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# EDINBURGH COLLEGE

## Financial Regulations

# FOREWORD

To conduct its business effectively, a college needs to ensure that it has sound financial management systems in place and that they are strictly adhered to. Part of this process is the establishment of financial regulations which set out the financial policies of the college.

Financial regulations make good business sense, and for further education colleges, they have additional significance as our grant funding depends upon it. The financial memoranda between the Scottish Funding Council and the colleges they fund makes it a condition of grant that a college ensures that it has a sound system of internal financial management and control. Financial regulations are a core component of such a system.

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# FINANCIAL REGULATIONS

## A GENERAL PROVISIONS

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### 1 Background

- 1.1 The College is a further education corporation created under the provisions of the Further and Higher Education Act (Scotland) 1992. Its structure of governance is laid down in the instrument and articles of government, which may only be amended by application to the First Minister for Scotland. The College is accountable through its Board of Management which has ultimate responsibility for the effectiveness of its management and administration.
- 1.2 The College is an exempt charity by virtue of the Charities & Trustees Investment (Scotland) Act 2005.
- 1.3 The Scottish Funding Council (SFC) is the national strategic body which is responsible for funding teaching and learning provision, research and other activities in Scotland's colleges, universities and higher education institutions.
- 1.4 The financial memorandum between the Scottish Funding Council (SFC) and the College sets out the terms and conditions on which grant funding is made available. The Board of Management is responsible for ensuring that conditions of grant are met. As part of this process, the College must adhere to the SFC's Outcome Agreement, its Financial Memorandum, the Scottish Government's Scottish Public Finance Manual (SPFM) except where any special actions or derogations have been agreed with Scottish Ministers, and the SFC's audit code of practice, which requires it to have sound systems of financial and management control. The financial regulations of the College form part of this overall system of accountability and control.

### 2 Status of Financial Regulations

- 2.1 This document sets out the College's financial regulations. It translates into practical guidance the College's broad policies relating to financial control. Within the context of the SFC's financial memorandum, the SPFM, and all its subsidiary undertakings (where applicable). This document was approved by the Board of Management on 24 March 2015.

- 2.2 These financial regulations are subordinate to the College's instruments and articles of governance and to any restrictions contained within the SFC's financial memorandum and Scottish Government's financial manual.
- 2.3 The purpose of these financial regulations is to provide control over the totality of the College's resources and provide management with assurances that the resources are being properly applied for the achievement of the College's strategic plan, business objectives and financial sustainability. In particular:
- achieving financial sustainability
  - achieving value for money;
  - fulfilling its responsibility for the provision of effective financial controls over the use of public funds;
  - ensuring that the College complies with all relevant legislation; and
  - safe-guarding the assets of the College.
- 2.4 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. The Board of Management will be notified of any such breach through the Audit & Risk Assurance Committee. It is the responsibility of Senior Budget Holders to ensure that all staff are aware of the existence and content of the College's financial regulations.
- 2.5 The Board of Management is responsible for maintaining a continuous review of the financial regulations, through the Chief Operating Officer, and for advising of any additions or changes necessary.
- 2.6 In exceptional circumstances, the Board of Management may authorise a departure from the detailed provisions herein, provided the departure does not conflict with SFC or Government requirements.
- 2.7 These Financial Regulations should be read in conjunction with relevant guidance on financial accountability or propriety issued by the:
- The Scottish Funding Council
  - The Scottish Government
  - Audit Scotland
  - The Scottish Parliament Audit Committee
  - SORP: Accounting for Further and Higher Educational Institutions
  - The Government Financial Reporting Manual (FReM).
- 2.8 The SFC issued a Financial Memorandum ('the Financial Memorandum') that had effect from 1st December 2014. The primary purpose of the Memorandum is to establish a formal

relationship through which funds provided by the SFC are administered by the College in such a way as to ensure they are applied appropriately and are safeguarded. The Board of Management is aware that if the College fails to comply with any terms and conditions attached to the funds from the SFC or contained in the Financial Memorandum, the College may be required to:

- repay to the SFC any sums received from it; and
- pay interest to the SFC in respect of any period during which a sum due to the SFC is unpaid.

## **B CORPORATE GOVERNANCE**

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### **3 Board of Management**

3.1 The Board of Management will meet the principles of good governance set out in the Good Governance Code for Scottish Colleges, and the other principles identified within these Financial Regulations.

3.2 The Board of Management is responsible for the management and administration of the College so as to ensure the provision of Further Education that meets the needs of stakeholders. Its financial responsibilities are to ensure that:

- Public funds are used in accordance with relevant legislation, the requirements of this Financial Memorandum and only for the purpose(s) for which they were given. Strategic, capital and other grant funding should only be used for the purposes for which it is provided by SFC;
- Subject to any legal requirement to observe confidentiality, the College will be open and transparent with SFC and other stakeholders, and will give, or be prepared to give, a public justification of its decisions in relation to the use of public funds.
- The institution strives to achieve best value and is economical, efficient and effective in its use of public funding;
- There is effective planning and delivery of the institution's activities in accordance with its mission and its Outcome Agreement agreed with SFC;
- The institution plans and manages its activities to remain sustainable and financially viable. An institution is being managed on a sustainable basis if, year on year, it generates sufficient income to cover its costs and allow for maintenance of and investment in its infrastructure (physical, human and intellectual) at a level which enables it to maintain adaptive capacity necessary to meet future demands;

- The institution has a sound system of internal management and control, including an audit committee, an effective internal audit service, and adequate procedures to prevent fraud or bribery;
- The institution has an effective policy of risk management and risk management arrangements;
- The institution has regular, timely, accurate and adequate information to monitor performance and account for the use of public funds. Such information will be made available to SFC on request, as necessary, for the exercise of its functions and to gain assurance;
- The institution is engaged actively in continuously enhancing the quality of its activities and involves students and other stakeholders in these processes.
- The Board of Management's financial responsibilities are also to:
  - appoint, grade, suspend, dismiss and determine the pay and conditions of service of the Principal and other senior post-holders,
  - set a framework for pay and conditions of service of all other staff,
  - approve the appointment of the internal audit service,
  - approve an annual budget before the start of each financial year,
  - determine tuition fees,
  - approve the College's strategic plan, and
  - approve the annual financial statements.

#### **4 The Principal (Chief Executive Officer)**

- 4.1 The Principal is accountable directly to the Board of Management for the proper conduct of the institution's affairs. The Principal is also accountable directly to the SFC's Accountable Officer for the institution's proper use of funds deriving from Scottish Ministers and its compliance with the requirements of the SFC's Financial Memorandum. The Principal may be required to justify any of the College's financial matters to the Scottish Parliament Audit Committee (SPAC). In particular, the articles of government 3.(2).(e) charge the Principal with responsibility:

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

The Principal shall demonstrate his or her oversight of financial matters by signing the Statement of Corporate Governance and Balance Sheet within the Annual Report and Financial Statements, and the declaration pages of the Financial Forecast Return (FFR), and Financial Statement Return submitted to the SFC.



The Principal must inform the SFC's Accountable Officer without delay of any circumstance that is having, or is likely to have, a significant adverse effect on the ability of the institution to deliver its education programmes, and other related activity, including delivery of its Outcome Agreement with the SFC. The Principal must also notify SFC's Accountable Officer of any serious weakness, such as a significant and immediate threat to the institution's financial position, significant fraud or major accounting breakdown or any material non-compliance with any requirement of the SFC's Financial Memorandum.

## **5 Committee Structure**

5.1 The Board of Management has ultimate responsibility for the College's finances, but it delegates specific powers and processes to the committees detailed below. These committees are accountable to the Board of Management.

### **5.2 Audit & Risk Assurance Committee**

The Scottish Funding Council's financial memorandum and audit code of practice require the College to appoint an Audit & Risk Assurance Committee. The Committee is independent, advisory and reports to the Board of Management. It has the right of access to obtain all the information it considers necessary and to consult directly with the internal and external auditors. The Committee is responsible for identifying and approving appropriate performance measures for internal and external audit and for monitoring their performance. A more detailed extract from the Audit & Risk Assurance Committee's terms of reference is shown at Appendix C. The audit requirements of the College are set out in the Scottish Funding Council's audit code of practice, and the Scottish Government's Audit Committee Handbook.

### **5.3 Remuneration Committee**

Consideration of senior management's pay and conditions is the responsibility of the Remuneration Committee. It has the power to consider, approve and report to the Board of Management on their remuneration, including pay and other benefits, as well as contractual arrangements.

### **5.4 Nominations Committee**

The Nominations & Engagement Committee is responsible for recommending appointments to the Board of Management in accordance with the Further and Higher Education Act (Scotland) 1992 as amended by the Post-16 Act.

### **5.5 Academic Council**

The Academic Council will act as a forum for the debate of College wide Academic issues and to engage with staff in promoting and fostering academic excellence in the professional work of the organisation.

## 5.6 **External Engagement Committee**

The External Engagement Committee is responsible for oversight of stakeholder engagement, marketing and economic research, business development and partnership, and international development at Edinburgh College.

## 5.7 **Policy & Resources Committee**

The Policy & Resources Committee is the principal management body to oversee the development and monitoring of the College strategic plans. The Committee oversees resources in support of strategic plans including operating budgets, capital and/or physical resources.

# 6 **Financial Responsibility of Staff**

## 6.1 **Chief Operating Officer**

Strategic financial planning is the responsibility of the Chief Operating Officer, who is responsible to the Principal for:

- preparing annual revenue and capital budgets and financial plans,
- preparing monthly and/or quarterly accounts, management information, monitoring and control of expenditure against budgets and all financial operations,
- preparing the College's annual accounts and other financial statements which the College is required to submit to other authorities,
- ensuring that the College maintains satisfactory financial systems,
- providing professional advice on all matters relating to financial strategy and planning,
- providing cash and resource returns to the SFC
- liaising with the internal and external auditors to implement audit strategies.

## 6.2 **Executive Team**

The Executive Team is responsible to the Principal for the operational and financial management of the areas or activities within their remit. They are advised by the Chief Operating Officer on strategic financial matters. The Executive Team is responsible for establishing and maintaining clear lines of control and responsibility within the areas that

they manage for all operational and financial matters including the delegation of day to day budget control to other budget managers and team leaders.

The Executive Team shall provide the Chief Operating Officer with such information as may be required to enable:

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

### 6.3 **All Members of Staff**

All members of staff should be aware that they have a general responsibility for the security of the College's property and assets, for avoiding loss and for due economy in the use of resources. They should ensure that they are aware of the College's financial authority limits (see 18.2) and the values of purchases for which quotations and tenders are required (see 18.6). They shall make available any relevant records or information to the Chief Operating Officer, or his authorised representative, in connection with the implementation of the College's financial policies, these financial regulations and the system of internal financial control. They shall provide such financial and other information as may be deemed necessary from time to time, to carry out the requirements of the Board of Management. They shall immediately notify the Chief Operating Officer whenever any matter arises, which involves, or is thought to involve, irregularities concerning, *inter alia*, cash or property of the College. The Chief Operating Officer shall take such steps as considered necessary by way of investigation and report.

## **7 Risk Management**

### 7.1 The College's Risk Management Framework includes

a Risk Management Policy,

a risk appetite statement,

Operational Risks Registers, managed by each member of the Senior Management Group aligned to their respective operational plans, which cover all College business,

the Edinburgh College Top Level Risk Register, which identifies the major risks drawn from Operational Risk Registers, risks identified by the Board of Management and its Committees, and risks identified by the Executive Team.

### 7.2 The Risk Management Framework is overseen by the College's Risk Management and Assurance Group (RMAG), which reports into the Audit and Risk Committee. This group meets every three months to review the Top Level Risk Register, and a rolling review programme of Operational Risk Registers. It also recently reviewed the College's risk appetite statement.

