

# Financial Regulations

[October 2016]

FINANCIAL  
REGULATIONS

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## 1. INTRODUCTION

WHEREAS Article 6.1 of the Charter states the Court's functions shall be to  
6.1.3 ensure the effective management and control of the University's affairs, property and finances through the establishment of systems of internal control

AND Article 8 states the Court may delegate its powers  
8.1.2 to an Officer of the University or  
8.1.4 to a member of the Heriot-Watt Group

AND Article 8.2 states Where the Court has delegated any powers to a member of the Heriot-Watt Group such powers shall be set out in the constitutional documents of the relevant member of the Heriot-Watt Group

AND Article 14.2 states The Principal shall assume the role of the Chief Accounting Officer and Chief Executive Officer of the University

AND Ordinance B6: Delegation by the Court states Delegated authority by the Court may not be further delegated by the delegate unless...the Court has given express approval of such sub-delegation:

These regulations are consistent with the University Court's Statement of Delegated Authority and Responsibilities [<https://www.hw.ac.uk/services/docs/court-delegated-authority.pdf>].

By approving these regulations the Court hereby expressly approves any and all sub-delegations contained herein.

Where the constitutional documents of any member of the Heriot-Watt Group identify delegations of powers that differ from the delegations set out herein, the delegations shall be read in accordance with constitutional documents.

### 1.1 Approval process

These Financial Regulations were approved by the Court on the [7<sup>th</sup> day of October 2016]. Any amendment to these Financial Regulations shall be approved by the Court.

### 1.2 Purpose

This document sets out the Financial Regulations of the University as approved from time-to-time by the Court.

The Financial Regulations provide control over the totality of the University's resources and afford assurance to the Court and the University Executive that resources are being properly applied for the achievement of the Strategic Plan; the business objectives of the University; its financial viability; value for money; that the University is fulfilling its responsibility for the provision of effective financial controls over the use of public funds; for ensuring that the University complies with all relevant legislation, including that relating to the University's charitable status; and that its assets are safeguarded.

On occasions when consideration is being given to entering into transactions of an ad hoc or specialist nature not explicitly covered in the Financial Regulations guidance should be sought promptly from the appropriate senior finance manager. This guidance should always be obtained before the transaction is undertaken and the University accepts a financial commitment.

### 1.3 Statement of compliance

The Financial Regulations set out in this document and any, approved amendments thereto issued by or on behalf of the Court, are binding on all Court members, all employees and Directors and (in cases where they are given responsibility for assets of the University or other financial matters), students.

**Any individual or member of the Heriot-Watt Group which is subject to the Financial Regulations is required to**

**comply with them. It should be noted that failure to observe these regulations and attempts to circumvent them will result in disciplinary action being taken by the University and, in appropriate circumstances, the institution of criminal proceedings.**

#### **1.4 Definitions**

For the purposes of this document, the definitions in the Charter and Statutes shall apply, unless the context requires otherwise. In addition, the following definitions will apply:

- a) 'Company':  
unless indicated otherwise in this document, a company either wholly owned by the University or wholly owned by a subsidiary company that is wholly owned by the University;
- b) 'Budget Officer':  
the Senior Officer appointed by the Principal to have responsibility for the financial management and administration of a Business Unit;
- c) 'Budget holder (or deputy)':  
a member of staff to whom a Budget Officer has delegated responsibility for the management and administration of a portion of the overall budget under the control of the Budget Officer;
- d) 'Employee':  
an individual with whom the University or a member of the Heriot-Watt Group has a contract of employment;

The term "*research grant*" is used to refer to research funding from the UK research councils, charities or funding bodies. Most other externally financed research projects are referred to as "*research contracts*".

Expenditure on acquisition of land, property, plant, equipment or other assets, including those that are identifiable but without physical substance (for example patents, trademarks, copyrights, business methodologies, etc.), whose cost of creation or acquisition exceeds £20,000 (including professional fees and VAT/GST) and where the asset is believed to have a life of more than one year, shall be deemed capital expenditure.

## **2. FINANCIAL MANAGEMENT OF THE UNIVERSITY**

### **2.1 Accounting periods**

The University's Financial Year shall run from 1 August to 31 July of the following year.

### **2.2 Designated Accounting Officer**

The Principal is the University's Designated Accounting Officer and has the ultimate responsibility for the financial administration of the University's affairs. As the designated officer the Principal may ultimately be required to justify any of the University's financial matters to the Audit Committee of the Scottish Parliament.

### **2.3 Financial statements**

The University's annual Financial Statements shall comprise the:

- a) Consolidated and University Comprehensive Statement of Income and Expenditure;
- b) Consolidated and University Statement of Movement of Reserves;
- c) Consolidated and University Balance Sheets;
- d) Consolidated and University Cash Flow Statement;
- e) Principal Accounting Policies ; and
- f) Related notes.

The financial statements shall be prepared in accordance with the University's governing instruments, applicable law, the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, Accounts Directions from Scottish Funding Council (SFC) and other relevant accounting standards.

The Director of Finance shall ensure that proper accounting records are kept that disclose, with reasonable accuracy at any time, the financial position of the University and its subsidiaries; and that enable him/her to ensure that the Financial Statements are prepared, audited and presented to the University Executive, Finance Committee, Audit & Risk Committee and Court.

Annually, on the basis of their consideration of the Financial Statements and on consideration of the report received from the external auditor, the Finance Committee shall have the responsibility for assuring the Court, when considering its approval of the Financial Statements, that:

- a) the Financial Statements have been prepared on a going concern basis in that the Court can be satisfied that the Group has adequate resources to continue in operation for the foreseeable future;
- b) suitable accounting policies have been selected and applied consistently;
- c) judgements and estimates have been made that are reasonable and prudent.

Annually, on the basis of their consideration of the Financial Statements and on consideration of report received from both internal and external auditors, the Audit and Risk Committee shall have the responsibility for assuring the Court, when considering its approval of the Financial Statements, that applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the Financial Statements and that reasonable steps have been taken to:

- a) ensure that funds from SFC were used only for the purposes for which they have been given and in accordance with the Financial Memorandum and any other conditions which the Funding Council may from time to time prescribe;
- b) ensure that there are appropriate financial and other internal controls in place to safeguard public funds and funds from other sources, and ensure value for money is achieved in the application of those funds; and that this system of internal control is continuously reviewed and developed in line with current best practice;
- c) safeguard the assets of the Group and prevent and detect fraud;
- d) secure the economical, efficient and effective management of the Group's resources and expenditure;
- e) ensure that the Group's Executive has an adequate system of internal control designed to manage rather than eliminate the risk of failure to achieve business objectives, providing only reasonable and not absolute assurance against material misstatement or loss and that it regularly monitors and reviews the effectiveness of that system; and

- f) maintain a safe and secure environment for the staff and students.

