstrate that continuing value for money is being secured e.g. by conducting a best value exercise.

#### **6.4.4 Contract clauses**

The contents of contracts will vary depending on the nature of the goods or services provided. However, as a minimum the contract must contain clauses covering the following areas:

- the agreed price or the basis for the calculation of the price, including the basis for any periodic price revisions during the life of the contract;
- details of the goods and/or services to be provided;
- service levels, including, where appropriate, performance clauses;
- clearly defined start and end times; and
- procedures in the event of dispute.

#### **6.5 Major Projects**

A major project is either:

- any project not included in the approved income & expenditure account or the approved minor capital programme,; and
- any project included in the approved income & expenditure account or the approved minor capital programme with a total cost in excess of £250,000.

It may cover capital and / or revenue expenditure.

Preliminary investigation work for new projects may be authorised by the Principal. Preliminary investigation may cover all pre-project stages up to tender stage, but may not cover expenditure on the project itself.

Such expenditure may not exceed £10,000 per project and total expenditure must not exceed £25,000 in any one financial year. Commitment and authorisation of such expenditure must comply with the financial regulations for routine expenditure and minor works.

The budget for preliminary investigation work must be contained within the annual minor capital programme. Reporting of the expenditure will therefore be made in the management accounts by means of a breakdown of this expenditure line as required.

Once costs have reached the limit, or once the investigation work has been completed and it has been decided that the project should proceed, the project must be taken to the Board by the Principal. The following details must be provided:

- full details of the proposed scheme, including justification, scope, timing, option appraisals;
- a proposed timetable for implementing the project, including key dates;
- financial information to include a full cost forecast (including costs already incurred), grants receivable, the impact on existing forecasts, sources of funding and project appraisal(s);
- consents required e.g. HEFCE; and
- any other information which may influence the decision of the Board.

The matter may first be considered by the Finance & Resources Committee but authority to proceed must be given by the Board. The decision must clearly set out the stage to which the project may be taken and the approved budget for the work.

Final approval to proceed with the implementation of the project must be given by the Board based on the following information:

- full details of the proposal;
- tender report;
- financial appraisal;
- the impact on existing financial plans;
- financial liabilities being incurred;
- details of financing arrangements e.g. loans;
- sensitivity analysis;
- details of any charges, covenants or other legally binding agreement entered into in connection with the project;
- confirmation of any consents, e.g. HEFCE; and
- any other information which may influence the decision of the Board.

The Board may then authorise the implementation of the project, clearly specifying the budget for the project. Reporting of the expenditure must be made in the management accounts by means of a breakdown by individual project.

On completion of the project, a final report of all the costs must be considered by the Board.

#### **6.6 Authorising Invoices for Payment**

Budget holders must always ensure that suitable VAT invoices are obtained, so that the University College can recover all the VAT to which it is entitled. All purchase invoices must be sent directly to the finance office, by suppliers.

The Finance Section is responsible for invoice payment, and will only exceptionally pay over monies against documentation other than an authorised invoice e.g. Architect's Certificates. Only budget holders or their delegated representatives may authorise invoices for payment. The Finance Section must hold a list of authorised signatories and their financial limits, and may only pass for payment those invoices which have been signed by the relevant signatory(s).

In exceptional circumstances, when a supplier will not give credit terms, special arrangements may be made whereby the finance office will pay money out either directly to the supplier in advance of receipt of the goods or, more exceptionally, to a designated employee. In either case, the authorisation of the Director of Finance & Planning is required and a valid receipt, such as a VAT invoice, must be returned the same day. Section 5.3.2 fully explains the procedure to be followed in respect of petty cash purchases.

Budget holders, and not the Finance Section, is responsible for ensuring that the following checks are carried out before signing invoices for payment:

- that the correct type of goods and / or services have been received which agree to the delivery note;
- that the goods and / or services comply with the purchase order;
- that the goods and / or services are of acceptable quality;
- that the purchase invoice details regarding price and quantity are correct;
- that the invoice is arithmetically correct; and
- that the invoice has not been previously passed for payment.

## **6.7 Internal Transfer of Goods and Services**

Budget areas that require internally transferred goods and / or services must go through the following procedures:

- they must ask the producer, or the budget area offering to transfer out the goods and / or services, for an estimated transfer price;
- if the proposed transfer price is acceptable, the consumer, or the budget area transferring in the goods and / or services, must produce a transfer request form. The estimated transfer price will be used to automatically update the consumer's commitment records by recharging the necessary amount across to the producer's income records; and
- an internal billing journal will be raised by the producer when the goods and services are actually transferred.

The consumer buying the goods and services will only pay the difference between the estimated transfer and internal billing price, if a satisfactory explanation is provided by the producer.

The Director of Finance & Planning will be final arbiter in case of dispute except where the dispute involves the Director of Finance & Planning, in which case the final arbiter will be the Deputy Principal.

## **6.8 Credit cards**

The University College has a limited number of credit cards which are issued on the authority of the Principal. Such cards may only be issued to staff who incur expenses on a regular basis while carrying out their duties away from the University College or are required to facilitate telephone and internet purchases in accordance with section 5.2.2.4. A list of approved credit card holders is detailed in Appendix II

The intended purpose of such cards is to cover expenses incurred in connection with University College business. All expenditure must be agreed in advance with the relevant budget holder and must not exceed these pre-arranged levels. Credit cards must not be used to pay for goods and services, except in line with section 5.2.2.4 above and they must not be used to withdraw cash from University College accounts.

All expenditure must be evidenced by VAT invoices and / or receipts and must be submitted to the Finance Section on a credit card expenses form which must be authorised in line with normal procedures.

All staff who hold a credit card must sign a proper use agreement. This must be renewed on an annual basis. It is the responsibility of the Director of Finance & Planning to ensure that cards are recovered from holders who leave the employment or association of the University College.

The Director of Finance & Planning shall review the use of credit cards to ensure that it is appropriate and will recommend to the Principal the removal of a credit card if this is not the case.