The risk management strategy and procedures must be capable of independent verification.

7.3 The Executive Team must ensure that any agreements negotiated with external bodies cover any legal liabilities to which the College may be exposed. Advice should be sought from the Chief Operating Officer to ensure that this is the case.

## **8 Whistleblowing**

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

8.2 Normally, any concern about a workplace matter at the College should be raised with the relevant member of staff's immediate line managers or the appropriate Executive Team member. However, the College recognizes that the seriousness or sensitivity of some issues, together with the identity of the person the member of staff thinks may be involved, may make this difficult or impossible.

8.3 A member of staff may, therefore, make the disclosure to the person designated for this purpose, the Governance Director. If the member of staff does not wish to raise the matter with this person, it may be raised with the Chief Operating Officer or the Head of Corporate Development.

8.4 The full procedure for whistleblowing is set out in the College's whistleblowing policy.

## **9 Code of Conduct**

9.1 The College is committed to the highest standards of openness, integrity and accountability. It seeks to conduct its affairs in a responsible manner, having regard to the Code of Conduct principles which members of staff at all levels are expected to observe. The 9 key principles are set out at Appendix I and include:

- Duty / Public Service
- Selflessness
- Integrity
- Objectivity
- Accountability & Stewardship
- Openness
- Honesty
- Leadership
- Respect

9.2 Additionally, members of the Board of Management, senior managers or those involved in procurement are required to disclose interests in the College's register of interests maintained

by the Head of Corporate Development. They will also be responsible for ensuring that entries in the register relating to them are promptly kept up to date, as prescribed in the financial procedures.

9.3 In particular, no person shall be a signatory to a College contract where he or she also has an interest in the activities of the other party.

#### 9.4 **Receiving Gifts or Hospitality**

It is an offence under the Prevention of Corruption Act 1906 for members of staff to accept corruptly any gift or consideration as an inducement or reward for doing, or refraining from doing, anything in an official capacity or showing favour or disfavour to any person in an official capacity. The guiding principles to be followed by all members of staff must be:

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

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

When it is not easy to decide between what is and what is not acceptable in terms of gifts or hospitality, the offer should be declined or advice sought from the Chief Operating Officer or Head of Corporate Development. For the protection of those involved, the Principal's Office will maintain a register of gifts and hospitality received where the value is in excess of £50. Members of staff in receipt of such gifts or hospitality are obliged to notify the Principal's Office.

## **C FINANCIAL MANAGEMENT AND CONTROL**

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### **10 Financial Planning**

10.1 The Chief Operating Officer is responsible for preparing annually a rolling five-year strategic financial plan for approval by the Board of Management and for submitting a financial forecast return and cash forecast to the SFC. Financial plans should be consistent with the strategic

plans and capital strategy approved by the Board of Management.

#### 10.2 **Budget Objectives**

The Board of Management will, from time to time, set budget objectives for the College. These will help the Chief Operating Officer in preparing detailed financial plans for the College.

#### 10.3 **Resource Allocation**

Resources are allocated annually by the Board of Management, and on the basis of the above objectives. The Executive Team is responsible for the economic, effective and efficient use of resources allocated to them.

#### 10.4 **Budget preparation**

The Chief Operating Officer is responsible for preparing an annual revenue budget and capital programme each year for consideration by the Board of Management. Detailed budgets are prepared in order to support the resource allocation process and these are communicated to the Executive Team as soon as possible following their approval by the Board of Management.

#### 10.5 **Capital Programmes**

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

The Chief Operating Officer will establish protocols with the Executive member responsible for capital programmes for the inclusion of capital projects in the capital programme for approval by the Board of Management. These will set out the information that is required for each proposed project as well as the financial criteria that they are required to meet.

The Chief Operating Officer will also establish procedures for the approval of variations, including the notification of variations to the Scottish Funding Council, as laid down in Scottish Funding Council guidelines. The Chief Operating Officer is responsible for providing regular statements concerning all capital expenditure to the Board of Management for monitoring purposes.

Following completion of any major capital project, a post-project evaluation or final report should be submitted to the Board of Management including actual expenditure against budget and reconciling funding arrangements where a variance has occurred as well as other issues affecting completion of the project. Post-project evaluations may also need to be sent to the Scottish Funding Council.

In addition, a formal Post-Implementation Review of the project may be conducted by the Internal Auditors and a report presented to the Audit & Risk Assurance Committee.

## 10.6 **Overseas Activity**

In planning and undertaking overseas activity, the College must have due regard to the relevant guidelines issued by the Scottish Funding Council. Overseas activities should be, as a minimum, cost neutral to the Institution (including a contribution towards overheads).

## 10.7 **Other Major Developments**

Any new area of business, or proposed establishment of a company or joint venture, which will require an investment in buildings, resources or staff time of more than £120,000 excluding vat should be presented for approval to the Board of Management via the Commercial & International Committee. Once approval is received from the Board of Management, under delegated limits contained within the SFC Financial Memorandum, final approval should be sought from the SFC.

The Chief Operating Officer will establish protocols for these major developments to enable them to be considered for approval by the Board of Management. These will set out the information that is required for each proposed development as well as the financial criteria that they are required to meet. They are summarised at Appendix K.

# 11 **Financial Control**

## 11.1 **Budgetary Control**

The control of income and expenditure within an agreed budget is the responsibility of the designated Budget Holder, who must ensure that effective monitoring is undertaken. Executive Team members may delegate day-to-day management of their budgets to one or more Budget Managers. Significant departures from agreed budgetary targets must be reported immediately to the Chief Operating Officer who will also be responsible for ensuring that quarterly budget reviews take place with each Budget Holder.

## 11.2 **Financial Information**

The Executive Team members and Budget managers are supported in their duties by management information provided by the Finance Department. The Chief Operating Officer is responsible for supplying budgetary reports on all aspects of the College's finances to the Board of Management.

## 11.3 **Changes to the Approved Budget**

Changes proposed to the approved budget will be first considered by the Board of Management, unless they fall within the delegated approval arrangements. Under the scheme of delegation the Principal may approve variations up to £120,000 in aggregate value.

## 11.4 **Virement**

The virement of budgets must not lead to any net change in the overall annual budget for the College. Executive Team members may vire budgets within a single cost centre or between cost centres. These virements should be within detailed budget headings within each of the

three principal budget categories:

- income.
- staff costs, and
- supplies and services costs.

Transfers between budget categories (e.g. staff and supplies and services expenditure) require the approval of the Chief Operating Officer. Virement between budgets held by different Executive Team members is permitted with the written approval of the transferring and receiving Leadership Team members.

#### **11.5 Treatment of Year-end Balances**

There is no flexibility to carry forward year-end balances. At the year end, Leadership Team members will not normally have the authority to carry forward a balance on their budget to the following year unless the Board of Management, as presented by the Chief Operating Officer following approval from the SFC, has agreed a specific scheme for carrying forward all or part of unspent amounts.

## **12 Accounting Arrangements**

### **12.1 Financial Year**

The College's financial year will run from 1 August until 31 July the following year. Although there is also a requirement, under government accounting, to prepare notional accounts for the SFC covering the period 1 April until 31 March.

### **12.2 Basis of Accounting**

The consolidated financial statements are prepared on the historical cost basis of accounting modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards, the SFC's Accounts Direction, and the SPFM.

### **12.3 Format of the Financial Statements**

The financial statements are prepared in accordance with the Statement of Recommended Practice *Accounting for Further and Higher Education*, subject to any specific requirements of the Scottish Funding Council and the SPFM, and in accordance with the provisions of the Companies Act 1985 and applicable Accounting Standards.

### **12.4 Capitalisation and Depreciation**

Assets are recorded in the Balance Sheet at Depreciated Replacement Cost for Land & Buildings and at Historic Cost less depreciation for Equipment in accordance with the Financial Reporting Manual. Buildings will be depreciated in equal instalments over their estimated remaining useful life, but subject to periodic revaluation. Land will not be depreciated.

Expenditure incurred on repair, refurbishment or extension of existing buildings will not be



capitalised unless it can be demonstrated that the resultant value of the building, on the basis of depreciated replacement value, is greater than the current book value.

Expenditure incurred on the acquisition of assets other than land and buildings will be recorded in the balance sheet where the acquisition cost including vat per item is £10,000 or more. Grouped items (e.g. a suite of computers) with a group value of £10,000 or more, will also be capitalised. Capitalised assets other than land and buildings will be depreciated in accordance with the College's financial policy on capitalised assets and depreciation.

Certain tangible assets will be revalued. Where such a policy is adopted it should be applied consistently to all tangible fixed assets of the same class, and its carrying amount should be its current value. A full valuation at least every 5 years and an interim valuation in year 3, with an interim valuation in the intervening years where it is likely that there has been a material change in value.

Where an asset is found to have suffered impairment, the prospective impairment and background must be communicated to the SFC at the earliest opportunity.

#### 12.5 **Accounting Records**

The Chief Operating Officer is responsible for the retention of financial documents. These should be kept in a form that is acceptable to the relevant authorities. The College is required by law to retain prime documents for six years. These include:

- official purchase orders,
- paid invoices,
- accounts raised,
- bank statements,
- copies of receipts,
- paid cheques, and
- payroll records.

The Chief Operating Officer will make appropriate arrangements for the retention of electronic records.

Members of staff should ensure that retention arrangements comply with any specific requirements of funding organisations such as local enterprise consultants and European funds.

Additionally, for auditing and other purposes, other financial documents should be retained for three years or in the case of externally funded projects as determined by the funding provider.

#### 12.6 **Public Access**

Under the terms of the Freedom of Information (Scotland) Act 2002, the Board of Management is required to supply any person with a copy of the College's most recent

financial statements within twenty working days of a request after such date as which the financial statements have been laid before and approved by the Scottish Parliament. The Act enables the Board of Management to levy a reasonable fee, subject to a specific criteria and this will be charged at the discretion of the Chief Operating Officer. The College will also make available the Annual Report and Financial Statements on the College's website. A printed copy will be available on request to Edinburgh College.

Previous years' financial statements are also available on the College website or by request.

#### 12.7 **Taxation**

The Chief Operating Officer is responsible for advising the Principal and Board of Management, in the light of guidance issued by the appropriate bodies and relevant legislation as it applies, on all taxation issues. Therefore the Chief Operating Officer will issue instructions to Academic Departments and Support Sections, Payroll and Human Resources on compliance with statutory requirements including those concerning VAT, PAYE, national insurance, corporation tax and import duty as required.

The Chief Operating Officer 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.

### 13 **Audit Requirements**

#### 13.1 **General**

External auditors and internal auditors shall have authority to:

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

The Chief Operating Officer is responsible for drawing up a timetable for final accounts purposes and will advise relevant staff and the external auditors accordingly.

The financial statements should be reviewed by the Audit & Risk Assurance Committee. On the recommendation of the Audit & Risk Assurance Committee they will be submitted to the Board of Management for approval.

#### 13.2 **External Audit**

Under the terms of the Public Finance and Accountability (Scotland) Act 2000, the Auditor General is responsible for the appointment of the external auditors for the College. 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 external auditors address their report and opinion jointly to the Auditor General and the members of the Board of Management. Their duties will be in accordance with advice set out in the Auditing Practices Board's statements of auditing standards.

### 13.3 **Internal Audit**

The internal auditor is appointed by the Board of Management on the recommendation of the Audit & Risk Assurance Committee. The College's financial memorandum with the Scottish Funding Council requires that it has an effective internal audit function. The main responsibility of internal audit is to provide the Board of Management, the Principal, and senior management with assurances on the adequacy of the internal control system. The internal audit service remains independent in its planning and operation but has direct access to the Board of Management, Principal and Chair of the Audit & Risk Assurance Committee. The internal auditor will also comply with the Auditing Practices Board's auditing guideline Guidance for Internal Auditors.