## **2.4 Budgetary Units and Budget Officers**

For the purposes of financial management and administration, the University has an internal structure of Budgetary Units composed of academic schools, and professional service directorates and other units.

Consistent with their management responsibilities the senior officers appointed by the Principal & Vice-Chancellor to have responsibility for the financial management and administration of a Budgetary Unit shall be Budget Officers.

The Director of Finance shall maintain a list of [Budgetary Units and their associated Budget Officer](#).

## **2.5 Planning and budgeting cycle**

The annual planning and budgeting cycle shall comprise a series of meetings and events that are designed to aid financial planning and control and to ensure that budgets are allocated in support of agreed academic and physical plans. These plans are required to take account of the University's Strategic Plan. The system shall be designed to incorporate both top-down and bottom-up contributions and to allocate resources selectively.

## **2.6 University's five-year financial plan**

The output from the planning cycle shall be a University Five-Year Financial Plan, covering the current financial year and following four years, comprising:

- a) a narrative outlining the financial environment, demonstrating the alignment to the University's strategic plan and stating the major financial assumptions underpinning the plan;
- b) a rolling financial forecast, comprising forecast financial statements (including Income & Expenditure, Cash Flow and Balance Sheet);
- c) a capital programme (see 6.2.1);
- d) an outline of long term financing/borrowing arrangements and proposals;
- e) a forecast of achievement of banking covenants.

An extract of the plan shall be submitted, upon request, to the Scottish Funding Council for reference, usually by 30 June each year.

The final draft of the Five-Year Financial Plan shall be reviewed by the University Executive and the Finance Committee; and approved by the University Court before the commencement of the Financial Year, and usually before 30 June each year.

## **2.7 Budget allocations**

Court's approval of the five-year financial plan will form the authority for the University's approved budget for the first year of the plan.

The Director of Finance shall ensure that Budget Officers are informed of that approval and of their constituent budget allocations; and shall require them to inform him/her of the monthly phasing of their detailed budgets to facilitate in-year monitoring of financial performance across the University.

## **2.8 Management accounts**

The Director of Finance shall establish a process of monthly financial reporting, encompassing:

- a) production of monthly financial reports to Budget Officers to monitor income and expenditure against budgets; and
- b) production of a comprehensive monthly management accounts pack for the University Executive and other senior officers of the university setting out the financial performance of the university and its constituent parts against the approved plan, by way of Income & Expenditure Accounts, Balance Sheet, Cash Flow, capital expenditure reporting and presentation of key financial indicators.



Such reports shall be made available to:

- a) the University Executive on a monthly basis;
- b) the Finance Committee at each of its meetings;
- c) the University Court, at least quarterly.

## **2.9 Financial memorandum between the Scottish Funding Council and Heriot-Watt University**

To meet its statutory duties in relation to the Public Finance and Accountability (Scotland) Act 2000 and other legislation, the Scottish Funding Council is required to put in place a Financial Memorandum (FM) with each of the institutions that it funds. The Financial Memorandum sets out the formal accountability relationship between the Scottish Funding Council and institutions, and the requirements with which institutions are expected to comply in return of payment of grant by the Scottish Funding Council.

The most recent [Financial Memorandum between the Council and Heriot-Watt University](#) was agreed in December 2014.

## **2.10 Fraud and irregularity**

Any person who has reason to believe that a fraudulent irregularity which may have financial implications for the University or any member of the Heriot-Watt Group (including those involving cash, stores, property or intellectual property) has or may be about to take place, is required to inform his or her manager immediately who will then notify the Secretary of the University as soon as practical. If the Secretary of the University is suspected of fraud, the matter should be reported to the Principal.

All reports of suspected fraud will be treated in the strictest confidence, and any ensuing investigation will be treated as an investigation under the University's [Public Interest Disclosure Policy](#).

The Secretary of the University/Principal will respond to the reported fraud in accordance with the University's [Fraud Response Plan](#). The Principal and/or the Secretary may institute disciplinary and/or legal proceedings.

### **3. TREASURY MANAGEMENT AND BANKING**

#### **3.1 Treasury Management Policy**

The Finance Committee is responsible for approving a [Treasury Management Policy](#) setting out a strategy and policies for cash management, long-term investments and borrowings.

The Director of Finance will define treasury management practices [\[link to follow\]](#) that set out the manner in which the University will seek to achieve its policies and objectives and manage and control its activities;

The University will delegate responsibility for the implementation and monitoring of its treasury management policies and practices and the execution and administration of its treasury management decisions to the Director of Finance who will act in accordance with the treasury management policy statement and treasury management practices.

The Director of Finance will report to Finance Committee annually on the activities of the treasury management operation.

#### **3.2 Investments**

The Director of Finance shall be responsible for placing funds for investment in accordance with the approved treasury management policy.

All funds shall be placed in the name of the University, with those relating to endowments being segregated from the other funds of the university and its subsidiaries.

#### **3.3 Borrowing**

Court approval is required for the establishment of any borrowing facility. All borrowing shall be undertaken in the name of the University and shall conform to any relevant funding body requirements, including those regarding approval for any secured or unsecured loans that go beyond the general consent levels set out in the Financial Memorandum between the University and the Scottish Funding Council.

#### **3.4 Banking Arrangements**

The Court is responsible for the appointment of the University's bankers on the recommendation of the Finance Committee. The appointment shall be for a specified period after which consideration shall be given by the finance committee to competitively tendering the service.

Arrangements for the opening and closing of University bank accounts will be made only by the Director of Finance.

All bank accounts shall be in the name of the institution or one of its subsidiary companies.

The Director of Finance will make the necessary arrangements for the regular reconciliation, at least once a month, and prior to the end of the following month, between the bank statements of the University's accounts and the University's own records.

#### **3.5 Receipts**

All income must be paid into a University bank account promptly and be properly accounted for. All income received by cash, cheque, credit or debit card must be recorded before being banked. Cheques and financial instruments must be made payable to the appropriate University account. No cheque or financial instrument made payable to the University may be credited to an account which does not belong to the University.

Processes for handling and banking receipts shall be set out in a detailed procedure [\[link to follow\]](#).

### **3.6 Payments**

All bank payments made on behalf of the University must be authorised as set out in the detailed procedures for making bank payments [\[link to follow\]](#). Details of authorised persons and the limits of their authority shall be set out in bank mandates, lodged with the appropriate bank.

In the UK, payments of suppliers' invoices, scholarship payments and payments of salaries will generally be made by the Bankers Automated Clearing System (BACS). Outside the UK, such payments should use equivalent electronic transfer systems.

In the UK, urgent payments may be made via the Clearing House Automated Payments System (CHAPS) or by an online Same Day Value Transfer. Outside the UK, such payments may be made by equivalent electronic transfer systems or by cheque.

## **4. ASSETS OF THE UNIVERSITY**

### **4.1 General regulations and procedures**

The Court, through the Principal and Vice-Chancellor, will be responsible for maintaining proper security of all buildings, furniture, equipment, plant, vehicles, stores and other assets of the University.

