

Heriot-Watt University

FINANCIAL REGULATIONS

Introduction

These Regulations, which have been approved by the University's Court, lay down the responsibilities for financial management at Heriot-Watt.

The Regulations form a key component of Heriot-Watt's internal governance arrangements assisting in ensuring that the University fulfils its obligations, as laid down in the Scottish Funding Council's (SFC) current Financial Memorandum (effective from 1st January 2006), to maintain sound financial controls at all times..

The Regulations set out the major financial policies and procedures which concern the financial and budgetary functions of the University. (It is acknowledged that policies, regulations and procedures are, in some instances, amalgamated).

The current Regulations are available on the University's website and all senior managers and budgetholders are required to take all reasonable steps to ensure that all their direct and indirect employees (and any other relevant individuals) are, at all times, properly briefed as to the requirements and contents of those Regulations.

The Regulations set out principles and, in some areas, detailed guidance as to how financial transactions should be managed. On occasions when consideration is being given to entering into transactions of an ad hoc or specialist nature not explicitly covered in the 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.

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SECTION 1 – The Duties and Responsibilities of The Court

The Court, as the governing body of the University, is the ultimate decision taking body and has responsibility for the University's financial well-being.

The principal business of the Court is the consideration of strategic plans and annual budgets, finance issues, setting and review of appropriate performance measures and ensuring that there is a clear definition of delegated powers and lines of accountability.

The Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that the accounts are prepared in accordance with the University's Charter, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Scottish Funding Council and the Court of the University, the Court, through its designated office holder, is required to prepare accounts for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the accounts to be prepared, the Court has to ensure that:

- they are prepared on the going concern basis in that the Court is satisfied that the University has adequate resources to continue in operation for the foreseeable future.
- suitable accounting policies are selected and applied consistently.
- judgements and estimates are made that are reasonable and prudent.
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the Accounts.

The Court has to take reasonable steps to:

- ensure that funds from SFC are 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. Under the terms of the Financial Memorandum the designated officer, who is required to ensure such compliance, is the Principal and Vice-Chancellor.
- ensure that there are appropriate financial and other internal controls in place to safeguard public funds and funds from other sources. This system of internal control will be frequently reviewed and developed in line with current best practice.
- safeguard the assets of the University and prevent and detect fraud.

- secure the economical, efficient and effective management of the University's resources and expenditure.
- ensure that the University management has an adequate system of internal control, and regularly monitors and reviews its effectiveness. Such a system should be designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable but not absolute assurance against material misstatement or loss.

The Court will ensure that the University has a robust system of internal financial control through:

- Definition of responsibilities, and the authority delegated to, heads of academic schools and support services.
- A comprehensive planning process for all schools and support services. This process is overseen by the Deputy Principal (Strategy & Resources) together with the Director of Finance and the Director of Planning. (see Regulation 4.2)
- Monthly reviews of financial results.
- Clearly defined requirements for approval of expenditure as set by the Court.
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Court.
- Detailed financial regulation dealing with the capitalisation of Fixed Assets (see regulation 8.1)
- An Internal Audit team whose annual programme is approved by the Audit Committee and who report to the Audit Committee.
- Recommendations from the external and internal auditors being implemented to agreed time plans.
- Ensuring proper accounting records are being kept.
- Ensuring that all financial statements give a true and fair view and are properly prepared in accordance with the SORP, applicable law and UK Accounting Standards.
- Ensuring that processes are in place to report whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received.

SECTION 2 – Status and Scope of the Financial Regulations

2.1 Heriot-Watt University is a chartered corporation.

The University's Charter and Statutes (which can only be amended with the approval of the Privy Council) establish the structure of its governance.

Details of the Charter, the Statutes and the Ordinances & Regulations may be found on the University's website

The Financial Regulations of the University form part of the University's Ordinances and Regulations.

2.2 The University is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act (ICTA1988).

Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

2.3 The University is registered as an exempt charity with the Office of the Scottish Charities Regulator (OSCR).

2.4 All assets and liabilities are vested in the Court of the University.

2.5 These Regulations apply to both the University and to all of the entities comprising the Heriot-Watt group and must be complied with by all Heriot-Watt employees, members of Court, other committee members and all other persons representing or acting on behalf of the group.

2.6 The Regulations apply to all financial transactions entered into by Heriot-Watt, regardless of the source of funds or the nature of the expenditure.

2.7 In the event of conflict the Financial Regulations take priority over any and all 'localisations' adopted with regard to the appropriate treatment of financial transactions.

2.8 Failure to comply with the Financial Regulations may be subject to appropriate action under the University's disciplinary procedures.

2.9 All material breaches should normally be reported to the Audit Committee in the first instance.

- 2.4 The Audit Committee, which reports to Court, is responsible for maintaining a continuous review, at least on an annual basis, of the Financial Regulations and will advise Court of any additions or changes that are, from time to time, necessary. (See also paragraph 2.1 above). Section 3 below sets out the procedure by which such amendments will be approved.

SECTION 3 – Authorisation and Change Processes for the Financial Regulations

- 3.1 The Financial Regulations require the approval of the Audit Committee, acting as a sub-committee of Court, before they are deemed to be effective.
- 3.2 The Audit Committee will consult with the Finance Committee on proposed changes to the Financial Regulations where these are expected to have a material financial impact on the University's financial results and/or financial strength.
- 3.2 When an urgent issue arises between Audit Committee meetings the Principal and Vice-Chancellor, Chair or Vice-Chair of the Court may, acting on the recommendation of either the Secretary of the University or the Director of Finance, authorise a temporary change to the Financial Regulations provided the change is agreed to be appropriate by both officeholders.

All such changes must be submitted to the next scheduled Audit Committee meeting for approval. If this is not forthcoming then the temporary change shall be deemed to have lapsed with immediate effect.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	University Organisational Structure
Regulation Number	4.1
Date Regulation Created	04/10/2006
Version	1
References	Heriot-Watt University Royal Charter of 1966
Author	Group Financial Accountant
Reviewer	Financial Regulations Review Committee: 04/10/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
<p>Objective:-</p> <p>To define the management and committee structures for top-level decision-making processes.</p>	
<p>Scope:-</p> <p>All areas of University administration.</p>	
<p>Responsibility:-</p> <p>The University management structure is proposed by PME and authorised by Court. PME, under the supervision of the Finance Committee, is responsible for the organisation of all business aspects of University activities.</p> <p>Detailed information on the University's structure is available at http://www.hw.ac.uk/foi/publication.pdf See its appendices for: 1. Ordinances and Regulations of the University, 2. Schools and Postgraduate Institutes, and 3. Committees of Court and Senate. Included in the above are descriptions of the committee structure at Appendix A : http://www.hw.ac.uk/committees/committee_structure.pdf and of the management/administrative structure of the University at Appendix B: http://www.hw.ac.uk/management/admin_structure.pdf</p>	
<p>Processes:- N/A</p>	
<p>Risk:-</p> <p>Lack of clarity on responsibilities for decisions.</p>	

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	THE PLANNING CYCLE
Regulation Number	4.2
Date Regulation Created	13/09/2006
Version	2
References	
Author	Group Management Accountant
Reviewer	Financial Regulations Review Committee: 13/09/2006 Expanded Review Committee: 16/01/2008
Approved	PME: Finance Committee:
Objective:-	<p>The annual Planning and Budgeting Cycle is a series of meetings and events which are designed to aid financial 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 Corporate plan. The system is designed to incorporate both top-down and bottom-up contributions and to allocate resources selectively. The output from the Cycle is a set of Financial Statements covering the current financial year and following three years which is required to be submitted to the Scottish Funding Councils by 30th June each year.</p>
Scope:-	<p>All cost centres are grouped into a set of 17 Planning Units – eight of which being the Schools/Postgraduate Institutes, one Catering, Conferences and Residences (CCR) and 8 representing central departments. Each Planning Unit submits financial forecasts for the current year and projections for the following five years on standard templates, copies of which are presented in the attached Appendix B for illustrative purposes. In the course of the year, three sets of Planning Meetings are held with each of these Units.</p> <p>3.1 The Planning Meetings are attended by:</p> <p><u>from the Centre:</u> Deputy Principal (Strategy & Resources) – Chair for School Meetings Director of Planning Director of Finance – Chair for non-School areas Group Management Accountant</p> <p><u>from the Planning Unit:</u> Schools/Institutes: Head of School and Directors of Learning and Teaching, Research and Resources/Administration School/Institute Financial Controller</p>

Non-Academic Departments: will be represented by the PME member responsible for the Table 6 budgets

Planning Unit Financial Controller(s)

Clerk for the meeting (Minutes are the responsibility of the Unit itself)

3.2 Planning Meeting Agenda, etc

The agenda varies according to the point in the cycle:

3.2.1 Quarter 1 (November/December) Planning Meetings:

- Review of Financial Out-turn for previous year (to July 31st)
Review of performance against targets
For Schools/CCR, review of Income & Expenditure Accounts
– after central costs allocation.
- Financial progress for current year – comparison against budget (first quarter's management accounts), latest year-end projections
For Schools, review student intake/retention figures against targeted numbers.
- Confirm that Unit is working to previously agreed performance targets
Consider any actions required in the light of current position/projections
- Discuss Unit's Strategic Plan (in the context of the University's overall Strategy)

3.2.2 January

- All Units commence preparation of first draft budget/plan for the next year, plus following four years.
- Guidelines and timetable issued by Director of Finance. These include pay and non pay inflation rates and assumed tuition fees.

3.2.3 Quarter 2 (February/March) Planning Meetings

- Financial progress for current year (half year management accounts) – comparison against budget, latest year-end projections
Consider any actions required in the light of current position/projections
- We intend to continue operating on the basis of a rolling 5 year plan
Detailed discussion of proposed budget/forecasts for the next 5 years, including likely constraints/targets
- For Schools, agree target numbers for various categories of students (intake & population)
- Discuss Capital Expenditure requests. (see Appendix A)

3.2.4 April

- Iterate budgets being proposed by the Planning Units for the next year in the light of overall University position and targeted surplus and SFC grant letter.

3.2.5 Quarter 3 (May/June) Planning Meetings

- Financial progress for current year – comparison against budget, latest year-end projections
Consider any actions required in the light of current position/projections
- For Schools, review target numbers for various categories of students (intake & population)

Consider in the light of latest recruitment statistics

- Agree final target numbers
- Conclude the 5 year rolling strategic planning process by approval and sign-off
Agree final overall financial performance targets for the next year
- Consider risks and uncertainties (up or down)
- Review Capital Expenditure plans.

3.2.6 June

- Ensure final budget details correspond to overall agreed targets
- Management Executive approves Budget/Plan and submits to Finance Committee, Court
- Approved Budget/Plan, along with Strategic Plan document, sent to Funding Council

3.2.7 The cycle is repeated each year and makes provision for the monitoring of previous years' plans as part of the on-going process of reviewing progress towards strategic aims and objectives.

Responsibility:-

The Planning and Budgeting Cycle is the joint responsibility of the Deputy Principal (Strategy & Resources) and Director of Finance.

Processes:-

Described above under 'Scope'

Risk:-

The cycle involves active participation from a large number of key individuals on specific dates in the year. These dates must be kept if the end result of producing the strategic plan financial forecasts by 30th June after going through the appropriate committees is met. There is very little slack built into the timetable and if the meeting dates are pushed back as a result of unforeseen commitments of key personnel there is a risk of not completing the SFC financial forecasts by 30th June.