### 13.4 **Fraud, Bribery and Corruption**

It is the duty of all members of staff, management and the Board of Management to notify the Chief Operating Officer immediately whenever any matter arises which involves, or is thought to involve, irregularity, including fraud, corruption or any other impropriety. The Chief Operating Officer shall immediately invoke the fraud response plan, which incorporates the following key elements:

- the Principal and the Audit & Risk Assurance Committee (through its Chair) will be notified of the suspected irregularity and shall take such steps as considered necessary by way of investigation and report,
- the Principal shall inform the police if a criminal offence is suspected of having been committed,
- any significant cases of fraud or irregularity shall be reported to the Scottish Funding Council in accordance with their requirements as set out in the audit code of practice,
- the Audit & Risk Assurance Committee shall commission such investigation as may be necessary of the suspected irregularity, by the internal audit service or others, as appropriate,
- the internal audit service, or others commissioned to carry out an investigation, shall prepare a report for the Audit & Risk Assurance Committee on the suspected irregularity. Such report shall include advice on preventative measures.

If the suspected fraud is thought to involve the Chief Operating Officer and/or the Principal, the member of staff shall notify the Chair of the Audit & Risk Assurance Committee direct of their concerns regarding irregularities.

Members of the Board of Management are committed to the prevention of fraud and bribery and all types of corruption. The Board of Management operates a zero tolerance approach to bribery committed by any person working at Edinburgh College and any person who provides any services for or on behalf of Edinburgh College now or in the future. Any allegation of bribery will be investigated in accordance with the College's Disciplinary Policy and may be reported to the authorities as appropriate. The College will not work with other organisations who it considers do not share the College's commitment to preventing fraud, bribery and corruption. Fraud losses should be reported to the SFC on an annual basis (31 July). This report should detail the number of fraud losses during the year and the total cost.

### **13.5 Value for Money**

It is a requirement of the financial memorandum that the Board of Management of the College is responsible for delivering value for money from public funds adhering to Scottish and EU Legislation. It should keep under review its arrangements for managing all the resources under its control, taking into account guidance on good practice issued from time to time by the Scottish Government, Scottish Funding Council, the National Audit Office, the Public Accounts Committee, Audit Scotland, or other relevant bodies.

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

### **13.6 Other Auditors**

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

## **14 Treasury Management**

### **14.1 Treasury Management Policy**

The Board of Management is responsible for approving a treasury management policy statement setting out a strategy and policies for cash management, long-term investments and borrowings. This will require compliance with Scottish Funding Council rules regarding approval for any secured or unsecured loans that go beyond the general consent levels set out in the SFC's Financial Memorandum. The Board of Management has a responsibility to ensure implementation, monitoring and review of such policies.

All executive decisions concerning borrowing, investment or financing (within policy parameters) shall be delegated to the Chief Operating Officer and an appropriate reporting system set up. All borrowing shall be undertaken in the name of the College and shall conform to any relevant Scottish Funding Council requirements and require approval of the Scottish

Ministers. Regional Boards may not borrow money.

The Chief Operating Officer will report to the Board of Management regularly during each financial year on the activities of the treasury management operation and on the exercise of treasury management powers delegated to him or her.

#### **14.2 Appointment of Bankers and Other Professional Advisers**

The Board of Management is responsible for the appointment of the College's bankers and other professional financial advisers (such as investment managers). As part of Scottish Colleges' ONS reclassification, we are required to adhere to the Scottish Public Finance Manual (SPFM). All bodies to which the SPFM applies are required to use the Government Banking Service contract

#### **14.3 Banking Arrangements**

The Chief Operating Officer is responsible, on behalf of the Board of Management, for liaising with the College's bankers in relation to the College's bank accounts and the issue of cheques and payments. All cheques shall be ordered on the authority of the Chief Operating Officer who shall make proper arrangements for their safe custody.

Only the Chief Operating Officer may authorise the closure or, following approval from the Board of Management, open a bank account for dealing with the College's funds. All bank accounts shall be in the name of the College or one of its subsidiary companies (as appropriate).

All cheques drawn on behalf of the College must be signed in the form approved by the Board of Management. All cheques, written and single electronic payment instructions, including BACS and CHAPS payments, shall be signed or otherwise authorised by two duly authorised signatories from those set out on the list of authorised signatories for the bank account from which the payment is to be made. System generated batch payment files where in-built authorisation processes have been enforced (Purchase Ledger, Payroll & Student Funding) will only require one authorised electronic signatory, which must be one of the Head of Student Services/ Student Funding Manager (Student Funding payments only), Finance Managers, Head of Finance or Chief Operating Officer.

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

### **15 Income**

#### **15.1 General**

The Chief Operating Officer 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 and electronic collection systems must

have the prior approval of the Chief Operating Officer.

Levels of charges for contract research, services rendered, goods supplied and rents and lettings are determined by procedures approved by the Board of Management, and are approved by the Board of Management.

The Chief Operating Officer is responsible for the prompt collection, security and banking of all income received and that all grants notified by the Scottish Funding Council and other bodies are received and appropriately recorded in the College's accounts.

The Chief Operating Officer is responsible for ensuring that all claims for funds, including contracts, are made by the due date.

#### 15.2 **Maximisation of Income**

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

#### 15.3 **Receipt of Cash, Cheques and Other Negotiable Instruments**

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

All monies received must be paid to the cashier promptly, and in accordance with a timetable prescribed by the Chief Operating Officer. The custody and transit of all monies received must comply with the requirements of the College's insurers.

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

Receipts by Credit or Debit Card: the College may only receive payments by debit or credit card using procedures approved by the Chief Operating Officer.

Internet Receipts: any member of staff wishing to arrange for payment to be made to the College by the Internet should seek guidance from the Chief Operating Officer at an early stage.

#### 15.4 **Collection of Debts**

The Chief Operating Officer should ensure that:

- debtors' invoices are raised promptly on official invoices, in respect of all income due to the College,

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

Only the Chief Operating Officer can implement credit arrangements and indicate the periods in which different types of invoice must be paid. The Head of Finance may authorise credit arrangements on the basis of principles agreed with the Chief Operating Officer. Any subsequent changes must be submitted to Board of Management for approval.

Requests to write off debts are subject to the following authorisation levels and apply to the period of a financial year:

- Up to £10,000                      Head of Finance
- Up to £25,000                    Chief Operating Officer.
- Up to £50,000                    Chief Operating Officer & Principal
- Over £50,000                    Board of Management after consideration by the Executive Team.

The Chief Operating Officer should report to each meeting of the Policy and Resources Committee on write-off of individual student debt and bad debt write-off.

Bad debt write-off of £3,000 or greater should be annually reported to the SFC. The report should detail the number of bad debts written off and the total cost to the College.

#### 15.5 **Student Fees**

Except for those fees which are set by SFC or SAAS, changes to student tuition fees should be approved by the Chief Operating Officer or his delegated representative.

The procedures for collecting tuition fees must be approved by the Chief Operating Officer who is responsible for ensuring that all student fees due to the College are received.

Any student who has not paid an account for fees or any other item owing to the College shall not receive the certificate for any degree, diploma or other qualification awarded by the College until all relevant outstanding debts have been cleared. Such students shall be prevented from re-enrolling at the College and from using any of the College's facilities.

The College may pass outstanding debts to debt collection agencies and reserves the right to take legal action to recover outstanding amounts

Overseas student irrecoverable losses of £6,000 or greater should be annually reported to the SFC. The report should detail the number of irrecoverable losses and the total cost to the College.

## 16 Other Income-Generating Activity

### 16.1 Private Consultancies and Other Paid Work

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

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

### 16.2 Commercial Courses and International Courses and Other Services Rendered

In this context, a commercial and international courses is any course which does not form part of the SFC funded activity of the College. Other services rendered include, but are not limited to, letting of College facilities; provision of tailor-made training and new Business to Business activities.

The delegated financial authority of the Senior Management Group and the External Engagement Committee for commercial and international contracts are:

	Level 1	Level 2	Level 3	Level 4
<b>Nature of Contract</b>	Any Client	New client or an existing client	New client or an existing client	New client or an existing client
<b>Delegated authority</b>	Head of Business Development, Head of International Development and Depute Principal	Deputy Principal and one nominated Non-Executive Member of the External Engagement Committee (normally, the Chair of the Commercial & International Sub-Group)	Executive Team and External Engagement Committee and noted to BOM	Board of Management



<b>Contract value</b>	Up to £200,000 (excl. VAT) pa (based on total contract value)	New client up to £250,000 (excl. VAT) Existing client up to £300,000 (excl. VAT) pa	New Client up to £400,000 (excl. VAT) Existing client up to £500,000 (excl. VAT) pa	New client exceeding £400,000 (excl. VAT) Existing client exceeding £500,000 (excl. VAT) pa
<b>Contract conditions</b>	Contract returns at a minimum breakeven on a full economic costing basis	Contract returns at a minimum breakeven on a full economic costing basis	Existing client contract is for a maximum of 2 years.	The contract should meet the above conditions.
<b>Comment</b>	Should the contract not meet the above conditions and/or exceeds values then it would be escalated to Level 2 authorisation.	Should the contract not meet the above conditions and/or exceeds values then it would be escalated to Level 3 authorisation.	Should the contract not meet the above conditions and/or exceeds values then it would be escalated to Level 4 authorisation.	

In instance where a contract requires financial guarantees or indemnities, SFC approval will be required before these contracts can be authorised.

### 16.3 Off-site Collaborative Provision (Franchising)

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

- There shall be a contract signed by the Principal or Executive Team member and on behalf of any partner organisation that shall comply at least with the Scottish Funding Council model contract (as amended from time to time) in place before any provision is made. Contracts for significant changes in franchising activity shall be approved in advance by the Board of Management.
- The form of the contract shall be scrutinised in advance of its operation by the Audit & Risk Assurance Committee and approved by the Board of Management.
- Where the partnership would represent a significant departure from the College's strategic plan, the Board of Management shall approve the departure, and the Principal shall inform the Scottish Funding Council and seek its views.

#### 16.4 **European Union (EU), ESF, and Other Matched Funding**

Any such project requires the approval of the appropriate Director prior to any commitment being entered into. Such approval shall be dependent upon the relevant Executive Team member being able to demonstrate that eligible matching funds are available and that the project is financially viable. It must also follow the SFC's ESF guidance prior to commencing.

Individual applications for funds in excess of £150,000 shall be the subject of a report by the Principal to the Commercial & International Committee which will set out, amongst other things, the potential risks generated by the project. If the College sub-contracts such work to external providers, the relevant Executive Team member shall ensure that:

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

#### 16.5 **Profitability and Recovery of Overheads**

All other income-generating activities must be self-financing, or surplus-generating, unless it is intended that a new course is to be launched as a loss-leader. If that is the case, the reason for it must be specified and agreed by the Chief Operating Officer. Other income-generating activities organised by members of staff must be costed and agreed with the Chief Operating Officer before any commitments are made. Provision must be made for charging both direct and indirect costs using full economic costing, in particular for the full recovery of overheads.

#### 16.6 **Donation of surplus funds to arms-length foundations**

The institution may donate any surplus on its income and expenditure account as at 31 March each year to its arms-length foundation. The donation must take place in the financial year in which it arises, and is subject to sufficient cash and resource cover being available.

#### 16.7 **Deficits**

Un-planned deficits incurred on other income-generating activities will be charged to Academic Centre/Support Department budgets.

