

Petroc

Financial Regulations

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TERMINOLOGY

THE GOVERNING BODY

The Governing Body is ultimately responsible for the affairs of the institution. The membership, powers and procedures are defined within the Instrument and Articles of Government.

AUDIT COMMITTEE

The Audit Committee is independent of executive responsibility and advises the Governing Body on issues related to internal audit, external audit and financial control. It must issue an Annual Report to the Governing Body which gives an opinion to the Governing Body on the adequacy and effectiveness of the audit arrangements, framework for governance, risk management and control processes.

PRINCIPAL AND CHIEF EXECUTIVE

The Principal and Chief Executive is the Accounting Officer of the College with the ultimate executive responsibility for the finances and the management of the College.

VICE PRINCIPAL FINANCE, RESOURCES AND REGIONAL AFFAIRS

The Vice Principal Finance, Resources and Regional Affairs is the Chief Financial Officer of the College, responsible for the design and implementation of the internal control framework, financial and management accounting.

EXECUTIVE TEAM

The Executive Team made up of Senior Post Holders and Assistant Principals assists the Principal and Chief Executive in running the College.

Senior Managers are responsible for the performance against targets and budget of their faculty/directorate.

BUDGET HOLDER

A member of staff who has been assigned his or her own budget and is accountable for it.

FUNDING BODY/BODIES

This refers to the Education and Skills Funding Agency (ESFA) and the Office for Students (OFS).

DESIGNATED FUNDING BODY

This refers to the Education and Skills Funding Agency (ESFA).

FINANCIAL REGULATIONS

A GENERAL PROVISIONS

1 Background

1.1 The College is a Further Education Corporation created under the provisions of the Further and Higher Education Act 1992. Its structure of governance is laid down in the College's instrument and articles of government and its approved standing orders. The College is accountable through its Governing Body, 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 Act 1993 as amended by the Charities Act 2006.

1.3 The Financial Memoranda between the Funding Bodies and the College set out the terms and conditions on which grants are made. The Governing Body is responsible for ensuring that conditions of grants are met. As part of this process, the College must adhere to the Funding Bodies' *Post 16 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.

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. This document was approved by the Governing Body on 19th July 2022. It applies to the College and any subsidiary undertakings it may have.

2.2 These Financial Regulations are subordinate to the College's Instruments and Articles of Government and to any restrictions contained within the College's Financial Memoranda with the Funding Bodies and the Funding Bodies' *Post 16 Audit Code of Practice*.

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 and business objectives to secure:

- financial viability
- value for money
- its responsibility for the provision of effective financial controls over the use of public funds
- the College compliance with all relevant legislation
- safeguarding 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 Governing Body must be notified of any such breach through the Audit Committee. It is the responsibility of Senior Managers to ensure that their staff are made aware of the existence and content of the College's Financial Regulations.

2.5 The Governing Body is responsible for maintaining a continuous review of the Financial Regulations, through the Vice Principal Finance, Resources and Regional Affairs.

2.6 In exceptional circumstances, the Chair of the Governing Body may authorise a departure from the detailed provisions herein, such departure must be reported to the Governing Body at the earliest opportunity, setting out why such action was taken.

2.7 The College's Financial Procedures set out precisely how these regulations will be implemented. Such procedures may vary in format as required and will be updated as necessary when systems change.

2.8 All individuals with responsibility under these regulations must have a nominated deputy to act in their absence, such nomination to be approved by the Vice Principal Finance, Resources and Regional Affairs, who shall maintain a schedule of nominees. (This does not apply to budget holders authorised delegated signatories, which is dealt with later in this document).

B CORPORATE GOVERNANCE

3 The Governing Body

3.1 The Governing Body is responsible for the management and administration of the College. Its financial responsibilities are to:

- ensure the solvency of the College and the safeguarding of the College's assets
- appoint, grade, suspend, dismiss and determine the pay and conditions of service of the Principal and Chief Executive, other Senior Post Holders and the Governance Advisor and Head of Executive Office.
- set a framework for pay and conditions of service of all other staff
- ensure that the financial, planning and other management controls, including controls against fraud, bribery and theft, applied by the College are appropriate and sufficient to safeguard public funds
- approve the appointment of external auditors and an internal audit service
- secure the efficient, economical and effective management of all the College's resources and expenditure, capital assets and equipment, and staff, so that the investment of public funds in the College is not put at risk
- ensure that appropriate financial considerations are taken into account at all stages in reaching decisions and in their execution
- plan and conduct its financial and academic affairs so that its total income is not less than sufficient, taking one year with another, to meet its total expenditure
- approve an annual budget before the start of each financial year
- approve College fee policy
- ensure that the College complies with the Funding Bodies' Post 16 *Audit Code of Practice*
- approve the College's Strategic Plan
- approve the annual Financial Statements

4 Designated Officer

4.1 The Principal and Chief Executive is the College's designated officer and is responsible for ensuring the financial administration of the College's affairs in accordance with the Financial Memoranda with the Funding Bodies. As the designated officer, the Principal and Chief Executive may be required to justify any of the College's financial matters to the Public Accounts Committee at the House of Commons.

In particular, the articles of government 3. (2). (c) charge the Principal and Chief Executive with responsibility:

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

The Principal and Chief Executive must demonstrate his or her oversight of financial matters by signing the Balance Sheet and the Statement of Corporate Governance (including the Statement on Internal Control) within the annual Financial Statements, and Financial Plans submitted to the designated funding body.

4.2 Except where specified otherwise within the Financial Regulations, the Principal and Chief Executive shall sign all legally binding documents where the value exceeds £50k on behalf of the College, the Vice Principal Finance, Resources and Regional Affairs shall sign if below this threshold. This includes funding agreements and applications, property and equipment leases and consultant's appointments. In his absence the Principal and Chief Executive can authorise the Vice Principal Finance, Resources and Regional Affairs to sign on his behalf. Original signed copies of contractual documents, Educational Contracts and lease agreements should be lodged with the Vice Principal Finance, Resources and Regional Affairs.

5 Committee Structure

5.1 The Governing Body has ultimate responsibility for the College's finances regularly monitoring the College's financial positioning, but it delegates specific powers and processes to the committees detailed below and these committees report to the Governing Body.

5.2 Finance & General Purposes Committee

This Committee is responsible for establishing policies, procedures and controls to facilitate financial governance, which includes financial planning, budget approvals, expenditure approvals and financial reporting. The committee is authorised to make recommendations in reports to Board where full board approval is required and to make decisions within delegation approvals.

5.3 Audit Committee

Colleges must, by their Financial Memoranda with the Funding Bodies and by the Funding Bodies' *Post 16 Audit Code of Practice*, appoint an Audit Committee. The Committee is independent, advisory and reports to the Governing Body. It has the right of access to obtain all the information it considers necessary and to consult directly with the Internal and External Auditors. The Committee is responsible for identifying and approving appropriate performance measures for internal and external audit and for monitoring their performance. It must also satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness and for the management of risk. The audit requirements of the College are set out in the Funding Bodies' *Post 16 Audit Code of Practice*.

5.4 Remuneration Committee

Consideration of Senior Post Holders pay and conditions is the responsibility of the Remuneration Committee. It has the power to make decisions on their remuneration, including pay and other benefits, as well as contractual arrangements. It reports these decisions to the Governing Body.