APPENDIX A

Summary of Protocols for Proposed Capital Expenditure

Proposed capital projects should be supported by:

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

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	INTERNAL AUDIT
Regulation Number	4.3
Date Regulation Created	04/10/2006
Version	1
References (external)	Scottish Funding Council's Code of Audit Practice
Author	Group Financial Accountant
Reviewer	Financial Regulations Review Committee: 04/10/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:- To comply with the requirement on each Scottish Higher Education Institution to have an internal audit function, arising from the Financial Memorandum between SFC and Scottish Executive Enterprise and Lifelong Learning Department (ELLD).	
Scope: - To ensure that: <ul style="list-style-type: none">• business activities are conducted in a controlled and efficient manner;• legal and professional requirements, management instructions and implied intentions are complied with;• decisions are made by authorised persons, based on adequate and sound information;• transactions, income, expenditure, liabilities and assets are completely and accurately recorded;• assets are safeguarded; and• economy, efficiency, effectiveness and quality of all operations are promoted.	
Responsibility:- The Court of the University, through the Audit Committee and the designated officer, the Principal, in accordance with the approved SFC Code of Audit Practice, is responsible for complying with the SFC requirement. The University Secretary and Director of Finance & IS/IT will agree the Annual Audit Plan and any revisions during an audit year. The internal audit service is responsible for providing the Court and other managers of the institution with assurance on the adequacy and effectiveness of the financial	

and other internal control systems, and for advising on compliance with corporate governance requirements and good practice guidance.

Processes:-

The University's internal audit service is provided by an external firm of accountants which has authority to visit all areas of the University and its subsidiary Companies and has access to all records appertaining to the finances of the University. It is also entitled to require such explanations as the internal auditors consider necessary to satisfy themselves of the correctness of any matter under the scope of their audit. The Audit Reports produced on the factual findings are discussed with the Head of School/section being audited prior to issue.

The Director of Finance and the internal audit service are empowered to perform value for money audits on any agreed aspect within University's activities.

Fraud and Irregularity: responsible budget holders have a responsibility to ensure sound systems of financial and other management controls; for example to help safeguard assets, financial information and systems from losses of all kinds including those arising from fraud and irregularity. Any member of staff with some evidence or concerns about a possible financial fraud or irregularity should express their concerns to their direct line manager. The internal audit service must be informed if the matter is to be investigated. If the member of staff with evidence or concerns about a possible fraud does not agree with their manager's decision then that member has a right of direct access to the internal audit service to express any concern with their manager's decision. Audit involvement is restricted to discussing the concern with the responsible management, investigating and attempting to determine the extent of any fraud, identifying any system weakness, and making recommendations for improvements within internal systems and controls. Any disciplinary matters arising will be dealt with according to recognised University procedures and rules as contained and understood in the Contracts of Employment and HR policies.

Risk:-

Non-compliance with SFC requirements, resulting in obligation to repay any sums received.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	RECORD RETENTION
Regulation Number	4.4
Date Regulation Created	30/08/2006
Version	1
References	Freedom of Information Act (Scotland) 2002 International Standard on Records Management (BS15489) HM Customs & Excise: Notice 700/21 (March 2002) HM Revenue & Customs: ww.hmrc.gov.uk/cts/record.htm
Author	University Archivist
Reviewer	Financial Regulations Review Committee: 30/08/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
<p>Objective:-</p> <p>To ensure consistent retention and disposal of records. To ensure compliance with legislative provisions (including Freedom of Information, HM Revenue & Customs requirements, Companies Acts) To preserve the audit trail of decisions and actions to support corporate accountability.</p>	
<p>Scope:-</p> <p>All original financial records.</p>	
<p>Responsibility:-</p> <p>University Archivist, Freedom of Information and Data Protection Officer</p>	
<p>Processes:-</p> <p>The University has defined Records Management policies: http://www.hw.ac.uk/internal/reference/HWURecordsPolicy04042002.pdf These are supplemented by procedures, including records retention policies for all the main series of records, which can be reached via the following link: http://www.hw.ac.uk/archive/records/FullPlan.pdf The retention schedules for different categories of documents are available by link. Current schedules for Finance are defined: http://www.hw.ac.uk/archive/records/Finance4.doc</p> <p>The basic requirement is that financial records must be kept for six years from the end of the accounting period to which they relate.</p>	

Risk:-

Non-compliance with statutory obligations

Financial loss if unable to provide documentary evidence to substantiate financial decisions / actions taken.

Lack of accountability.

Inconsistencies in document management resulting in significant administrative difficulties.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	FRAUD
Regulation Number	4.5
Date Regulation Created	26/09/2007
Version	1
References	
Author	Group Risk Manager
Reviewer	Financial Regulations Review Committee: 16/01/2008 Expanded Review Committee: 16/01/2008
Approved	PME: Finance Committee:
<p>Objective: -</p> <p>The objective of this regulation is to set out the responsibilities for dealing with irregularities or suspected irregularities in the exercise of the business of the University.</p>	
<p>Scope: -</p> <p>This regulation covers all areas of the University and its wholly owned subsidiaries.</p>	
<p>Responsibility: -</p> <p>The Secretary of the University must be informed, as soon as is practical, of any irregularity or suspected irregularity concerning financial matters.</p> <p>Fraud is defined as including any of the following: theft, false accounting, bribery, corruption, money laundering, forgery, deception and collusion or other financial malpractice.</p>	
<p>Processes:-</p> <p>The Secretary of the University is ultimately accountable for the investigation of all such matters, but will usually delegate to the Director of Finance the responsibility for setting up such investigations. He or she will involve the internal auditor and other relevant staff and, as appropriate, contact external agencies such as the police.</p> <p>The report produced from the investigations that are undertaken will be forwarded to the Secretary of the University who will take such steps as are necessary to pursue the matter. This may, if any investigation confirms the irregularity, involve the commencement of action under the University's disciplinary procedures. The University's Fraud and Response plan and policy can be viewed at www.hw.ac.uk/finance</p>	

Risk:-

Theft
Employee Dishonesty
Illegal transfer or diversion of money
False creation or unauthorised updates to accounting records
Falsification and duplication of invoices
Unauthorised bank accounts
Unauthorised use of cheques
False claims for expenses and allowances
Grant funds misappropriated
Unauthorised use of University assets for personal use
Unauthorised use of purchasing systems for personal use
Use of credit cards
Contractor favouritism
Theft or unauthorised use of assets
Theft of sensitive/restricted documentation or information

HERIOT WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	Authorised Signatories
Regulation Number	5.1
Date Regulation Created	22 November 2007
Version	V2
References	
Author	Project Accountant
Reviewer	Financial Regulations Review Committee: 16/01/2008 Expanded Review Committee: 16/01/2008
Approved	PME Finance Committee
Objective:- To ensure that only valid authorised transactions are processed.	
Scope:- Authorisation of expenditure must be in accordance with the schedule of authorised signatories and be in accordance with the delegated financial limits. Covers all financial transactions entered into by any University employee on behalf of the University.	
Responsibility:- The Director of Finance is responsible for all payments due by the University and must approve all payment procedures. The Head of School/Department is responsible for all purchases within their School/Department.	
Processes:- Director of Finance approved Authorisation levels set in the Oracle System Level 0: No authorisation Level 1: Up to £ 750 Level 2: Up to £ 2000 Level 3: Up to £ 5000 Level 4: Up to £12000 Level 5: Up to £25000 Level 6: Over £25000	

The master list of authorised signatories is maintained by Finance.

No transaction will be processed/approved unless authorised by a named individual on the list of authorised signatories.

Heads of School/Departments must provide the Group Financial Controller with a full list of specimen signatures every six months (as at 1st Feb & 1st Aug) and notify all changes to their list of authorised signatories immediately. Guidelines available from Accounts Payable.

Updates to the list of authorised signatories must be provided on an authorised signature sheet to the Finance department and be approved by the relevant Head of School/Department.

Finance has the authority to remove named individuals from the list of authorised signatories in the event that a material breach of any of the Financial Regulations.

Heads of School/Departments may further delegate authority to purchase goods or services to other members of staff. However, the Head of School/Department is responsible for ensuring internal controls are applied to ensure segregation of duties between ordering of goods and services and payment authorisation within their School/Department.

Authorised staff should not commit the University to expenditure without ensuring that sufficient funds are available within their budget.

All purchases should be made in accordance with Procurement department procedures, as agreed by the Director of Finance.

Personal purchases must not be made using University funds or facilities, whether by purchase order, purchasing card, expense claim or other means.

Unauthorised and/or improperly authorised transaction requests will be returned to the originator unactioned.

Risk:-

- Employees will commit the University to expenditure without appropriate authorisation in advance
- Unauthorised and/or improperly authorised purchases will be paid

HERIOT-WATT UNIVERSITY FINANCIAL REGULATIONS

Regulation Name	FINANCIAL REPORTING
Regulation Number	5.2
Date Regulation Created	04/10/2006
Version	1
References	Heriot-Watt University Royal Charter of 1966 Scottish Funding Council (SFC) Accounts Directions Financial Reporting Standards (FRS) Statements of Standard Accounting Practice (SSAP) Statement of Recommended Practice (SORP); Accounting for Further and Higher Education
Author	Group Management Accountant
Reviewer	Financial Regulations Review Committee: 04/10/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:- To present the responsibilities, rules and regulations which govern the completion of the University's external financial reporting and internal management accounts.	
Scope:- This regulation covers the statutory financial reporting requirements of the University and the main internal management accounting reports used for budgetary control and financial and performance management.	
Responsibility:- 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 be required to justify any of the University's financial matters to the Audit Committee of the Scottish Parliament. The University Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University, and enable it to ensure that the financial statements are prepared in accordance with these obligations. The Director of Finance is responsible for preparing the University's Annual Accounts and Financial Statements and ensuring that these are audited and presented to Finance Committee, Audit Committee and Court. Finance Committee is responsible for recommending approval of the Accounts to Court.	

The Director of Finance is responsible for completing the annual Finance Statistics Return to the Higher Education Statistics Agency (HESA). This return requires to be signed off by the head of the institution or by a person with suitable authority confirming that the data has been verified, is correct and is reconcilable to the published accounts.

The Director of Finance is responsible for completing and signing off the annual Financial Statements return for the Scottish Funding Council (SFC). This enables SFC to carry out a review of institutions Annual Accounts and is an established part of the Council's financial health monitoring framework.

The Director of Finance is responsible for completing the annual Strategic Plan Forecasts for SFC which presents forecasts for the current year and following three years. These statements form part of the Strategic Planning Documents which must be approved by Court and returned to SFC by 30th June each year.

The Director of Finance is responsible for completing the annual transparent approach to costing (TRAC) return to the Funding Councils. This should be signed off by the Head of the Institution and the governing body committee (Audit Committee) should also confirm compliance with the process standards set out in the TRAC Guidance.

The Group Management Accountant (GMA) is responsible for producing monthly financial reports to enable cost/profit centre managers to monitor income and expenditure against budgets. The GMA is also responsible for the monthly Management Accounts pack for PME which includes Income & Expenditure Accounts, Balance Sheet, Cash Flow and Key Performance Indicators.