## **7. INCOME**

### **7.1 HEFCE and SFA Funded Courses**

Where a proposal for a new course is assuming eligibility for either HEFCE or SFA funding, this must be checked and authorised by the Director of Academic Services.

### **7.2 Fees**

The Director of Academic Services is responsible for ensuring that all students are formally registered by a specific date during the Autumn Term.

The Director of Finance & Planning is responsible for ensuring that:

- invoices are issued to the relevant person / authority for each student immediately after enrolment,
- the collection of the various fees and charges are made in accordance with the relevant University College policy,
- policies are in place to cover the collection of each type of fee or charge and that these policies are reviewed on an annual basis and, if appropriate, updated.

### **7.3 Commercial Activities**

All commercial activities must be negotiated and arranged only through the Head of Enterprise Unit.

It is the responsibility of the Head of Enterprise Unit to:

- ensure that all such activities are covered by a written contract which clearly states the nature of the agreement, the specific requirements and agreements, the agreed price and the agreed schedule and method of payment;
- ensure that the contract costing and pricing are in accordance with the Enterprise Unit's procedure for the implementation of new services;
- ensure that contracts are only drawn up after the relevant Dean, Associate Dean or Director has agreed to the terms and conditions and after the Principal's formal approval to proceed has been obtained;
- ensure that a copy of all agreements is lodged in the finance office; and
- act as budget holder, or nominate another officer to so do: specifically this includes raising invoice requests to the Finance Section, ensure that the all income due is collected and authorising expenditure incurred in connection with the project.

Only the Finance Section may invoice third parties on behalf of the University College. For this reason, University College sales invoices must be treated as controlled stationery and must be held in the finance office.

Any University College employee or student who invoices a third party on the University College's behalf, without using the finance office, thereby misleading such a party into believing that they are entering into an officially authorised contract with the University College, will be subject to disciplinary action.

### **7.4 Other Income, including Grants**

For each activity or project which generates income from whatever source, and not covered in 7.3 above, the Principal or Deputy Principal must nominate a project manager. Prior to incurring any expenditure, the project manager must draw up a budget plan for the activity or project, which must be approved by the Principal.

It is the responsibility of the project manager and not the Finance Section, to instigate the raising of invoice requests on a timely basis, to monitor and authorise all expenditure, to keep all relevant paperwork and to ensure that all external returns are submitted as required. It is the responsibility of the Finance Section to keep financial records of income and expenditure for the project or activity to support the project manager.



## 7.5 Credit Notes

Credit notes can only be issued by the Finance Section. Every credit note request must be signed by an authorised signatory.

In instances of student debt the procedure is as follows:

- (i) in the case of a re-assessment by the Student Loan Company an internal credit note is raised and approved by the Income Accountant;
- (ii) in the case of students withdrawing from a course the current Fees & Charges Payment Policy will be applied. Internal credit notes will be raised subject to confirmation by Course Leaders and will be authorised by the Income Accountant.

Credit notes raised in connection with overseas tuition fees must be authorised by the Principal.

All other credits notes shall be authorised as follows:

| <b>Credit Note Amount</b> | <b>Authorised Signatory</b>                                      |
|---------------------------|--|
| Up to £4,999              | The Director of Finance & Planning or the relevant Budget Holder |
| £5,000 to £24,999         | The Principal  |
| More than £25,000         | The Governing Board  |

## 7.6 Debt Collection and Bad Debt Write-off

It is the responsibility of the Director of Finance & Planning to ensure that there is an efficient and effective system of debt collection in place.

The Director of Finance & Planning is responsible for implementing an acceptable bad debt provision policy regarding overdue debts.

If a bad debt needs to be written-off, it must be corroborated by supporting documentation. The authorisation limits for such write-offs are as follows:

| <b>Write-off Amount</b> | <b>Authorised Signatory</b>                                      |
|-------------------------|--|
| Up to £4,999            | The Director of Finance & Planning or the relevant Budget Holder |
| £5,000 to £24,999       | The Principal  |
| More than £25,000       | The Governing Board  |

Bad debt write-off in connection with overseas tuition fees must be authorised by the Principal.

If a bad debt is written off, any cost incurred in raising that debt must be borne by the relevant budget area, unless it is clear that the debt became unrecoverable through factors outside their control.

Bad debt written off must be reported in the management accounts on a monthly basis.

## **8. FIXED ASSETS**

### **8.1 Safeguarding of Assets**

The Principal is responsible for safeguarding the University College's land & buildings, fixtures & fittings and plant & equipment, and for ensuring that assets are used only on University College business.

The Director of Finance & Planning, on behalf of the Principal, must ensure that an accurate and up to date fixed asset register is maintained, which includes details of all assets with a purchase price of more than £1,000 (including VAT). Each asset must be allocated a unique sequential asset number, which must be recorded in the asset register, along with the location of the new asset. It is the responsibility of the authorised signatory to notify the initial location of the new asset to the Finance Section.

It is the responsibility of the relevant Dean, Associate Dean or Director to ensure that all equipment in their area, with the exception of IT items, are clearly identified with these individual numbers using an anti-theft device, so that they can easily be identified and their movements subsequently controlled. The Head of ITCS is responsible for the identification of all IT items including software.

Deans, Associate Deans and Directors are also responsible for the security marking of non-consumable items in their areas which have been purchased from revenue budgets e.g. printers, cameras. Deans, Associate Deans or Directors must ensure that up to date inventories of such items are held within their areas.

The relevant Dean, Associate Dean or Director is responsible for ensuring that regular spot checks are performed on items in their area, to ensure the completeness and accuracy of the asset register and other inventories. The asset register and inventories must be maintained in a form acceptable to the Governors and the directives of the HEFCE and SFA.

Any asset disposals or location movements must be made in accordance with the financial regulations detailed in section 8.2.

### **8.2 Disposals, Loss or Damage and Location Movements**

#### **8.2.1 Asset Disposals**

##### **8.2.1.1 External Disposals**

The sale of land or buildings may only take place after the passing of a resolution by the Governors.