5.5 Curriculum & Quality Committee

Provide help and advice to the Board relating to the development of the College and the achievement and maintenance of high standards of teaching, learning and assessment. Provides a forum for the College to test new ideas relating to curriculum delivery,

assessment and student support. It reports into the Governing Body and is empowered to make decisions regarding curriculum matters.

5.6 Search & Governance Committee

Responsible for the oversight of Board membership and good governance.

The Committee advises the Board on the appointment and re-appointment of Members, the success of individual Member appointments and the needs of the Board. The Committee considers the balance of skills, experience and knowledge required for the Board to carry out its duties and carries out succession planning in relation to the Chair and Vice-Chair. The Committee also monitors the diversity profile of the Board and makes recommendations where appropriate.

The Committee has oversight for the training and development of Members, including induction, required training such as Safeguarding and Prevent, and the ongoing development of Members.

6 Other Managers with Financial Responsibility

6.1 Vice Principal Finance, Resources and Regional Affairs

The Vice Principal Finance, Resources and Regional Affairs is responsible for:

- advising the Principal and Chief Executive, and Governors in relation to financial strategy and performance
- setting capital budgets
- setting staffing budgets
- day to day financial administration and management
- preparing the College's annual accounts and other financial statements and accounts which the College is required to submit to other authorities
- ensuring all financial returns are submitted to appropriate bodies as required
- ensuring that the College maintains satisfactory financial systems
- providing professional advice on all matters relating to financial policies and procedures
- day-to-day liaison with internal, financial and other auditors in order to achieve efficient processes
- the preparation of annual capital and revenue budgets and financial plans
- preparing accounts, management information, monitoring and control of expenditure against budgets and all financial operations
- monitoring financial performance
- monitoring revenue and capital budgets

6.2 Head of Registry & Funding

The Head of Registry & Funding is responsible for:

- day-to-day funding administration
- ensuring all funding and statistical reports are submitted to appropriate bodies as required

6.3 Head of Finance

The Head of Finance is responsible for:

- supervision of the financial management accounting function including the Fixed Asset Register
- supervision of the financial accounting function including payroll
- preparing official statutory financial returns

- providing regular management accounting information and budget reports to the Vice Principal Finance, Resources and Regional Affairs and Budget Holders in general
- assisting in budget planning – setting, controlling, monitoring and forecasting
- supporting Budget Holders in carrying out their budget management responsibilities
- assisting in development of financial regulations and procedures
- preparing statutory reports and returns
- cashflow and treasury management
- management of the financial accounting system
- day to day management of the Finance Office
- ensuring compliance with financial regulations and procedures

6.4 Budget Holders

Budget holders (defined normally as those individuals at Executive Team level but to include some key middle-managers with significant purchasing responsibility) are responsible to the Principal and Chief Executive for financial management for the areas or activities they control. They are advised by the Finance Team in executing their financial duties. The Vice Principal Finance, Resources and Regional Affairs and the Head of Finance will also supervise and approve the financial systems operating within their areas, including the form in which accounts and financial records are kept. Budget holders are responsible for establishing and maintaining clear lines of responsibility within their areas for all financial matters. They should ensure that they are aware of the College's financial authority limits and the values of purchases for which quotations and tenders are required.

Budget holders shall provide the Vice Principal Finance, Resources and Regional Affairs with such information as may be required to enable:

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

6.5 All Members of Staff

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

They must 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 must make available any relevant records or information to the Finance staff or his or her authorised representative in connection with the implementation of the College's Financial Policies, these Financial Regulations and the system of financial control.

They must provide Finance staff with such financial and other information as he or she may deem necessary, from time to time, to carry out the requirements of the Governing Body.

They must immediately notify the Vice Principal Finance, Resources and Regional Affairs whenever any matter arises which involves, or is thought to involve, irregularities concerning, *inter alia*, cash or property of the College.

The Vice Principal Finance, Resources and Regional Affairs must take such steps as he or she considers necessary by way of investigation and report.

7 Risk Management

7.1 The College acknowledges the risks inherent in its business, and is committed to managing those risks that pose a significant threat to the achievement of its business objectives and financial health. Detailed guidance on the level of risk considered to be acceptable/unacceptable by the College is set out in a separate Risk Management and Board Assurance Policy.

7.2 The Governing Body has overall responsibility for ensuring there is a risk management policy and a common approach to the management of risk throughout the College through the development, implementation and embedding within the organisation of a formal, structured risk management process.

7.3 The Governing Body requires that the Risk Management and Board Assurance Policy and supporting procedures include:

- the adoption of common terminology in relation to the definition of risk and risk management
- the establishment of College-wide criteria for the measurement of risk, linking the threats to their potential impact and the likelihood of their occurrence together with a sensitivity analysis
- a decision on the level of risk to be accepted, together with tolerance levels expressed in terms of measurable outcomes (see above)
- a decision on the level of risk to be covered by insurance (see 22.1)
- detailed regular review at faculty or directorate team level to identify significant risks associated with the achievement of key objectives and other relevant areas
- development of risk management and contingency plans for all significant risks, to include a designated 'risk owner' who is responsible and accountable for managing the risk in question
- regular reporting to the Governing Body as appropriate of risk management issues
- an annual review of the implementation of risk management arrangements
- the policy and procedures must be capable of independent verification

7.4 Senior Managers must ensure that any agreements negotiated within their faculty/directorate with external bodies cover any legal liabilities to which the College may be exposed.

8 Whistleblowing

8.1 Whistleblowing in the context of the Public Interest Disclosure Act 1998 is the disclosure by an employee (or other party) about malpractice in the workplace. A whistleblower can blow the whistle about crime, civil offences (including negligence, breach of contract, etc), miscarriage of justice, danger to health and safety or the environment 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 that a member of staff has about a workplace matter at the College should be raised with his or her immediate line manager or Senior Manager. However, the College recognises 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 Governance Advisor and Head of Executive Office or the Vice Principal People, Organisational Development & Engagement.

8.4 The full procedure for whistleblowing is set out in the College's Whistleblowing Policy, which is available on MyPetroc.

9 Code of Conduct

9.1 Members of the Governing Body, Executive Team and staff who are closely involved in procurement, tendering and contracts are required to disclose interests in the College's registers of interests (Governance Advisor and Head of Executive Office maintains the Governors' Register of Interests and the Finance Department maintains the Executive Team and Procurement Register of Interests). They will also be responsible for ensuring that entries in the register relating to them are kept up to date regularly and promptly, as prescribed in the financial procedures.

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

C FINANCIAL MANAGEMENT AND CONTROL

10 Financial Planning

10.1 The Vice Principal Finance, Resources and Regional Affairs is responsible for preparing at least annually a financial plan for approval by the Governing Body and for preparing financial forecasts for submission to the funding body. Financial plans should be consistent with the strategic plan and estates strategy approved by the Governing Body.

10.2 Budget Objectives

The Governing Body will, from time to time, set budget objectives for the College. These will help the Vice Principal Finance, Resources and Regional Affairs in preparing his or her more detailed financial plans for the College.

10.3 Budget Preparation

Before the commencement of each year the Vice Principal Finance, Resources and Regional Affairs is responsible for preparing an annual revenue budget and a capital programme for consideration by the Governing Body. The Governors also receive cash flow forecasts for the year and a projected year-end balance sheet. The Vice Principal Finance, Resources and Regional Affairs must ensure that detailed budgets are prepared in order to support the resource allocation process and that these are communicated to budget holders as soon as possible following their approval by the Governing Body.

During the year, the Vice Principal Finance, Resources and Regional Affairs is responsible for submitting revised projected out-turns to the Governing Body for consideration.