The Group Financial Controller is responsible for producing the Balance Sheet and Cash Flow reports included in the monthly Management Accounts pack.

Financial Controllers responsible for subsidiary companies are responsible for producing periodic management reports for their Board of Directors/Board of Management.

Processes:-

In causing the Accounts to be prepared the Court ensures that:

- they are prepared on the going concern basis in that the Court is satisfied that the University has adequate resources to continue in operation for the foreseeable future.
- suitable accounting policies are selected and applied consistently.
- judgements and estimates are made that are reasonable and prudent.
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the Accounts.

This is achieved through:

- Annual reports by internal and external auditors via Finance & Audit Committees

to Court on compliance with the above.

- Annual external audit.
- Operating an internal audit function.
- Establishing and enforcing Financial Regulations

The accounting policies used in the preparation of the University's Annual Accounts and Financial Statements are based on the Statement of Recommended Practice (SORP) for Accounting in Higher Education Institutions and the Statement of Recommended Practice (SORP) for charities.

The Financial Statements of companies wholly owned by the University or in which it has a controlling interest are, where material, consolidated into the University group accounts. Details of interests in the companies are provided in the Notes to the Accounts.

Management Accounts for wholly owned subsidiaries are presented to the Board of Directors/Board of Management of the companies as and when throughout the financial year.

The PME Management Accounts pack is prepared on a full accruals basis and includes a written commentary. It is presented to the Principal, Vice-Principal and Director of Finance in advance of the PME meeting around the middle of the following month. The most recent pack, post PME scrutiny, is also presented to the appropriate Finance Committee meetings.

The following are the main reports used by schools/administrative areas/profit centres to monitor budgetary control :

From the General Ledger

Management Summary – there is a variety of these reports which show income, expenditure and variance information by nominal account within cost centre for month, year to date and annual periods.

Transactions Listing – gives details of all transactions in the month for each income and expenditure nominal account.

Payroll Report – monthly list of all staff charged to each cost centre with the salary cost charged in the month.

Balance Sheet Report – monthly report of balances in each balance sheet nominal.

From the Projects Ledger

Research Budget/Spend/Balance Report – this is a report by project which, for the period selected by the user, presents the expenditure incurred on the research project against the budget and gives balance available totals.

Research Budget/Spend/Balance Summary – this gives one line for each project and can be run off by school or by institution. It lists the overall expenditure incurred on each project against budget and shows the balance remaining.

Risk:-

Non compliance with accounting policies could lead to a qualified audit statement.

Failure to lodge external returns could threaten future SFC funding.

Infrequent and/or inaccurate management accounts could lead to uninformed and bad management decisions being taken. They also weaken control of expenditure and limit the University's ability to achieve its financial targets.

HERIOT WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	Accounting Practice
Regulation Number	5.3
Date Regulation Created	22 November 2007
Version	Version 3
References	Statement of Recommended Practice: accounting for further and higher education (Aug 2007)
Author	Project Accountant
Reviewer	Financial Regulations Review Committee: 16/01/2008 Expanded Review Committee: 16/01/2008
Approved	PME Finance Committee
Objective:- To establish, improve and advance standards of financial accounting and reporting, in the public interest, and for the benefit of users, preparers, and auditors of financial information. To provide information that gives a true and fair view of the financial performance and financial position of the University.	
Scope:- The Statement of Recommended Accounting Practice (SORP), effective from 1 Aug 2007, reflects the changes in Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRSs), and in best accounting practice since 2003. The SORP combines the requirements of institutions of both further and higher education throughout the United Kingdom, reflecting the collaboration between the key stakeholders – Funding Councils, representative bodies, accounting practitioners and the Accounting Standards Board. The concept of the “true and fair view” is regarded as of paramount importance.	
Responsibility:- The Court, as the governing body of the University, is the ultimate decision taking body and has responsibility for the University’s financial well-being. The principal business of the Court is the consideration of strategic plans and annual budgets, finance issues, setting and review of appropriate performance measures and ensuring that there is a clear definition of delegated powers and lines of accountability.	

The Court has an Audit Committee which reviews the University's annual financial statements.

The Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University, and enable it to ensure that the financial statements are prepared in accordance with the University's Charter, the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, Accounts Directions from SFC and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the Court of the University, the Court, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

The Director of Finance is responsible for ensuring that University accounting practices are in compliance with all relevant financial reporting standards, the requirements of Funding Bodies, the accounting provisions of the Companies Act, and any other relevant legislation.

Processes:-

In causing the Accounts to be prepared the Court will ensure that:

- they are prepared on the going concern basis in that the Court is satisfied that the University has adequate resources to continue in operation for the foreseeable future.
- suitable accounting policies are selected and applied consistently.
- judgements and estimates are made that are reasonable and prudent.
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the Accounts.

The Court will take reasonable steps to:

- ensure that funds from SFC are 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. Under the terms of the Financial Memorandum the designated officer, who is required to ensure such compliance, is the Principal and Vice-Chancellor.
- ensure that there are appropriate financial and other internal controls in place to safeguard public funds and funds from other sources. This system of internal control will be frequently reviewed and developed in line with current best practice.
- safeguard the assets of the University and prevent and detect fraud.

- secure the economical, efficient and effective management of the University's resources and expenditure.
- ensure that the University management has an adequate system of internal control, and regularly monitors and reviews its effectiveness. Such a system should be designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable but not absolute assurance against material misstatement or loss.

The Court will ensure that the University has a robust system of internal financial control through:

- Definition of responsibilities, and the authority delegated to, heads of academic schools and support services.
- A comprehensive planning process for all schools and support services. This process is overseen by the Deputy Principal (Strategy & Resources) together with the Director of Finance and the Director of Planning. (see Regulation 4.2)
- Monthly reviews of financial results.
- Clearly defined requirements for approval of expenditure as set by the Court.
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Court.
- Detailed financial regulation dealing with the capitalisation of Fixed Assets (see regulation 8.1)
- An Internal Audit team whose annual programme is approved by the Audit Committee and who report to the Audit Committee.
- Recommendations from the external and internal auditors being implemented to agreed time plans.
- Ensuring proper accounting records are being kept.
- Ensuring that all financial statements give a true and fair view and are properly prepared in accordance with the SORP, applicable law and UK Accounting Standards.
- Ensuring that processes are in place to report whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received.

In all material respects, ensuring that income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Scottish Funding Council.

Risks:-

- University fails to comply with relevant financial reporting standards, the requirements of Funding Bodies, the accounting provisions of the Companies Act, and any other relevant legislation
- University fails to provide adequate financial controls to safeguard public funds
- University fails to ensure that funds are used only for the purposes that they are given
- University fails to safeguard the assets of the University

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	MANAGING A BUDGET
Regulation Number	5.4
Date Regulation Created	13/09/2006
Version	1
References	
Author	Financial Controller, SLS
Reviewer	Financial Regulations Review Committee: 13/09/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:-	<p>To establish an appropriate framework of budgetary management and control that ensures that:</p> <p>(a) budget management, including the planning and recording of commitments, is exercised within annual budgets approved by the Finance Committee unless the Universities Management Group agrees otherwise;</p> <p>(b) each Budget Holder receives monthly budget monitoring reports, compiled on an accruals basis and sufficiently detailed to enable them and their managers to fulfill their budgetary responsibilities;</p> <p>(c) expenditure is committed only against an approved budget head;</p> <p>(d) all staff responsible for committing expenditure comply with relevant local guidance and the financial regulations.</p> <p>(e) PME is presented each month with a management accounts pack which reports on financial performance.</p> <p>(f) the best use of resources and value for money is provided, identifying opportunities to improve economy, efficiency and effectiveness.</p> <p>(g) good practice is encouraged in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.</p>
Scope:-	All areas of the University

Responsibility:-

All Budget holders

Processes:- Following the confirmation of an approved Budget for the Year the following activities should be followed:

1/. Phase the allocated budget over the 12 months of the Financial Year taking note of trend analysis from previous years and other known factors.

2/. Re-forecasts of expected total income and expenditure based on actual trends and known outcomes should be made to Quarterly Forecasts as soon as they are recognised to enable Senior Management to take any other action that may be required.

3/. Regular reporting and discussions of income and costs compared to Budget figures must be held monthly with Budget holders and all relevant staff to review spend and income against Budget expectations. These monthly reviews are a key part of the annual process and will enable corrective action to be taken as required.

4/. To allow the correct actions to be taken as the year develops it is essential that all transactions are accounted for accurately and this should be confirmed first before reacting to a false situation.

5/. It is allowable to spend against nominal accounts which have no budget if there are sufficient funds in other nominals, provided there is no switching expenditure between pay and non-pay categories.

6/. Approved Budgets are not to be seen as a requirement to spend, and all activities through the year must be justified as necessary to allow savings to be made whenever possible

7/. No balances remaining unspent at the end of a Financial Year are available for carry forward to the next, unless for a ring-fenced grant.

8/. A full Audit Trail of workings must be kept backing up the initial approved Budget and covering all revisions to the Forecast for the Year.

Risk :-

The University may end up in breach of its Banking facilities and be unable to make targets submitted to SFC and other Funding bodies. Inability to meet a Budget may put future investment in the University at risk and undermine management of the Institution.

Failure to meet budgets on a consistent basis may lead ultimately to the University being unable to demonstrate sustainability resulting in possible withdrawal of funding.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	DEVOLVED BUDGETS AND RESPONSIBILITIES
Regulation Number	5.5
Date Regulation Created	06/09/2006
Version	1
References	
Author	Group Management Accountant
Reviewer	Financial Regulations Review Committee: 06/09/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:-	<p>The objectives of this regulation are to name the staff (job titles) who are responsible and/or accountable for various parts of the budgeting and resource allocation process.</p>
Scope:-	<p>This regulation covers all areas of the University and its wholly owned subsidiary companies.</p>
Responsibility:-	<p>It is the responsibility of the University Court to set the annual budget of the University on the recommendation of the Planning and Management Executive (PME).</p> <p>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 be required to justify any of the University's financial matters to the Audit Committee of the Scottish Parliament.</p> <p>The Director of Finance & IS/IT is responsible to the Principal for the day to day financial administration of the University, including the preparation of annual capital and revenue budgets, cash flows and financial plans and the preparation of statements of account, management information, and the monitoring and control of expenditure against budgets. The Director of Finance & IS/IT is responsible for reporting any material variances.</p> <p>Heads of Planning Units are allocated budgets for their respective unit i.e. School or central area and are responsible to the Principal for the financial management of that budget. This overall responsibility as budget holder cannot be delegated to other staff.</p>

Heads of Planning Units are responsible for establishing and maintaining clear lines of responsibility within their unit for all financial matters. The Director of Finance & IS/IT has responsibility for advising Heads of Planning Units in the execution of their financial duties, as well as supervising and approving the financial systems operating within each unit, including the form in which accounts and financial records are kept.

Where resources are devolved to sub budget holders, they are accountable to the Head of the Planning Unit for those resources. Neither the Head of the Planning Unit nor any sub budget holder has any authority to commit the University to expenditure that will result in their budget becoming overspent.

