



Newbattle Abbey College

Financial Regulations and Procedures

Introduction

The purpose of this document is to describe the financial policies and procedures of Newbattle Abbey College.

Observation of the Regulations and adherence to the Procedures are mandatory for all those employed by the College. This is to ensure that all the College's financial matters are managed to the highest professional standards and in accordance with best current practice and, more specifically, that there is total compliance with the terms of the financial memoranda which are agreed from time to time between the College and SFC.

This document is issued under the authority of the Board of Directors of Newbattle Abbey College (hereinafter referred to as "Board"). The Regulations and Procedures may be amended only with the consent of the Board.

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1 Background

The framework within which the College's affairs must be managed is substantially set out in the Trust Deed at 1937. The Trust Deed makes it clear, inter alia, that the Board is the supreme governing body of the College although certain matters must be referred to the Trustees for approval. The College Board has ultimate responsibility for the College's management and administration.

The College is a company limited by guarantee with charitable status.

The financial memoranda agreed from time to time between the Scottish Funding Council (SFC) and the College set out the terms and conditions upon which grant is made. The Board is responsible for ensuring that conditions of grant are met. As part of this process the College must adhere to SFC's audit code of practice which requires it to have sound systems of financial and management control. The financial regulations, which follow, form part of this overall system of accountability.

2 Status of Financial Regulations and Procedures

This document sets out the College's financial regulations and procedures. It translates into practical guidance the College's broad policies relating to financial control. It applies to the College and all future subsidiary undertakings.

These financial regulations are subordinate to any restrictions contained within the financial memoranda agreed from time to time between the College and SFC and to SFC's audit code of practice.

Compliance with the financial regulations is compulsory for all staff connected with the College. A member of staff who fails to comply with the financial regulations may be subject to disciplinary action under the College's disciplinary policy. Any such breach will be notified to Board through the Audit Committee. It is the responsibility of the Senior Management Team to ensure that staff are made aware of the existence and content of the College's financial regulations and that an adequate number of copies are available for reference within all Departments.

The Planning and Resources Committee is responsible for maintaining a continuous review of the financial regulations and for advising Board of any

additions or changes necessary.

3 Financial Control

3.1 Board of Directors

As the College's supreme governing body, Board is responsible for the management and administration of the College. Its financial responsibilities are to:

- ensure the solvency of the College;
- safeguard the College's assets;
- ensure the effective and efficient use of resources;
- ensure that the funds provided by SFC are used in accordance with the terms and conditions specified in the College's financial memorandum with SFC;
- ensure the financial control systems are in place and are working effectively;
- ensure that the College complies with SFC's audit code of practice;
- approve the College's strategic plan;
- approve annual budgets (estimates of income and expenditure);
- approve the annual financial statements; and
- appoint the College's internal and external auditors

3.2 Committee Structure

The Board has ultimate responsibility for the College's finances but delegate's specific responsibilities to the committees detailed below. None of the committees have executive authority but each is required to offer advice or make recommendations to Board on the matters referred to in its remit.

3.2.1 Senior Management Team

Remit:

- to develop long-term academic, financial and institutional strategies and to advise Board on the adoption of such strategies
- to formulate and promulgate the plan for the short and medium term
- to conduct an annual planning review
- to initiate reviews of particular areas of activity
- to initiate executive actions consistent with approved policies of Board and with current planning objectives
- to consider proposals from Departments and Committees for growth and contraction in specific areas, including requests for new appointments
- to formulate proposals for developments for reference to Departments and Committees
- to have primary responsibility for the administration of the budgetary

programme

- to monitor performance against agreed budgetary objectives
- to review recommendations of its sub-committees

3.2.2 Planning and resources

- to consider the content of the annual financial statements in the light of appropriate advice from the Audit Committee and to submit statements to the Board for approval
- to consider the annual budget as prepared by the SMT and provide advice to the Board thereon
- to conduct periodic reviews of management information including actual and projected income and expenditure and to advise the Board thereon
- to review the effectiveness of financial management
- to advise the Board on other financial matters as required