The Director of Campus Services, on behalf of the Principal and Vice-Chancellor, will ensure the physical security of all buildings belonging to or leased to the University.

The Director of Campus Services will maintain up-to-date plans of all buildings owned or leased by the University and its wholly owned subsidiary companies and will inform the Director of Governance and Legal Services of the current replacement value of all buildings for which insurance is required.

### **4.2 Purchase and disposal of land and buildings**

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

Budgetary Units may not alter or add to the University's buildings without the prior approval of the Director of Campus Services who will, as necessary, ensure that appropriate funding and approval has been obtained.

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

### **4.3 Fixed asset register**

The Director of Finance is responsible for maintaining the University's register of land, buildings, fixed plant and machinery, which form the value of Property Plant and Equipment in the Balance Sheet. The University's detailed accounting policies on capitalisation of assets can be found within the annual financial statements. In general, only items with a value in excess of £20,000 will be capitalised.

The regulations governing the purchasing of goods and services under this heading are set out in [Section 7](#).

Regulations governing the creation or acquisition of capital assets are contained in [Section 6.2](#).

### **4.4 Inventories of equipment and stock**

Budget Officers are responsible for the safekeeping of any equipment, plant, furniture and stores that are under their control. They must ensure that such property is recorded in an inventory and that, for insurance purposes, the Director of Governance and Legal Services is informed of the current replacement value of such assets. The inventory must include items donated or held on trust.

In regard to stock, records must be properly maintained at all times and must show all receipts and issues. The records must also show the type and quantity of the items stock held and, where appropriate, the serial numbers. Inventories must be checked at least annually. At the end of each Financial Year, Budget Officers will inform the Director of Finance of the type, quantity and value of stock which they hold. The value applied to such stocks will be based on cost or market value, whichever is the lower.

#### **4.5 Motor vehicles**

All motor vehicles that are the property the University must be registered in the name of the University or a member of the Heriot-Watt Group.

The Director of Governance and Legal Services will ensure that:

- a) records of vehicle registrations, road tax, MOT inspections and insurance are maintained;
- b) motor vehicles are roadworthy at all times and that, at all times, statutory requirements, including those concerning the carriage of goods and passengers, are complied with; and that
- c) only members of staff who hold a valid driving license and who meet the requirements of the University's motor vehicle insurers drive such vehicles.

#### **4.6 Patents, the exploitation of intellectual property and copyright**

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

The policy regarding matters of ownership and exploitation of intellectual property accruing to the University from inventions and discoveries made by staff in the course of their work are laid out in the [University Policy on Intellectual Property, Confidential Information and Commercialisation](#).

#### **4.7 Personal use**

Assets owned or leased by the University or a member of the Heriot-Watt Group shall not be subject to personal use without proper authorisation from the Budget Officer.

## 5. INCOME

### 5.1 General regulations governing the management of the University's income

The Director of Finance is responsible for ensuring that appropriate procedures are in operation to enable the institution to receive all income to which it is entitled.

All sales will be deemed to adhere to the University's standard terms and condition of sale [\[link to follow\]](#) unless alternative arrangements have been agreed by the Director of Finance.

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

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

Only the Director of Finance can implement credit arrangements and indicate the periods in which different types of invoices must be paid.

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

### 5.2 Sales invoices

The Director of Finance is responsible for the University's sales invoicing, debt management and credit arrangements. In exercising these responsibilities, the Director of Finance will ensure that:

- a) debtors invoices are raised promptly on official invoices;
- b) invoices are prepared with care, showing the correct amount due with VAT/GST correctly charged where appropriate and are credited to the appropriate income account;
- c) any credits granted are valid, properly authorised and accurately recorded in the University's financial system;
- d) monies received are posted to the correct debtors account;
- e) swift and effective action is taken in collecting overdue debts;
- f) overdue debts are monitored and pursued.

### 5.3 Receipts

All income must be paid into a University bank account promptly and be recorded within the University's financial system either through direct input or through an appropriate interface from another university system.

All income received by cash, cheque, credit or debit card must be recorded before being banked.

Cheques and financial instruments must be made payable to the appropriate University account. No cheque or financial instrument made payable to the University may be credited to an account which does not belong to the University.

All payments shall be paid over gross and no payments shall be set off against receipts. Under no circumstances shall income be used to make petty cash disbursements, borrowed by staff for personal use, or used for the cashing of personal cheques.

### 5.4 Student fees

The Director of Finance shall ensure that there is an appropriate policy regarding the management of [student fees, charges, fines and debts](#).

The policy shall set out the payment terms and payment methods.

The policy shall include a proportionate and escalating Student Debt Collection Process to safeguard full and timely payment of all overdue outstanding sums due to the University by students, however funded. The policy should provide guidance on help and support available to students facing financial difficulties.

Continuing students will not normally be allowed to register for the new session with any outstanding tuition fee, accommodation fee or other debt. Any student who has any tuition fee debt owing to the University shall not be allowed to graduate until all such debts have been cleared.

### **5.5 Tuition fee setting**

The level of tuition fees charged to students is reviewed on an annual basis and approved by The Finance Committee on behalf of the University Court.

Details of the current level of [tuition fees](#) and associated policy are available on the University's website.

### **5.6 Consultancy**

The procedures regarding consultancy undertaken by members of academic staff are laid out in the University's [Guidance and Rules Governing Consultancy](#)

#### **5.6.1 University consultancy**

All commercial consultancies shall be subject to the University's standard terms of sale [\[link to follow\]](#).

Close liaison with both the Research and Enterprise Services and the Finance Department is required throughout all stages of carrying out commercial activity including the initial costing of the project. At an early stage, before contracts are entered, the Finance department must be given the opportunity to carry out a credit check of the client.

All activity must normally be intended to generate a surplus; however, a decision may be taken by the Budget Officer to approve the activity based on other valuable non-tangible benefits. The costing of inputs and the pricing of outputs must be carried out in accordance with the University's Costing and Pricing Policy. [\[link to follow\]](#) For all contracts, costing and pricing must be agreed by Research and Enterprise Services and the Budget Officer before any quotation is issued to the client.

Each contract will have a named project leader and will be assigned a unique financial code within the Budgetary Unit. Consistent with the provisions in Section 6.6 of these regulations, control of pay and non-pay expenditure may be delegated by the Budget Officer to the lead consultant but any unexpected loss on the contract will be borne by the Budgetary Unit.

It is the responsibility of the project leader approved by the Budget Officer to request that the Finance Department issue an invoice for work completed. In respect of courses and conferences run by the University, the Budget Officer should ensure that it obtains payment before the individuals are allowed to attend the Course or Conference in line with normal commercial practice.