The budget holder's responsibility for a budget means :

- The control of income and expenditure within an agreed budget is the responsibility of the Head of Planning Unit who must ensure that day-to day monitoring is undertaken effectively.
- Significant deviations from agreed budgetary levels of income and/or expenditure must be reported as soon as the departure or likely departure becomes apparent, by the Head of Planning Unit concerned to the Director of Finance & IS/IT.

The Director of Finance & IS/IT is responsible for :

- Supplying summary budgetary reports on all aspects of the University's finances to PME on a basis determined by PME. These reports are also presented to Finance Committee and Court as appropriate.
- Supplying detailed budgetary reports to Heads of Planning Units in a standard agreed format and in accordance with an agreed timetable.

Processes:-

The relevant process for this Regulation is Budgetary Control and this is described in detail in Regulation 5.5.1 Managing a Budget.

Risk:-

Not appropriate for this Regulation.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	CODING STRUCTURE
Regulation Number	5.6
Date Regulation Created	30/08/2006
Version	1
References	
Author	Financial Controller EBS
Reviewer	Financial Regulations Review Committee: 30/08/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:- To ensure each transaction is accurately input to the ledger. To integrate the financial and costing ledgers into one, thereby satisfying both budgetary control and transparency review requirements.	
Scope:- All financial transactions.	
Responsibility:- The Finance Office is responsible for all amendments/additions to the range of codes available for use. Staff must provide a code for every transaction.	
Processes:- The Oracle Financials System coding structure is made up of seven segments for which each one has a range of codes; <ul style="list-style-type: none">• Company• Cost Centre.• Nominal• Activity• Project Identifier• Job Code• Inter-Company The Oracle Financial system has built in cross-validation rules to ensure that any previously identified invalid code combination cannot be used.	

Appendix A provides details of each segment.

A copy of the Chart of Accounts can be obtained from the Systems Accountant, Finance Office. Enquiries and requests should be addressed there.

Risk:-

Incorrect use of the coding structure results in potential:

- Misstatement of School or University bottom line
- Over/Under statement of assets/liabilities
- Processing and reporting delays

Oracle General Ledger Coding Structure

APPENDIX A

Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6	Segment 7	Segment 8
Company	- Cost Centre	- Nominal	- Activity	- Project Indicator	- Job Code	- Inter-Company	- Spare
3 Alpha	4 numeric	4 numeric	1 Alpha 2 numeric	1 numeric	5 Alpha/numeric	3 Alpha	5 alpha/numeric
Mandatory	Mandatory	Mandatory	Mandatory in P&L 0000 in BS	System generated	Optional or 00000	Dependent on transaction	Always 00000

Notes:

Company Identifies the entity within Heriot-Watt, e.g. HWU, HWT, ECC, EBS, SVL

Cost Centre Identifies the School/Dept/Admin Area

Nominal Identifies the type of Income, Cost or Balance Sheet transaction. Income codes start with a 0, Expense Codes are in the range 1xxx to 5999 and Balance Sheet codes in the range 6000-9999

Activity Identifies the activity as being Teaching, Research or Other as required by the Transparency Review. The code can only be 0000 when the nominal code is a Balance Sheet one.

Project Indicator Identifies whether or not the transaction has originated from the Projects Module. A '0' indicates that it is not a Projects transaction. Codes of 1 to 9 or A to Z indicate a Projects transaction. A code 9 indicates the transaction has been imported (e.g. payroll). The other codes are determined by the VAT status of the Project.

Job Code Cfacs job codes in relation to activities which are not on Projects can be used as an Oracle job code. New job codes will be set up within a range unique to each School/Admin area

Inter-Company There are 2 purposes for this segment:

1. When the transaction is between one entity and another this segment MUST be completed. For example if EBS makes a charge to HWU the code credited in EBS will have an inter-company segment of HWU. The charge in HWU will have an inter-company code of EBS
2. Where a recharge from one part of HWU to another is being made then the inter-company segment can be used to identify where the charge has come from and/or gone to. For example in a Printing recharge to EPS then the credit in Printing's accounts will have an inter-company code of EPS. In the EPS accounts the debit will have an inter-company code of MED (for media)

TEMPLATE FOR CREATION OF FINANCIAL REGULATIONS

Regulation Name	Intra & Inter-Company Transactions
Regulation Number	5.7
Date Regulation Created	06/08/2007
Version	1
References	
Author	Financial Accountant, Accounts Receivable & Accounts Payable
Reviewer	Financial Regulations Review Committee: 09/08/2007 Expanded Review Committee: 09/08/2007
Approved	PME: 23/08/2007 Finance Committee:
<p>Objective:-</p> <p>To ensure that all financial transactions between areas of the Heriot-Watt Group with separate accounting requirements are treated with due authorisation and correctly accounted for.</p>	
<p>Scope:-</p> <p>All financial transactions where an area of the Heriot-Watt Group either:</p> <ul style="list-style-type: none"> • has a separate accounting requirement stipulated by law or by statements of recommended practice, or • is identified as a separate budgetary unit for the purposes of other financial reporting. 	
<p>Responsibility:-</p> <p>a) It is the responsibility of the Group Financial Controller to identify whether the nature of the relationship between areas of the Heriot-Watt Group requires their financial transactions to be treated as between two separate legal entities.</p> <p>Transactions between these areas will be classed as ‘Inter-company’ transactions.</p> <p>It is the responsibility of the Group Financial Controller to set out procedures for Inter-company transactions which:</p> <ul style="list-style-type: none"> • comply with legal and/or accounting requirements, • comply with this regulation, and • maintain good corporate governance 	

It is the responsibility of the Group Financial Controller to ensure the compliance of all Heriot-Watt University staff with these procedures.

- b) It is the responsibility of the Group Management Accountant to determine what types of income and expenditure are recharged between separate budgetary units for the purposes of other financial reporting.

Transactions between separate budgetary units, either a subsidiary company or the University, will be classed as 'Intra-company' transactions.

It is the responsibility of the Group Management Accountant to set out procedures for Intra-company transactions which:

- ensure compliance with external and internal reporting requirements,
- comply with this regulation, and
- maintain good corporate governance

It is the responsibility of the Group Management Accountant to ensure the compliance of all Heriot-Watt University staff with these procedures.

Processes:-

All Inter-company transactions will be documented on a separate invoice between the transacting areas.

Cash transfers will be made in settlement of all Inter-company liabilities on payment terms determined by the Group Financial Controller.

All Intra-company transactions will be processed as set out in the document 'Intra-company Transaction Procedures'.

Risk:-

Failure to process Inter-company transactions correctly may result in financial statements and statutory returns not being complete and accurate and expose the University to the imposition of fines and charges or damage to its reputation.

Failure to process Intra-company transactions correctly may result in financial statements not being complete and accurate and expose the University to additional or un-budgeted costs or damage to its reputation.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	YEAR/MONTH END INSTRUCTIONS
Regulation Number	5.8
Date Regulation Created	06/09/2006
Version	1
References	
Author	Senior Systems Accountant
Reviewer	Financial Regulations Review Committee: 06/09/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:-	<p>To establish and communicate calendar for month-/year-end accounting closing procedures.</p> <p>To provide instructions on the detailed procedural steps required to accomplish closing in an accurate and timeous manner.</p> <p>To monitor performance of the above tasks.</p>
Scope:-	<p>All period-end transactional routines in the financial and management accounting systems.</p>
Responsibility:-	<p>Senior Systems Accountant is responsible for planning, co-ordinating and overseeing the detail of the closing process.</p>
Processes:-	<p>The Senior Systems Accountant issues Month End Timetable (see Appendix) to finance staff (including Financial Controllers) to advise them of deadlines.</p> <p>At period end the detailed steps laid out in Month End Procedures - Instructions are executed.</p> <p>The Month End Procedures - Checklist is completed to monitor and evidence completion of each step in the correct order.</p>

Risk:-

Recognition of income and expenditure in wrong accounting period.

Unreliable management information.

Breakdown of budgetary control system.

Unfavourable audit opinion.

August 2007						
S	M	T	W	T	F	S
			1	2	3	4
			2	3	4	
5	6	7	8	9	10	11
	5a		5b***		6	
12	13	14	15	16	17	18
	6			7		
19	20	21	22	23	24	25
			FC	PME		
26	27	28	29	30	31	
					1	

September 2007						
S	M	T	W	T	F	S
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	2	3	4	5		
9	10	11	12	13	14	15
	6	6		7		
16	17	18	19	20	21	22
	Holiday		FC	PME		
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30					1	

October 2007						
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	2	3	4	5		
7	8	9	10	11	12	13
	6	6		7		
14	15	16	17	18	19	20
	FC			PME		
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28	29	30	31			
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November 2007						
S	M	T	W	T	F	S
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				2	3	
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			PME			
25	26	27	28	29	30	
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December 2007						
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	2	3	4	5		
9	10	11	12	13	14	15
	6	6	7*	PME*		
16	17	18	19	20	21	22
		FC				
23	24	25	26	27	28	29
30	31	Holiday	Holiday	Holiday	Holiday	

January 2008						
S	M	T	W	T	F	S
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		Holiday	Holiday	2	3	
6	7	8	9	10	11	12
	4	5		6	6	
13	14	15	16	17	18	19
				7		
20	21	22	23	24	25	26
		FC		PME		
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				1		

February 2008						
S	M	T	W	T	F	S
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					2	
3	4	5	6	7	8	9
	3	4	5		8	
10	11	12	13	14	15	16
		6	6		7	
17	18	19	20	21	22	23
		FC		PME		
24	25	26	27	28	29	
					1	

March 2008						
S	M	T	W	T	F	S
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	2	3	4	5		
9	10	11	12	13	14	15
	6	6		7		
16	17	18	19	20	21	22
		FC		PME	Holiday	
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30	31	Hol				

April 2008						
S	M	T	W	T	F	S
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		2	3	4	5	
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		6	6			
13	14	15	16	17	18	19
			7			
20	21	22	23	24	25	26
		FC		PME		
27	28	29	30			
			1			

May 2008						
S	M	T	W	T	F	S
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				2	3	
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	4	5		8		
11	12	13	14	15	16	17
	6	6		PME		
18	19	20	21	22	23	24
	Holiday	Holiday	FC			
25	26	27	28	29	30	31
				7	1	

June 2008						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
	2	3	4	PME		
8	9	10	11	12	13	14
	6	6				
15	16	17	18	19	20	21
22	23	24	25	26	27	28
		FC	7			
29	30					
	1					

July 2008						
S	M	T	W	T	F	S
		1	2	3	4	5
		2	3	PME	5	
6	7	8	9	10	11	12
		6	6			
13	14	15	16	17	18	19
		FC				
20	21	22	23	24	25	26
27	28	29	30	31		
				1		

Month End Timetable

Notes

- at 4.00pm (**10.00am) the following Modules will be closed for the period: - Accounts Payable, Accounts Receivable, and Purchasing. (FST). Cash Transactions (CO) and Projects Sales Invoicing (RGO) will also be closed.
- at 4.00 pm Capitalisation from Projects (AC) completed and Redistribution of IMRC Grants actioned. (RGO)
- at 4.00 pm Fixed Assets Module Closed (FST)
- Bank Reconciliations Completed (CO)
- (a) - at noon Projects Module Closed (FST)
(b) - at 3.45 pm General Ledger Closed for Period (FST) – (** Close at noon)
- Financial Controller's Commentary Meetings with I.J.Laing (IJL)
- Meeting with Principal to review Accounts (* are provisional)
- Forecast Budget creation to be completed by 5.00pm