#### 16.8 **Additional Payments to Staff**

Any proposal that involves additional payments to members of staff should be supported by a schedule of names and values, and must be approved by the appropriate Executive Team member and, in the case of an Executive Team member, the Principal.

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

### **17.1 General**

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

### **17.2 Patents**

The Board of Management is responsible for establishing procedures to deal with any patents accruing from inventions and discoveries made by staff in the course of their research. Initial guidance should be sought from the SFC should this situation arise.

### **17.3 Intellectual Property Rights**

Intellectual Property is the product of thought, creativity, and intellectual effort. In the course of their studies at the College, Students may generate Intellectual Property (e.g. "results") which is of some commercial value. A variety of legal rights protect applications of ideas and information that may be of commercial value. Those most relevant to the College's activities include patents, registered designs, copyright and 'know how'. The law is clear that intellectual property created by staff 'in the course of their employment' belongs to their employer. Students are not normally employees of the College. Any assignment of Student Intellectual Property must be done by a specific contract. Colleges must seek to strike a balance between a duty of care to the Student and a duty to exploit (e.g. sell, transfer, assign or license) Intellectual Property for the College's good, this balance being best achieved by selective assignment arising out of a specific contract in cases where the College's input in the creation of the Intellectual Property is very clear.

In the event of the College deciding to become involved in the commercial exploitation of inventions and research, the matter should then proceed in accordance with the intellectual property procedures issued by the College and contained in the College's detailed financial procedures. Initial guidance should be sought from the SFC should this situation arise.

### **17.4 Intellectual Property Rights by Students**

Where a Student generates Intellectual Property the Student has a duty to promptly inform the College of the Intellectual Property. The College will explain to the Student the issue of ownership in respect of all types of Intellectual Property through the development of appropriate documentation. When considering any Intellectual Property generated by one of its Students, the College will seek to strike a balance between fulfilling its duty of care to the Student and exploiting intellectual property for the good of the College. In each case the College will be mindful of protecting any third party rights that may be relevant in the generation of the Intellectual Property.

## **18 Expenditure**

### **18.1 General**

Responsible Person - The Chief Operating Officer is responsible for making payments to suppliers of goods and services to the College.

External business and Management Consultancies greater than £100,000 and operating leases (non-property) greater than £250,000 requires SFC approval.

### **18.2 Scheme of Delegation/Financial Authorities**

Each Executive Team member is responsible for purchases within their functions. Purchasing authority may be delegated to members of the Leadership Team, who in turn may delegate to middle managers, provided this is in accordance with the delegated authority matrix.

In exercising this delegated authority the Executive Team, Leadership Team members and middle managers are required to observe the College's purchasing policy and financial procedures.

The Chief Operating Officer shall maintain a register of authorised signatories and Executive Team members must supply him/her with specimen signatures of those staff authorised to raise invoices and certify invoices for payment.

Authorisation limits can be delegated to departmental budget holders in line with the following guidelines:

- Executive Team - approve and authorise expenditure within designated cost centres up to £75,000.
- Leadership Team - approve and authorise expenditure within their designated cost centres up to £25,000.
- Cost Centre Managers - approve and authorise expenditure within their designated cost centres up to and including £5,000.
- Expenditure greater than £75k requires further authorisation by the Chief Operating Officer or Principal.

Orders may not be split to lower the value per order with a view to reducing the authorisation level required.

Where expenditure is authorised by the person listed above this will be in addition to authorisation by the relevant budget holder.

The Head of Finance is authorised to approve payments, regardless of value, in respect of the Payroll & VAT returns, this includes payments to HMRC, Pension Funds and other outside bodies in respect of deductions made from employees' pay. These payments will be checked by the Finance Manager or Financial Accountant before seeking the Financial

Controllers authorisation.

The Head of Human Resources and Organisational Development is authorised to approve payments made to employees, with the exception of the Principal, in respect of severance schemes authorised by the Board of Management and approved by the SFC. Any severance payment to the Principal must be authorised by the Chair of the Board of Management and approved by the SFC.

There is a delegated limit to £1k only for special severance payments (any values above £1k requires SFC approval).

### 18.3 Procurement

The College requires all Executive Team members, irrespective of the source of funds, to obtain goods and services that offer Value For Money and have been purchased in accordance with Scottish and EU procurement legislation and regulation.

The Chief Operating Officer is responsible for:

- ensuring that the College's purchasing policy is known and observed by all staff involved in purchasing for the College,
- advising teaching departments and support departments on matters of College purchasing policy and practice,
- developing appropriate standing supply arrangements on behalf of the College to assist Executive Team members in meeting their value for money obligations,
- signing purchase orders issued on behalf of the College, and ensure that the delegated authority levels are adhered to.
- the drafting and negotiation of all large-scale purchase contracts undertaken by the College,
- ensuring that the College complies with [Scottish](#) and [EU](#) procurement legislation and regulation.

Procurement non-competitive action requires prior consultation with the SFC if the transaction is greater than £25,000 (per SFC guidance).

Goods and services should firstly be sourced through APUC, Government and other framework agreements, prior to any alternative procurement route being taken.

### 18.4 Purchase Orders

The ordering of goods and services shall be in accordance with the College's detailed procurement policies and procedures.

Official College purchase orders must be placed for the purchase of all goods or services, except those made using purchasing cards, company credit cards (if applicable), petty cash or which are of an annual contractual nature such as utility or insurance services. In exceptional circumstances, urgent orders may be given orally, but must be confirmed by an

official purchase order endorsed 'confirmation order only' not later than the following working day. The official purchasing order must be placed and issued before any goods or services are received or invoiced.

A request for a special payment process is used to make payments to suppliers without the requirement to set up full supplier details on the finance system, and may only be used under the following conditions:

- To make a foreign payment;
- For non-recurring purchases up to £1,000 (including VAT) where the supplier does not accept procurement or credit card payments;
- For regular payments to groups of individuals, who may only ever be paid once. This includes nursery or specific membership refunds.
- It is the responsibility of the Chief Operating Officer to ensure that all purchase orders refer to the College's conditions of contract.

#### 18.5 Purchasing Cards

The operation and control of the College's purchasing cards is the responsibility of the Head of Finance and contained within instructions signed up to by card holders on receipt of cards. Holders of purchasing cards must use them only for the purposes for which they have been issued and within the authorised purchase limits. Cards must not be lent to another person, nor should they be used for personal or private purchases.

The Head of Finance shall determine what information is required on purchases made with purchasing cards from cardholders and deadlines for receipt in the finance department to enable financial control to be maintained and cardholders must provide that information.

#### 18.6 Quotations and Tenders

Delegated Budget Managers must comply with the College's Procurement Policy and the [Scottish Government Procurement Journey](#). To avoid conflict with applicable procurement legislation and regulation guidance from College procurement team should be sought before making a purchase. The procurement procedure to be followed for the value threshold of a particular contract is as follows:

**For Goods and Services:**

Value	Action	Responsibility	Authorisation
£0 - £5K	At least 2 quotations should be obtained	devolved to department	cost centres managers
£5K - £25K	at least 2 written quotations should be obtained	devolved to department	leadership team
£12.5K - £25K	at least 2 written quotations <del>should be obtained</del> via PCS Quick Quote or use Framework	devolved to department	leadership team and procurement
£25K - £50K	at least 3 quotes via PCS Quick Quote or use Framework	devolved(*) or procurement	leadership team and procurement

£50K - OJEU	open tender via PCS / PCS-T	procurement	Principal or Chief Operating Officer and procurement
OJEU +	tender via PCS-T	procurement	Principal or Chief Operating Officer and procurement

**For Works:**

Value	Action	Responsibility	Authorisation
£5K - £50K	at least 2 quotes	devolved to department	leadership team
£50K - £100K	Tender via PCS	devolved* or procurement	Principal or Chief Operating Officer and procurement
£100K - £2M	Tender via PCS-T	procurement	Principal or Chief Operating Officer and procurement
£2M - OJEU	Tender via PCS-T	procurement	Principal or Chief Operating Officer and procurement
OJEU +	Tender via PCS-T	procurement	Principal or Chief Operating Officer and procurement

Over [EU threshold](#) - the contract will be subject to full EU tendering procedures and advertised using the Public Contracts Scotland website.

The award of contracts over £100,000 must be reported to the Board of Management.

**18.7 Building Contracts**

Building contracts are the responsibility of the Board of Management with advice provided by the Chief Operating Officer and Depute Principal and where necessary external professional advisors.

Proposals will normally be initiated as a result of planned capital developments, or in response to requests from academic departments and support departments.

Managing Consultants may be appointed if the project, as determined by the Board of Management, is too large or too specialised for the Facilities department to manage. Appointments shall be subject to tendering and other procurement procedures where appropriate.

Proposals shall be presented in the form of costings, and/or investment appraisals as appropriate, prepared in conjunction with the Chief Operating Officer for Board of Management consideration and approval. Investment appraisals should comply with Scottish Funding Council guidance.

Following consideration, and approval by the Board of Management, submissions should be forwarded to the Scottish Funding Council where appropriate. If the required agreement is secured from the Scottish Funding Council, the relevant procedural rules should be followed. Scottish Funding Council guidance on best practice should be followed even when

Scottish Funding Council approval is not required.

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

Capital Projects require outline approval from the SFC and Scottish Government.

#### 18.8 **Scottish and EU Regulations**

The Chief Operating Officer is responsible for ensuring that the College complies with its legal obligations concerning Scottish and EU procurement legislation. Scottish procurement regulations apply contracts with a value of £50,000.00 or greater up to EU procurement regulations which apply to written contracts for all forms of procurement, purchase or hire with a total value exceeding the current EU threshold value.

The Chief Operating Officer will advise Executive Team members on the financial thresholds that are currently in operation. A breach of these Scottish and EU regulations is actionable by a supplier or potential supplier.

The Scottish regulations require that the value of same or similar purchases over any 4 year period must be aggregated and that where that calculation exceeds £50,000.00 then the Scottish procurement regulations will apply to all future purchases

It is the responsibility of Executive Team members to ensure that their members of staff comply with the Scottish and EU regulations by notifying the Chief Operating Officer of any purchase that is likely to exceed the [thresholds](#). This will need to be done well in advance in order to permit advertisements in journals such as the *Official Journal of the European Union* (OJEU).

The Chief Operating Officer is also required to annually submit to the Scottish Funding Council details on expenditure which exceeds the threshold.

#### 18.9 **Receipt of Goods and Services**

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

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

All services shall be received and verified by designated officers. The services received shall be entered onto an appropriate services received document or electronic receipting system on the day of receipt.



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

#### 18.10 **Payment of Invoices**

The procedures for making all payments shall be in a form specified by the Chief Operating Officer.

The Head of Finance is responsible for deciding the most appropriate method of payment for categories of invoice. Payments to UK suppliers will normally be made by BACS transfer each month. In exceptional circumstances, cheques or individual electronic payments for urgent payments may be prepared.

Suppliers should submit invoices (quoting the appropriate official purchase order number) for goods or services to the Finance department.

Payments will only be made against invoices that have been matched with delivery notes and/or receipted purchase orders, or authorised by the relevant budget holder for payment.

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

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

#### 18.11 **Staff Reimbursement**

The College's purchasing and payments procedures are in place to enable the majority of non-pay supplies to be procured through the purchase ledger system without staff having to incur any personal expense. However, on occasion, staff may incur expenses, most often in relation to travel, and are entitled to reimbursement. Where such purchases by staff are planned, Executive Team members may approve advances to staff that are going to incur expenditure on the College's behalf. Advances by bank transfer may be requested from the Finance team.