10.4 Capital Acquisitions

Capital acquisitions relate to all expenditure on land, buildings, equipment and associated costs which fit the college's definition of capital items. A capital item is defined in 12.4.

Building project proposals to be submitted to the funding bodies for approval and/or capital projects support must be approved by the Governing Body. The Vice Principal Finance,

Resources and Regional Affairs will submit information including any capital investment appraisals as specified by the funding body.

Decisions regarding the placing of contracts will be approved by the Finance and General; Purposes Committee of the Governing Body where the value exceeds £150,000. The procurement process for such contract awards will follow the process defined in 18.6 (Tenders & Quotations). However, for the award of tenders in excess of £3m the Finance and General; Purposes Committee shall consider the tenders and make a recommendation to the Governing Body on the award of the contract. The Vice Principal Finance, Resources and Regional Affairs is responsible for providing regular statements concerning all capital expenditure to the Governing Body for monitoring purposes.

Following the completion of a capital project that has been submitted to the funding body for approval, a post project evaluation will be submitted to the Governing Body for consideration and approval. This will give details of actual expenditure against budget and details of funding arrangements.

Equipment capital budgets will be determined by the Vice Principal Finance, Resources and Regional Affairs. The annual land and buildings capital programmes will be approved by the Governing Body. The combined capital budget is included with the submission of the annual income and expenditure budget. The depreciation charge contained in the income and expenditure budget will be consistent with the capital budgets submitted.

Any amendments during the course of the financial year to the projected outturn for capital expenditure and hence the projected depreciation charge will be notified to the Governing Body as part of the monthly management accounts.

Any significant changes to capital projects in terms of its nature (budgetary or strategic) must be approved by the Governing Body.

10.5 Overseas Activity

In planning and undertaking overseas activity, the College must have due regard to the relevant guidelines issued by the Designated Funding Body.

10.6 Other Major Developments

A Pre-Investment Appraisal will be undertaken for any new aspect of business which requires an investment in buildings, resources, staff time and/or other expenditures and when in excess of £100,000 will be presented for initial approval to the Executive Team and where appropriate to the Governing Body for final approval.

11 Financial Control

11.1 Budgetary Control

Budget holders are responsible for managing and monitoring their budgets effectively.

Budget holders are responsible to the Principal and Chief Executive for the income and expenditure appropriate to their budget.

Budget holders must plan their activities to stay within their budget. Under no circumstances may a commitment be entered into which would cause a budget to overspend, unless prior written approval is received from the Vice Principal Finance, Resources and Regional Affairs.

Significant departures from agreed budgetary targets must be reported immediately to the Vice Principal Finance, Resources and Regional Affairs and the Head of Finance by the budget holder concerned and, if necessary, corrective action taken.

Budget holders may be requested to report directly to the Governor's Audit Committee in respect of the budgets within their control.

11.2 Project Control

To ensure appropriate management and control of major projects in excess of £50,000, the following project structure must be adopted:

- Create an internal **Working Group** made up of an internal project manager (appointed by the sponsoring senior manager) and appropriate stakeholders (e.g. Estates, Finance, Procurement, Curriculum Area and IT) and where appropriate an External Project Manager. This group should meet regularly and manage the project ensuring that all tasks are identified and allocated to ensure on-time completion.
- The Working Group should report frequently to a **Steering Group** comprising the appropriate Executive Team members (Principal and Chief Executive, Deputy Principal Education and Learners, Vice Principal Finance, Resources and Regional Affairs and Vice Principal People, Organisational Development & Engagement) to control the strategic direction of the project and to make decisions as required.
- The Steering Group will have the responsibility for reporting to the Governors as and when required.
- For projects in excess of £1m appropriate industry standard project management techniques will be adopted.

11.3 Financial Information

The budget holders are assisted in their duties by management information provided by the Finance Team and by reports available on Focal Point.

The Vice Principal Finance, Resources and Regional Affairs is responsible for supplying budgetary reports on all aspects of the College's finances to the Governing Body on a basis determined by them but subject to any specific requirements of the funding body.

11.4 Virement

Virements are permissible subject to the approval of the Vice Principal Finance, Resources and Regional Affairs.

11.5 Treatment of Year-End Balances

At the year end, budget holders will not normally have the authority to carry forward balance on their budget to the following year. The Vice Principal Finance, Resources and Regional Affairs must approve any exceptions.

12 Accounting Arrangements

12.1 Financial Year

The College's financial year must run from 1 August until 31 July the following year.

12.2 Basis of Accounting

The Financial Statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards.

12.3 Format of the Financial Statements

The Financial Statements are prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education*, the College Accounts Direction, the OfS Accounts Direction, the Financial Reporting Standard 102, and in accordance with the provisions of the Companies Act 1985, where that is appropriate.

12.4 Capitalisation and Depreciation

New land and buildings will be recorded in the balance sheet at actual build or acquisition cost, except where they are received as gifts, where they will be recorded at depreciated replacement value. Buildings will be depreciated according to component accounting principles; depreciation rates are as follows:

Component Heading	Depreciation Rate (years)
Roof Structure	30
Lift	10
Windows & External doors	25
Electrics	20
Mechanical Engineering	20
Other	Equal instalments over their estimated remaining useful life

Land will not be depreciated.

Expenditure incurred on repair or refurbishment of existing buildings will not be capitalised unless it can be demonstrated that it increases the expected future benefits from the existing fixed asset beyond its previously assessed standard of performance.

Expenditure incurred on furniture and equipment which is purchased as part of a capitalised refurbishment project may be capitalised if it can be demonstrated that the items have a useful economic life exceeding one year (e.g. a suite of furniture).

Expenditure incurred on the acquisition of assets other than land and buildings will be recorded in the balance sheet where the acquisition cost per item is £2,000 or more. Grouped items (e.g. a suite of computers) with an individual value of less than £2,000, but a group value of £2,000 or more, will also be capitalised. Capitalised assets which are physical in nature other than land and buildings will be depreciated over a period of 5 years for all equipment purchases to include computer equipment and other equipment commencing in the year of acquisition.

Donation of assets made to the college where the estimated acquisition cost exceeds £2,000 should be recorded in balance sheet as a capitalised item and will be depreciated in equal instalments over its estimated remaining useful life.

Intangible assets, those which lack physical substance such as software licences will be capitalised and are amortised over their useful economic life as follows:

Software	Between 3 and 5 years on a straight-line basis
Other	Between 3 and 5 years on a straight-line basis

Amortisation is included within depreciation on the Statement of Comprehensive Income.

12.5 Accounting Records

The Head of Finance is responsible for the retention of financial documents. These must 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
- payroll records

The Head of Finance must make appropriate arrangements for the retention of electronic records. Members of staff must ensure that retention arrangements comply with any specific requirements of funding organisations such as those of the EU.

Additionally, for auditing and other purposes, other financial documents must be retained for three years or as determined by the funding organisation.

12.6 Public Access

Under the terms of the Freedom of Information Act 2000, the Governing Body must supply any person with a copy of the College's Financial Statements.

The Act enables the Governing Body to levy a reasonable fee and this will be charged at the discretion of the Governance Advisor and Head of Executive Office. The College must also allow members of the public to inspect the statement of accounts during normal working hours, provide copies to local libraries and make a summary available on the College's website.