Key

FST – Finance Systems Team

CO – Cash Office

RGO – Research Grants Office

AC – Agnes Cosgrove

IJL – Ian Laing

PME – Management Accounts tabled

FC – Financial Controller's Meeting

Version 2 – 24/08/07

2007/8

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	INCOME RECOGNITION
Regulation Number	6.1
Date Regulation Created	13/09/2006
Version	1
References	SSAP9: Stocks and Long-Term Contracts
Author	Group Management Accountant
Reviewer	Financial Regulations Review Committee: 13/09/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:-	<p>To present the University's policy on the extent to which income is recognised in the financial statements.</p> <p>To ensure accurate financial reporting, including compliance with SSAP9 Stocks and Long-Term Contracts.</p>
Scope: -	<p>This regulation covers all income received by the university and its wholly owned subsidiary companies.</p>
Responsibility:-	<p>It is the responsibility of the Director of Finance, on behalf of the University's Designated Accounting Officer (the Principal) to prepare and have approved by Court, principal accounting policies to be part of the Annual Accounts and Financial Statements. Recognition of income is one of these accounting policies.</p>
Processes:-	<p>Income from tuition fees is recognised in full in the year in which it is billed and includes all fees chargeable to students or their sponsors. This rule applies whether the education is delivered / taught in full in the year (e.g. UG or PGT programmes) or, as is the case for post-graduate research students and distance learning students, the education may be received over more than one financial year. The costs of any fees waived by the University and any scholarships given to students are included as expenditure in the Annual Accounts and monthly management accounts.</p> <p>Income from sponsored research which has been costed and awarded prior to the</p>

introduction of FEC is included only to the extent of direct and indirect expenditure incurred on each project during the year. Throughout the contract sponsors' payments received in excess of direct and the associated indirect costs charge permitted by the funder are included in the balance sheet within creditors; amounts falling due within one year.

Income from sponsored research costed and awarded under FEC is included in the financial statements and HESA return, on completion of the contract, to the value of the award only. During the course of the project income is recognised in the financial statements, HESA return and Management Accounts at an amount equivalent to the funded costs including any indirect costs. Income received in advance of costs is shown as a creditor in the Balance Sheet and income due but not yet paid is recognised as a debtor in the Balance Sheet.

Income from other grants, contracts and services rendered is included to the extent of the completion of the contract or service concerned.

Income from donations is credited to the income and expenditure account in the year in which it is received, unless specific restrictions apply.

All income from short-term deposits is credited to the income and expenditure account in the year in which it is earned.

Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments.

Risk :-

Failure to adhere to this regulation would result in the University being in breach of one of its principal accounting policies and could lead, in exceptional cases, to a qualified audit statement.

Failure to comply with SSAP9 may result in misstatement of the financial statements.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	SCOTTISH FUNDING COUNCIL GRANTS
Regulation Number	6.2
Date Regulation Created	20/09/2006
Version	1
References (external)	The Scottish Funding Council (SFC), established on 03/10/2005 under the Further and Higher Education (Scotland) Act 2005. See www.sfc.ac.uk
Author	Financial Controller, SBE
Reviewer	Financial Regulations Review Committee: 20/09/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 13/08/2007 Finance Committee:
Objective:- To ensure that the processes for application, receipt, apportionment and monitoring of SFC grants income within the University are clear and comply with SFC requirements.	
Scope:- To determine how SFC grants, covering teaching, research and knowledge transfer, infrastructure and strategic activities, are administered and the income allocated to Schools and other units and to explain the accounting treatment for recurrent and one off grants.	
Responsibility:- The Director of Planning is responsible for co-ordinating the application and apportionment of SFC grants to schools and other relevant central areas on the basis agreed by PME. The Director of Finance is responsible for the correct accounting treatment of the grants in line with SFC and internal requirements.	
Processes:- The following processes identify the different category of grants, the metrics used in determining the funds awarded, and the accounting treatment in the books of the University.	

Recurrent Grants

This Main Grants Letter announces the Council's decisions on the allocation of its recurrent grants for teaching and research for the academic year. It is usually issued in March each year and is based on student returns made in the previous December. See 'Glossary of Scottish Funding Grants': Appendix A

SFC allocates the recurrent grant to each university and this is then apportioned, by the Planning Department, to each School, Institute and Central Area. The formula used by SFC to allocate the recurrent grants is replicated in the distribution to the HWU cost centres.

The funding is received from SFC according to a profile of payments but the income in the HWU accounts is spread evenly throughout the year.

Non-Recurrent Grants

These are awarded under Research, Infrastructure and Strategic categories: see Appendix A

Research

(a) Strategic Research Development Grant (by invitation from SFC)

Based on proposals submitted annually and aligned with HWU research objectives. Internal competition to identify HWU proposals to SFC, as both funds and number of projects are limited. Successful awards are held by the proposer and treated in a similar way to the Principal Investigator in a contract research project. The grant is accounted for within the Projects Ledger and monitored against the budget award. Current examples of SRDGs are Research Pooling-ERP, SUPA, and ScotChem.

Infrastructure

(a) Learning and Teaching Infrastructure Funds (LTIF)

The fund income is received according to a predetermined profile and expenditure is accounted for in the Projects Ledger and monitored against the fund awarded.

(b) Science Research Investment Fund (SRIF)

The fund income is received according to a predetermined profile and expenditure is accounted for in the Projects Ledger and monitored against the fund awarded. Each institution is required to produce periodic and final reports to indicate evidence of achievement and spend and to identify major deviances from spend profile.

Strategic Funds

(a) Strategic Change Grant

The income is received against a pre-determined spend profile.

Risk:-

The Chief Executive of SFC requires to be satisfied (a) that the University has appropriate arrangements for financial management and accounting and (b) that the uses to which SFC payments are put are consistent with the purposes for which they are given. Failure to abide by these regulations may require SFC to suspend payment of grant, either wholly or in part and either permanently or temporarily.

SFC's Financial appraisal and Monitoring Service from time to time evaluates each Institution's internal control arrangements, and in particular reviews the extent of the Institution's compliance with the Code of Audit Practice. If the University fails to comply with any terms and conditions attached to funds from SFC, it may have to:

- (1) repay any sums received, and
- (2) pay interest in respect of any period during which the sum remains unpaid.

APPENDIX A

Glossary of Scottish Funding Grants

TEACHING

Main Teaching Grant- (Recurrent grant-Main Grants Letter)

The overall aim of the teaching funding method is to secure the higher education learning and teaching that students demand, in terms of quality, quantity, accessibility and mix, whilst achieving value for money from public funds. The calculation is based on institutions having fulfilled the conditions of grant relating to student numbers. The Council determines priority and non-priority funding subject groups, mainly for the purpose of considering requests made by HEIs for the transfer of funded student places.

Part- time Incentive Premium-(Recurrent Grant-Main Grants Letter)

This grant is to encourage more part-time provision and increased part-time student enrolment.

Widening Access Premium--(Recurrent Grant-Main Grants Letter)

This grant is to support institutions in improving the retention and progression of students from under-represented areas.

Disabled Students Premium --(Recurrent Grant-Main Grants Letter)

This grant assists institutes with the additional cost that they incur in providing additional materials and services for disabled students.

Part-time Fee Waiver Scheme--(Recurrent Grant-Main Grants Letter)

This scheme supports wider access and lifelong learning by waiving the fees of part-time undergraduate students from groups under-represented in Higher Education, including the unemployed, those from low income groups and those in receipt of non-means tested Disabled Student allowance.

RESEARCH AND KNOWLEDGE TRANSFER

Main Quality Research Grant--(Recurrent Grant-Main Grants Letter)

SFC allocate MQRG funding selectively to recognise and reinforce research excellence. The funding is distributed by formula on the basis of the outcomes of the periodic UK-wide Research Assessment Exercises (RAEs), which assess the quality of research activity in a range of subject areas (Units of Assessment). The allocation formula builds up allocations by Unit of Assessment on the basis of the RAE rating and volume of research activity

Research Post Graduate Grant--(Recurrent Grant-Main Grants Letter)

This Grant compliments the provisions already contained in the MQRG, and retains a separate funding stream to support research postgraduate funding.

Knowledge Transfer Grant --(Recurrent Grant-Main Grants Letter

In 2001-02 the Knowledge Transfer Grant (KTG) was introduced to provide the university sector with a long-term, flexible funding stream to support knowledge transfer activities, including commercialisation of research. This grant is based on a series of metrics which are collected annually.

Strategic Research Development Grant-(Non-recurrent-awarded by application and competition

The Strategic Research Development Grant (SRDG) was introduced in 2002 to enable Scotland's Higher Education Institutions (HEIs) and their partners to accelerate significant strategic investments in research infrastructure. The SRDG aims to bring together existing research strengths to further improve capability and quality, and to build capacity in areas of strategic importance to Scotland.

INFRASTRUCTURE FUNDS

Learning and Teaching Infrastructure Funds (LTIF)-New Scheme 2006-07 and 2007-2008 periodic award allocated mainly on a formula basis

The purpose behind LTIF is to ensure that institutions are provided with sufficient capital funds to allow them to re-invest in their capital assets on a sustainable basis. Examples of the use of this fund could be to fund major teaching infrastructure projects which sustain and improve teaching facilities, provide capital equipment for learning and enhance student support.

This new scheme started in 2006 is currently under a three-year life span, with the first year allocated on a rolling horizon basis. Each project awarded has an internal project leader, and project champion appointed within the PME. A Steering Group for the LTIF programme will meet monthly to monitor progress.

Current LTIF funds have been allocated to upgrade of lecture theatres, upgrade of network IT facilities and to the new Post Graduate Centre project.

Science Research Investment Fund (SRIF)-Non-recurrent-by invitation every 2 years

The Science Research Investment Fund (SRIF) is a major programme of investment in physical infrastructure for research funded jointly by the four UK Higher Education Funding Bodies and the Office of Science and Technology (OST).

SRIF also takes into account the need for institutions to make their expertise and facilities more open to access by business, and encourage collaboration between HEIs, industry, charitable bodies, Government and other partners.

The funding is intended to help address past underinvestment in research infrastructure and promote the sustainability of the research base. It can be used for:

- refurbishment of premises for research
- replacement, renewal or upgrading of research equipment

- replacement of premises or infrastructure for research by new-build or acquisition, where this is a better value solution than refurbishment

This Fund is awarded by invitation every two years. SFC indicates the total scale of SRIF resources and an amount is earmarked for each institution on a formula basis. The internal allocation is determined by competitive bids based on their research strengths and judged by the Research Co-ordination Board and signed off by PME. Each institution's share of the funding is released by SFC, subject to a satisfactory provision of financial and strategic plans to meet the full funding amount.

Each project awarded has an internal project leader, and project champion appointed within the PME. A Steering Group for the SRIF programme will meet monthly to monitor progress.

STRATEGIC FUNDS

Strategic Change Grant-awarded on the merits of the individual case submitted by institutions.