#### **5.6.2 Private consultancy**

Where consultancy is undertaken in a private capacity (and this is allowed under terms and conditions of the contract of employment), employees should inform their line manager. They must also inform their client that they are acting in a private capacity and that University or a member of the Heriot-Watt Group will not in any circumstances accept responsibility for their work.

Correspondence with the client should not bear the University name or crest or in any other way give the impression that the individual is acting as an agent, or trading on behalf of the University or a member of the Heriot-Watt Group. Use of any University or a member of the Heriot-Watt Group's facilities or staff time should be declared and paid for by the employee at an appropriate rate. Staff are responsible for any insurance or personal tax liabilities arising from this work.

No costs incurred in relation to private consultancy, including those of travel, accommodation, consumables, etc.,

should be charged to the University or a member of the Heriot-Watt Group at any time, even if there is an intention to repay the monies.

### **5.7 Research grants and contracts**

The term “*research grant*” is used to refer to research funding from the UK research councils, charities or funding bodies. Most other externally financed research projects are referred to as “*research contracts*”.

All income arising from research grants and contracts awarded to staff of the University shall be vested in the University. Except where the funder requires a more onerous application of conditions, all expenditure in respect of research grants and contracts shall be governed by these regulations.

Where a member of staff is involved in any research contract or such other arrangement in which he has an interest, pecuniary or otherwise, such interest must be disclosed to the Director of Finance prior to the commencement of such contract or arrangement together with any regulations or conditions set by the sponsoring body.

### **5.8 Debt write-off**

Requests to write off debts must be referred to the Director of Finance for consideration, who shall satisfy him/herself that the debt is irrecoverable or that its recovery would be uneconomic.

The following additional authority shall be required for the write-off of debts with the following value:

- i. Up to £15,000 the Budget Officer
- ii. £15,001 - £50,000: the Budget Officer and either the Vice Principal or the Principal;
- iii. £50,001 - £100,000: the Budget Officer and either the Vice Principal or the Principal and with the prior approval of the Finance Committee (unless the Chairman of that Committee agrees to this requirement being waived in instances where urgent action is required);
- iv. over £100,000: the Budget Officer and the Chief Procurement Officer and the Director of Finance (or Deputy Director of Finance (or equivalent)) and the Principal and with the prior approval of the Finance Committee and with the prior approval of the Court (unless the Chairman of the Court agrees to this requirement being waived in instances where urgent action is required).

Any debts written off will be charged against the Budgetary Unit to which the income had been credited.

### **5.9 Charitable donations and endowment funds**

The receipt of a gift or donation by a Budgetary Unit must be referred to the Assistant Principal (Development) who shall determine if it meets the requirements for treatment as an endowment.

Subsequent to such confirmation, the Director of Finance shall ensure that appropriate accounting treatment is applied to ensure that endowments are tracked accordingly within the University’s financial system:

- a) Charitable donations received with the expectation that they can be expended shall be recorded as an expendable endowment, and treated as income in the year in which they are received.
- b) Charitable donations received with the condition that the capital element must be maintained but the income thereon can be spent shall be accounted for as a permanent endowment.
- c) Whether expendable or permanent, where the income must be applied to a particular objective specified by the donor, the donation shall be recorded as restricted; where the income can be applied to the general purposes of the institution, it shall be recorded as unrestricted.

Endowment capital and unspent donations/income shall be held in accounts separate to those of the University’s other cash or investment assets. The Director of Finance, subject to the wishes of the donors, is permitted to pool the various endowment funds received to achieve the most effective investment. The Endowment Committee is responsible for determining the investment policy of the funds, subject to the approval of the Finance Committee.

## 6. EXPENDITURE

### 6.1 GENERAL

No member of the University or a member of the Heriot-Watt Group may make a commitment on behalf of the University or a member of the Heriot-Watt Group that would cause budgets approved by the Court to become overspent.

The Director of Finance is responsible for ensuring that proper procedures exist for the control and monitoring of expenditure against approved budgets and for arranging for payments of all amounts due from the University.

Payments of suppliers' invoices, scholarship payments and payments of salaries will generally be made by the Bankers' Automated Clearing System (BACS).

Urgent payments may be made via the Clearing House Automated Payments System (CHAPS) or by an online Same Day Value Transfer.

### 6.2 CAPITAL EXPENDITURE

Expenditure on acquisition of land, property, plant, equipment or other assets, including those that are identifiable but without physical substance (for example patents, trademarks, copyrights, business methodologies, etc.), whose cost of creation or acquisition exceeds £20,000 (including professional fees and VAT/GST) and where the asset is believed to have a life of more than one year, shall be deemed capital expenditure.

#### 6.2.1 Capital expenditure programme

The Director of Finance, in consultation with the Senior Officers of the University, will draw up a proposed capital expenditure programme annually, for inclusion in the five-year financial plan, to be approved by the Court. The proposed capital expenditure programme will:

- a) identify known and likely projects for the next 5 years;
- b) be consistent with the University's Strategic Plan and its Estates Strategy;
- c) be presented to the Finance Committee for consideration, agreement and recommendation to the Court for approval; normally at the meeting of the Court that sets the budget for the years to which the proposed capital programme relates.
- d) provide the information required to fulfil the University's duty under the Procurement Reform (Scotland) Act 2014 (Section 14), to publish annually a summary of regulated procurements (including works contracts exceeding £2,000,000) expected to commence during the next 2 years.

#### 6.2.2 Capital expenditure projects – approval

Although a proposed capital expenditure project may have been included in the capital expenditure programme approved by the Court or in the Estates Strategy, such inclusion does not constitute approval for its commencement. Specific approval for the commencement of capital expenditure projects will be in accordance with the following schedule:

- i. £20,000 to £100,000: with the prior approval of the Director of Finance and the Vice-Principal or Principal and Vice-Chancellor;
- ii. £100,000 to £500,000: with the prior approval of the University Executive;
- iii. £500,000 - £1,000,000: with the prior approval of the Finance Committee;
- iv. over £1,000,000: with the prior approval of the Court.

Applications for approval will include the following information:

- a) a description of the proposed project;
- b) full estimates of all capital and other costs (including fees, VAT/GST and any other associated costs);
- c) an estimate of the monthly cash flow;
- d) an investment appraisal using HM Treasury 'Green Book' appraisal and evaluation guidance;
- e) an estimate of the revenue impact of the proposed project on the current and future years' budgets



- f) advice from the University's professional advisers, for example, solicitors, tax advisors, valuers, etc.; along with an indication of whether the University requires further professional advice relating to the proposed project;
- g) full information concerning how the proposed project is to be funded and the sources of that funding, including borrowing/financing arrangements and any impacts on University's banking covenants;
- h) confirmation of alignment with the University's strategic plan, the estates strategy and the five-year financial plan and confirmation that the proposed project conforms with these;
- i) information concerning any approval which have been obtained or may be required for the proposed project, for example, building consent or approval from the Scottish Funding Council.
- j) where relevant, full information concerning the proposed terms and conditions of the contract;
- k) the procurement process and sourcing strategy, and the extent to which the proposed project falls within EU and Scottish Government tendering requirements;
- l) confirmation that appropriate support and guidance has been sought from the University's Projects Support Office (PSO) and acted upon;
- m) a timetable for further progress, including significant milestones and Gateway Reviews throughout the proposed projects' lifecycle.