12.7 Taxation

The Vice Principal Finance, Resources and Regional Affairs is responsible for advising budget holders, in the light of guidance issued by the appropriate bodies and relevant legislation as it applies, on all taxation issues. Therefore, the Vice Principal Finance, Resources and Regional Affairs will issue instructions to budget holders on compliance with statutory requirements including those concerning VAT, PAYE, national insurance, corporation tax and import duty.

The Vice Principal Finance, Resources and Regional Affairs 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 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 Vice Principal Finance, Resources and Regional Affairs is responsible for drawing up a timetable for final accounts purposes and will advise staff and the external auditors accordingly

The Financial Statements must be reviewed by the Finance & General Purposes Committee and on the recommendation of the Audit Committee they will be submitted to the Governing Body for approval.

13.2 External Audit

The appointment of external auditors for the main financial statements of the College must take place annually and is the responsibility of the Governing Body. The Governing Body will be advised by the Audit Committee.

The primary role of the 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 for the external auditors to reach an opinion on the statements and to report on the appropriate use of funds. Their duties must be in accordance with advice set out in the Designated Funding Body's *Post 16 Audit Code of Practice* and the *International Standards on Auditing (UK and Ireland)*.

13.3 Internal audit

The Internal Auditor is appointed by the Governing Body on the recommendation of the Audit Committee.

At Petroc an independent internal audit service is retained. The main responsibility of internal audit is to provide the Governing Body, the Principal and Chief Executive, and Executive Team with assurances on the adequacy of the internal control system and the management of risk.

The internal audit service remains independent in its planning and operation but has direct access to the Governing Body, Principal and Chief Executive, and Chair of the Audit Committee. The formal responsibilities of internal audit are detailed at Appendix A. The internal auditor will also comply with the *International Standards for the Professional Practice of Internal Auditing*, Chartered Institute of Internal Auditors.

13.4 Fraud, Bribery and Corruption

It is the duty of all members of staff, of management and of the Governing Body to notify the Vice Principal Finance, Resources and Regional Affairs immediately whenever any matter arises which involves, or is thought to involve, irregularity, including fraud, bribery, corruption or any other impropriety. The Governing Body has approved the College's Anti-Bribery Policy Statement (Appendix B).

The Vice Principal Finance, Resources and Regional Affairs must immediately invoke the Fraud Response Plan (Appendix C), which incorporates the following key elements:

- he or she must notify the Principal and Chief Executive, and the Audit Committee (through the Governance Advisor and Head of Executive Office) of the suspected irregularity and must take such steps as he or she considers necessary by way of investigation and report
- the Principal and Chief Executive must inform the police if a criminal offence is suspected of having been committed
- any significant cases of fraud or irregularity must be reported to the Designated Funding Body in accordance with their requirements as set out in the *Post 16 Audit Code of Practice*

- the Audit Committee must 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, must prepare a report for the Audit Committee on the suspected irregularity. Such report must include advice on preventative measures
- if the suspected fraud is thought to involve the Vice Principal Finance, Resources and Regional Affairs and/or the Principal and Chief Executive, the member of staff must notify the Governance Advisor and Head of Executive Office directly of their concerns regarding irregularities

13.5 Receiving Gifts or Hospitality

It is an offence under the Bribery Act 2010 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 must not create suspicion of any conflict between their official duty and their private interest
- the action of individuals acting in an official capacity must 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 must 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 must 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 must be declined or advice sought from the Vice Principal Finance, Resources and Regional Affairs. Guidance on acceptable hospitality is contained in the detailed Financial Procedures. For the protection of those involved, the Vice Principal Finance, Resources and Regional Affairs will maintain a register of gifts and hospitality received (value limit of over £30). Members of staff and members of the Governing Body in receipt of such gifts or hospitality must notify the Vice Principal Finance, Resources and Regional Affairs promptly.

13.6 Value for Money

It is a requirement of the Financial Memorandum that the Governing Body is responsible for delivering value for money from public funds. It must 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 Designated Funding Body, the National Audit Office, the Public Accounts Committee or other relevant bodies.

Internal audit must 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.

13.7 Other Auditors

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

14 Treasury Management

14.1 Treasury Management Policy

The Governing Body is responsible for approving a treasury management policy statement setting out a strategy and policies for cash management, long-term investments and borrowings. The Governing Body has a responsibility to ensure implementation, monitoring and review of such policies.

Executive decisions concerning borrowing, investment or financing (within policy parameters agreed by the Governing Body) may be delegated to the Vice Principal Finance, Resources and Regional Affairs and an appropriate reporting system set up. All borrowing must be undertaken in the name of the College. The Vice Principal Finance, Resources and Regional Affairs and his/her staff must act in accordance with CIPFA's *Treasury Management in the Public Services Code of Practice*.

The Vice Principal Finance, Resources Affairs must report as appropriate to the Governing Body 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 Governing Body is responsible for the appointment of the College's bankers and other professional financial advisers (such as investment managers). The appointment must be for a specified period after which consideration must be given to competitively tendering the service.

14.3 Banking Arrangements

The Vice Principal Finance, Resources and Regional Affairs is responsible, on behalf of the Governing Body, for liaising with the College's bankers in relation to the College's bank accounts.

Only the Vice Principal Finance, Resources and Regional Affairs, on notifying the Governing Body, may open or close a bank account for dealing with the College's funds. All bank accounts must be in the name of the College.

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

Details of authorised persons and limits must be provided for in the College's Financial Procedures.

The Head of Finance 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 Head of Finance 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 Head of Finance.

Levels of charges for contract research, services rendered, goods supplied and rents and lettings are determined by budget holders.

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

The Head of Finance is responsible for ensuring that all grants notified by the Funding Bodies and other bodies are received and appropriately recorded in the College's accounts.

The Head of Finance is responsible for ensuring that all claims for funds, including research grants and contracts, are made by the due date.

15.2 Maximisation of Income

It is the responsibility of all staff to ensure that revenue to the 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 Finance Office of sums due so that collection can be initiated.

Invoices will not normally be raised for amounts lower than £25.

15.3 Receipt of Cash, Cheques and Other Negotiable Instruments

All monies received within a faculty/directorate from whatever source must be recorded by the faculty/directorate 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 Head of Finance and set out in the Financial Procedures. 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 departmental expenses or be paid into any departmental petty cash float. Personal or other cheques must not be cashed out of money received on behalf of the College.

The Cash Handling Procedure details the treatment of payments including cash.

Receipts by credit or debit card: The College may only receive payments by debit or credit card using procedures approved by the Vice Principal Finance, Resources and Regional Affairs.

Internet receipts: The College may only receive internet receipts via its official website, in accordance with procedures approved by the Vice Principal Finance, Resources and Regional Affairs.

15.4 Collection of Debts

The Vice Principal Finance, Resources and Regional Affairs must 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 account
- swift and effective action is taken in collecting overdue debts, in accordance with the College's Credit Control Procedure
- outstanding debts are monitored and reports prepared for management

The College's Credit Control Procedure sets out invoice credit terms.

The College's Course Fees Policy; which is approved annually by the Governing Body, sets out instalment arrangements.

The Head of Finance may authorise changes to standard instalment arrangements in cases of learner hardship.

Requests to write off debts in excess of £3,000 must be submitted to the Governing Body for approval. Debts between £500 and £2,999 may be written off with the approval of the Vice Principal Finance, Resources and Regional Affairs. Debts under £500 may be written off with the approval of the Head of Finance.

A report on bad debts written off will be presented to the Governing Body annually.

15.5 Student Fees

Fees should be charged in accordance with the Fees Policy approved by the Governing Body.