3.2.3 Audit Committee

Remit:

- to review the audit of the annual financial statements so that appropriate advice can be given to the Planning and Resource Committee in advance of its consideration of their content
- to keep under review financial controls, accounting procedures, the application of accounting standards, and routine arrangements for the investigation of questions of financial irregularity or impropriety
- to review all matters relating to the internal and external audit of the financial affairs of the College, to receive reports from all internal and external auditors, and to take up issues arising from those reports with the relevant officers as necessary
- to consider any other audit-related matters, including issues arising from reports of the National Audit Office
- to review procedures for the appointment of internal and external auditors, to implement such procedures and to make recommendations, upon the basis of such procedures, to the Board

3.3 Audit Requirements

3.3.1 External Audit

The Board is responsible for the appointment of the College's external auditors on the recommendation of the Audit Committee. The Appointment shall be for a specified period after which consideration shall be given by the Audit Committee to competitively tendering the service.

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

The Administration Manager is responsible for drawing up a timetable for the purpose of finalising annual accounts and will advise staff and the external auditors accordingly.

Following consideration by the Audit Committee, the annual accounts will be reviewed by the Planning & Resources Committee. On the recommendation of the Planning & Resources Committee they will be submitted to the Board for approval.

3.3.2 Internal Audit

The Board, on advice from the Audit Committee, is responsible for the appointment of Internal Auditors if this is considered necessary. The Audit Committee will also make recommendations for ad hoc reviews throughout the year if considered necessary.

3.3.4 Discovery of Fraud or Financial Irregularity

Whenever any matter arises which involves, or is thought to involve, irregularities or fraud concerning cash, stores or other property of the College or any other suspected irregularity in the exercise of the activities of the College, the Head of Department concerned must notify the Administration Manager immediately who will take such steps as he/she considers necessary by way of investigation and involvement of internal audit.

3.4 Responsibilities

3.4.1 The Principal

The Principal is the College's designated accounting officer and is responsible for the financial administration of the College's affairs. As the designated officer the Principal may be required to justify any of the College's financial matters to the Public Accounts Committee at the House of Commons.

3.4.2 The Administration Manager

The Administration Manager is responsible for the day to day financial administration of the College. The Administration Manager, with the

Accountant, is responsible to the Principal for:

- preparing annual capital and revenue budgets and financial plans;
- preparing accounts, management information, monitoring and control of expenditure against budgets and all financial operations;
- preparing the College's annual accounts and other financial statements and accounts which the College is required to submit to other authorities;
- ensuring the College maintains satisfactory financial systems; and
- providing professional advice on all matters relating to financial policies and procedures

3.5 Budgeting

3.5.1 Resource Allocation

Resources are allocated annually by the Board on the recommendation of the Planning & Resources Committee. The Senior Management Team are responsible for the economic, effective and efficient use of resources allocated to them.

3.5.2 Budget Preparation

The Principal/Accountant is responsible for preparing annually a revenue budget and capital programme for consideration by the Planning & Resources Committee before submission to the Board. The budget should also include cash flow forecasts for the year and a projected year-end balance sheet. The Principal must ensure that detailed budgets are prepared in order to support the resource allocation process and that these are communicated to the Senior Management Team as soon as possible following their approval by Board.

Should a revision to the budget be required during the year, the Principal is responsible for submitting revised budgets to the Planning and Resources Committee for consideration before submission to Board for approval.

3.5.3 Capital Programmes

Capital expenditure on land, buildings, furniture and associated costs can only be considered as part of the capital programme approved by Board.

The Principal is responsible for providing regular statements concerning all capital expenditure to the Planning and Resources Committee for monitoring purposes.

Proposed capital projects should be supported by:

- a statement which demonstrates the project's consistency with the strategic

- plans and estates strategy approved by Board
- an initial budget for the project for submission to the Property Project Group. The budget should include a breakdown of costs including professional fees, VAT and funding sources;
 - a financial evaluation of the plans together with their impact on revenue plus advice on the impact of alternative plans;
 - an investment appraisal in an approved format which complies with SFC guidance on option and investment appraisal;
 - a demonstration of compliance with normal tendering procedures; and
 - a cash-flow forecast

Following completion of a capital project, a final report should be submitted to the Planning and Resources Committee recording actual expenditure against budget and reconciling funding arrangements where a variance has occurred.