In the case of plant & equipment and furniture & fittings, details of the asset of which it is proposed to dispose must be submitted to the following authorised signatories, according to the asset's net book value:

| <b>Net Book Value on Disposal</b> | <b>Authorised Signatory</b>        |
|-----------------------------------|------------------------------------|
| Up to £4,999                      | The Director of Finance & Planning |
| From £5,000 to £24,999            | The Principal                      |
| More than £25,000                 | The Governing Board                |

The net book value of individual assets can be obtained from the Finance Section.

Once the disposal has been approved, the asset may be sold, disposed of, or scrapped. Any invoice must be raised by the Finance Section. The final disposal must be notified to the Finance Section in order that the Fixed Asset Register can be updated.

The proceeds from any disposals are credited centrally unless agreed otherwise by the Principal.

#### **8.2.1.2 Internal Disposals**

Internal disposals commonly described as staff disposals require the authorisation of the Director of Finance & Planning. This is to ensure that the VAT consequences of the transaction are considered and that it is correctly accounted for and the Fixed Asset Register is updated.

Such disposals will only be authorised in exceptional cases and the University College does not provide any warranties in respect of such disposals.

#### **8.2.2 Asset Loss or Damage**

The Head of Facilities must be informed in writing as soon as any assets are missing or damaged. It will be the Head of Facilities' role to ascertain the reasons for such events, to take the necessary action regarding insurance claims and to ensure that the Finance Section is advised in order that the accounting records are updated accordingly.

If the Head of Facilities finds that an asset is lost or damaged as a result of factors that could have been prevented by University College employees or students e.g. by not locking up equipment overnight, details of the asset together with the reasons for its loss or damage must be reported to the Principal. The Principal will decide on the appropriate course of action that must be taken.

#### **8.2.2 Asset Location Movements**

No property must be temporarily removed from the University College premises unless it is in the ordinary course of business, such as a film shooting session, for example. The relevant Dean or Associate Dean's permission must be obtained before property can be removed for purposes outside the ordinary course of business.

All property temporarily removed from the University College premises must be recorded on a schedule maintained by the responsible person.

Property which is permanently transferred to a different internal location must be notified to the Finance Section to ensure that the asset register is updated.

Transfers of assets between the University College and any subsidiary may only be made with the prior agreement of the Director of Finance & Planning.

#### **8.3 Asset Depreciation**

The Director of Finance & Planning is responsible for implementing acceptable depreciation policies for different classes of assets, which must be in accordance with HEFCE requirements and appropriate accounting standards.

#### **8.4 Asset Valuation**

The University College's land and buildings and other assets must be maintained adequately to retain their book value. In accordance with the application of Accounting Standard FRS15 the assets are not re-valued at regular intervals.



## **9. STOCKS AND STORES**

The Director of Finance & Planning is responsible for the maintenance of adequate accounting records in regard to stocks sufficient to satisfy HEFCE requirements. Finance records maintained will be commensurate with the value of the stocks and the level of risk and materiality.

All Deans, Associate Deans and Directors will be responsible for the care and custody of stores under their control and must maintain records in a form recommended by the Director of Finance & Planning. The Assistant Accountant must provide details on all stores received and issued over an accounting period and the balance on hand at any given time.

The relevant Dean, Associate Dean or Director must ensure that store checks are performed at least once a quarter, and that stock values, where appropriate, are correctly recorded in the accounts. The stock take must identify the range, quantity and value of each item held, the date of the stores check and the name of the person undertaking the count.

Where significant book to physical discrepancies are identified from the count, the relevant Dean, Associate Dean or Director must inform the Director of Finance & Planning immediately. The Director of Finance & Planning must investigate the reasons for the discrepancy. A significant discrepancy is defined as the lower of 50% of the store's total book value or £500.

## **10. SALARIES AND EXPENSES**

### **10.1 Authority to Appoint and Pay Employees**

The Principal has overall responsibility for the recruitment, appointment and payment of all employees via the Head of Human Resources.

Deans, Associate Deans and Directors may only seek to appoint a new member of staff if:

- the Director of Finance & Planning has confirmed, that there are sufficient funds within the area budget, to cover the appointment; and
- the request has been authorised by the Principal.

### **10.2 Full-time and Part-time Employees**

#### **10.2.1 Contracts of Service**

All full-time and part-time teaching staff who work more than three days in any three month period, must be issued with a contract of service.

Full-time employees must be issued their contracts by the Head of Human Resources within eight weeks of appointment. Part-time employees must be issued with contracts of service on appointment. Each contract of service must provide a detailed job description and must clarify the employee's terms and conditions of service and salary level.

The contracts of service must act as the basis for compiling the University College's monthly payroll.

#### **10.2.2 Monthly Payroll Changes**

The Head of Human Resources is responsible for informing the bureau of any changes in the monthly payroll due to starters, leavers, salary rate adjustments, changes in the standard number of hours worked and temporary changes due to additions or deductions.

The procedures by which the Head of Human Resources must be made aware of any payroll changes that are to be communicated to the payroll bureau are as follows:

##### **a) Starters and Leavers**

Deans, Associate Deans and Directors must inform the Head of Human Resources as soon as an employee has been appointed or leaves, so that a contract of service can be issued or terminated and the University College's personnel records can be amended accordingly.

The Head of Human Resources must inform the payroll bureau of all details regarding starter or leaver dates, during the month, together with associated salary information, before the monthly payroll run.

##### **b) Salary Rate Changes**

All salary rate changes and/or re-gradings must be approved by the Principal.

Deans, Associate Deans and Directors must inform the Head of Human Resources in writing of the required changes to be implemented, which must be signed and authorised by the Principal.

##### **c) Changes In the Number of Hours and Overtime Worked**

The Head of Human Resources must be informed each month by the relevant Dean, Associate Dean or Director, if any employees have been working outside those hours specified in their contracts of service, or if an employee has been absent for any reason.