### **6.2.3 Capital grants**

Capital funds granted for the purchase or construction of an asset must be used for the specific purpose that the grant was made.

### **6.2.4 Lease of land, property, plant or equipment**

Where the university leases assets that would otherwise have met the definition of a capital expenditure, in preference to creating or purchasing them, the same provisions for programming, approving and monitoring shall apply.

## **6.3 REVENUE EXPENDITURE**

Expenditure that does not meet the definition of capital expenditure shall be deemed revenue expenditure.

Subject to the provisions relating to the authorisation of purchase orders, Budget Officers may incur expenditure in a Financial Year within their approved pay or non-pay budgets.

## **6.4 REVENUE EXPENDITURE - PAY**

### **6.4.1 Remuneration policy**

All University staff will be appointed to the salary scales approved by the Court and in accordance with appropriate conditions of service. The Human Resources Department shall issue all letters of appointment.

The Remuneration Committee with delegated authority from the Court will determine salaries and other benefits for senior management.

### **6.4.2 Appointment of staff**

Budget Officers must apply to the University's Vacancy Management Group, via iHR, for approval to recruit staff to fill existing or new positions.

The University will employ a member of staff only where a financial provision has been made within the approved budget.

All contracts of service shall be concluded in accordance with the institution's approved personnel practices and procedures. Offers of employment of casual hourly-paid temporary or part-time staff must secure appropriate prior approval, with such offers being made in accordance with the procedures in force from time to time.

Budget holders shall ensure that the Human Resources Department and the Director of Finance are provided promptly with all information they may require in connection with the appointment, resignation or dismissal of employees.

### **6.4.3 Salaries**

The Director of Finance shall be responsible for the payment of all salaries and all appropriate deductions therefrom and shall account for all such payments and deductions to the appropriate authorities or agencies. Payment of salaries shall be made monthly in arrears through BACS.

All timesheets and other pay documents, including those relating to fees payable to external examiners, visiting lecturers or researchers, will be in a form prescribed or approved by the Director of Finance.

Budget Officers are responsible for ensuring that all episodes of sick leave and other absences are recorded in a timely fashion on iHR, so that, where necessary, payroll records can be adjusted accordingly.

All payments must be made in accordance with the University's detailed financial procedures and comply with HM Revenue & Customs regulations, or other national taxation authority.

The Director of Finance shall be responsible for keeping all records relating to payroll, including those of a statutory nature.

### **6.4.4 Superannuation schemes**

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

The Director of Finance is authorised by members of staff who participate in the University approved schemes to deduct, from their monthly salary payments, the appropriate percentage of income due to the Scheme.

The University contributes for each participating member of staff at the rate laid down by the Scheme from time to time.

The Director of Finance is responsible for the management of pension arrangements, including:

- a) paying contributions to various authorised superannuation schemes
- b) preparing the annual return to various superannuation schemes
- c) administering eligibility to pension arrangements.

### **6.4.5 Severance payments**

[Severance payments](#) shall be governed by a University's policy that shall be approved by Court on the recommendation of the Remuneration and Appointments Committee. In addition to being consistent with the university's policy, severance payments must take into account contractual entitlements, for example, salary and period of notice, and any applicable statutory employment entitlements.

Internal audit shall undertake a regular review of systems for the determination and payment of severance settlements in their strategic audit plan.

The view of the external auditor shall be sought in relation to any severance payments that may be considered novel or potentially contentious, including those that exceed the maximum threshold agreed by the Court.

The external auditor must review severance settlements. Such a review will normally take place after settlements have been agreed, normally as part of the annual audit of the financial statements. Where the external auditor considers that settlements do not materially conform to the terms of the Financial Memorandum between the University and the Scottish Funding Council, this should be reported to Court and included in the management letter.

### **6.4.6 Salary Advances**

No salary advances or loans to staff or students shall be made apart from those, approved by the Director of Finance, to avoid an employee suffering undue financial hardship in cases where material processing errors or omissions have been made. Where the Director of Finance authorises such a payment it will be conditional on the amount requested being equal to or less than the following month's salary; and the amount of the advance being recovered in full from the following month's salary.

The only other advances that are made are as described in Section 6.5.3, relating to advance of expenses.

#### **6.4.7 Salary Overpayments**

In the event that an employee's salary is overpaid, the Director of Finance shall seek recovery of the entire amount through deduction of salary or otherwise. The period of repayment should be set to avoid the employee suffering undue financial hardship, but shall not extend beyond the termination of their employment.

#### **6.4.8 Loans to employees**

Neither the University nor any of its wholly owned subsidiary companies will make loans to employees.

### **6.5 REVENUE EXPENDITURE - TRAVEL AND SUBSISTENCE**

The University's purchasing and payment procedures are in place to enable the majority of goods and services to be procured without staff having to incur any personal expense. All non-travel and subsistence costs must be incurred via normal purchasing procedures and not claimed as travel and subsistence.

However, on occasion staff may incur expenses in relation to travel, and are entitled to reimbursement. Where this is the case, the University's financial procedures on Travel and Subsistence Expenses must be adhered to. Members of staff and other persons authorised to travel on official University business shall do so in accordance with these procedures [[Travel Expenses Policy](#)].

All arrangements for travel must be approved by the budget holder in advance of committing the University to those arrangements or confirmation of any travel bookings. Where spouses, partners or other persons unconnected with the institution intend to participate in a trip, this must be clearly identified in advance and agreement to the reimbursement to the University of the expected costs shall be obtained in advance of travel.

Purchasing Cards (P-Cards) issued for use by specified cardholders to purchase goods and services on behalf of the University are not intended for use in incurring business expenses whilst travelling. They can however be used to pre-book accommodation and transport using the University's approved Travel Management Company. Selected individuals who have been issued with a Corporate Card may however use these for unscheduled travel costs, as well as to forward book travel via the approved Travel Management Company.

Personal subscriptions and personal professional memberships will not be reimbursed to Staff.

Reimbursement of expenses shall be by BACS transfer on a bi-monthly basis.

#### **6.5.1 Claims for Reimbursement**

Claims for reimbursement of travel and subsistence will only be met where:

- a) expenses were wholly, necessarily and exclusively incurred on the University's business;
- b) have been incurred with due regard to economy;
- c) claims are submitted in the prescribed form;
- d) claims are received within three months of the claimants return to the university; and
- e) claims are supported by receipts or other supporting documentation.