The Strategic Change Grant (SCG) is used to financially support projects that assist the strategic development of higher education institutions in Scotland. By this is meant major structural change and/or changes to ways of working which encourage and work towards the development and improvement of institutions' abilities to deliver their objectives, those of the Scottish Executive and those of the Scottish Funding Council's (SFC) corporate plan.

This grant does not wholly preclude single unit award, but is more in favour of collaboration between institutions. Application is made to SFC based on the merits of the strategic change, and if awarded the income is received against a pre-determined spend profile.

The application for SCG is approved by PME and a project champion is appointed. Periodic reports are required which provide evidence of spend against the awarded amount.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	TUITION FEES
Regulation Number	6.3
Date Regulation Created	15/09/2006
Version	1
References (external)	Ordinance 2: Fees, Charges, Fines and Debts
Author	Financial Controller and Director of Administration, SML
Reviewer	Financial Regulations Review Committee: 06/11/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:- To ensure that all income from Tuition Fees is accounted for fully and correctly in that - <ul style="list-style-type: none">• All students registered on ISS are billed for tuition fees at the correct rate for their course and are informed about outstanding debt;• Schools receive all tuition fee income for students registered on their courses;• Accounts Receivable debt collection processes are managed effectively.	
Scope:- This Regulation applies to UG, PGT, PGR, DL non credit bearing courses. <ul style="list-style-type: none">• When a student registers on a course, to ensure that the correct tuition fees are invoiced and paid timeously;• When a School/Institute registers students, to ensure that they receive the appropriate levels of fee income from those students.	
Responsibility:- <ul style="list-style-type: none">• SFC advises undergraduate fee levels.• Schools propose PG fee levels to Fees Working Group.• Academic Registry updates course fees on website and the Fees Matrix within ISS.• Academic Registry registers students.• Finance Office give advice on Fee payment options.• Students ensure prompt payment of their Tuition Fees.• Cash Office receives payments.• Accounts Receivable sends out statements of account.• Accounts Receivable implements HWU debt collection policy.• Schools ensure the income in GL is reconcilable to agreed student numbers and rates.	

Processes:-

- See Appendix A for Processes flowchart.

Policy on non-payment of student fees:

http://www.hw.ac.uk/policy/student_fees.pdf

Undergraduate and postgraduate fees are set annually by the University Court on the recommendation of the Finance Committee who take advice from the relevant academic bodies. Rules and procedures for amounts and conditions of payment by students are regularly reviewed. Failure to pay may entail the imposition of sanctions which can include termination of registration and/or postponement of graduation.

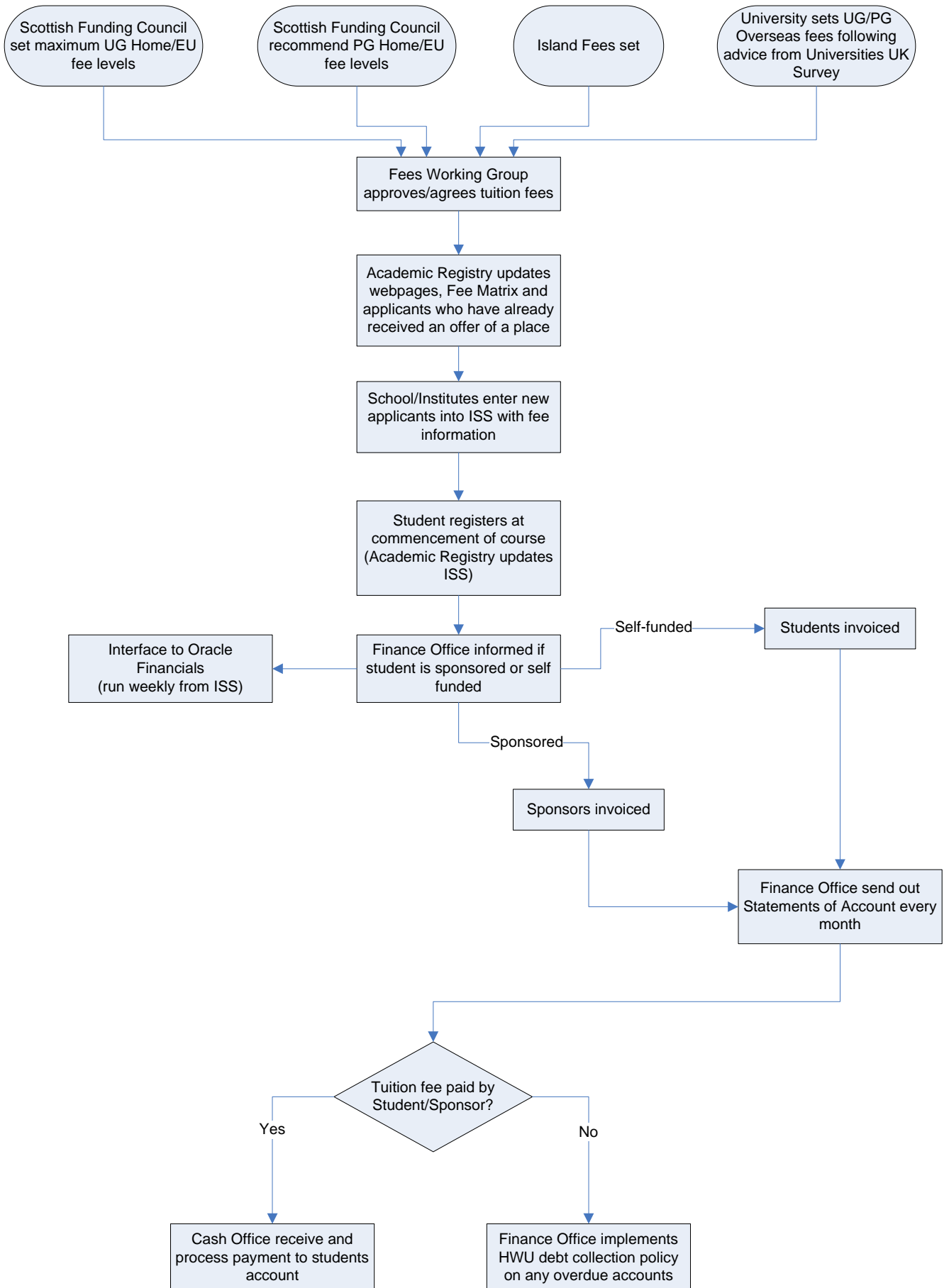
Matters concerning application and level of fees should be addressed to the Registration Office. The Finance Office should be consulted regarding payment of fees.

Risk:-

- Incomplete reporting of financial results and unrecorded debts.
- Loss or inappropriate treatment of cash receipts from students.
- Failure to meet budgetary targets for tuition fee income

HERIOT WATT UNIVERSITY - FINANCIAL REGULATIONS

Tuition Fees - Processes Flowchart



HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	SCHOLARSHIPS & ABATEMENTS
Regulation Number	6.4
Date Regulation Created	13/09/2006
Version	1
References	
Author	Management Accountant, Finance Office
Reviewer	Financial Regulations Review Committee: 13/09/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:- To ensure: <ul style="list-style-type: none">• University funds are appropriately used;• the appropriate approval process is followed;• correct accounting treatment for scholarships and abatements;• scholarships and abatements are included in the budget;• students are paid scholarships on time.	
Scope:- This regulation covers all areas of the University where tuition fees are chargeable, abatements awarded and scholarships payable.	
Responsibility:- It is the responsibility of the Head of School in collaboration with the Director of Recruitment and Admission to award scholarships. Financial Controllers are responsible for ensuring that all scholarships and abatements are included in the budget, procedures are being followed, and accounting is correctly done. The Finance Office is responsible for processing all scholarships and abatements in accordance with instructions received from the Financial Controllers.	

Processes:-

Scholarship payments are paid through Accounts Payable in Central Finance. The amount of scholarship to be paid to the student for the whole of the financial year together with the appropriate charge codes is entered onto the periodic payment request form and authorised by the Financial Controller.

These payments are paid equally over the financial year into the student's bank account by the 5th of each month. Payments are only made through UK bank accounts.

Scholarships to an individual totalling over £15,000 per annum must be notified to the Inland Revenue by the awarding school\department.

Abatements are available for the following categories of student:

- Exchange student
- Member of staff
- Spouse of member of staff
- Child of member of staff
- Department funded student
- Students funded by a grant to the University
- Scholarship funded student

[http://www.hw.ac.uk/registry/resources/RemissionOfFees\(Apr06\).pdf](http://www.hw.ac.uk/registry/resources/RemissionOfFees(Apr06).pdf)

Abatements must be approved by the Financial Controller. On notification by the Financial Controller of eligibility and category, the Finance Office amends each student record from self financing to the appropriate abatement category. The student is credited with the fee, the abatement account is charged accordingly and individual departments are debited.

Risk:-

Scholarships and abatements are not accounted for correctly and income and costs are under/overstated in the accounts.
Students face financial hardship if scholarship payments are not processed timeously.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	RESEARCH GRANTS & CONTRACTS
Regulation Number	6.4
Date Regulation Created	04/10/2006
Version	1
References	SSAP 9: Stocks and Long-Term Contracts
Author	Management Accountant
Reviewer	Financial Regulations Review Committee: 04/10/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:- To ensure (1) research projects are costed using full economic costing principles based on TRAC and (2) across the whole portfolio, taking one year with another, are fully funded either from project income or other University funds. To ensure accurate financial reporting of research activities, including compliance with SSAP9. To ensure that costs are accurately recorded and reported to funding bodies in accordance with agreed terms and conditions.	
Scope:- Sponsored research grants and research contracts.	
Responsibility:- <u>Principal Investigator (PI):</u> To identify potential projects and consider approaches made by potential sponsors. It is the PI's responsibility to ensure that all appropriate resources are costed into each contract and, if grants awarded, to ensure that the terms of each contract are met. <u>Head of School:</u> To examine applications for research funding to ensure that there is adequate provision of resources to meet all commitments. <u>Technology Research Service (TRS):</u> To check the costing of a proposal and produce management information and statistical reports on the numbers and value of proposals and awards.	

Research Grants Office (RGO):

For post award administration and ensuring that proper accounting practices are followed, in particular SSAP 9 “Accounting for Stock and Long-term Contracts”. Also responsible for the timely “closing of grants” and ensuring that any surpluses or deficits are credited / charged back to the School.

For further details see Appendix A.

Processes:-

A process flow diagram or process chart incorporating references to relevant supporting documents is in production (October 2006) in the Research Grants Office: (future Appendix B).

Link to TRS processes within the Research Regulation.
www.trs.hw.ac.uk/Internal/Docs/Forms/Awards%20Process%20Flow.doc

Risk:-

Unapproved / unbudgeted / uneconomic research activity.
Unrecoverable costs.
Omission from financial statements of unrecognised surplus or deficit through non-compliance with SSAP 9.

Research Grants

Administrative & Financial Responsibilities

1. Principal Investigator (PI):

The PI is responsible for identifying potential projects and considering approaches made by potential sponsors. It is the PI's responsibility to ensure that all appropriate resources are costed into each contract and if awarded to ensure that the terms of each contract are met. The PI is responsible for entering the project details (Project Name, Potential Sponsor and School) into the finance system. The PI also has responsibility (along with the School Financial Controller) for monitoring the income and expenditure of their project to ensure compliance with the award and to any milestones (eg technical reports) required by the contract.