- Full-time - Where a full-time employee wishes to claim for overtime, the extra hours worked must be logged on a monthly overtime claim form, which must be signed and authorised by the relevant Dean, Associate Dean or Director before being sent on to the personnel office;
- Part-time - in respect of academic part-time employees, if hours are worked outside those specified in the original contract, Deans, Associate Deans and Directors must raise an additional contract to cover the extra hours. Non-academic part-time employees must follow the same procedure as for full-time employees;
- Absence - the Head of Human Resources must be informed of all absences, for whatever reason. The Head of Human Resources must also be informed when a member of staff returns from a period of absence; and
- Changes in monthly deductions, e.g. private pension contributions and maintenance payments, must be requested in writing by individual employees and submitted to the Head of Human Resources.

### **10.2.3 Procedures for Payment of the Monthly Payroll**

The payroll bureau must pay registered full-time and part-time salaries a month in arrears by a specified date each month. The monthly BACS payment from the bureau must take account of all payroll changes highlighted by the Head of Human Resources, earlier in the month.

The Head of Human Resources must review the payroll bureau's monthly salary return, to ensure that all the salary rates agree to those documented on the individual employee personnel records. The Head of Human Resources must also ensure that monthly payroll changes notified to the bureau during the month have been properly processed. If the Head of Human Resources identifies any discrepancies, these must be followed up with the bureau and resolved.

The Director of Finance & Planning must review the payroll return and perform a reasonableness check on the tax and national insurance deductions. Any anomalies must be followed up with the bureau and resolved. The Director of Finance & Planning must also compare the actual monthly payroll figures to those budgeted and must investigate and report on the reasons behind significant variances.

### **10.3 Guest Speakers and Other Consultants**

Any consultants who are paid for less than three days' work in a three month period need not be included on the University College's payroll.

Such consultants must present the Finance Section with an invoice which itemises any work performed on the University College's behalf. After obtaining the relevant budget holder's authority, the Finance Section must pay the invoice as if it were a normal University College supplier.

### **10.4 Actors & Life Drawing Models**

All actors and models must complete an actor / models claim form and submit it to the finance office by the end of the working month. Each week worked within the month, must be authorised by the relevant Dean, Associate Dean or Director.

### **10.5 Responsibility for Inland Revenue Returns**

The payroll bureau are authorised to complete and submit returns required by the Inland Revenue, in respect of all University College employees. All penalties for incorrect completion and / or late submission of the returns must be borne by the payroll bureau, if they are found to be culpable, in accordance with the terms of the Service Level Agreement.

The Director of Finance & Planning is responsible for ensuring that P11D returns are made for all employees. The Director of Finance & Planning is also responsible for ensuring that a valid and up to date P11D Dispensation is in place at all times.

### 10.6 Travel, Subsistence & Entertaining Expenses

The University College must reimburse all Governors and staff who incur travel, subsistence & entertaining expenses on the University College's behalf in the ordinary course of University College business. Staff must be reimbursed in accordance with the University College's Travel, Subsistence & Entertaining Policy.

All expenditure must be authorised in advance by the relevant budget holder.

Claims must be authorised by the relevant budget holder and counter signed as set out below:

| <b>Claimant</b>        | <b>Authorised by</b>  |
|------------------------|---|
| Governors              | Clerk to the Governors  |
| Clerk to the Governors | Principal   |
| Principal              | Director of Finance & Planning, periodically reviewed by the Chair of Governors |
| Deputy Principal       | Principal   |
| Deans and Directors    | Deputy Principal  |
| Associate Deans        | Deans   |
| Heads of Unit          | Deputy Principal  |
| International Staff    | Principal   |
| Other Staff            | Line Manager (Must be budget signatory)   |

All claims for expenses in connection with overseas trips in relation to the recruitment of students must be counter signed by the Principal as well as the authorised signatory for the budget being charged.

A report of all overseas travel and subsistence expenditure must be included in the monthly management accounts.

All claims will normally be paid by BACS. Cheque payments will be made only in exceptional circumstances and only upon the authority of Director of Finance & Planning.



## **11. INSURANCE**

### **11.1 Arrangements**

Arrangements for insurance must be for at least a three year period, subject to satisfactory performance. Periodic market testing must be conducted in accordance with section 6 above.

### **11.2 Responsibilities**

The Head of Facilities is responsible for effecting all insurance cover on behalf of the University College, in line with Governors' policies.

The Head of Facilities is also responsible for negotiating and recovering insurance claim monies, after consulting the relevant Dean, Associate Dean or Director.

Deans, Associate Deans and Directors must notify the Head of Facilities immediately whenever there is some loss, damage, liability or potential liability in their area of responsibility.

### **11.3 Monitoring**

The Head of Facilities is responsible for undertaking a quarterly review of the University College's activities and assets profile, to determine whether or not there are insurance cover implications from any changes that may have occurred.

Every Dean, Associate Dean and Director must immediately inform the Head of Facilities of new risks which could cause the University College to amend its insurance cover terms. Risk changes could arise from:

- the purchase of a significant asset; and
- from an operational change in an area's functions and / or duties which could reduce or increase the University College's insurance risks.

## **12. TAXATION**

### **12.1 Corporation Tax**

The University College is exempt from Corporation Tax under the provisions of Section 505(1) (e) ICTA 1988. Subsidiary companies are liable for Corporation Tax and the Director of Finance & Planning is responsible for ensuring that statutory returns are completed as required by the Inland Revenue.

### **12.2 Value Added Tax (VAT)**

The University College and the subsidiaries are registered for VAT and must submit the requisite VAT returns to the Customs and Excise, within the specified time limits.

The Director of Finance & Planning is responsible for ensuring that adequate accounting records are maintained, sufficient to satisfy Customs & Excise requirements. The Director of Finance & Planning is also responsible for paying or receiving VAT monies, in line with the University College's VAT returns.