3.5.4 Financial Planning

The Principal is responsible for:

- preparing annually a rolling financial plan for approval by the Board on the recommendation of the Planning and Resources Committee.
- preparing financial forecasts for submission to SFC

Financial plans should be consistent with the strategic plans and estates strategy approved by the Board.

3.5.5 Budgetary Control

The control of income and expenditure within an agreed budget is the responsibility of the designated budget holder who must ensure that day to day monitoring is undertaken effectively. Each budget holder is responsible for the income and expenditure appropriate to their budget and will be assisted in this duty by management information provided by the Administration Manager.

Significant departures from agreed budgetary levels of income and/or expenditure must be reported immediately to the Administration Manager by the Head of Department concerned and, if necessary, corrective action taken.

The Principal is responsible for supplying budgetary reports on all aspects of the College's finances to the Planning and Resource Committee on a basis determined by that Committee. These reports are presented to Board.

3.5.6 Virement

Virement will be permitted within the rules laid down from time to time by the

Principal.

3.6 Accounting Convention

The financial statements will be prepared and in accordance with the Statement of Recommended Practice on Accounting in Further Education Institutions, together with such other approved accounting standards as are applicable, and in accordance with accounting policies agreed by the Audit Committee, from time to time.

3.7 Accounting Returns

The Principal/Administration Manager is responsible for consolidating and despatching financial returns and other periodic financial reports to SFC and other agencies as required.

3.8 Accounting Records

The Administration Manager/Accountant is responsible for the retention of financial documents. These should be kept in a form acceptable to the relevant authorities.

The College is required by law to retain prime documents for six years. These include:

- Official orders
- Paid invoices
- Accounts raised
- Bank statements
- Copies of receipts
- Paid cheques
- Part time lecturer contracts
- Research grant awards and research contracts
- Complete paper record transactions for each year from the computerised accounting system

Additionally, for auditing and other purposes, other financial documents should be retained for three years.

4 Treasury and Banking

4.1 Appointment of Bankers

Board is responsible for the appointment of the College's bankers on the recommendation of the Planning and Resources Committee. The Appointment shall be for a specified period after which consideration shall be given by the

Planning and Resources Committee to competitively tendering the service.

4.2 Banking Arrangements

The Administration Manager is responsible for liaising with the College's bankers in relation to the College's bank accounts. Cheques and all other banking stationery and software shall be ordered on the authority of the Administration Manager who shall make proper arrangements for their secure custody and operation.

Bank accounts dealing with the College's funds can only be opened or closed on the authority of Board on the recommendation of the Planning and Resources Committee. All bank accounts shall be in the name of the College Board or one of its subsidiary companies. The College's bankers shall be instructed by the Administration Manager not to open accounts in the College's name, other than those where the Board has mandated them to do so.

Cheques up to an agreed amount, specified in the mandates approved by Board, shall require two signatures from the list authorised in the mandate. Cheques over the agreed amount must be signed by two authorised persons of whom one shall be a member of the College's Executive. Electronic banking services shall be operated under the same levels of authority, and shall be sufficient printed output signed as evidence of that exercise of that authority.

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

4.3 Treasury Management (Investments and Borrowings)

The Planning and Resources Committee is responsible for setting out for approval by the Board a treasury management policy statement providing a strategy and policies for cash management, long term investments and borrowing. The Planning and Resources Committee has a responsibility to ensure implementation, monitoring and review of such policies.

All executive decisions concerning borrowing, investment or financing (within policy parameters) shall be delegated to the Principal and an appropriate reporting system set up. All borrowing shall be undertaken in the name of the College Board and shall conform to any relevant SFC requirements.

The Principal will report to the Planning and Resource Committee no less than twice in each financial year on the activities of the treasury management

operation and on the exercise of treasury management powers delegated to him/her.