2. Head of School:

The Head of School is responsible for examining applications for research funding to ensure that there is adequate provision of resources to meet all commitments. The Head of School should ensure that the full cost of Research Contracts is established and that the Director of Finance is kept informed of all matters pertaining to the financial administration of Research Grants and Contracts. Control of expenditure must be exercised within the relevant School/s. The Head of School may delegate day to day control of the accounts, but any overspend or under recovery of indirect costs will be the clear responsibility of the Head of School with any loss being a charge on school funds. The Head of School must inform the Director of Finance via the Technology & Research Services of any delegated authority in this regard.

3. Technology Research Service (TRS):

TRS are responsible for checking the costings of a proposal. TRS can also provide support to a PI in formulating a proposal. Once the project has been approved and accepted by the sponsor it is as the University's legal representative who signs the contract. TRS are responsible for producing management information and statistical reports on the numbers and value of proposals and awards.

4. Research Grants Office (RGO):

RGO are responsible for post award administration. RGO will "open grants" which will enable the project previously created by the PI to become active and incur costs. Each month RGO have responsibility for making ledger entries to ensure that income and expenditure are correctly matched for each grant. RGO are responsible for ensuring the timely invoicing of claims and where there are outstanding debts it is the responsibility of the RGO to contact debtors and

recover the monies due. RGO along with the School Financial Controller are responsible for ensuring that proper accounting practices are followed, particular SSAP 9 “Accounting for Stock and Long-term Contracts”, so ensuring that any identifiable gains or losses are charged to the School profit and loss accounts when they are identified. The RGO is also responsible for the timely “closing of grants” and ensuring that any surpluses or deficits are charged back to the School.

5. School Financial Controller:

Where approaches are to be made to outside bodies for support for research projects, or where contracts are to be undertaken on behalf of such bodies, it is the responsibility of School Financial Controllers to ensure that the financial implications, including, where appropriate, proper recognition of indirect costs have been fully evaluated. It is also the responsibility of the Financial Controller along with the RGO to ensure that costs and revenue are recognised in line with current accounting standards.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	CATERING, RESIDENCES & CONFERENCE INCOME
Regulation Number	6.6
Date Regulation Created	04/10/2006
Version	1
References	Ordinance 2: Fees, Charges, Fines and Debts
Author	Financial Controller, C&R (Caroline Wood)
Reviewer	Financial Regulations Review Committee: 04/10/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:- To ensure that all income from services provided by Catering, Residences and Conferences (including ECC Ltd) is accounted for correctly.	
Scope:- All income within Catering, Residences & Conferences including: <ul style="list-style-type: none">• Catering Sales• Student Accommodation• Conference events	
Responsibility:- University Secretary agrees annually student rents and letting periods with Students Association. Student Welfare Services allocate accommodation to students and issue contracts. General Manager, Catering & Residences, approves all catering price lists General Manager, Edinburgh Conference Centre, approves all conference price lists. Financial Controller for C&R is responsible for ensuring all income is accounted for properly in accordance with SORP.	
Processes:- <u>Accommodation Charges</u> Room rentals, rates and letting periods are updated in the ISS system on an annual basis Accommodation allocation is recorded on the students' records within ISS. ISS to Oracle interface is run weekly, to ensure that all amendments to student details are updated to Finance system and the invoice posted direct to the student for payment. Contracts are issued to students covering the period of let and detailing payment terms and fines and charges incurred for room moves. (see Appendix A) See also: Students' Handbook 2006/07, page 26	

Catering Sales

Catering sales are recorded via the C&R EPOS system – Caternet.

All sales transactions are recorded in the EPOS system at the time of sale and in the relevant catering outlet.

Cash sales are reconciled the following day and banked by C&R directly with the Royal Bank of Scotland. A receipt is generated within the financials system and coded to the General Ledger.

Credit sales (on account internal sales) are collated on a monthly basis and a journal is posted direct to the appropriate school/admin area using the GL coding provided.

Conference Events

All conference events are recorded in EBMS - Event Booking Management System – which is managed by Catering & Residences.

A contract is issued to the customer for each event. (See Appendix B)

At the end of each event, EBMS produces a pro-forma invoice which is used to enter into the Accounts Receivable function of the Financial System. This generates a unique invoice number

EBMS produces the final invoice which is posted direct to the customer and quoted the Invoice Number generated by the Financial System

A reconciliation is performed on a monthly basis to ensure that all events are invoiced and that EBMS and the Financial Systems agree.

Payment Methods

The following payment methods are accepted with any exceptions or restrictions noted:

Cash

Cheques: Sterling Cheques only. Not accepted at Catering Outlets with the exception of Scholars Restaurant and the Lectern Bar

Debit Cards: Not accepted at Catering Outlets with the exception of Scholars Restaurant

Credit Cards: Not accepted at Catering Outlets with the exception of Scholars Restaurant. A 1.75% transaction fee is applied to each credit card sale.

BACS Payments: Conference events only.

Direct Debit: Student Accommodation Fees only.

For further information on student accommodation payment methods and terms, please refer to:

Policy on non-payment of student fees:

http://www.hw.ac.uk/policy/student_fees.pdf

Risk:-

Incomplete reporting of financial results

Loss or inappropriate treatment of cash receipts from customers

Failure to meet budgetary targets for income

APPENDIX A – Residence Contract

TERMS AND CONDITIONS

Rent

1. A non-returnable reservation fee of £300 must be pre-paid by the student (hereinafter referred to as “the Resident”) and returned with the Acceptance of Offer of Accommodation, before the Resident will be given the relevant room key. No Resident will be granted occupancy of any room without payment of the reservation fee.
2. The rent for the room, which is determined by the University Court, shall be as stated on the foregoing Offer of Accommodation, payable in three instalments at the beginning of each term in accordance with the invoice presented to the Resident by Heriot-Watt University (hereinafter referred to as “the Landlord”). A Late Fee of 4% of the outstanding balance shall be made on any account unpaid 30 days after the first day of term.
3. Payment of the rent may be made by Direct Debit. Payment by Direct Debit shall be for the whole period of the Contract. Interest will not apply to Residents who have signed up to pay by Direct Debit, provided that all payments due under the Direct Debit are made timeously. The last date for completing Direct Debit Mandates is Friday 13th October 2006. Failure to complete and deliver the Direct Debit Mandate by the completion date will result in payment being required under the terms of clause 3.
4. The reservation fee shall be deducted from the rent due by the Resident for the first term of the Contract period.

Landlord’s Obligations

5. The rent includes a bed linen pack, heat, light, power and in self-catering accommodation, the use of a shared kitchen. Cutlery, crockery and kitchen utensils are not provided. A cleaning service is provided with the frequency of cleaning displayed in each Hall.
6. In catered residences a fee of £395.00 is payable per term for food. This sum is included within the rent. It is **not** optional, and no unused amount will be repaid or carried forward to any future term.
7. Keys to the accommodation shall be provided to the Resident on arrival. To maintain security it is essential that loss of any key is reported to the Landlord at the James Watt Centre Reception. A £20.00 charge shall be levied in respect of **any** replacement key issued. If at the end of **any period of let** a Resident does not return the keys before leaving, a fee of £80 will be charged.
8. The University Court, on the recommendation of the Landlord, may establish rules for conduct within the Halls and establish procedures for dealing with breaches of these rules. Such rules shall not vary the Terms and Conditions of the Contract and, in the

event of any conflict between the Terms and Conditions of the Contract and any University Ordinance, the University Ordinance shall prevail.

9. The Landlord shall appoint staff or agents who will be responsible for the maintenance of good conduct within the Halls and the surrounding areas.

Resident's Obligations

10. The Resident is responsible for the making of his/her own bed and for the general upkeep of the room, including communal areas. In self-catering residences the Residents are jointly responsible for the cleanliness of the kitchen. The Landlord reserves the right to enter the accommodation for cleaning purposes. Failure by a Resident to maintain a reasonable standard may result in an account being issued for extra cleaning. Periodic inspections may be carried out with 24 hours' notice. In addition all rooms will be checked for occupancy during the academic terms. In the event of repeated failure to maintain the rooms the Landlord may terminate this Contract
11. Sub-letting and double occupancy of rooms is specifically prohibited.
12. The Resident will be required to allow members of the Landlord's and University's staff, and outside Contractors appointed by the Landlord or University the right of access for the purpose of maintenance or inspections. Twenty-four hours' notice will be given, where possible, but cannot be guaranteed. The Landlord reserves the right to immediate access in circumstances where the Landlord's or University's staff, Warden or outside Contractor believes this access to be essential. Where a fault or repair requirement has been reported to the Landlord immediate access shall be deemed to have been given.
13. In the interests of hygiene and safety, pets may **not** be brought into the Hall. Sporting weapons, Offensive Weapons and other potentially dangerous implements or equipment, in particular firearms and fireworks, shall **not** be brought into the Hall. Bicycles are also prohibited within the Hall.
14. A no-smoking rule applies throughout the communal areas. The burning of candles and incense, and use of fairy lights, in the Halls is prohibited. No personal cooking appliances are permitted in the room. Any cooking appliances found in rooms will be removed and returned to the Resident at the end of the Contract.
15. For reasons of safety, any combustible fuel and heating appliances are prohibited unless issued by a member of the Landlord's staff. **All electrical equipment must be safety tested by the Resident and a Portable Appliance Testing (PAT) Certificate confirming same be available for inspection by the Landlord.** Fire detector heads must remain uncovered at all times.
16. The Resident agrees to abide by the rules made by the University Court and shall be expected to observe a reasonable standard of conduct and to have consideration for the other residents.

17. The Resident is required to vacate the room at the end of term by a date and time as instructed by staff. Failure to do so may result in a charge being levied.
18. The Resident is responsible for ensuring that utilities such as gas, electricity and water are used in a reasonable way. Failure to do so may result in disciplinary action.

Damages

19. The Resident shall not alter any part of the structure, furniture or fittings of the room nor shall anything be affixed thereto, except on any pinboard provided or as otherwise authorised by the Landlord. Any damage to the fabric of the room or furniture will be charged to the Resident.
20. The Resident shall be required to pay for any loss of or damage to the fabric, furniture and contents of the room and shall be jointly responsible with the other residents in the same Hall for the cost of making good any damage to communal areas therein. Any faults/damage should be reported immediately to the Landlord
21. The Resident shall leave the room in the same condition as he/she found it on arrival, fair wear and tear excepted. The Resident shall be responsible for controlling wanton damage and vandalism to the room. Where any loss or damage can reasonably be attributed to the Resident the Landlord shall make a charge for the loss or damage.

Termination

22. The Contract covers the periods as stated in the foregoing Offer of Accommodation. The Resident will only be allowed to terminate the Contract at the discretion of the Landlord. In such cases there will be an administration charge of £20 and a further charge equivalent to one month's rent in lieu of notice. These charges may only be waived on compassionate grounds approved by the Director of Student Welfare Services. If, for any other reason, a Resident is permitted to change room there will be an administration charge of £20.
23. The Resident shall not be entitled to terminate the Contract merely by vacating the room or returning the key. In such cases all liabilities remain in force until either the end of the Contract, or in the event that the Landlord permits the Contract to be terminated, the date of termination, whichever is the earlier.
24. If the Resident breaches any of the Resident's Obligations contained within the Contract the Landlord may terminate the Contract by giving 14 days written notice to the Resident.
25. If payment of the rent and interest is not made within 40 days of issue of the relevant invoice, or the due date for receipt of a direct debt payment, as appropriate, the Landlord may terminate the Contract by giving 14 days written notice to the Resident.
26. The Landlord may, on the grounds of gross misconduct of the Resident, terminate the Contract with immediate effect.