Upon completion of the travel or project to which the advance relates, a staff expenses claim must be prepared to demonstrate how the advance was disbursed and any unspent balance repaid and returned to the Finance team. Expense claims must be

approved by an Executive Team member or Budget Manager and returned to the Finance team. Approved expense claims will be paid by BACS with the employees' next salary payment. Under no circumstances will a second advance be approved when the final accounting for an earlier advance to an individual is still outstanding.

#### 18.12 **Petty Cash**

The Head of Finance shall maintain central petty cash floats to be held by the Cashiers at each campus. In exceptional circumstances, the Head of Finance may authorise other areas to hold small petty cash floats. However, it is important for security purposes that petty cash floats are kept to a minimum.

Any member of staff granted a float, is personally responsible for its safe-keeping. The petty cash must be kept locked in a secure place when not in use and will be subject to periodic checks. This procedure should comply with the requirements of the College's insurers.

At the end of the financial year, a certificate of the balances held should be completed by the member of staff responsible for the float, which will be counter-signed by the appropriate budget holder.

#### 18.13 **Other Payments**

Payments to students on behalf of sponsoring organisations for maintenance and other items shall be made on the authority of the Student Support budget holders, on the basis of applications from the students that satisfy the conditions and criteria set by the funding bodies. Payments shall be made via BACS transfer directly to the students' bank accounts. Novel, contentious or repercussive expenditure requires SFC approval.

#### 18.14 **Late Payment Rules**

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

The key points are:

- small businesses can charge interest on overdue invoices,
- interest is chargeable on sales made after 1 November 1998,
- the rate of interest is at a specified rate per annum above the official daily rate of the Bank of England,
- the Act also applies to overseas organisations, and
- the College can be sued for non-payment.

In view of the penalties in this Act, the Board of Management requires that invoices must be passed for payment within the agreed supplier payment period.

### 18.15 **Giving Hospitality**

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

The limits concerning acceptable expenditure for entertaining guests are set out in the College's detailed staff travel expenses & hospitality procedures.

### 18.16 **Losses**

Losses incurred by the College in excess of £3,000 each year should be reported annually to the SFC. The report should detail the number of such losses and the total cost.

## **19 Pay Expenditure**

### 19.1 **Remuneration Policy**

All College staff will be appointed to salary scales approved by the Board of Management and in accordance with the appropriate conditions of service. All letters of appointment must be issued by the Human Resources department.

The Board of Management will determine what other benefits, if any, are to be available, the basis of their provision (e.g. contributory or not) and the staff to whom they are to be available.

Salaries and other benefits for senior management will be determined by the Remuneration Committee set up by the Board of Management, but will have due regard to public sector pay policy.

### 19.2 **Appointment of Staff**

All staff contracts of service shall be concluded in accordance with the College's approved personnel practices and procedures, and all offers of employment with the College shall be made in writing by the Head of Human Resources and Organisational Development. Executive Team members shall ensure that the Chief Operating Officer and the Head of Human Resources and Organisational Development are provided promptly with all information they may require in connection with the appointment, salary costs, resignation or dismissal of employees.

### 19.3 **Salaries and Wages**

The Chief Operating Officer is responsible for all payments of salaries and wages to all staff, including payments for overtime or services rendered.

Heads of Departments may delegate payment limits to Cost Centre Managers to approve and authorise expenditure for additional hours worked in accordance with the Scheme of Delegation/Financial Authorities as set out in section 18.2.

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 Chief Operating Officer. Payments are made monthly, in arrears via BACS transfer.

The Head of Human Resources and Organisational Development will be responsible for keeping the Payroll department informed of all matters relating to staff for payroll purposes. In particular these include:

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

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

The Chief Operating Officer shall be responsible for keeping all records relating to payroll including those of a statutory nature. All payments must be made in accordance with the College's detailed payroll financial procedures and comply with Inland Revenue regulations.

#### 19.4 **Pension Schemes**

The Board of Management is responsible for undertaking the role of employer in relation to appropriate pension arrangements for employees. The College provides access to two defined benefit pension schemes. Support staff are eligible to join the Local Government Pension Scheme administered by the Lothian Pension Fund. Teaching staff are eligible to join the Scottish Teachers Superannuation Scheme administered by the Scottish Public Pensions Agency.

The Chief Operating Officer is responsible for ensuring appropriate administration for pension matters, including:

- paying contributions to various authorised superannuation schemes, and
- preparing the annual return to the various superannuation schemes.

The Head of Finance is responsible for administering eligibility of staff to pension arrangements, and for advising the Payroll team when deductions should begin or cease for staff.

#### 19.5 **Travel, Subsistence and Other Allowances**

All claims for payment of subsistence allowances, travelling and incidental expenses shall be completed in a form approved by the Chief Operating Officer.

Claims by members of staff must be authorised by an Executive Team or Leadership Team

member.

Budget Managers, under delegation from Executive or Leadership Team members, can authorise payments up to £500 per claim. Multiple claims must be authorised by the Executive or Leadership Team member.

The certification by the Budget Holder or designated manager shall be taken to mean that:

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

Claims/Invoices for travel by the Principal, or members of the Board of Management, shall be approved by the Chair of the Board of Management. Claims/Invoices for travel by the Chair shall be approved by the Chair of the Remuneration Committee on behalf of the Board of Management.

#### 19.6 **Overseas Travel**

All foreign travel should be approved in advance by the appropriate Executive Team or Manager before being booked through an appointed travel agency or travel company. Where spouses, partners or other persons unconnected with the College intend to participate in a trip, this must be clearly identified in the approval request. The College must receive reimbursement for the expected costs it may be asked to cover for those persons in advance of confirming travel bookings.

#### 19.7 **Travel and Expenses for Members of the Board of Management**

Claims for members of the Board of Management will be authorised by the Head of Corporate Development. Claims for the Chairman will be authorised by the Chair of the Remuneration Committee. Claims for meeting attendance will be based on standard amounts for each individual, but only reasonable expenses for actual costs incurred can be reimbursed.

#### 19.8 **Severance and Other Non-Contractual Payments**

Severance payments shall only be made in accordance with relevant guidance and under a scheme approved by the Board of Management following approval by the SFC.

Any payment to an individual in excess of contractual entitlement out-with an approved voluntary severance scheme requires approval from the Executive Team, Remuneration Committee and then prior approval from SFC.

Following approval, payments shall be authorised by the Head of Human Resources.

## **20 Assets**

### **20.1 Land, Buildings, Fixed Plant and Machinery**

The purchase, lease or rent of land, buildings or fixed plant can only be undertaken with authority from the Board of Management and with approval from the Scottish Funding Council.

### **20.2 Fixed Asset Register**

The Chief Operating Officer is responsible for maintaining the College's asset register of land, buildings, fixed plant and machinery. Executive Team members will provide the Chief Operating Officer with any information which may be needed to maintain the register.

### **20.3 Stocks and Stores**

Executive Team members are responsible for establishing adequate arrangements for the custody and control of stocks and stores within their Academic and Support Departments. The systems used for stores accounting must have the approval of the Chief Operating Officer.

Executive Team members are responsible for ensuring that regular inspections and stock checks are carried out. Stocks and stores of a hazardous nature should be subject to appropriate Health & Safety procedures and security checks.

Those Executive Team members whose stocks require valuation in the balance sheet must ensure that the stock-taking procedures in place have the approval of the Chief Operating Officer and that instructions to appropriate staff within their departments are issued in accordance with advice contained in the financial procedures of the College.

### **20.4 Safeguarding Assets**

Executive Team members are responsible for the care, custody and security of the buildings, stock, stores, furniture, cash, etc. under their control. They will consult the Chief Operating Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

High value assets owned by the College shall, so far as is practical, be effectively marked to identify them as College property.

### **20.5 Personal Use**

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

### **20.6 Asset Disposal**

Disposal of equipment and furniture must be in accordance with procedures agreed by the Board of Management.

Disposal of land and buildings must only take place with the authorisation of the Board of Management. Scottish Funding Council approval will be required in advance of any planned Sale.

#### 20.7 **All Other Assets**

Executive Team members are responsible for establishing adequate arrangements for the custody and control of all other assets owned by the College, whether tangible or intangible, including electronic data.

### **21 Funds Held on Trust**

#### 21.1 **Gifts, Benefactions and Donations**

The Chief Operating Officer is responsible for maintaining financial records in respect of gifts, benefactions and donations made to the College and initiating claims for recovery of tax where appropriate.

#### 21.2 **Student Support Funds**

The Vice Principal Curriculum & Quality will prescribe the format for recording the use of student support funds. Records of student support funds will be maintained according to Scottish Funding Council and SAAS requirements.

#### 21.3 **Trust Funds**

The Chief Operating Officer is responsible for maintaining a record of the requirements for each trust fund and for advising the Board of Management on the control and investment of fund balances.

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

### **22 Other**

#### 22.1 **Insurance**

The Chief Operating Officer is responsible for the College's insurance arrangements in accordance with the SFC Policy guidance, including the provision of advice on the types of cover available. As part of the overall risk management strategy, all risks will have been considered and those most effectively dealt with by insurance cover will have been identified. This is likely to include important potential liabilities and provide sufficient cover to meet any potential risk to all assets. This portfolio of insurance cover will be considered and approved by the Board of Management on an annual basis. In their Memorandum, the SFC agreed a derogation whereby the current commercial insurance arrangements can be extended for an additional two years to 31 July 2020.

Board of Management and is therefore responsible for obtaining quotes, negotiating claims and maintaining the necessary records. The Chief Operating Officer will keep a register of all insurances affected by the College and the property and risks covered, and will also deal with the College's insurers and advisers about specific insurance problems. Executive Team members must ensure that any agreements negotiated within their areas with external bodies cover any legal liabilities to which the College may be exposed. The advice of the Chief Operating Officer should be sought to ensure that this is the case. Executive Team members must give prompt notification to the Chief Operating Officer of any potential new risks and additional property and equipment that may require insurance and of any alterations affecting existing risks.

Executive Team members must advise the Chief Operating Officer immediately of any event that may give rise to an insurance claim. The Chief Operating Officer will notify the College's insurers and, if appropriate, prepare a claim for transmission to the insurers. The Chief Operating Officer is responsible for keeping suitable records of plant which is subject to inspection by an insurance company and for ensuring that inspection is carried out in the periods prescribed.

Any claims waived or abandoned should be reported to the SFC annually. The report should detail the number of such waivers or abandonments and the total value.

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

## **22.2 Companies and Joint Ventures**

In certain circumstances, it may be advantageous to the College to establish a company or a joint venture to undertake services on behalf of the College. Any member of staff considering the use of a company or a joint venture should first seek the advice of the Chief Operating Officer, who should have due regard to guidance issued by the Scottish Funding Council and Scottish Government.

Under the Further and Higher Education (Scotland) Act 1992, a College needs the prior approval of the Scottish Funding Council before a company or a joint venture can be established. The Board of Management is responsible for ensuring that the required procedures are followed. The process involved in forming a company or a joint venture and arrangements for monitoring and reporting on the activities of these undertakings are documented in the College's financial procedures.

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



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

Where the College is the majority shareholder in a company, the Scottish Funding Council requires that the company's financial year must be consistent with that of the College.

### 22.3 **Security**

Keys to safes, or other similar containers, are to be carried on the person of those responsible at all times. The loss of such keys must be reported to the Chief Operating Officer immediately.

An officer shall be responsible for maintaining proper security and privacy of information held on the College's computer network. Appropriate levels of security will be provided, such as passwords for networked PCs together with restricted physical access for network servers.

Information relating to individuals held on computer will be subject to the provisions of the Data Protection Act 1998. A data protection officer shall be nominated to ensure compliance with the Act and the safety of documents.