Claims can only be approved by the appropriate line manager/budget holder in accordance with the established delegated authorities. In approving claims, the approvers are attesting that the claim is compliant with the University's Travel & Expenses Policy. All claims for reimbursement shall be counter-signed by a signatory other than the claimant, or a member of their family.

#### **6.5.2 Overseas travel**

Claimants travelling overseas on University business must receive authorisation to travel from the budget holder in advance of making any bookings or taking a journey. Budget holders travelling should seek authorisation from the next higher level of authority.

#### **6.5.3 Advance of Expenses**

An application for an advance of expenses may be made. All advances will be paid by bank transfer into the

employees/students bank account. On returning to their normal place of work, colleagues should account fully for the cash advanced as soon as possible and in any event within 15 days.

## **6.6 REVENUE EXPENDITURE - OTHER NON-PAY EXPENDITURE**

Budget Officers may approve non-pay expenditure, including travel and expenses, up to a value of £15,000 other than their own. Authorisation for their own expenses should be given by an officer with higher levels of delegated approval authority.

Below that level, Budget Officers may approve a scheme of delegation. It is the responsibility of Budget Officers to record such a scheme on the form created for that purpose [[link to follow](#)], which shall set out:

- a) the names of the individuals designated as deputies or designated nominees
- b) the limits of the authority delegated to or to be exercised; together with
- c) specimen signatures.

The form shall be lodged with the Director of Finance. It is the responsibility of Budget Officers to update the information where changes in roles, responsibility or employment of any of the individuals named on the form.

The Director of Finance will ensure that the delegated authorities are effected in the e-Procurement system; and that reference is made to that scheme of delegation when invoices or expense claims are passed for payment.

Authorisation may be given by an officer at a higher level provided that this is not inconsistent with the requirements set out elsewhere in these regulations or does not constitute a failure or circumvention of control.

No transaction may be broken down into smaller elements to circumvent or facilitate the evasion of these regulations.

The regulations governing the purchasing of goods and services under this heading are set out in Section [7](#).

### **6.6.1 Heriot-Watt Students Union grant**

The Secretary of the University shall ensure that a [Financial Memorandum of Agreement](#) is established and maintained between Heriot-Watt University and the Heriot-Watt University Students Union. Such agreement must lay out the requirements of the University that must be met to allow annual payment of the grant, together with the formula for its calculation.

The grant will be paid in instalments. The first payment in each academic cycle, covering the first quarter, will be made in August; thereafter monthly instalments will be paid from November for the remainder of that cycle. Following confirmation of student numbers for the year, the Director of Finance shall issue a payment schedule each December reflecting actual numbers that year, and indicating reduced or increased monthly payments for the remainder of that year.

## 7. PURCHASE OF GOODS AND SERVICES

### 7.1 Procurement policy statement

The Procurement Policy of the University is to obtain optimum value for money in respect of all goods, services and utilities purchased, irrespective of the source of funds. This is achieved by maximising the University's corporate purchasing power through aggregation of demand; accurate demand/commitment forecasting and specification of requirements; selective use of appropriate regional and national agreements; and engagement in collaborative procurement programmes.

All purchases must be based on quotation or tendering procedures, and normally, advantage will be taken of that offer deemed to be the most economically advantageous. This embraces not only Whole Life Cost, but also added value features such as lead times; enhance functionality, access to technology, aesthetic and environmental characteristics, technical merit, after-sales service and technical assistance. Best value – the most advantageous combination of cost, quality and sustainability that meets clients' requirements, will govern the procurement process; this includes challenging the need for purchase at all, where use of in-house resources or sharing could accomplish the desired outcome; cost avoidance, risk management, administrative efficiency gains and enhanced operational effectiveness. All business transactions must be conducted at arm's length.

Any business interest in any intended and actual transaction with related parties such as family, relatives, close business colleagues and organisations with which the designated budget holder, his/her deputy, or any authoriser of purchase orders and invoices for payment could be considered to hold a pecuniary interest, must be disclosed before any influenceable business is committed, to that person's line manager, using the University's Disclosure of Conflict of Interest Form.

[Conflict of Interest - Disclosure form](#)

The University's Policy on Conflict of Interest and the Chartered Institute of Purchasing & Supply's Professional Code of Ethics are applicable. [\[Conflict of Interest Policy\]](#)

### 7.2 General regulations and procedures

All University purchases must be made in accordance with the University's [Procurement Procedures](#)

Purchases of all goods and services must be initiated by way of a requisition in the University's computerised e-Procurement system (Oracle iProcurement) or via an appropriately pre-approved Procurement Card transaction. Requisitions that satisfy the approval requirements set out in relation to revenue and capital expenditure, above, must be purchased using an official University Purchase Order or via an appropriately pre-approved Procurement Card transaction.

All members of the University who purchase goods and services on behalf of the institution must make every effort to ensure that value for money is obtained, *i.e.* the spend is necessary, justified and in proportion to the benefits or utility provided. They may be called upon to demonstrate that this requirement has been met.

### 7.3 Authorisation of purchase orders and contracts

No order is to be placed unless it and/or its supporting documents bear the appropriate signatures as follows:

Up to £5,000	The Budget Officer or, with due regard to any lower limit set, those approved within a scheme of delegation;
£5,001 - £20,000	The Budget Officer and the Chief Procurement Officer
£20,001 - £100,000	The Budget Officer and the Chief Procurement Officer and the Director of Finance;
£100,001 - £500,000	The Budget Officer and the Chief Procurement Officer and the Director of Finance and either the Vice Principal or the Principal;
£500,001 - £1,000,000	The Budget Officer and the Chief Procurement Officer and the Director of Finance (or Deputy Director of Finance (or equivalent)) and either the Vice Principal or the Principal and with the prior approval of the Finance Committee (unless the Chairman of that Committee agrees to this requirement being waived in instances where urgent action is required);

over £1,000,000	The Budget Officer and the Chief Procurement Officer and the Director of Finance (or Deputy Director of Finance (or equivalent)) and the Principal and with the prior approval of the Finance Committee and with the prior approval of the Court (unless the Chairman of the Court agrees to this requirement being waived in instances where urgent action is required).
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Where expenditure commitments are established that commit beyond the Financial Year in which they are entered into, the value of the commitment across financial years shall be aggregated when applying these limits.

#### 7.4 Rules for Obtaining competitive tenders and quotations

For requirements for goods and services above £50,000 ( ) or £2,000,000 (works), the must be referred to Procurement Services for tendering via the Public Contracts Scotland or Public Contracts Scotland Tender procurement portals. This is a statutory obligation under Scottish Government legislation.

Any terms, conditions and prices agreed in respect of an order must be shown clearly within the order at the time of authorisation.