Deans, Associate Deans, Directors and budget holders must assist the Director of Finance & Planning in VAT matters, by maintaining accurate and timely VAT records and through ensuring that:

- wherever applicable, VAT invoices are obtained and retained by staff;
- invoices are passed to the Finance Section promptly, so that they are included in the correct VAT return period; and
- sales to third parties are rapidly identified, so that all the relevant details, including the tax point, are passed to the Finance Section thereby ensuring that they are included in the correct VAT return period.

## **13. COMPUTER ACCESS AND SECURITY**

### **13.1 Organisation**

All financial records are held on the Access Dimensions financial package. A full backup of all financial data must be performed daily.

The Director of Finance & Planning, acting on the Principal's behalf, is responsible for ensuring that an adequate financial computer control system is installed within the University College, to back up, strengthen and develop all internal systems.

### **13.2 Security**

Finance staff only are allowed to input to the finance system. Access to the system is via a login and password procedure.

Finance staff are allowed varying degrees of access to the system. The Director of Finance & Planning, Head of Finance and Income Accountant have access to all modules and system manager's rights, i.e. without restrictions. Other members of the section have access only to those modules necessary to perform their given duties.

It is important that authorised computer users adhere to a stringent set of computer controls, to help prevent the following occurrences:

- computer fraud;
- breakdown in segregation of duties;
- theft of confidential data;
- access to the financial system by hackers; and
- hardware or software failures.

The key controls relating to computer use are detailed in the University College's Computer Information & Data Security Policy Document.

The framework of the computerised control system is detailed below.

### **13.3 Changes to Programmes and Reports**

Any University College employee or student who is found to be amending financial reports and / or programmes, without the express permission of the Director of Finance & Planning, will be subject to disciplinary action and could be liable to a civil court action from the software company.

### **13.4 Segregation of Duties and Computer Access Controls**

Because routine purchasing is performed through the computerised accounting system, computer access controls must be implemented to ensure that the designated employees, who input purchase orders, are not the same as those who authorise orders, which in this context must be the budget holders.

The computer access controls must take the form of passwords, which are linked to a configuration which only allows user access to relevant areas of the finance database. Passwords must never be given to other employees or written on accessible pieces of paper.

The use of the password system must enable audit trails to be installed which in turn highlight any system misuse by unauthorised users. A system log must be generated by the system to check that security has not been violated.

Users must log out of the system whenever they leave a terminal unattended.

Access to the finance system will be removed immediately for any staff who leave the employment of the University College or transfer to another section.

### **13.5 Operations and Maintenance**

A comprehensive software support agreement must be entered into which defines acceptable response times.

Each request for support must be logged in an operations book and the response time for each visit must be noted.

### **13.6 Disaster Planning**

The Director of Finance & Planning is responsible for the maintenance of an up to date strategy for recovery in terms of accounting records.

## **14. AUDIT**

### **14.1 Audit Code of Practice**

The University College's audit arrangements must comply with the Audit Code of Practice issued by HEFCE.

### **14.2 Internal Audit**

#### **14.2.1 Role**

The role of the Internal Audit Service is to provide management with an objective assessment of whether systems and controls are working properly to achieve management's objectives. It is a key part of the University College's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:

- a) the Board and the Directorate can know the extent to which they can rely on the whole system of internal control of the University College,
- b) individual managers can assure themselves that the systems and controls for which they are responsible are reliable.

#### **14.2.2 Appointment**

The Internal Audit Service must be appointed by the Board for a term not to exceed seven years. This is subject to satisfactory annual review by the Audit Committee and recommendation by the Board. Remuneration shall be fixed by the Board on the advice of the Audit Committee. A new competition for the selection of the Internal Audit Service must be held at least every seven years.

#### **14.2.3 Scope**

The work of the Internal Audit Service must embrace the whole internal control system of the University College including all its activities and all its locations, funded from whatever source. This includes all University College subsidiary and associated companies, the University College's partners in collaborative provision, and contractors of the University College that provide any Service that handles or processes University College finances or management information in any form.

The Internal Audit Service must consider the adequacy of systems and controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It must seek to confirm that management have taken the necessary steps to achieve these objectives and manage the associated risks.

The scope of internal audit work must cover all operational and management controls and must not be restricted to the audit of systems and controls necessary to form an opinion on the financial statements. This does not imply that all systems will be subject to review, but that all will be included in the audit risk assessment and hence considered for review following the assessment of risk. It follows that if internal audit is to give an opinion on the whole system then that must include academic operations. The role of internal audit in this area is to confirm that there are adequate systems for the management of teaching and learning, but it does not extend to forming academic judgements.

It is not within the remit of the Internal Audit Service to question the appropriateness of policy decisions. However, the Internal Audit Service is required to examine the arrangements by which such decisions are made, monitored and reviewed.

The Internal Audit Service may also conduct any special reviews requested by the Board, Audit Committee or Principal provided such reviews do not compromise their objectivity, independence or achievement of the approved audit plan.

#### **14.2.4 Responsibilities and Reporting**

In order to provide the required opinion, the Internal Audit Service must perform an audit needs assessment in order to formulate a programme of work over a cycle authorised by the Board on the advice of the Audit Committee. The needs assessment must be reviewed annually and the resulting annual programme must be approved by the Board, through the Audit Committee, at the start of each year.

The Internal Audit Service will provide an annual opinion to the Board and the Principal, through the Audit Committee, on the adequacy and effectiveness of the arrangements for risk management, control and governance and for economy, efficiency and effectiveness (value for money) within the University College and the extent to which the Board can rely on them. Internal Audit must also comment on other activities for which the Board is responsible and to which the Internal Audit Service has access.

The Internal Audit Service's annual report to the Board must include:

- a) Internal Audit's assessment of the adequacy and effectiveness of the internal control system and the extent to which the Board can rely on it. In providing this assurance the scope of the work performed, any limitations placed on internal audit and any factors affecting the quality of the assurance given must be clearly identified,
- b) an analysis of common or significant weaknesses arising,
- c) report on achieved coverage against the audit plans and explain any variation from previously approved plans,
- d) report on the extent to which the audit needs of the University College have been met,
- e) draw attention to any audit recommendations which Internal Audit considers have not received adequate management attention,
- f) the extent of achievement of any objectives (including targeted performance indicators) which may have been agreed for the Internal Audit Service.