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

### 22.4 **Students' Association (Arm's Length)**

The Students' Association is a separate legal entity from the College but is recognised to fulfil a valuable role in relation to the College's students. Subject to any constraints imposed by the Scottish Funding Council, the Board of Management shall determine the level of grant to be paid annually to the Students' Association.

The Board of Management requires the Association to provide for information, details of its proposed budget to assist in determining the appropriate level of grant in accordance with an agreement between the College and the Students' Association, the College's internal auditor shall have access to records, assets and personnel within the Students' Association in the same way as other areas of the College. At the year end the Students' Association financial statements will be audited / independently examined by an appropriately qualified member of staff or firm of auditors and will be presented to the Board of Management for information.

### 22.5 **Provision of Indemnities**

Any member of staff asked to give an indemnity, for whatever purpose, should consult the

Chief Operating Officer before any such indemnity is given.

## **23 Governance**

Appendix A	Board of Management Responsibilities
Appendix B	Academic Council – Terms of Reference
Appendix C	Audit & Risk Assurance Committee Terms of Reference
Appendix D	External Engagement Committee Terms of Reference
Appendix E	Nominations Committee Terms of Reference
Appendix F	Policy & Resources Committee Terms of Reference
Appendix G	Remuneration Committee Terms of Reference
Appendix H	Main Features of the Public Interest Disclosure Act 1998
Appendix I	The Seven Principles of Public Life from the Report of the Committee for Standards in Public Life (The Nolan Report)
Appendix J	Summary of Protocols for Proposed Capital Expenditure
Appendix K	Summary of Protocols for Proposed Major Developments
Appendix L	Internal Audit Responsibilities
Appendix M	Fraud Response Plan
Appendix N	Conditions of Contract for the Purchase of Goods
Appendix O	Main Points Included in the College's Procurement Policy and Related

### **APPENDIX A: BOARD OF MANAGEMENT RESPONSIBILITIES**

The Board of Management is responsible for:

- ensuring that the College maintains proper accounts and related records,
- ensuring that systems are in place for all employees and creditors to be paid by their due date and that such systems are effective,
- ensuring that all income received is correctly accounted for and that income receivable is promptly collected,
- receiving, and approving the College's revenue and capital budgets,
- ensuring that the requirement of the financial memorandum with the Scottish Funding Council to maintain financial solvency is fulfilled,
- managing the College's investments,
- overseeing;
  - cash management and borrowing policies,
  - the College's banking arrangements, and
  - the College's insurance arrangements,
- receiving reports on all aspects of the maintenance and management of the College's Estate,

- recommending any required additions or disposals to the Board of Management,
- any other matters as directed by the Board of Management.

## **APPENDIX B: ACADEMIC COUNCIL TERMS OF REFERENCE**

### **1. PURPOSE**

- 1.1 To provide a forum for the debate of College wide Academic issues, and to foster excellence within the following Key Academic Themes:
- i. Learning & Teaching;
  - ii. Student Experience & Engagement;
  - iii. Curriculum Management;
  - iv. Continuing Professional Development;
  - v. Quality Enhancement, Quality Assurance.

### **2. AUTHORITY**

- 2.1 The Committee operates under the authority of, and reports to, the Board.

### **3. ROLE & REMIT**

- 3.1 To guide the development of policy and strategy related to: (i) Curriculum Planning, Development and Delivery; and (ii) Teaching, Learning and Assessment.
- 3.2 To make recommendations to the Board of Management and monitor the effective implementation of strategy.
- 3.3 To provide oversight of quality enhancement and processes.
- 3.4 To provide oversight of feedback from students.
- 3.5 To facilitate the promotion sharing and dissemination of good practice.

### **4. MEASURES OF SUCCESS**

The key measures of success of the Academic Council will be:

- 4.1 The achievement of targets in the Outcome Agreement.
- 4.2 The College makes a more effective contribution to the region through joint working with partners to meet Community Planning Partnership objectives.
- 4.3 The improvement of retention, attainment and positive destinations for all students.
- 4.4 The high quality student experience across all campuses evidenced by increased levels of student satisfaction.
- 4.5 The creation of more places and opportunities at the College for 16-19 year olds.
- 4.6 The curriculum is characterised by greater innovation in learning and teaching methods.
- 4.7 The curriculum is refreshed annually with courses that will better address skills gaps and shortages in the regional economy.

- 4.8 The curriculum is informed by more and better engagement with priority employers and employer organisations that reflect the College's regional, national and global ambitions.
- 4.9 The College works more effectively with its regional university partners to improve progression opportunities for all HE programmes.

## **5. MEMBERSHIP**

- 5.1 There shall be six core members of the Committee, three of whom must be Non-Executive Members. The further three members will include the Principal, the Academic Staff Member and a Student Board Member.
- 5.2 The co-opted membership of the Committee will include:
- 5.2.1 The two Student Sabbatical Officers who are not core members of the Committee, plus one current student nominated by ECSA.
- 5.2.2 Eight members of College Staff (two per Faculty), who are not part of the senior management team, to represent each of the curriculum areas:
- Creative Industries;
  - Health, Wellbeing and Social Sciences;
  - Hospitality, Tourism and Business;
  - STEM / Construction;
- 5.2.3 Additional Members may be co-opted in alignment with the Board of Management's co-opted membership procedures.
- 5.2.4 Co-opted members of the Academic Council shall not have voting rights
- 5.3 The Assistant Principal, Curriculum Design & Development, shall attend meetings of the Committee.
- 5.4 The Head of Policy, Planning and Performance and the Head of Support for Learning shall attend meetings of the Committee.
- 5.5 A Member of the Governance Team shall be Clerk to the Committee.

## **6. QUORUM**

- 6.1 Two Non-Executive Member must attend, one of whom will act as Committee Chair.
- 6.2 One representative from ECSA must attend.
- 6.3 One member of the Executive must attend.
- 6.4 Two College staff members must attend.

## **7. FREQUENCY OF MEETINGS**

- 7.1 Meetings of the Council will be held on a quarterly basis.

## **APPENDIX C: AUDIT & RISK ASSURANCE COMMITTEE TERMS OF REFERENCE DUTIES**

### **1. PURPOSE**

- 1.1 To review the effectiveness of the college's governance arrangements, financial systems, internal control environment and risk management arrangements and provide appropriate assurances to the Board of Management on these areas.

### **2. AUTHORITY**

- 2.1 The Committee operates under the authority of, and reports to, the Board.

### **3. DUTIES**

#### **3.1 GENERAL COMMITTEE REMIT**

- review and consider the changing context in which the College operates; (for example, changes in the environment, legislation, government and awarding bodies policies);
- challenge and support Management in developing appropriate responses in line with the College Vision and Mission;
- review the College Strategies to ensure they take account of the changing context;
- monitor the implementation of the strategies and advise the College Executive on tactics to deploy in achieving targets;
- the committee should periodically review its own effectiveness and report the results of that review to the Board and Accountable Officer;
- at each meeting, the Committee should receive reports on updates on risk management arrangements and progress reports from the Internal and external Audit functions.

#### **3.2 SPECIFIC COMMITTEE ROLE & REMIT**

On behalf of the Board, the Committee is specifically charged with:

##### **Internal Control**

- 3.2.1 reviewing and advising the Board of Management of the Internal Auditor's and the External Auditor's assessment of the effectiveness of the college's financial and other internal control systems, including controls specifically to prevent or detect fraud or other irregularities as well as those for securing economy, efficiency and effectiveness; and
- 3.2.2 reviewing and advising the Board of Management on its compliance with Corporate Governance requirements and good practice guidance.

##### **Internal Audit**

- 3.2.3 advising the Board of Management on the selection, appointment or reappointment and remuneration, or removal of the Internal Auditors where the service is contracted-out. The responsibility regarding selection of a

- contracted-out provider may be delegated to a Selection/Evaluation Committee;
- 3.2.4 advising the Board of Management on the terms of reference for the Internal Auditors;
- 3.2.5 reviewing the scope, efficiency and effectiveness of the work of internal audit, considering the adequacy of the resourcing of internal audit and advising the Board of Management on these matters;
- 3.2.6 advising the Board of Management of the Audit & Risk Assurance Committee's approval of the basis for and the results of the internal audit needs assessment and the strategic and operational planning processes;
- 3.2.7 approving the criteria for grading recommendations in assignment reports as proposed by the Internal Auditors;
- 3.2.8 reviewing the Internal Auditors monitoring of management action on the implementation of agreed recommendations reported in internal audit assignment reports and internal audit annual reports;
- 3.2.9 considering salient issues arising from internal audit assignment reports, progress reports, annual reports and management's response thereto and informing the Board of Management thereof;
- 3.2.10 informing the Board of Management of the Audit & Risk Assurance Committee's approval of the internal audit's annual report;
- 3.2.11 ensuring establishment of appropriate performance measures and indicators to monitor the effectiveness of the Internal Auditors;
- 3.2.12 securing and monitoring appropriate liaison and co-ordination between internal and external audit;
- 3.2.13 ensuring good communication between the Committee and the Head of Internal Auditors; and
- 3.2.14 responding appropriately to notification of fraud or other improprieties received from the Internal Auditors or other persons.

### **External Audit**

- 3.2.15 considering the College's annual financial statements and the external auditor's report prior to submission to the Board of Management. If within its terms of reference, the Committee should consider the external audit opinion, the Statement of Members' Responsibilities and any relevant issue raised in the external auditor's management letter;
- 3.2.16 reviewing the external auditor's annual Management Letter and monitoring management action on the implementation of the agreed recommendations contained therein;
- 3.2.17 advising the Board of Management of salient issues arising from the external auditor's management letter and any other external audit reports, and of management's response thereto;
- 3.2.18 reviewing the statement of corporate governance;
- 3.2.19 establishing appropriate performance measures and indicators to monitor the effectiveness of the external audit provision;
- 3.2.20 reviewing the external audit strategy and plan;
- 3.2.21 holding discussions with external auditors and ensuring their attendance at Audit & Risk Assurance Committee and Board of Management meetings as required;

- 3.2.22 considering the objectives and scope of any non-statutory audit work undertaken or to be undertaken, by the external auditor's firm and advising the Board of Management of any potential conflict of interest; and,
- 3.2.23 securing appropriate liaison and co-ordination between external and internal audit.

### **Best Value**

- 3.2.24 establishing and overseeing a review process for evaluating the effectiveness of the college's arrangements for securing the economical, efficient and effective management of the college's resources and the promotion of best practice and protocols, and reporting to the Board of Management thereon;
- 3.2.25 advising the Board of Management on potential topics for inclusion in a programme of value for money reviews and providing a view on the party most appropriate to undertake individual assignments considering the required expertise and experience; and
- 3.2.26 advising the Board of Management of action that it may wish to consider in the light of national value for money studies in the further education sector.

### **Advice to the Board of Management**

- 3.2.27 reviewing the college's compliance with the Code of Good Governance for Scotland's Colleges and advising the Board of Management on this;
- 3.2.28 producing an annual report for the Board of Management;
- 3.2.29 advising the Board of Management of significant, relevant reports from the Funding Council and Audit Scotland and successor bodies and, where appropriate, management's response thereto; and
- 3.2.30 reviewing reported cases of impropriety (including fraud) to establish whether they have been appropriately handled;
- 3.2.31 the Committee should report to the Board and Accountable Officer after each meeting. Minutes of the meeting may form the basis of such a report.

### **Access**

- 3.2.32 the representatives of Internal and External Audit will have free and confidential access to the Chair of the Committee.

## **4. RISK**

- 4.1 The Committee will be responsible to the Board for the consideration and assessment of the strategic risks identified for it by the Board;
- 4.2 The Committee will be responsible for satisfying itself that risks are being managed and will seek assurances on the adequacy of their management, including from Internal and External Auditors and the Executive Team.