Students who have not paid their fees will be prevented from re-enrolling at the College and from using any of the College's facilities unless appropriate arrangements have been made for the payment of the outstanding fees.

15.6 Student Loans

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

16 Other Income-Generating Activity

16.1 Subcontracted Provision

All subcontracted provision whereby the College provides education or training to students away from College premises must be subject to the Subcontractors Fees and Charges Policy. The policy is publicly available on the main website and is reviewed annually.

The Subcontractors Fees and Charges Policy outlines the College's rationale for subcontracting and the processes in place for the approval of a new subcontracting arrangement. The policy also outlines the risk management processes and the fees charged to subcontractors.

16.2 Self Financing Activity including Projects

The Projects and External Funding Risk Management Implementation Plan sets out the process for project approvals based on a scoring matrix.

If the College sub-contracts such work to external providers, the appropriate Executive Team member must ensure that:

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

16.3 Profitability and Recovery of Overheads

All income-generating activities should be self-financing or surplus-generating unless it is intended that a new course/activity is to be launched as a loss leader or significant curriculum activity or community engagement is supported by the activity. If that is the case, the reason for it must be specified and agreed by the relevant Senior Manager and Vice Principal Finance, Resources and Regional Affairs, all such Self-Financing Activities should be reported to and agreed by the Executive Team at least annually in advance of the budget submission.

Other income-generating activities organised by members of staff must be costed and agreed with the Vice Principal Finance, Resources and Regional Affairs before any commitments are made. Provision must be made for charging both direct and indirect costs in accordance with the College's costing and pricing policy, in particular for the recovery of overheads.

16.4 Deficits

Any unplanned deficits incurred on other income-generating activities will be charged to faculty/directorate funds.

16.5 Additional Payments to Staff

Any proposal that involves additional payments to members of staff must be approved in advance by the Human Resources Planning Group (HRPG).

17 Intellectual Property Rights and Patents

17.1 General

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

17.2 Patents

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

17.3 Intellectual Property Rights

In the event of the College deciding to become involved in the commercial exploitation of inventions and research, the matter must then proceed in accordance with the intellectual property procedures issued by the College and contained in the College's Financial Procedures.

18 Expenditure

18.1 General

The Head of Finance is responsible for making payments to suppliers of goods and services to the College.

18.2 Scheme of Delegation/Financial Authorities

The budget holder is responsible for expenditure within his or her faculty/directorate. Purchasing authority may be delegated to named individuals. In exercising this delegated authority, purchasers must observe Financial Procedures.

The Head of Finance must maintain a register of authorised signatories and budget holders must supply him or her with specimen signatures of those authorised to act on behalf of the budget holder.

Under procedures agreed by the Vice Principal Finance, Resources and Regional Affairs, central control must be exercised over the creation of requisitioners and authorisers and their respective financial limits (for electronic systems).

Budget holders are not authorised to commit the College to expenditure without first reserving sufficient funds from their budget to meet the purchase cost.

The Finance team check all orders to ensure appropriateness of budget.

Expenditure in excess of £10,000 must have the approval of the Procurement Co-ordinator.

Expenditure in excess of £25,000 must have the approval of the Vice Principal Finance, Resources and Regional Affairs.

18.3 Procurement

The College requires all budget holders, irrespective of the source of funds, to obtain supplies, equipment and services at the most economically advantageous cost consistent with quality, delivery requirements, social value and sustainability, and in accordance with sound business practice which should include justification of the business need.

Pricing information should be treated as confidential and not shared outside of the college.

Purchasers should not agree credit terms with suppliers other than the standard 30 days after invoice date without prior approval of the Head of Finance.

The Vice Principal Finance, Resources and Regional Affairs is responsible for:

- ensuring that the College's Procurement Policy is known and observed by all involved in purchasing for the College
- advising on matters of College Procurement Policy and practice
- advising and assisting departments where required on specific departmental purchases
- developing appropriate standing supply arrangements on behalf of the College to assist budget holders in meeting their value for money obligations
- vetting all orders above £25,000 before they leave the College
- the drafting and negotiation of all large-scale purchase contracts undertaken by the College, in collaboration with the responsible school/area
- ensuring that the College complies with regulations on public Purchasing Policy
- standard procurement documents including Terms & Conditions and Request for Quotes
- advertising potential supply opportunities on College's website
- issuing tenders and Request for Quotes in collaboration with the responsible department area.

18.4 Purchase Orders

The ordering of goods and services shall be in accordance with the College's detailed financial procedures/Procurement Policy.

Official college orders must be placed, in advance, for the purchase of all goods or services, except those made using petty cash, College procurement cards or where alternative arrangements have been agreed in advance by the Vice Principal Finance, Resources and Regional Affairs. In exceptional circumstances, urgent orders may be given verbally, but must be confirmed by an official purchase order endorsed 'confirmation order only' not later

than the following working day. An order only becomes an official College order when it has been authorised by the Finance department. Suppliers should not be permitted to undertake work without an official College order (subject to the above).

Certain other services may need to be paid by raising a "request for payment". Payment cannot be made without supporting evidence. All other requirements relating to orders relate equally to requests for payments.

When transferring goods or services between budgets, a journal transfer form must be used.

18.5 Procurement/Virtual Cards

The operation and control of the College's card scheme is the responsibility of the Vice Principal Finance, Resources and Regional Affairs.

Procurement cards must be used in accordance with the College's Card Holders Agreements.

18.6 Tenders and Quotations

Quotations

For purchase orders (either single items or combined value of items within a single order) costing under £10,000 (inc VAT) the purchaser shall have the discretion to decide whether or not to obtain quotations, but value for money must always be obtained. Consideration must be given to utilising College resources, e.g. Print Room and catering services. Single or repeating orders with a total annual value of more than £10,000 (inc VAT) may not be sub-divided in order to avoid the requirement for quotations.

For purchase orders (either single items or combined value of items within a single order) costing between £10,000 and £25,000 (inc VAT) the purchaser shall be required to demonstrate value for money which is best achieved by obtaining at least three quotations in writing. Exceptions are where a) the goods or services are of a proprietary or specialist nature available from only one source; or b) the goods or services are a repeat order or an extension to an existing contract, where the original order or contract had been subject to these procedures. The most economically advantageous quotation must be accepted unless a higher price quotation provides optimum value for money in terms of quality, delivery, social value and compatibility or service. A form to show that these quotes have been received and the reason for the choice of supplier should be attached to the purchase order request. Purchasers must retain evidence of the quotations received. Support from the Procurement Co-Ordinator should be sought for all purchases exceeding £10,000 (including VAT).

Expenditure on a single item (or combined value of items within a single order) costing in excess of £25,000 shall follow the procedure in the preceding paragraph and require the prior approval of the Vice Principal Finance, Resources and Regional Affairs who will have regard to obtaining value for money before granting that approval; and the Vice Principal Finance, Resources and Regional Affairs will exercise judgment as to whether a formal tendering process is appropriate in order to ensure compliance with public procurement regulations.

The College will endeavor to comply with the Public Procurement Regulations 2015 and/or any revisions or replacements of these. For expenditure that is likely to exceed £25,000 the purchaser should consider the use of formal procurement frameworks which will be compliant with the Public Procurement Regulations.

Tenders

Projects and activity which exceed (the lower of £175k or the Find a Tender limit) must go out to public tender unless the product or service can be sourced via a formal procurement framework which is compliant with the Public Procurement Regulations.