The following rules apply for obtaining competitive tenders/quotations for works, goods and services purchase transactions with an estimated value, excluding VAT/GST, of:

up to £500 per transaction	No specific rules, purchases should be made using MasterCard Procurement Card or Oracle i-Procurement; requisitioners and approvers should seek to obtain optimum value for money.
£500 up to £5,000	At least three written or verbal quotations where practicable; details of these should be recorded for possible subsequent audit
£5,001 - £50,000	Not less than three formal written competitive quotations, and the Budget Holder should seek advice from Procurement Services. Copies of the quotations should be retained for subsequent audit. Up to £20,000, the spend must be approved by the Budget Officer and the Chief Procurement Officer. Above £20,000 the spend must also be approved by the Director of Finance
above £50,000 (goods and services) or £2,000,000 (works):	The requirement must be referred to Procurement Services for tendering via the Public Contracts Scotland or Public Contracts Scotland Tender procurement portals. This is a statutory obligation under Scottish Government legislation
in excess of £164,176 (€209,000) – goods and services only	Formal tendering through the Official Journal of the European Union (OJEU) must be carried out by Procurement Services. This is a statutory obligation under UK, EU and World Trade Organisation law. The OJEU threshold for Works contracts is £4,104,394 (€5,225,000).

### **7.5 Terms and conditions applying to the purchase of goods and services**

All purchases must be made using an official University Purchase Order or via an appropriately pre-approved Procurement Card transaction.

Unless otherwise agreed, in writing, by the Chief Procurement Officer, the University's standard Terms and Conditions of Business will apply to each transaction [insert link], or such other terms and conditions applicable if buying against an approved collaborative contract (e.g. framework agreements set up by the Scottish Government's Scottish Procurement & Commercial Directorate or APUC Ltd.) (NOTE: Suppliers' own order forms or stationery must not be used as these may contain terms and conditions that conflict with those of the University.)

The Chief Procurement Officer will ensure that no term or condition is detrimental to the University or a member of the Heriot-Watt Group.

### **7.6 Verification of receipt of goods and services**

Budget Holders or their Deputies will ensure that goods are delivered to an establishment of the University and that services are provided in accordance with the terms of the relevant purchase order.

On receipt of goods and services, the Budget Holder (or Deputy) will check and ensure that all deliveries conform to the specification contained in the Purchase Order.

The Budget Holder (or Deputy) will notify the supplier immediately by e-mail or other appropriate electronic medium, of any discrepancy and will notify the Chief Procurement Officer of any discrepancy within 24 hours of delivery.

All deliveries of goods will be taken into stock and held securely for the benefit of the University.

### **7.7 Procurement cards**

Procurement cards may be used for low value, low risk and one-off purchases to a maximum aggregate value of £5,000 per transaction in any one Calendar month.

The Chief Procurement Officer and/or Purchasing Card Administrator may in exceptional circumstances, permit a cardholder to purchase goods or services to a value exceeding £5,000 per Calendar month, provided that the total amount spent under this arrangement on one commodity or item, with the same supplier in any one Financial Year, does not exceed £20,000. The Budget Holder must convey this request in writing to the Procurement Systems Officer who will arrange for the temporary limit increase.

Where the total value of the orders placed on one commodity or item, with the same supplier, in a single Financial Year exceeds £20,000, the authorisation requirements that will apply to expenditure in excess of £20,000 will be as set out in Section 7.3, except where that threshold is reached only because the Chief Procurement Officer has approved an institution wide use of embedded P-Cards with a supplier as being the least onerous means of settlement.

Procurement cards must not be used as a means of circumventing or in conjunction with other existing regulations and procedures relating to competitive quotations and tenders.

### **7.8 Lease of goods**

Arrangements to lease or hire goods or equipment, or any such arrangement which creates an ongoing financial encumbrance on the University, require the prior approval of the Director of Finance.

### **7.9 Conflicts of interest**

Members of the University who may benefit either materially, personally, financially or otherwise from any transaction between the University and a third party must disclose to the Secretary of the University the nature and extent of their interest immediately they are aware that a conflict of interest may arise.

Thereafter that person must not take part in negotiations related to, or work connected with, the matter in which they have declared an interest.

These requirements also apply to any partnership or companies in which they or their close family members (including partners) are involved.

### **7.10 EU Directives on procurement**

The University will comply with the requirements of the Public Contracts (Scotland) Regulations 2015 and the Procurement Reform (Scotland) Act 2014 that enshrine the most recent EU Directives on Procurement. Guidance on the application of the Act and regulations and the associated EU financial thresholds are set out in the [University's Procurement Procedures](#).

### **7.11 Declaration and registration of interests, benefits and gifts**

The University's Ethical Business: Conflict of Interest Policy governs the conduct of business between University staff and suppliers (or potential suppliers). In general, the following points in the CIPS Code of Conduct shall apply - staff should:

- never use their authority or position for their own financial gain
- declare to their line manager any personal interest that might affect, or be seen by others to affect, their impartiality in decision making
- not allow offers of hospitality or those with vested interests to influence, or be perceived to influence, their business decisions.

## **8. TAXATION**

### **8.1 UK status for tax purposes**

The University is an exempt charity and, accordingly, is potentially exempt from UK Corporation Tax, UK Income Tax and UK Capital Gains Tax on any of its activities which fall within the terms of its charitable status, to the extent that such income or gains are applied to exclusively charitable purposes.

The University's wholly owned subsidiary companies may operate as commercial organisations and as such may be liable to corporation tax.

The University's UK subsidiary companies, excluding the Edinburgh Business School, transfer their annual profits to the University by gift aid.

In certain circumstances, Value Added Tax is recoverable, but where this is not possible, the cost is included in the relevant expenditure.

Overseas subsidiaries are liable to taxation in the country that they operate.

### **8.2 Taxation arrangements**

The Director of Finance is responsible for advising the University on all taxation issues, in the light of guidance issued by the appropriate bodies and relevant legislation as it applies to the University. He or she will issue instructions to departments on compliance with statutory requirements including those concerning Value Added Tax or other goods and services taxes, employment taxes, national Insurance, corporation tax and import duty.

The Director of Finance will make proper arrangements in respect of the University or its wholly owned subsidiary companies; for maintaining tax records, making all tax payments, receiving tax credits, submitting tax returns by their due date and making appropriate reclaims for tax deducted on donations made under Deeds of Covenant and Gift Aid.



The Director of Finance will endeavour to ensure that neither the University nor its wholly owned subsidiary companies incur penalties for the incorrect treatment of taxes. Any matter which may have tax implications for the University must be referred to the Director of Finance.

Corporation Tax computations shall be completed by the Finance Department and passed for external review to suitably qualified professional advisors before being filed with UK HM Revenue & Customs or other national taxation authority.

### **8.3 Employee's tax**

The University is obliged to apply the tax code supplied by HM Revenue and Customs to calculate the amount of Income Tax to deduct from employees' salary payments. The code is supplied to the University by HM Revenue and Customs and cannot be varied by the University. Employees who want to question the calculation of a tax code must do so directly with HM Revenue and Customs. When doing so you may be asked for the appropriate employer's PAYE reference:

Heriot-Watt University:	961/380192
Edinburgh Business School:	961/2292430
Heriot-Watt University Student Union:	475/GB27158
Heriot Watt Services Ltd. (Oriam):	120/KB28661

The University will provide, annually, a summary of income tax deducted from employment with the University.