5 Income

5.1 General

The Administration Manager is responsible for ensuring that appropriate procedures are in operation to enable the College to receive all income to which it is entitled. All receipt forms, invoices, tickets or other official documents in use must have the approval of the Administration Manager.

The Administration Manager is responsible for the prompt collection, security and banking of all income received.

The Administration Manager is responsible for ensuring that all grants notified by SFC and other bodies are received and appropriately recorded in the College's accounts.

5.2 Invoicing

Invoices shall only be raised on the submission of a Request to Invoice Form, to either the Administration Department or the Accountant. Under no circumstances shall Departments raise invoices using their own stationery, nor with the expectation of remittance directly to the Department.

5.3 Cash Receipts

All monies received within Departments from whatever source must be passed immediately to a member of the Administration Department.

Personal or other cheques must not be cashed out of money received on behalf of the College.

5.4 The Collection of Debts

The Administration Manager should ensure that

- debtors invoices are raised promptly in respect of income due to the College
- debtors are raised on official College invoices
- swift and effective action is taken to collect overdue debts in accordance with the Procedures detailed below.
- outstanding debts are monitored and reports are prepared for managers

The Administration Manager is responsible for implementing credit arrangements and indicating a period in which different types of invoices must

be paid. Such credit arrangements must be approved by the Planning and Resources Committee, as must any subsequent changes thereto.

Overdue debts detailed process:

- Issue a statement as soon as invoice becomes overdue.
- Issue a secondary statement with a letter noting that payment is overdue and requesting contact immediately.
- Issue a formal letter requesting payment within 7 days or the matter will be passed to lawyers.
- Refer collection to lawyers.

Recommendations to write off bad debts will be made by the Administration Manager/Accountant to the Planning & Resources Committee.

5.5 Student Fees

The procedures for collecting tuition and residence fees must be approved by the Administration Manager. He/she is responsible for ensuring that all student fees due to the College are received.

Where a student who owes residential fees fails to meet agreed payment deadlines, the Senior Management Team will normally withdraw the student from the residences

Where a student who owes tuition fees fails to meet agreed payment deadlines, the Senior Management Team will normally withdraw the student from the Course.

5.6 Gifts, Benefactions and Donations

The Administration Manager is responsible for maintaining financial records in respect of gifts, benefactions and donations made to the College and reviewing claims for recovery of tax where appropriate.

6 Research Grants and Contracts

6.1 Additional Payments to Staff

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

6.2 Intellectual Property Rights and Patents

6.2.1 General

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

6.2.2 Patents

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

7 Expenditure

7.1 General

The Administration Manager is responsible for making payment to suppliers of goods and services to the College.

7.2 High Value Orders

Expenditure on a single item or bulk orders of value in excess of £500.00 must have the approval of the Administration Manager or another member of the Senior Management Team before the order is placed.

7.3 Petty Cash

The Administration Manager shall make available to Departments such imprests as are considered necessary for the disbursement of petty cash expenses. The administration department shall be responsible for maintaining full chronological records of petty cash disbursements, and for ensuring that the use of the petty cash is for authorised expenditure only. Petty cash should be fully reconciled at least quarterly by the Accountant.

7.4 European Union (EU) Procurement Regulations

The Administration Manager is responsible for ensuring that the College complies with its legal obligations concerning European procurement legislation. EU procurement regulations apply to written contracts for all forms of procurement or hire (whether or not hire purchase) where the total value exceeds published thresholds. A breach of these regulations is actionable by a supplier or potential supplier.

It is the responsibility of Heads of Departments to ensure that their members of staff comply by notifying the Administration Manager of any purchases likely to exceed the EU procurement thresholds. This will need to be done well in

advance in order to permit advertisements in official journals, etc.

7.5 Payment of Invoices

The Accountant will prepare payments for invoices based on the agreed payment deadlines. These will be authorised by a member of the Senior Management Team before payment is made.

Payments will only be made against invoices which have been certified for payment by the appropriate budget holder. Certification of an invoice will ensure that:

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

Invoices must be passed to the College Bookkeeper as soon as they have been certified. Care must be taken by the budget holder to ensure that discounts receivable are obtained.