## **5. DELEGATION OF POWERS/AUTHORITIES FROM BOARD OF MANAGEMENT**

5.1 The following decision making authorities and powers are delegated from the Board of Management to the Committee:

5.1.1 The Committee is authorised by the Board of Management to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee of the College, and all employees are directed to co-operate with any request made by the Committee.

5.1.2 The Committee is authorised by the Board of Management to obtain independent professional advice and to secure the attendance of non-members with relevant experience and expertise at its meetings if it considers this necessary.

## **6. REPORTING ARRANGEMENTS**

6.1 The Committee will prepare an annual report of its activities for the Board. The report will demonstrate to the Board how the Committee has fulfilled its general and specific roles and remits.

## **7. MEMBERSHIP**

7.1 The members of the Committee shall be at least three members of the Board of Management (other than the Chair and the Principal and Chief Executive) at least one of whom will have a background in finance, accounting and/or auditing as determined from time to time by the Board of Management.

7.2 Attendees should include the Accountable Officer, the Chief Operating Officer and a representative from both Internal and External Audit.

7.3 The Chief Operating Officer will be an adviser to the Committee.

7.4 Members may be co-opted to the Committee as it thinks necessary. The appointment of co-opted members must be ratified by the Board of Management.

7.5 Co-opted members and advisers to the Committee will be entitled to attend and speak at meetings of the Committee, but will not be entitled to vote.

7.6 The Committee may require the attendance of any member of staff to provide information and give explanation in relation to matters under its consideration.

7.7 The Committee may request that some regular attendees who are not members of the Committee should withdraw in order to allow an open and frank discussion of certain matters as appropriate.

## **8. CHAIR**

8.1 The Board shall appoint and may remove the Committee Chair.

8.2 Where the Chair ceases to be a member of the Committee, that individual shall cease to be Chair.

## **9. CLERK**

9.1 The Clerk to the Board of Management will act as Clerk to the Committee.

## **10. QUORUM**

10.1 A quorum shall consist of two members of the Committee.

## **11. FREQUENCY OF MEETINGS**

11.1 The Committee shall meet at least four times a year, in line with the College Financial Year.

## APPENDIX D: EXTERNAL ENGAGEMENT COMMITTEE TERMS OF REFERENCE

### 1. PURPOSE

- 1.1 To promote and retain oversight of stakeholder engagement, marketing and economic research, business development and partnerships, and international development at Edinburgh College.

### 2. AUTHORITY

- 2.1 The Committee operates under the authority of, and reports to, the Board.

### 3. ROLE & REMIT

- 3.1 To monitor, develop and advise the Board on the following matters:
- 3.1.1 Communications, Marketing and Stakeholder Engagement;
  - 3.1.2 Commercial and International development.
- 3.2 To consider and approve, where appropriate, the development and review of strategies relevant to the Committee's purpose.
- 3.3 To ensure that the College fulfils its statutory obligation under the 'Community Empowerment (Scotland) Act 2015', whereby the College: *'must co-operate with the other community planning partners in carrying out community planning'* and *'contribute such funds, staff and other resources as the community planning partnership considers appropriate', with a view to improving, or contributing to an improvement in, the achievement of each local outcome'*.
- 3.4 To consider beneficial links that may be made to advance the work of the Board and provide advice and support accordingly.
- 3.5 To keep under review the regional and national economy and market trends to help advise on the alignment of the curriculum.
- 3.6 To develop networks and support approaches that will grow non-SFC income for the College.
- 3.7 To monitor risks associated with commercial and international income and make appropriate recommendations to the Audit Committee.
- 3.8 To seek advice or make recommendations as appropriate to other Committees and the Board, in particular:
- 3.8.1 To the Academic Council in respect of strategic commercial and international developments impacting on the curriculum.
  - 3.8.2 To the Nominations Committee in respect of brand and communications issues.
- 3.9 To review its operation annually and report any proposed changes to the Nominations Committee or the Board as appropriate.

3.10 To undertake other relevant duties as determined by the Board of Management.

#### **4. MEMBERSHIP**

4.1 There shall be at least five members of the Committee, three of whom must be Non-Executive Members (one of whom will act as Committee Chair), along with one Staff Member and one Student Member.

4.2 Additional Members may be co-opted but they shall not have voting rights.

4.3 The Assistant Principal Income and Product Development and the Head of Corporate Development shall attend meetings of the Committee.

4.4 The Principal and Chair of the Board shall have the right of attendance at meetings.

4.5 A Member of the Governance Team shall be Clerk to the Committee.

#### **5. QUORUM**

5.1 The Committee will be quorate provided that at least two of the Non-Executive Members and one other full member are in attendance.

#### **6. FREQUENCY OF MEETINGS**

6.1 Meetings of the Committee shall be held on a quarterly basis.

## **APPENDIX E: NOMINATIONS COMMITTEE TERMS OF REFERENCE PURPOSE**

### **1. PURPOSE**

- 1.1 To identify and recommend to the Board of Management suitable candidates for Membership, and to keep under review procedures for search, nomination and appointment of Board Members.

### **2. AUTHORITY**

- 2.1 The Committee operates under the authority of, and reports to, the Board.

### **3. ROLE & REMIT**

- 3.1 To seek candidates for membership of the Board using search and advertisement as the Committee considers appropriate.
- 3.2 To undertake shortlisting and interview of suitable candidates having due regard for the independence of external directors, equality and diversity.
- 3.3 To recommend prospective Members for Board approval.
- 3.4 To advise the Board of Management on composition and balance of its membership, having due regard for the Equality Duty and good practice within the sector.
- 3.5 To produce for Board approval in accordance with best practice an annual statement of the Board's policy on diversity including gender.
- 3.6 To consider and make recommendations to the Board on Committee membership and the appointment of co-opted Members.
- 3.7 To review and approve annually procedures for search, nomination and appointment of new Board Members.
- 3.8 To review annually a report prepared by the Clerk monitoring tenure of Board Members and key office holders (Chair and Committee Chairs) and the skills mix of the Board to allow forward planning.

### **4. MEMBERSHIP**

- 4.1 There shall be at least six members of the Committee, three of whom must be Non-Executive Members, along with two Staff Members and one Student Member.
- 4.2 Additional Members may be co-opted but they shall not have voting rights.
- 4.3 The Principal may not be a Member.

4.4 The Chair of the Board shall act as Committee Chair.

4.5 The Clerk to the Board shall be Clerk to the Committee.

**5. QUORUM**

5.1 The Committee will be quorate provided that at least two of the Non-Executive Members and one other full member are in-attendance.

**6. FREQUENCY OF MEETINGS**

6.1 The Committee shall meet as required and not less than once per year.

## **APPENDIX F: POLICY & RESOURCES COMMITTEE TERMS OF REFERENCE**

### **1. PURPOSE**

- 1.1 To provide strategic oversight of the College's financial, estates and staffing matters and to advise the Board of Management on any other business of particular importance or complexity.

### **2. AUTHORITY**

- 2.1 The Committee operates under the authority of, and reports to, the Board.

### **3. ROLE & REMIT**

- 3.1 To review and advise the Board on the following matters:
  - 3.1.1 Policy generally and within its specific remit;
  - 3.1.2 Financial policy, management and planning;
  - 3.1.3 Human resources and organisational development policy, management and planning;
  - 3.1.4 Estates and IT infrastructure policy, management and planning;
  - 3.1.5 Progress across key initiatives and potential future developments.
- 3.2 To consider and approve, where appropriate, the development and review of strategies relevant to the Committee's purpose.
- 3.3 To recommend the annual budget to the Board for approval, and to keep under review the Management Accounts.
- 3.4 To authorise, within the terms set out in the Financial Memorandum, the writing off of individual student debt.
- 3.5 To consider proposals to amend the Estate and/or IT infrastructure within a framework seeking to improve academic delivery, environmental sustainability, outreach provision and financial efficiency.
- 3.6 To consider links that may be made with other organisations which could benefit the management of the Estate and/or IT infrastructure.
- 3.7 To review its operation annually and report any proposed changes to the Nominations Committee or the Board as appropriate.
- 3.8 To undertake other relevant duties as determined by the Board of Management.

### **4. MEMBERSHIP**

- 4.1 Membership of the Committee shall represent the range of committee business and will

include the Chair of the Board, the Vice Chair of the Board, and five Non-Executive Members who are representative of each committee of the Board.

- 4.2 The Vice Chair of the Board shall act as Chair of the Committee.
- 4.3 Additional Members may be co-opted but they shall not have voting rights.
- 4.4 The Principal and the Head of Corporate Development shall attend meetings of the Committee.
- 4.5 The Deputy Principal (People, Performance & Planning), the Chief Operating Officer and the Vice Principal (Curriculum & Quality) shall attend meetings as required.
- 4.6 A Member of the Governance Team shall be Clerk to the Committee.

## **5. QUORUM**

- 5.1 A quorum shall be not fewer than four members.

## **6. FREQUENCY OF MEETINGS**

- 6.1 Meetings of the Committee shall be held on a quarterly basis.



## **APPENDIX G: REMUNERATION COMMITTEE TERMS OF REFERENCE**

### **DUTIES**

#### **1. PURPOSE**

- 1.1 To consider, approve and report to the Board on decisions regarding the remuneration package, terms and conditions (including the annual reviews of such) and, where appropriate, severance payments of the College Principal and Chief Executive and College Executive Team.

#### **2. AUTHORITY**

- 2.1 The Committee operates under the authority of, and reports to, the Board.
- 2.2 The Committee is authorised by the Board of Management to obtain independent professional advice if it considers this necessary.

#### **3. ROLE & REMIT**

- 3.1 In relation to its purpose (Paragraph 1.1 above), the Committee will take into account;
- 3.1.1 That senior management should be fairly rewarded for their individual performance and contribution to the College's overall performance;
  - 3.1.2 That performance-related elements of remuneration be designed to give keen incentives to highest level performance based on individual KPIs which are aligned to the College's measures of performance;
  - 3.1.3 Where, in terms of senior management remuneration, the College stands in relation to other comparable institutions in the sector;
  - 3.1.4 The relationship between the remuneration of the senior management and that of other employees of the College;
  - 3.1.5 The benefits granted to senior management;
  - 3.1.6 The need to contain costs whilst employing suitably qualified and experienced staff;
  - 3.1.7 The adequacy of pension arrangements and also the cost implication of pension arrangement, including the pension effect of remuneration proposals.
- 3.2 To consider and respond to any appeals made by senior executives in relation to Paragraph 1.1 above.
- 3.3 To retain an overview of wider HR and workforce issues within the College and bring matters to the attention of the Board as appropriate.
- 3.4 To oversee and approve policy and decision-making in relation to severance, having regard to the relevant guidance:
- 3.4.1 To approve any relevant schemes or individual enhancements prior to seeking consent where required from the Funding Council;

3.4.2 To bring severance matters to the attention of the Board as appropriate.

3.5 To review its operation annually and report any proposed changes to the Nominations Committee or the Board as appropriate.

3.6 To undertake other relevant duties as determined by the Board of Management.

#### **4. MEMBERSHIP**

4.1 The Members of the Committee shall be a minimum of three non-executive Members of the Board of Management.

4.2 The Principal shall be an advisor to the Committee regarding proposals relating to other members of the College Executive Team within its remit. The Principal may not, however, have a vote in any such matter.

4.3 The Board may co-opt persons who are not members of the Board to the Committee but they shall not be entitled to vote.

4.4 The Committee shall elect a Chair from among its Members. The Chair of the Board of Management shall not act as Chair of the Committee.