The Internal Audit Service must produce its reports, usually within one month of completion of each audit visit, giving an opinion on the area reviewed and making recommendations where appropriate. Recommendations must be prioritised. All reports must be provided to the Principal and copied to the Audit Committee. Heads of Sections must respond to each audit report within one month of issue. In their response, they must state their agreed recommendations, their proposed action, the person responsible for implementation and a date by which action must be completed. Material recommendations must be followed up some six to twelve months later. In addition, the Audit Committee must monitor the implementation of audit recommendations by management.

#### **14.2.5 Independence**

The Internal Audit Service has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. It may provide advice, however, on control and related matters, subject to the need to maintain objectivity and resource constraints.

The Audit Committee is responsible for advising the Board on all matters concerning internal control. Within the University College, responsibility for internal control rests fully with management who must ensure that appropriate and adequate arrangements exist without reliance on the University College's Internal Audit Service. In order to preserve the objectivity and impartiality of the Internal Audit Service's professional judgement, responsibility for implementing audit recommendations rests with management.

#### **14.2.6 Access and Confidentiality**

The Internal Audit Service has rights of access to all the University College's personnel, premises, documents, records, information, assets, its companies and collaborative partners and is authorised to obtain such information and explanations which it considers necessary to fulfil its responsibilities.

The Head of the Internal Audit Service has a direct right of access to the Chair of the Audit Committee and the Principal and, if necessary, to the Chair of the Board.

The Internal Audit Service must comply with any requests from the External Auditors and the HEFCE Assurance Service for access to any information, files or working papers obtained or prepared during audit work that they need to discharge their responsibilities. The confidentiality of all information made available to the Internal Audit Service by the University College must be maintained at all times.

#### **14.2.7 Irregularities, including Fraud and Corruption**

The University College Internal Audit Service must report to the HEFCE's Accounting Officer, copied to the Chief Auditor, without delay, serious weaknesses, significant frauds, major accounting and other breakdowns.

It is the responsibility of management to report details of fraud or any other irregularities to the Internal Auditors immediately on discovery.

Specific procedures relating to the discovery or suspicion of irregularity, fraud and/or corruption are included in section 3 above.

### **14.3 External Audit**

#### **14.3.1 Role**

The main purpose of the External Audit Service is to report on the financial statements of the University College.

#### **14.3.2 Scope**

The External Auditors may carry out such examination of the statements and underlying records and control systems as is necessary to reach their opinion on the statements.

#### **14.3.3 Appointment**

The Board must consider annually the reappointment of the External Auditors and their remuneration must be fixed by the Board on the advice of the Audit Committee. A new competition for the selection of the External Auditors must be held at least every seven years.

#### **14.3.4 Responsibilities and Reporting**

The External Auditor is responsible for reporting to the Board on the financial and statistical statements which they have examined.

The report must state whether in the External Auditor's opinion, the financial statements show a true and fair view and whether they have been properly and accurately prepared in accordance with HEFCE guidance, the Statement of Recommended Practice on Accounting in Higher Education Institutions, the Companies Act 1985 (where relevant) and any other legislative or regulatory requirements.

The External Auditor must also report to the Board whether:

- a) proper accounting records have been kept by the University College,
- b) the financial statements agree with the accounting records,
- c) in all material aspects, monies expended out of funds from whatever source, administered by the University College for specific purposes have been properly applied to those purposes and, if relevant, managed in compliance with relevant legislation such as the Trustees Investment Act 1961,
- d) in all material respects monies expended out of funds provided by the HEFCE & SFA have been applied in accordance with the financial memorandum between HEFCE and the SFA funding contract, the University College and/or any other terms and conditions attached to them,

- e) they consider that the University College's statement of internal control is consistent with their knowledge of the University College,
- f) the External Auditor has obtained all the information and explanations which they consider necessary for the purposes of their audit.

The External Auditor must report by way of management letter, when they issue their opinion on the annual financial statements to the Board through the Audit Committee. The management letter must include any significant matters arising out of the audit which might lead to errors or impact upon future audits and on any other significant issues of economy or effectiveness. It must also recommend improvements, particularly in the following areas:

- a) weaknesses and deficiencies in the structure and/or operation of accounting systems and internal control, including, where appropriate, internal audit,
- b) inappropriate accounting policies and practices,
- c) non compliance with legislation, accounting standards, other regulations and HEFCE requirements,
- d) matters raised in previous management letters where remedial action remains incomplete.

The management letter must incorporate the management response to all issues raised. Where a serious weakness or an accounting or other breakdown is identified, it must be reported to the Principal, the Chair of the Governors and the Chair of the Audit Committee without delay. Such weaknesses or breakdowns must be reported to the Accounting Officer of HEFCE.

#### **14.3.5 Access and Confidentiality**

The External Auditor must review the work of the Internal Auditors and indicate in the management letter the extent to which they are content to rely on it. The External Auditor has unrestricted access to the files and working papers of the University College Internal Audit Service and has a right to regular meetings with Internal Audit personnel.

The confidentiality of all information made available to the External Audit Service by the University College must be maintained at all times.

#### **14.3.6 Irregularities, including Fraud and Corruption**

Ensuring the establishment and maintenance of an adequate system of internal control is the responsibility of the Board with whom rests also the responsibility for ensuring compliance with statutory and other regulations and for the prevention and detection of irregularities, including fraud and corruption. The External Auditor must plan their audit so that they have a reasonable expectation of detecting material misstatements in the accounts resulting from irregularities, including fraud or corruption or breach of regulations. The External Auditor is not required to search specifically for irregularities and fraud or corruption and their audit should not therefore be relied on to disclose them. The External Auditor must report to HEFCE's Accounting Officer without delay, any significant frauds of which they are aware. Specific procedures relating to the discovery or suspicion of irregularity, fraud and / or corruption are included in section 3 above.