Where a suitable procurement framework cannot be utilized, tenders should be issued and managed by the Procurement Co-Ordinator via a suitable e-tendering system to ensure compliance with the Public Procurement Regulations. The relevant College Managers and the Procurement Co-Ordinator will evaluate tenders received and make a recommendation to the Vice Principal Finance, Resources and Regional Affairs or the Governors' Finance and General Purposes Committee (in compliance with the limits stipulated above) for consideration and approval to proceed.

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

Post-Tender Negotiations

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

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

18.7 Major Projects including Building Contracts and Capital projects

Major Projects are the responsibility of the Vice Principal Finance, Resources and Regional Affairs and should follow the Project control process detailed under section 11.2. Project proposals will normally be sponsored by the Vice Principal Finance, Resources and Regional Affairs in respect of planned replacements, general improvements, space planning or response to requests from departments. Regular reports will be supplied by the Vice Principal Finance, Resources and Regional Affairs to the Principal and Chief Executive, and periodic reports will be made in turn to the Governing Body.

Consultants may be appointed if the project is too large or too specialised for departmental resources. Appointments shall be subject to tendering and other procedures where appropriate.

Capital investment appraisals as required by the Treasury and in accordance with appropriate funding body guidance will be supplied to the Governing Body as necessary. Following consideration and approval by the Governing Body, submissions for capital project approval and support should be forwarded to the funding body where appropriate. If the required agreement is secured from the funding body, appropriate funding body procedural rules should be followed. Funding body guidance on best practice should be followed even when funding body approval is not required.

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

Project equipment budgets will wherever possible remain the responsibility of the College and not be sub-contracted even where external contractors have been engaged (e.g. building works).

18.8 Procurement Regulations

The Vice Principal Finance, Resources and Regional Affairs is responsible for ensuring the College complies with its legal obligations concerning procurement legislation. Procurement

regulations apply to all forms of procurement, purchase or hire (whether or not hire purchase) with a total value exceeding the threshold value, as set out and revised from time to time.

The Vice Principal Finance, Resources and Regional Affairs will advise relevant staff on the thresholds that are currently in operation. A breach of these regulations is actionable by a supplier or potential supplier.

It is the responsibility of budget holders to ensure that their members of staff comply with regulations by notifying the Vice Principal Finance, Resources and Regional Affairs 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 Contracts Finder.

The use of compliant consortium framework contracts may be used to achieve compliance with procurement regulations. Crescent Purchasing Consortium is an example of such an organisation.

18.9 Receipt of Goods

All goods shall be received at designated receipt and distribution points. All goods received at the central points must be signed for by college staff to acknowledge receipt. Procedures relating to the receipt of goods as detailed in the Financial Procedures must be as followed by all staff.

A delivery note should be obtained from the supplier at the time of delivery and signed by the person receiving the goods.

Where goods are unsatisfactory or short on delivery, the record should be marked accordingly and the supplier immediately notified.

18.10 Payment of Invoices

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 computer generated BACS. In exceptional circumstances the Head of Finance will approve bank transfers for urgent payments.

Suppliers must submit invoices for goods or services directly to the Finance Office. Invoices will be entered on the finance system, to be then approved electronically by an authorised person within the faculty/directorate.

Care must be taken by the budget holder to ensure that discounts receivable are obtained.

Approval of an invoice will ensure that:

- the goods have been received, examined and approved with regard to quality and quantity, or that services rendered or work done is satisfactory
- invoice details (quantity, price discount) are correct

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 creditors 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 (see 19.5) and must be claimed through the College's Expenses system through Payroll.

Where such purchases by staff are planned, the Vice Principal Finance, Resources and Regional Affairs may approve cash advances to staff that are going to incur substantial expenditure on the College's behalf. Upon completion of the travel or project to which the advance relates, within one month a final account must be prepared to demonstrate how the advance was disbursed and any unspent balance repaid. Under no circumstances will a second advance be approved when the final accounting for an earlier advance to an individual is still outstanding.

18.12 College Credit Cards (Named Travel Cards / Procurement Cards)

Where appropriate, the Vice Principal Finance, Resources and Regional Affairs may approve the issuing of College credit cards to staff. Such credit cards must only be used for the payment of valid business expenses, and the misuse of such cards may be grounds for disciplinary action.

The Vice Principal Finance, Resources and Regional Affairs will be responsible for setting in place a system to monitor the use of College credit cards and account for expenses charged through them.

18.13 Petty Cash

Once consideration has been given to both payment options detailed in 18.11 and 18.12 and it is established that these methods are deemed not suitable by Finance small expenditure purchases of less than £50 may be paid from petty cash. It must be supported by receipts or vouchers. The limit of £50 can only be exceeded in exceptional circumstances with the authority of the Head of Finance. The expenditure must be approved in advance by the Budget Holder.

The Head of Finance shall approve such imprests as he or she considers necessary for the disbursements of petty cash expenses. However, it is important for security purposes that petty cash imprest floats are kept to a minimum.

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

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

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.

Personal cheques must not be cashed through the college bank accounts. Nor may personal cheques be cashed using floats or cash takings.

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.

Key points are:

- small businesses can charge interest on overdue invoices
- interest is chargeable on sales made after 1 November 1998
- the Act also applies to overseas organisations
- the College can be sued for non-payment

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

18.15 Project Advances

The Vice Principal Finance, Resources and Regional Affairs and the relevant Executive Team member may jointly approve cash advances for projects activities carried out off site where cash expenditure may be unavoidable.

Other forms of payment must be used wherever possible, such as an official purchase order and subsequent payment or a College credit card.

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

18.16 Giving Hospitality

Staff entertaining guests from outside bodies at meal times should normally use the College's catering facilities. Requests for hospitality must be made using the method detailed in the Financial Procedures.

18.17 Alcohol

The purchase and consumption of alcohol, excluding that from licensed bars, must have prior written approval by the Principal and Chief Executive.

19 Pay Expenditure

19.1 Remuneration Policy

The Governing Body approves on an annual basis any pay awards granted to staff and any other significant changes to staff pay scales and contracts.

19.2 Appointment of Staff

All appointments must be approved in advance by HRPG, as part of the Executive Team meetings.

All contracts of service shall be concluded in accordance with the college's approved human resources practices and procedures and all offers of employment with the College shall be made in writing by the Vice Principal People, Organisational Development & Engagement. Budget holders shall ensure that the Head of People Services is provided promptly with all information they may require in connection with the appointment, resignation or dismissal of employees.

Senior Post Holders are recruited to the College by the Governing Body and the Governing Body also determine the terms and conditions for these posts.

19.3 Salaries and Wages

The Vice Principal Finance, Resources and Regional Affairs is responsible for all payments of salaries and wages to all staff including payments for overtime or services rendered. All pay documents, will be in a form prescribed or approved by the Vice Principal Finance, Resources and Regional Affairs.

All permanent changes to payroll data must be authorised by the HR & Commercial Accountant and the Vice Principal People, Organisational Development & Engagement.

All payments must be made in accordance with payroll financial procedures as appropriate and must comply with HMRC regulations and legislations, such as IR35 Off Payroll Workers.

Budget holders are not authorised to commit the College to pay expenditure without ensuring sufficient funds are available.

In exceptional circumstances, cash advances against pay may be authorised by the Vice Principal Finance, Resources and Regional Affairs.

Part time lecturers will enter into a contract with the college before they receive payment, other than for casual or temporary cover.

Where sickness occurs, the Human Resources Office must be advised immediately or the absence recorded through Manager Self-Serve (MSS) in the HR/Payroll system. The Payroll Manager must authorise all paid absence cover by reference to notified absences.