It shall be the personal responsibility of employees to meet any obligation to submit a tax return to HM Revenue and Customs, or any other taxation authority.

## 9. INSURANCE

### 9.1 General

The Head of Risk and Audit Management, as directed by the Director of Governance & Legal Services will:

- a) effect such insurances as are necessary to cover any risks to which the University might be exposed;
- b) negotiate and recover claims;
- c) review insurance strategy and all insurances annually and make a report to the Finance Committee, confirming that adequate cover has been obtained. (This report will include information about risks that the University intends to bear itself.)

All staff have a responsibility to notify the Head of Risk and Audit Management immediately of:

- a) any circumstances which may materially affect the University's overall exposure or risk, and;
- b) information concerning property, vehicles, plant or other assets of the University which may materially affect the University's overall exposure or risk, (and additions, disposals and alterations to property, vehicles or other assets of the University which might affect existing insurances);
- c) any potential loss, liability, damage or any event likely to give rise to a claim against the University.

### 9.2 Report of theft

Where it is suspected that University property has been stolen, the Budgetary Unit must report the loss immediately to security control. A security officer will attend at the incident and take statements from those involved. It may be that Police Scotland are required to attend and if so the Duty Supervisor will initiate this unless advised differently.

The event should also be reported to the Head of Risk and Audit Management.

### 9.3 Settlement of insurance claims

The Head of Risk and Audit Management will negotiate claims for compensation. The settlement of claims will require approval in accordance with the following schedule:

(i) Up to £7,500	Head of Risk and Audit Management (or Director of Governance & Legal Services) (or equivalent).
(ii) £7,500 - £75,000	As above (i) and the Secretary of the University.
(iii) £75,000 - £1,000,000	As above (ii) and with the prior approval of the Finance Committee.
(iv) over £1,000,000	As above (iii) and with the prior approval of the Court.

### 9.4 Personal property

The University does not accept liability for loss or damage to personal property howsoever it is caused. Members of the University or persons visiting the University who bring personal property must ensure that they have made adequate insurance arrangements.

## **10. AUDITING OF THE UNIVERSITY'S ACCOUNTS AND SYSTEMS**

### **10.1 General regulations and procedures**

The University's audit arrangements will be in accordance with the 'Audit Code of Practice' issued from time-to-time by the Scottish Funding Council. The Code sets out the Scottish Funding Council's minimum requirement for external and internal audit arrangements within the University, the broad framework within which these arrangements should operate and gives general guidance on good practice.

The University's records and procedures are subject to audit. The Court will ensure that the University has adequate and effective management controls and will appoint an Audit & Risk Committee and secure an internal audit service for the University.

Auditors are authorised to visit all University premises and to have access to any assets, minutes, books, documents or any information kept by the University. Governors, the Principal and Vice-Chancellor and other employees will provide whatever information, explanations and access may be required by those engaged in audit functions.

The Court shall instruct auditors to comply with the obligation placed upon them in relation to severance payments, as set out at 6.4.5 of these regulations.

### **10.2 Internal Audit**

Internal audit is an independent function; the work carried out by the internal audit service is determined largely by the University's policy and strategy on managing risks. Internal audit is responsible to the Audit & Risk Committee for providing independent and objective evaluation of the systems of internal control.

The Head of Internal Audit is accountable to the Secretary of the University who is the Officer within the University with management responsibility for internal audit services and to the Court, through the Audit & Risk Committee, for the performance of the service.

Internal audit has responsibility for examining the adequacy, efficiency and effectiveness of systems, people and processes to identify potential risks and areas for improvement. The system of internal control is based on an ongoing process designed to identify and prioritise the risks, including information risks, to achieving strategic and operational aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

The prime purpose of this function is to reassure the Court, the Principal and Vice-Chancellor and Budget Officers within the University of the adequacy and effectiveness of the internal control system, risk management and governance processes.

### **10.3 External Audit**

The Audit & Risk Committee shall keep under review its external audit arrangements and conduct a formal review at least every three years. Court shall be invited by the Audit & Risk Committee to formally reappoint the external auditor each year.

The external auditor is accountable to the Director of Finance who is the officer within the University with management responsibility for external audit services.

The primary function of the external auditor is to verify that the financial statements of the University and to carry out such examinations of those statements and underlying records and control systems as is necessary to reach their opinion on the statements, which should give assurance, at least that, that the financial statements:

- give a true and fair view of the state of affairs of the Group and the University as at the accounting date and of the Group and the University's income and expenditure, movement on reserves and cash flows for the year then ended;
- have been properly prepared in accordance with UK generally accepted accounting practice, current charity

legislation and with any specific direction of the Scottish Funding Council; and that

- funds administered by the university for specific purposes have been applied for the purposes for which they were intended and, if relevant, managed in accordance with any terms or conditions attached to them.

In addition the external auditors are required to report, by exception if, in their opinion,

- the information in the narrative that accompanies the financial statements is inconsistent, in any material respect with the financial statements;
- there is any inadequacy in the accounting records;
- there is any disagreement between the financial statements and the accounting records; and
- they have not received all of the information and explanations required to conduct their audit.

The External Auditor will report annually, in a Management Letter, on any significant accounting and control issues arising from the audit.

Where he or she judges it appropriate, the External Auditor has the right to report directly to the Principal and/or to the Audit & Risk Committee and/or to the Court. Other reports will be provided by the external auditor in accordance with the requirements of the Code of Practice.

#### **10.4 External Auditor - non-audit services**

Non-audit services (other than taxation advice, which is subject to a regular tendering process) should normally be commissioned from the external auditor with the prior consent of the Audit & Risk Committee, via the Secretary of the University, and in accordance with the regulations governing the purchasing of services. In the event of an urgent requirement for non-audit services, they may be commissioned with the approval of the chair of the Audit & Risk Committee and the matter reported to the next meeting of the Committee.

#### **10.5 Audit by other external bodies**

Some external bodies and agencies, including the Scottish Funding Council, have rights of access to records in connection with financial matters. Similarly, other agencies, such as those to which the University is contracted to provide services, including UK Research Councils and the European Commission, may also have powers of inspection. UK HM Revenue and Customs has powers of inspection in connection with the administration of VAT and the deduction of Income Tax. Other Government departments and agencies may also have inspection powers, for example, in relation to National Insurance. The Director of Finance shall make available such access, explanations, documents or information that these bodies, agencies or inspectors may require.

## 11. Version control, key contact information

Version No	Date of Approval	Approving Authority	Brief Description of Amendment
V. XX	xx.xx.xxxx	e.g. UE	(include a broad summary of changes and detail any policies that have been superseded by the new document)