7.6 Travel, Subsistence and Other Allowances

The College Board has not determined a specific rate at which it will reimburse travel costs other than car mileage allowances. Instead all reasonable costs incurred on College business are met.

All claims for payment of subsistence allowances, travelling and incidental expenses shall be completed in a form approved by the Administration Manager, and supported, where possible, with receipts and vouchers.

Claims by members of staff must be certified by their Head of Department or the Principal. The certification shall be taken to mean that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the College.

8 Salaries and Wages

8.1 General

The Administration Manager is responsible for establishing and maintaining detailed payroll and pensions procedures.

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

All College staff will be appointed to the salary scales approved by Board in accordance with appropriate conditions of service.

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

The Administration Manager will be responsible for keeping all records relating to payroll including those of a statutory nature.

All payments must comply with Inland Revenue regulations.

8.2 Pension

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

The Administration Manager is responsible for day to day pension matters including:

- paying of contributions to various authorised pension schemes
- preparing the annual return to various pension schemes
- administering the College pension fund

9 Other

9.1 Companies

In certain circumstances it may be advantageous to the College to establish a company to undertake services on its behalf.

The Board is responsible for approving the establishment of companies and the procedure to be followed in order to do so.

It is the responsibility of the Board to establish the shareholding arrangements and appoint directors of companies wholly or partly owned by the College.

The directors of companies where the College is the majority shareholder must submit, via the Planning and Resources Committee, an annual report to Board.

9.2 Taxation

The Administration Manager is responsible for advising Heads of Departments in the light of guidance issued by the appropriate bodies and relevant legislation as it applies, on all taxation issues. Therefore, the Administration Manager will issue instructions, as necessary, to Departments on compliance with statutory requirements including those concerning VAT, corporation tax and import duty. The Administration Manager shall provide the same service in relation to Income Tax and National Insurance Contributions.

The Administration Manager is responsible for maintaining the College's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

9.3 Security

Heads of Departments are responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, cash, etc. under their control. They shall consult the Principal in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

Heads of Departments shall ensure that appropriate arrangements exist for the safe custody of keys to safes or other similar containers. The loss of such keys must be reported to the Administration Manager immediately.

The ICT Co-ordinator shall be responsible for maintaining proper security and privacy of information held on computer. The restriction of access to computer areas to authorised persons and the use of passwords are the types of security control available that will be used. Information relating to individuals held on computer will be subject to the provisions of the Data Protection Act. A data protection officer shall be nominated to ensure compliance with the Act.

9.4 Security of Documents

The Administration Manager shall be responsible for the safe keeping of financial instruments, loan agreements and other securities. The Secretary of

the Board shall ensure that deeds, leases and other agreements shall be held in an appropriately secure, fireproof location. Copies of the documents and other such documents must be forwarded to the Administration Manager who will arrange the safekeeping of such duplicates at a separate location. The Administration Manager shall be responsible for maintaining a register of such documents, and will arrange for verification of the physical contents to the register from time to time.

9.5 Short Courses and Services Rendered

In this context a short course is any course which does not form part of the award bearing teaching load of the College.

Any staff wishing to run a short course must have the permission of the Depute Principal. The course organiser will be responsible to the Depute Principal for day to day management of the course.

Courses or conferences organised by members of staff must be costed and agreed with the Administration Manager before any commitments are made. Provision must be made for charging both direct and indirect costs in accordance with the College's policy. All courses must be self-financing or surplus generating unless it is intended that a new course is to be launched as a loss leader. If that is the case, the reason for it must be specified and agreed by the Principal and the Administration Manager.

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

9.6 Hospitality

College catering facilities suitable for the lunch time entertainment of visitors from outside bodies should be used whenever possible. All expenditure must be within the agreed annual budget and agreed with the budget holder.

9.7 Use of the College's Stamp

Where deed or document requires the College's stamp, it must be stamped by the Administration Manager or the Principal.

The Administration Manager is responsible for ensuring the safe custody of the stamp when not in use.

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