#### **14.3.7 Other Work**

Where the External Auditor is asked to provide additional Services beyond the scope of the normal external audit, e.g. value for money or other investigations, the precise requirements must be agreed between the External Auditor and the Board, who must be satisfied there is no conflict of interest.



#### **14.3.8 General Meeting**

The External Auditor is entitled to attend any general meetings of the Board or Directors of subsidiary companies, to receive all notices or other communications relating to any such meetings which any governor is entitled to receive and to be heard at any general meeting which they attend on any part of the business of the meeting which concerns them as the University College's External Auditor.

#### **14.4 Audit Committee**

Both the Internal and External Auditors report directly to the University College's Audit Committee, which must be comprised of Governors and may also include co-opted members.

The Committee must provide an annual report for the Board and the Principal. This report is sent to HEFCE's assurance service as part of the annual returns process.

The Audit Committee's terms of reference are set by the Board and are attached at Appendix I.

### AUDIT COMMITTEE TERMS OF REFERENCE

The Committee's terms of reference are:

- to review the audit aspects of the institution's financial statements, including the audit report, the statement of governors' responsibilities and the statement of internal control;
- to advise the Board of Governors on the effectiveness of the University College's system of internal controls for securing economy, efficiency and effectiveness;
- to advise the Board of Governors on the appointment, re-appointment, dismissal and remuneration of the External Auditors and the Internal Audit Service;
- to advise the Board of Governors on the scope and objectives of the work of the External Auditors and the Internal Audit Service;
- to ensure co-ordination between the Internal Audit Service and the External Auditors;
- to consider and advise the Board of Governors on the audit needs assessment and strategic and annual internal audit plans for the Internal Audit Service;
- to advise the Board of Governors on internal audit assignment reports and annual reports and on control issues included in the External Auditors' management letters and the management responses to the same;
- to consider and advise the Board of Governors on relevant reports by the National Audit Office and HEFCE and, where appropriate, management responses to same;
- to monitor, within an agreed timescale, the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports and External Auditors' management letters;
- to establish, in conjunction with University College management, relevant performance measures and indicators and to monitor the effectiveness of the Internal Audit Service and External Auditors through such measures and indicators;
- to produce an annual report for the Board of Governors which includes the Committee's advice on the effectiveness of the University College's system of internal controls. This would include the Committee's opinion on the extent to which the governing body may rely on the internal control system on value for money audits undertaken within the University College. The Report will also incorporate any significant matters arising from the work of the Internal Audit Service and External Auditors;
- to consider the Principal's annual value for money report for the Board of Governors;
- to oversee the University College's policy on fraud and irregularity, including being notified of any action taken under that policy;
- to empower the Committee to obtain outside legal or other independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary, normally in consultation with the Chair of the Board. However it will not incur direct expenditure in this respect in excess of £5000 without the prior approval of the Board. This in line with the HEFCE/CUC Handbook for Members of Audit Committees in HEIs (HEFCE 2008/09);

## **APPENDIX I (continued)**

- to review and oversee matters as they arise and are considered to be appropriate to the audit committee; and
- to ensure that in accordance with the primary statement of responsibilities of the Board that equality and inclusivity, health and safety practices and procedures are observed and that equal opportunities are promoted within the remit of the Committee.

**NOMINATED SIGNATORIES****1. Lloyds TSB Bank Accounts**

For all payments including cheques, standing orders, BACS, CHAPS, direct debits, foreign transfers must be signed by two signatories from the following pool within the limits set out below:

Principal & Chief Executive  
 Deputy Principal  
 Dean of the Faculty of Media and Performance  
 Dean of the Faculty of Art and Design  
 Associate Dean (Head) of School of Media  
 Associate Dean (Head) of School of Performance  
 Associate Dean (Head) of School of Visual Art  
 Associate Dean (Head) of School of Design  
 Associate Dean (Head) of School of Preparation for HE  
 Director of Finance & Planning  
 Director of Academic Services  
 Head of Finance  
 Income Accountant

**Payment value      Authorised signatories**

(a) Individual Payments to third parties except Dorset County Council monthly payroll payments:

|                            |   |
|----------------------------|---|
| <b>Up to £50,000</b>       | Any two signatories   |
| <b>£50,001 to £300,000</b> | 1 of the following, Principal or Deputy Principal or Director of Finance & Planning and any other signatory |
| <b>Over £300,000</b>       | 2 from the following, Principal and Deputy Principal and Director of Finance & Planning                     |

(b) Transfers between Group accounts:

|                   |                     |
|-------------------|---------------------|
| <b>Any amount</b> | Any two signatories |
|-------------------|---------------------|

(c) Dorset County Council monthly payroll payments:

|                   |   |
|-------------------|---|
| <b>Any amount</b> | 1 of the following, Principal or Deputy Principal or Director of Finance & Planning and any other signatory |
|-------------------|---|

**2. Barclays Bank – AUCB Charitable Foundation**

Payments to be authorised as follows:

|     | <b>Payment value</b>     | <b>Authorised signatories</b>   |
|-----|--------------------------|---|
| (a) | <b>Up to £5,000</b>      | Any 2 of the Principal, the Director of Finance & Planning and the Clerk          |
| (b) | <b>£5,000 to £20,000</b> | 1 Trustee (other than the Principal) plus 1 of the other signatories in (i) above |
| (c) | <b>Over £20,000</b>      | Any 2 trustees  |

**3. Rail Warrants**

Any two signatories from the following:

- Principal & Chief Executive
- Deputy Principal
- Dean of the Faculty of Media and Performance
- Dean of the Faculty of Art and Design
- Associate Dean (Head) of School of Media
- Associate Dean (Head) of School of Performance
- Associate Dean (Head) of School of Visual Art
- Associate Dean (Head) of School of Design
- Associate Dean (Head) of School of Preparation for HE
- Director of Finance & Planning
- Director of Academic Services
- Head of Finance
- Income Accountant

Note: Rail Warrant requests must be authorised by the relevant budget holder in line with the financial regulations.