19.4 Pension Schemes

The Vice Principal Finance, Resources and Regional Affairs is responsible for ensuring that the payments of contributions to various authorised pension schemes are made. He/she is also responsible for ensuring that the annual returns are completed for said various pension schemes.

The Vice Principal People, Organisational Development & Engagement is responsible for administering eligibility to pension schemes.

19.5 Travel, Subsistence and Other Allowances

All claims for payment of subsistence allowances, travelling and incidental expenses shall be completed electronically and approved by the Payroll Manager.

Claims by members of staff must be authorised by their line manager and approved by a budget holder. The certification by the line manager shall be taken to mean that:

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

Claims for travel by the Principal and Chief Executive will be authorised by the Chair of the Governing Body and for members of the Governing Body by the Governance Advisor and Head of Executive Office.

Current rates for travel and subsistence are available in the financial procedures.

19.6 Overseas Travel

All arrangements for overseas travel, not funded by external bodies, must be approved by the Principal and Chief Executive in advance of committing the College to those arrangements or confirmation of any travel bookings. Arrangements for overseas travel by the Principal and Chief Executive or members of the Governing Body must be approved by the Chair of the Governing Body.

Arrangements for travel by the Chair must be approved by the Audit Committee.

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 will be asked to cover for those persons in advance of confirming travel bookings.

19.7 Expenses for Governing Body Members

Members are not entitled to payments to attend meetings or for loss of earnings. They are though entitled to claim for expenses incurred. These include travel to and from Governing Body and Committee meetings, other travelling and subsistence, in accordance with the Governors Allowances and Expenses Policy.

Claims must be submitted through the Governance Advisor and Head of Executive Office for authorisation.

19.8 Severance and Other Non-Recurring Payments

Severance payments must only be made in accordance with relevant legislation and in accordance with the policies approved by the Governing Body. Professional advice should be obtained where necessary. No amounts may be expended that exceed the budget allocated for the purpose. All such payments must be authorised by the Principal and Chief Executive, and calculations checked by the Vice Principal People, Organisational Development & Engagement. Amounts paid must be disclosed in the Financial Statements.

20 Assets

20.1 Land, Buildings, Fixed Plant and Machinery

The purchase, lease or rent of land, buildings or fixed plant must only be undertaken with authority from the Governing Body and with reference to the Designated Funding Body requirements.

20.2 Fixed Asset Register

The Head of Finance is responsible for maintaining the College's register of land, buildings, fixed plant and machinery. Budget holders must provide the Head of Finance with any information he or she may need to maintain the register.

20.3 Inventories

The Vice Principal Finance, Resources and Regional Affairs is responsible for maintaining the asset inventory and all staff are required to comply with the procedures regarding the ordering of capital items, the ordering of certain specified revenue items, goods inwards and the completion of appropriate forms to ensure the asset database is accurate and up to date. All items of equipment whether purchased, leased or donated should be entered on the database.

Reports generated from the database must be checked in a timely manner by staff in the relevant location.

Inventories must be checked at least annually as described in the College's Asset Management Policy.

When transferring equipment between faculties/directorates a transfer record must be kept and the inventories amended accordingly.

20.4 Stocks and Stores

Budget holders are responsible for establishing adequate arrangements for the custody and control of stocks and stores within their areas and for ensuring that regular inspections and stock checks are carried out in the areas for which they are responsible.

Those budget holders whose stocks require valuation in the balance sheet must ensure that the stock-taking procedures are consistent with guidance provided by the Head of Finance and that instructions to appropriate staff within their areas are issued in accordance with that guidance.

20.5 Safeguarding Assets

Budget holders are responsible for the care, custody and security of the buildings, stock, stores, furniture, cash, etc under their control. They must consult the Vice Principal Finance, Resources and Regional Affairs in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

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

Receipts and other "secure stationery" items are to be treated as items of value and stored securely. Cancelled/defaced items must be returned to the Finance Office. Cash and cash receipts must be kept securely as detailed in the Cash Handling Procedures.

20.6 Personal Use

Where it is necessary for college business and permission has been granted by the Budget Holder, an employee may use college equipment in their home. In exceptional circumstances, this permission may also be extended to registered students where the student has signed to accept responsibility for damage to or loss of the equipment. All Budget Holders should establish an adequate audit trail of such movement of equipment.

20.7 Asset Disposal

Disposal of equipment and furniture must be in accordance with the College's Asset Management Policy.

Disposal of land and buildings must only take place with the authorisation of the Governing Body.

20.8 All Other Assets

Budget holders are responsible for establishing adequate arrangements for the custody and control of all other assets owned by the College, whether tangible (such as stock – see above) or intangible (such as intellectual property – see section 17), including electronic data.

21 Funds Held on Trust

21.1 Gifts, Benefactions and Donations

The Vice Principal Finance, Resources and Regional Affairs 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 Welfare and Access Funds

The Vice Principal Finance, Resources and Regional Affairs will prescribe the format for recording the use of student welfare funds.

Records of Learner Support funds must be maintained according to the Designated Funding Body requirements.

21.3 Voluntary Funds

The Vice Principal Finance, Resources and Regional Affairs must be informed of any fund that is not an official fund of the College which is controlled wholly or in part by a member of staff in relation to their function in the College.

The accounts of any such fund must be audited by an independent external person and must be submitted with a certificate of audit to the appropriate body. The Vice Principal Finance, Resources and Regional Affairs will be entitled to verify that this has been done.

22 Other

22.1 Insurance

The Vice Principal Finance, Resources and Regional Affairs is responsible for the College's insurance arrangements, 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 insurances will be notified to the Governing Body on an annual basis in accordance with procedures which it determines.

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

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 must first seek the advice of the Vice Principal Finance, Resources and Regional Affairs, who must have due regard to best practice and guidance issued by the Designated Funding Body.

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

22.3 Security

All staff must comply with the College's security policy which is reviewed on an annual basis.

The Head of IT Services shall maintain the security of the College's computerised accountancy and other management information systems and take appropriate backup copies of the computer files.

22.4 Students' Union

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

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

At year end the Students' Union financial statements must be presented to the Governing Body for information.

In accordance with an agreement between the College and the Students' Union, the College's internal auditor must have access to records, assets and personnel within the Students' Union in the same way as other areas of the College.

22.5 Use of the College's Seal

Contracts under seal must be signed by the Chair or, in his/her absence, the Vice Chair of Governors and one other Governor after the proposed transaction has received prior approval by the Governing Body. The Governance Advisor and Head of Executive Office will affix the seal in the presence of the Chair/Vice Chair.

The Governance Advisor and Head of Executive Office shall record (in a book kept specifically for that purpose) each time the seal is used. The signatories to the seal should sign the book against each entry.

22.6 Provision of Indemnities

Any member of staff asked to give an indemnity, for whatever purpose, must consult the Vice Principal Finance, Resources and Regional Affairs before any such indemnity is given.

22.7 Private Consultancies and Other Paid Work

An "exclusivity" clause is incorporated into all staff contracts and this specifies the requirements of staff wishing to undertake any other employment or engagement.

Internal Audit Responsibilities

The prime responsibility of the independent internal audit service is to provide the Governing Body with assurance on the adequacy and effectiveness of the risk management, control and governance processes. Responsibility for risk management, control and governance processes remains fully with management, who must 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 risk management, control and governance processes and so to reduce the potential effects of any significant risks faced by the College. Risk assessment 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 risk management, control and governance processes. 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 the Audit Committee must provide to the Governing Body on the overall adequacy and effectiveness of risk management, control and governance processes.