4.5 The Clerk to the Board of Management shall act as Clerk to the Committee.

#### **5. QUORUM**

5.1 A quorum shall consist of two Committee members with entitlement to vote.

#### **6. FREQUENCY OF MEETINGS**

6.1 The Committee shall meet as required and not less than once per year.

## **APPENDIX H: MAIN FEATURES OF THE PUBLIC INTEREST DISCLOSURE ACT 1998**

### **SUMMARY**

The Act came into force on 2 July 1999. It encourages people to "blow the whistle" about malpractice in the workplace and is designed to ensure that organisations respond by acting on the message rather than against the messenger.

The Act applies to employees blowing the whistle about crime, civil offences (including negligence, breach of contract, etc.), miscarriage of justice, danger to health and safety or the environment and the cover-up of any of these. It applies whether or not the information is confidential and extends to malpractice occurring in the UK and any other country or territory. In addition to employees, it covers trainees, agency staff, contractors, home workers, trainees and every professional in the NHS. Employment law restrictions on minimum length of service and age do not apply. At present, the Act does not cover the genuinely self-employed, volunteers, the army, intelligence services or police officers. The Act has been described as 'the most far reaching whistle blower protection in the world'.

### **INTERNAL DISCLOSURES**

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

### **REGULATORY DISCLOSURES**

The Act protects disclosures made in good faith to prescribed bodies such as the Health and Safety Executive, the Financial Services Authority and the Inland Revenue, where the whistle-blower has a reasonable belief that the information and their allegation(s) are substantially true.

### **WIDER DISCLOSURES**

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

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

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

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

## **FULL PROTECTION**

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

## **QUALIFYING AREAS**

The qualifying areas consist of information that the employee reasonably believes tends to show one or more of the following matters is either happening now, took place in the past, or is likely to happen in the future:

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

## APPENDIX I: CODES OF CONDUCT - 9 KEY PRINCIPLES

The Scottish Ministers believe codes of conduct should be comprehensive statements of the principles and rules of conduct for behavior in the performance of their duties by local authority councilors and member of public bodies. The 9 key principles are:

**Duty** - Holders of public office have a duty to uphold the law and act in accordance with the law and the public trust placed in them. They have a duty to act in the interests of the public body of which they are a member and in accordance with the core functions and duties of that body.

**Selflessness** – Holders of public office have a duty to take decisions solely in terms of public interest. They must not act in order to gain financial or other material benefit for themselves, family or friends.

**Integrity** – Holders of public office must not place themselves under any financial, or other, obligation to any individual or organisation that might reasonably be thought to influence them in the performance of their duties.

**Objectivity** – Holders of public office must make decisions solely on merit and in a way that is consistent with the functions of the public body when carrying out public business including making appointments, awarding contracts or recommending individuals for rewards and benefits.

### **Accountability and Stewardship**

Holders of public office are accountable for their decisions and actions to the public. They have a duty to consider issues on their merits, taking account of the views of others and must ensure that the public body uses its resources prudently and in accordance with the law.

**Openness** - Holders of public office have a duty to be as open as possible about decisions and actions, giving reasons for their decisions and restricting information only when the wider public interest clearly demands.

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

**Leadership** - Holders of public office have a duty to promote and support these principles by leadership and example, and to maintain and strengthen the public's trust and confidence in the integrity of the public body and its members in conducting public business.

**Respect** - Holders of public office must respect fellow members of the public body and employees of the body and the role they play, treating them with courtesy at all times. Similarly they must respect members of the public when performing duties as a member of their public body.

## **APPENDIX J: SUMMARY OF PROTOCOLS FOR PROPOSED CAPITAL EXPENDITURE**

Proposed capital projects should be supported by:

- A statement that demonstrates the project's consistency with the strategic plans and estates strategy approved by the Board of Management.
- An initial budget for the project for submission to the Audit & Risk Assurance Committee and the Capital & Infrastructure Committee. The budget should include a breakdown of costs including professional fees, VAT and funding sources.
- A financial evaluation of the plans together with their impact on revenue plus advice on the impact of alternative plans.
- A Business Case and investment appraisal in an approved format which complies with Scottish Funding Council guidance on option and investment appraisal.
- A cash flow forecast.
- A demonstration of compliance with normal tendering procedures and Scottish Funding Council regulations. This will require careful consideration where partnership arrangements are in place.

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

## **APPENDIX K: SUMMARY OF PROTOCOLS FOR PROPOSED MAJOR DEVELOPMENTS**

The proposal should be supported by a business case and plan for three to five years which sets out:

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

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

## **APPENDIX L: INTERNAL AUDIT RESPONSIBILITIES**

The requirement to establish an Internal Audit Service is a mandatory requirement of the Financial Memorandum with the Scottish Funding Council.

The prime responsibility of the internal audit service is to provide the Board of Management, the Principal and the other managers of the College with assurance on the adequacy and effectiveness of the internal control system, including risk management and governance.

Responsibility for internal control remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Internal audit also plays a valuable role in helping management to improve systems of internal control and so to reduce the potential effects of any significant risks faced by the College. Risk management provides the opportunity for internal audit work to be efficient and focused. It does not necessarily imply that internal audit activity has to be increased.

Internal audit can also provide independent and objective consultancy advice specifically to help management improve the internal control system, including risk management and governance. In such circumstances, internal auditors apply their professional skills in a systematic and disciplined way to contribute to the achievement of corporate objectives. Such advisory work contributes to the opinion that internal audit provides on internal control, including risk management and governance.



## **APPENDIX M: FRAUD RESPONSE PLAN**

### **PURPOSE**

- 1 The purpose of this plan is to define authority levels, responsibilities for action and reporting lines in the event of a suspected fraud or irregularity. The use of the plan should enable the College to:
  - Prevent further loss.
  - Establish and secure evidence necessary for criminal and disciplinary action.
  - Notify the Scottish Funding Council, if the circumstances are covered by the mandatory requirements of the audit code of practice.
  - Recover losses.
  - Punish the culprits.
  - Deal with requests for references for employees disciplined or prosecuted for fraud.
  - Review the reasons for the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud.
  - Keep all personnel with a need to know suitably informed about the incident and the College's response.
  - Inform the police.
  - Assign responsibility for investigating the incident.
  - Establish circumstances in which external specialists should be involved.
  - Establish lines of communication with the police.

### **INITIATING ACTION**

- 2 All actual or suspected incidents should be reported without delay to the Chief Operating Officer. The Chief Operating Officer should, within 24 hours, convene a project group meeting of the following people to decide on the initial response:
  - Head of Human Resources and Organisational Development (who will chair the meeting)
  - A senior representative of internal audit
  - Financial Controller.
- 3 This project group will decide on the action to be taken. This will normally be an investigation, led by internal audit. The decision by the project group to initiate a special investigation shall constitute authority to internal audit to use time provided in the internal audit plan for special investigations, or contingency time, or to switch internal audit resources from planned audits.

## **PREVENTION OF FURTHER LOSS**

- 4 Where initial investigation provides reasonable grounds for suspecting a member, or members of staff, of fraud the project group will decide how to prevent further loss. This may require the suspension, with or without pay, of the suspects. It may be necessary to plan the timing of suspension to prevent the suspects from destroying, or removing, evidence that may be needed to support disciplinary or criminal action.
- 5 In these circumstances, the suspect(s) should be approached unannounced. They should be supervised at all times before leaving the College's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the College. Any security passes and keys to premises, offices and furniture should be returned.
- 6 Advice should be obtained on the best means of denying access to the College while suspects remain suspended (for example, by changing locks and informing security staff not to admit the individuals to any part of the premises). Similarly, access permissions to the College's computer systems should be withdrawn without delay
- 7 Internal audit shall consider whether it is necessary to investigate systems, other than that which has given rise to suspicion, through which the suspect may have had opportunities to misappropriate the College's assets.

## **ESTABLISHING AND SECURING EVIDENCE**

- 8 A major objective in any fraud investigation will be the punishment of the perpetrators, to act as a deterrent to other personnel. The College will follow disciplinary procedures against any member of staff who has committed fraud. The College will normally pursue the prosecution of any such individual.
- 9 Internal audit will:
  - Maintain familiarity with the disciplinary procedure of the College, to ensure that evidence requirements will be met during any fraud investigation.
  - Establish and maintain contact with the police as appropriate.
  - Establish whether there is a need for audit staff to be trained in the evidence rules for interviews under the Police and Criminal Evidence Act.
  - Ensure staff involved in fraud investigations are familiar with and follow rules on the admissibility of evidence in criminal proceedings.

## **NOTIFYING THE SCOTTISH FUNDING COUNCIL**

- 10 The Principal is responsible for informing the Scottish Funding Council of any such incidents.

## **RECOVERY OF LOSSES**

- 11 Recovering losses is a major objective of any fraud investigation. Internal audit shall ensure that in all fraud investigations, the amount of any loss will be quantified. Repayment of losses should be sought in all cases.
- 12 Where the loss is substantial, legal advice should be obtained without delay about the need to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice should also be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. The College would normally expect to recover costs in addition to losses.

## **REFERENCES FOR EMPLOYEES DISCIPLINED OR PROSECUTED FOR FRAUD**

- 13 The staff handbook includes a requirement that any request for a reference for a member of staff who has been disciplined or prosecuted for fraud shall be referred to the Head of Human Resources and Organisational Development who shall prepare any answer to a request for a reference having regard to employment law.

## **REPORTING TO BOARD OF MANAGEMENT**

- 14 Any incident of actual or suspected fraud shall be reported without delay by the Principal to the chairs of both the Board of Management and the Audit & Risk Assurance Committee.
- 15 Any variation from the approved fraud response plan, together with reasons for the variation, shall be reported promptly to the chairs of both the Board of Management and Audit & Risk Assurance Committee.

### **The Audit & Risk Assurance Committee**

- 16 On completion of a special investigation, a written report shall be submitted by the project group to the Audit & Risk Assurance Committee containing:
- A description of the incident, including the value of any loss, the people involved, and the means of perpetrating the fraud.
  - The measures taken to prevent a recurrence.
  - Any action needed to strengthen future responses to fraud, with a follow-up report on whether or not the actions have been taken.

This report will normally be prepared by internal audit.

## **REPORTING LINES**

- 17 The project group shall provide a confidential report to the Chair of the Board of Management, the Chair of the Audit & Risk Assurance Committee, the Principal and the external audit partner at least monthly, unless the report recipients request a lesser frequency. The scope of the report shall include:
- Quantification of losses.
  - Progress with recovery action.
  - Progress with disciplinary action.
  - Progress with criminal action.
  - Estimate of resources required to conclude the investigation.
  - Actions taken to prevent and detect similar incidents.

## **RESPONSIBILITY FOR INVESTIGATION**

- 18 All special investigations shall normally be led by internal audit. Special investigations shall not be undertaken by management, although management should co-operate with requests for assistance from internal audit.
- 19 Some special investigations may require the use of technical expertise which internal audit does not possess. In these circumstances, the project group may approve the appointment of external specialists to lead or contribute to the special investigation.

## **REVIEW OF FRAUD RESPONSE PLAN**

- 20 This plan will be reviewed for fitness of purpose after each use, or every three years, whichever is earlier. Any need for change will be reported to the Audit & Risk Assurance Committee for approval.

## **APPENDIX N: CONDITIONS OF CONTRACT FOR THE PURCHASE OF GOODS**

### **LIST OF HEADINGS**

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

## **APPENDIX O: MAIN POINTS INCLUDED IN THE COLLEGE'S PROCUREMENT POLICY AND RELATED FINANCE PROCEDURES**

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

The college is an equal opportunities organisation and aims to reflect the diversity of British Society. We welcome and support staff, students and visitors irrespective of age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.