**4. Credit Card Holders**

Posts approved as credit card holders are as follows:

- Principal & Chief Executive
- Deputy Principal
- Dean of the Faculty of Media and Performance
- Dean of the Faculty of Art and Design
- Associate Dean (Head) of School of Media
- Associate Dean (Head) of School of Performance
- Associate Dean (Head) of School of Visual Art
- Associate Dean (Head) of School of Design
- Associate Dean (Head) of School of Preparation for HE
- Director of Finance & Planning
- Director of Academic Services
- Head of Business and Regional Development
- Head of Enterprise Unit
- Head of Finance
- Head of International Development
- Head of Library and Information Services
- Head of Marketing and Communication
- HR Manager
- Income Accountant
- International Officers

**AUTHORISED PETTY CASH FLOATS**

| <b>Float</b>                  | <b>Location</b> | <b>Imprest</b> |
|-------------------------------|-----------------|----------------|
| University College petty cash | Finance Office  | £3,000         |
| Till float                    | Finance Office  | £20            |
| Library till float            | Library         | £100           |
| Change machine                | Library         | £180           |

## TENDERING PROCEDURES

### Introduction

All purchases of more than £30,000 must go through the tendering procedure. At least three tenders must be received, unless prior approval is received from the Principal to obtain fewer tenders.

Any purchase which exceeds the current OJEU limits must be advertised appropriately. The observance of OJEU requirements is the responsibility of the member of staff approving the expenditure but advice and guidance can be obtained from the Director of Finance & Planning.

### Tender Specification

A clear and detailed specification is the key to a successful tender exercise. A poorly specified tender document will result in more queries from suppliers and increases the risk of the University College being the recipient of inappropriate goods and/or Services.

The relevant budget holder is responsible for the production of the tender specification. Depending on the nature of the work being tendered, a project group may be established to assist.

In drawing up specifications, it is important to carry out as much research as possible to ensure that the tenders received reflect the actual needs of the institution. This may involve site visits (to suppliers and/or users), reference to good practice guides and/or the use of external consultants.

### Identification of tenderers

Again, it is important to carry out thorough research when drawing up a list of potential providers. Companies may be identified from previous knowledge, recommendation, advert, trade fairs, circulars. When considering long term contracts, reasonable steps should be taken to ensure that potential providers are financially stable, deliver work and/or Services of an acceptable standard and that they have acceptable policies in areas such as equality and diversity.

### Receipt of tenders

Invitations to tender must be accompanied by clear and concise instructions and must detail the exact cut-off dates beyond which tenders will not be accepted. The University College's specification for goods and Services will always include a statement to the effect that the University College reserves the right not to accept any tender offer it receives even if it quotes the lowest price.

Tenders should be clearly marked as such and upon receipt they should be logged and kept, un-opened in a safe place, until the tender deadline has expired. The tender proposals must then be opened by the relevant budget holder in the presence of the Director of Finance & Planning or her nominee and anyone else considered relevant to the occasion. The tender details, such as price, description and quantity, must be entered on a pro forma document, together with the names of the suppliers concerned. Any variation from the original specification must also be noted. The pro forma must be signed and dated by the Director of Finance & Planning, or her nominee, and the relevant budget holder. This document must be retained on the contract file and a copy must be lodged with the Finance Section.

The University College must commit itself to the supplier offering the best value for money. This will not necessarily be the tender offering the cheapest goods and/or Services. In cases where the lowest tender has not been accepted, the reasons for the decision must be documented on the pro forma document, and must be approved as set out in section 6 of the Financial Regulations.

## SCHEDULE OF DELEGATED AUTHORITIES

|  | Major Works<br>Minor Works<br>PMP | Revenue Purchases<br>-<br>Orders<br>Contracts | Grants<br>and Income<br>Generating<br>Contracts | Capital<br>Equipment | Leases<br>(operating<br>or<br>financial) | Network/<br>Franchise<br>agreements<br>/ Education<br>contracts |
|--|-----------------------------------|---|---|----------------------|--|---|
| Board of<br>Governors  | Over<br>£250K                     | Over<br>£250K                                 | Over<br>£250K per<br>annum                      | Over<br>£250K        | Over<br>£250K                            | Over<br>£250K   |
| Principal*   | Up to<br>£250K                    | Up to<br>£250K                                | Up to<br>£250K<br>per annum                     | Up to<br>£250K       | Up to<br>£250K                           | Up to<br>£250K  |
| Director of<br>Finance &<br>Planning*  | Up to<br>£75K                     | Up to<br>£75K                                 | Up to £75K<br>per annum                         | Up to<br>£75K        | Up to<br>£75K                            | Up to<br>£75K   |
| Deans,<br>Associate<br>Deans and<br>Other<br>Directors   | NIL                               | Up to £25K                                    | NIL   | Up to £50K           | NIL                                      | NIL   |
| Head of<br>Facilities  | Up to<br>£75K                     | Up to £25K                                    | NIL   | Up to £50K           | NIL                                      | NIL   |
| Head of<br>ITCS  | NIL                               | Up to £25K                                    | NIL   | Up to £25K           | NIL                                      |   |
| Section<br>Heads:<br>(Directorate,<br>Human<br>Resources,<br>Marketing,<br>Estates,<br>Facilities,<br>Library,<br>Student<br>Services,<br>Registry<br>Finance) | NIL                               | Up to £10K                                    | NIL   | NIL                  | NIL                                      | NIL   |
| Estates &<br>Safety<br>Officer   | Up to<br>£50K                     | Up to £10K                                    | NIL   | NIL                  | NIL                                      | NIL   |
| Other budget<br>holders  | NIL                               | Up to £5K                                     | NIL   | NIL                  | NIL                                      | NIL   |
| Head of<br>Enterprise<br>Unit  | NIL                               | Up to £10K                                    | Up to £75K<br>per annum                         | NIL                  | NIL                                      | NIL   |

\*or Deputy Principal acting in place of the Principal

**NOTE:**

Unless otherwise stated, all values refer to contract life value and not annual value.