Anti-Bribery Policy Statement

Introduction

The College has a zero-tolerance for bribery and corruption. The College's reputation with the community it serves and other stakeholders is underpinned by ethical behaviour, financial probity and honesty.

The College aims to limit its exposure to bribery by:

- setting out a clear anti-bribery policy, which is proportionate to the risks that the College is exposed to
- embedding awareness and understanding of the College's anti-bribery policy amongst all staff, "associated persons" (any person performing services for or on behalf of the College), and external persons/organisations with whom the College has commercial relations
- training staff as appropriate so that they can recognise and avoid the use of bribery by themselves and others
- encouraging staff to be vigilant and to report any suspicion of bribery, providing them with suitable channels of communication (e.g. Whistleblowing Policy) and ensuring sensitive information is treated appropriately
- rigorously investigating instances of alleged bribery in accordance with the College disciplinary procedure; and assisting the Police and other appropriate authorities in any resultant prosecution
- taking firm and vigorous action against any individual(s) involved in bribery.

The Policy

This policy applies to all employees and anyone acting for or on behalf of the College (associated persons), including governors, other volunteers, temporary workers, consultants and contractors.

All employees and associated persons are responsible for maintaining the highest standards of business conduct and are expected to behave honestly and with integrity. Any breach of this policy will constitute a serious disciplinary offence, which may lead to dismissal and may become a criminal matter for the individual.

The College prohibits employees and associated persons from offering, giving, soliciting or accepting any bribe. The bribe might include cash, a gift or other inducement, to or from any person or organisation, wherever they are situated, and irrespective of whether or not they are a public official/body or private person or company, by any individual governor, employee, agent or other person or body acting on the College's behalf. The bribe might be made in order to:

- gain any commercial, contractual or regulatory advantage for the College in a way which is unethical
- gain any personal advantage, pecuniary, or otherwise, for the individual or anyone connected with the individual

This policy is not intended to prohibit appropriate corporate entertainment and/or hospitality undertaken in connection with the College's business activities, provided the activity is customary under the circumstances, is proportionate, and is properly recorded/disclosed to the College in accordance with the College's Gifts and Hospitality Policy.

Employees and associated persons are requested to remain vigilant in preventing, detecting and reporting bribery. Employees and associated persons are expected to report any concerns regarding any suspected bribery in accordance with the College's Whistleblowing procedures.

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 funding body, if the circumstances are covered by the mandatory requirements of the Post 16 Audit Code of Practice
 - recover losses
 - discipline the culprits
 - 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 Vice Principal Finance, Resources and Regional Affairs. The Vice Principal Finance, Resources and Regional Affairs should, within 24 hours, hold a meeting of the following project group to decide on the initial response:
 - Governance Advisor and Head of Executive Office
 - Head of Finance
 - another Senior Manager
- 3** The project group will decide on the action to be taken. This will normally be an investigation, and may be 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, in accordance with College disciplinary procedures, of the suspect(s). 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** Where appropriate Internal Audit may be invited to 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** Where appropriate Internal Audit may be involved in the process of establishing and securing evidence.

Notifying the Funding Body

- 10** The circumstances in which the College must inform the relevant funding body about actual or suspected frauds are detailed in the body's Post 16 Audit Code of Practice. The Principal and Chief Executive is responsible for informing the funding body of any such incidents.

Recovery of Losses

- 11** Recovering losses is a major objective of any fraud investigation. The Vice Principal Finance, Resources and Regional Affairs, support where appropriate by, 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.

Reporting to Governors

- 13** Any incident matching the criteria in the funding body's Post 16 Audit Code of Practice (as in paragraph 10 above) shall be reported without delay through the Governance Advisor and Head of Executive Office to the Chairs of both the Governing Body and the Audit Committee.
- 14** 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 Governors and the Audit Committee.
- 15** On completion of a special investigation, a written report shall be submitted by the

Vice Principal Finance, Resources and Regional Affairs, supported if appropriate by Internal Audit to the Audit Committee (and those invited to attend including Internal, Funding and Financial Auditors) 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

Special Investigation

- 16** Some special investigations may require the use of technical expertise which neither College Managers nor internal audit possess. In these circumstances, the project group will approve the appointment of external specialists to lead or contribute to the special investigation.

Code of Tendering Practice

1. There is a duty of all College staff to comply with College tendering procedures wherever they are applicable.
2. Procurement regulations must be complied with wherever applicable (see 18.8).
3. All competitive tendering processes will:
 - ensure fairness of competition
 - ensure that companies/businesses invited to tender are financially and technically able to meet the College's requirements
 - indicate the terms of the contract
 - outline the appropriate standards to be complied with
 - Ensure compliance with the College's Equalities and Safeguarding procedures
4. The procedure:

Under £10,000

For purchase orders (either single items or combined value of items within a single order) costing under £10,000 (inc VAT) the purchaser shall have the discretion to decide whether or not to obtain quotations, but value for money must always be obtained. Consideration must be given to utilising College resources, e.g. Print Room and catering services. Single or repeating orders with a total annual value of more than £10,000 (inc VAT) may not be sub-divided in order to avoid the requirement for quotations.

Between £10,000 and £25,000

For purchase orders (either single items or combined value of items within a single order) costing between £10,000 and £25,000 (inc VAT) the purchaser shall be required to demonstrate value for money which is best achieved by obtaining at least three quotations in writing. Exceptions are where a) the goods or services are of a proprietary or specialist nature available from only one source or b) the goods or services are a repeat order or an extension to an existing contract, where the original order or contract had been subject to these procedures. The most economically advantageous quotation must be accepted unless a higher price quotation provides optimum value for money in terms of quality, delivery, social value and compatibility or service. A form to show that these quotes have been received and the reason for the choice of supplier should be attached to the purchase order request. Purchasers must retain evidence of the quotations received. Support from the Procurement Co-Ordinator should be sought for all purchases exceeding £10,000 (including VAT).

In Excess of £25,000

Expenditure on a single item (or combined value of items within a single order) costing in excess of £25,000 shall follow the procedure in the preceding paragraph and require the prior approval of the Vice Principal Finance, Resources and Regional Affairs who will have regard to obtaining value for money before granting that approval; and the Vice Principal Finance, Resources and Regional Affairs will exercise judgment as to whether a formal tendering process is appropriate.

5. Projects and activity which exceed the lower of £175k or the Find a Tender limit must go out to public tender unless the product or service can be sourced via a formal

procurement framework which is compliant with the Public Procurement Regulations.

Where a suitable procurement framework cannot be utilized, tenders should be issued and managed by the Procurement Co-Ordinator via a suitable e-tendering system to ensure compliance with the Public Procurement Regulations. The relevant College Managers and the Procurement Co-Ordinator will evaluate tenders received and make a recommendation to the Vice Principal Finance, Resources and Regional Affairs for consideration and approval to proceed.

6. The issuing, submission, and opening of all formal tenders must be in accordance with a timetable agreed by the Vice Principal Finance, Resources and Regional Affairs.
7. Tenders can only be accepted if submitted in accordance with the terms of the documentation inviting their submission.
8. If a tender, which is not at the most economically advantageous cost, is accepted then a justification for its acceptance must be recorded and the appropriate record maintained by the Vice Principal Finance, Resources and Regional Affairs.

Post-tender Negotiations

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

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