27. The Resident shall not be entitled to remain in the Halls of Residence if they are an unregistered student.

General

28. All sums due to the Landlord in respect of rent, loss, damage and charges shall be paid before the end of the period of the Contract. If any sum remains outstanding at the end of the Contract no accommodation will be offered to the Resident in future and the Landlord shall be entitled to recover the sum outstanding.

29. The Resident shall not be entitled to any rebate of rent in respect of any period during which he/she may be absent from the University.

30. The Landlord bears no liability for loss of or damage to the personal property of the Resident. All Halls have personal effects insurance. The policy provides loss or damage cover for personal effects as specified in the information which will be supplied to the Resident. The cost of the insurance is incorporated into the rent and forms part of the Contract.

31. The Landlord does not accept responsibility or liability for personal effects which are lost or stolen from the room or the Hall.

32. Where a non-disabled student has been allocated a disabled room and the need arises to place a disabled student in such a room, the current Resident of that room will be required to move. In such circumstances, the alternative accommodation will be, where possible, of similar standard.

33. The Landlord reserves the right to move students to alternative rooms on campus in the event of exceptional circumstances resulting from public health concerns, health and safety reasons or any emergency.

34. If, due to circumstances beyond the control of the Landlord, it is not possible to provide the room described in the foregoing Offer of Accommodation, the Resident will be offered an alternative room of a similar standard.

35. This Contract comprises 35 Clauses (including this one) and the Offer of Accommodation and Acceptance, together with any relevant University Ordinances, constitutes the entire agreement and understanding between Landlord and the Resident with respect to its subject matter and replaces and supersedes all prior agreements, undertakings or statements regarding such subject matter.

TERMS AND CONDITIONS OF BUSINESS

1. The contract to which these Terms and Conditions apply ("the Contract") is between Edinburgh Conference Centre Limited ("the Centre") and the person, firm, company or organisation specified in the Event Schedule overleaf ("the Visitor"), and is a contract for the provision of the conference facilities, accommodation, meals and other facilities and services specified in the Event Schedule ("the Facilities"). These Terms and Conditions of Business, in conjunction with the Event Schedule, will constitute the entire Contract.
2. A booking fee of £[] will be payable by the Visitor on signature of the Contract as confirmation of the reservation. Non-payment by [] will entitle the Centre to cancel the Contract by notice in writing to the Visitor.
3. A deposit will be payable by the Visitor at the rate of £[] per day for each residential delegate and £[] per day for each non-residential delegate (based on the agreed minimum delegate numbers specified in the Event Schedule). The deposit will be an advance payment of the charges for the Facilities. The Centre will invoice the Visitor for the deposit, and payment will be due within [] days of the date of the Centre's invoice. If the Visitor fails to make payment by the due date, the Centre may cancel the Contract by notice in writing to the Visitor.
4. Payment of the charges for the Facilities ("the Charges") will be due, in full, within [] days of the date of the Centre's invoice. If the Visitor fails to make payment by the due date, interest will accrue on the overdue amount from the due date until payment (after as well as before any decree or judgment) at a rate of 1% per month. Where any amount included in the invoice is disputed, the undisputed portion will be paid by the due date, and, after settlement of the dispute, any amount agreed or determined to be due will be paid within 7 days of settlement of the dispute.
5. The Visitor will give the Centre immediate written notice of any cancellation or postponement of the event to which the Contract relates, or any reduction in delegate numbers below the agreed minimum numbers. The notice will specify the nature of the circumstances giving rise to the cancellation or postponement or reduction. In the event of cancellation or postponement, the Centre will use reasonable endeavours to re-sell the Facilities on behalf of the Visitor. Where the event is cancelled by the Visitor, or the Contract is cancelled by the Centre under paragraph 3 above, paragraph 4 above will not apply, but a cancellation fee will be payable by the Visitor. This fee will be equal to a percentage of the full amount of the Charges for the agreed minimum delegate numbers after adjustment to exclude (1) any deposit paid under paragraph 3 above and (2) the Centre's reasonable estimate of the cost of food for the agreed minimum delegate numbers. The percentage applicable to the adjusted Charges (the "Cancellation Percentage") will be as per the following table:

length of period between receipt of notice under paragraph 3 or 5 and Date of Arrival specified in Event Schedule	percentage of adjusted Charges
	%
less than 43 days	100
between 43 and 84 days (both inclusive)	75
between 85 and 175 days (both inclusive)	50
between 176 and 365 days (both inclusive)	25
more than 365 days	0

The booking fee under paragraph 2 above will not be refunded on cancellation. Any deposit paid under paragraph 3 above will be refunded if the notice period exceeds 365 days, but will otherwise be non-returnable.

In the event of a reduction in delegate numbers to a figure which is below the agreed minimum numbers (but greater than zero), the Visitor will pay a fee equal to the Cancellation Percentage of the full amount of the Charges for the shortfall in numbers below the agreed minimum delegate numbers (excluding any shortfall already charged for under this paragraph), less (1) the portion of the deposit paid under paragraph 3 above relating to the shortfall (which portion will be refunded if the notice period exceeds 365 days, but not otherwise), and (2) the Centre's reasonable estimate of the cost of food for that shortfall. For this purpose, if no written notice of reduction is received by the Centre, the Cancellation Percentage will be 100%.

Payment under this paragraph will be due within [] days after the date of the Centre's invoice, with any overdue amount bearing interest from the due date until payment at the rate specified in paragraph 4 above. The Visitor is advised to arrange insurance against cancellation or abandonment of the event.

6. Menus for events requiring catering are to be selected at least 4 weeks prior to the commencement of the event.
7. The Centre reserves the right to increase the charges specified in the Event Schedule by notice in writing given not less than 6 months prior to the Date of Arrival specified in the Event Schedule. The Centre also reserves the right to pass on any increase in charges payable to a sub-contractor whose services it makes use of for the performance of the Contract.
8. The Centre reserves the right to cancel the Contract (without any liability to compensate the Visitor) if it is prevented from providing the Facilities in accordance with the Contract by reason of circumstances beyond its reasonable control. The Centre will, following cancellation, use reasonable endeavours (without being obliged to incur any expenditure or cost) to find alternative facilities for the Visitor. Where the Centre cancels the Contract under this paragraph 8, the booking fee, deposit and any other sums paid by the Visitor will be refunded in full.
9. The Centre will not be liable to the Visitor for loss of or damage to property, however it arises.
10. The Contract is subject to the law of Scotland, and the Centre and the Visitor agree to submit to the non-exclusive jurisdiction of the Scottish courts.

Signed for Centre:.....Signed for Visitor:.....

Name (print):..... Name (print):.....

Title/Position: Title/Position:

Date: Date:

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	CONSULTANCY
Regulation Number	6.7
Date Regulation Created	04/10/2006
Version	1
References	
Author	Financial Controller, EBS
Reviewer	Financial Regulations Review Committee: 04/10/2006 Expanded Review Committee: 27/04/07
Approved	PME: 23/08/2007 Finance Committee:
Objective:-	<p>To establish consistent policies and procedures that consulting activities may be properly monitored and controlled in order to promote the University, enhance its reputation and bring it financial benefit.</p>
Scope:-	<p>Activities by any member of staff in response to requests from outwith the University for consulting services.</p>
Responsibility:-	<p>Consultant – to perform work as contractually agreed with the customer.</p> <p>Head of School or his appointee - to ensure that potential consultant is fit to do the work, that normal duties are not compromised by the additional work and that the University's reputation will be enhanced.</p> <p>Financial Controller - to ensure that a satisfactory financial return is made on the consultancy.</p> <p>TRS – to monitor the contractual terms and business risks arising.</p>
Processes:-	<p>Procedures are laid out in 'Guidance and Rules governing Consultancy undertaken by Members of Academic Staff':</p> <p>http://www.trs.hw.ac.uk/Internal/Consult/Consult.htm</p>

Risk:-

Malperformance by the consultant leading to legal recourse against the University by customers.

Consulting is performed at a loss to the University.

Intellectual Property rights are lost to the University.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	INVESTMENT APPRAISAL
Regulation Number	6.8
Date Regulation Created	27/09/2006
Version	1
References	
Author	Project Accountant
Reviewer	Financial Regulations Review Committee: 27/09/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:-	<p>The University has a responsibility to ensure value for money with the expenditure of public funds. All investment decisions should be made on a sound basis. Relevant factors affecting the decision are to be identified and systematically analysed.</p>
Scope:-	<p>All projects should be appraised where the need for the decision is outlined and set in the context of the Universities strategy, where all realistic options are identified and relative merits and drawbacks of each option are analysed, culminating in the identification of a preferred course of action.</p>
Responsibility:-	<p>The Project Leader, the finance department, the estates department (where applicable), research and regional services (where applicable) together with the academic area and users of the facility/service concerned should provide input, to ensure a fully informed appraisal. The Project Leader should take overall responsibility for completion of the appraisal for approval by the Capital Expenditure (CAPEX) Committee.</p>
Processes:-	<p>The Project Leader is responsible for performing the appraisal through:</p> <ul style="list-style-type: none">- defining the need or the problem- identifying the options- assessing the costs and benefits (both financial and non-financial)- quantifying risks and uncertainties- presenting the results

This is performed in accordance with Investment Appraisal Procedure: Appendix A.

Risk:-

Unjustified / unapproved project expenditure

Needs of all parties not considered

Unplanned risk taking

Poor value for money

Financial failure of project

Investment Appraisal (IA)

Introduction

As the University has a responsibility to ensure value for money with the expenditure of public funds, all investment decisions should be made on a sound basis. Relevant factors affecting the decision are to be identified and systematically analysed.

An Investment appraisal is a technique whereby the need for the decision is outlined and set in the context of the Universities strategy, where all realistic options are identified and relative merits and drawbacks of each option are analysed, culminating in the identification of a preferred course of action.

This paper outlines the basic component parts of an IA and provides guidance for the completion of each stage.

Steps of an Investment Appraisal (IA)

An IA can be broken down into the following basic steps:

- a. **Identify the need or problem**, set in the context of the University's strategies and **define the objectives** of the project
- b. **Identify the options**
- c. **Assess the costs and benefits**, financial and otherwise, of each option
 - i. Analysis of non-financial benefits
 - ii. Financial analysis – calculation of Net Present Value (NPV) over an appropriate time period
- d. **Consider risk and uncertainty**
- e. **Presentation of results** and assessment of affordability

a. Identify the need or problem set in the context of the University's strategies and define the objectives of the project

This step outlines why investment is required. The need/project should be clearly defined and should refer to the aims/objectives of the University as outlined in the strategic plan and any other relevant strategies e.g research strategy, estate strategy, etc.

The objectives of the project should be clearly defined and criteria set against which the success of the project can be evaluated.

b. Identify the options

It is important that all feasible options are considered including a "do nothing" or "do minimum" option which should be included as a base case even if totally unacceptable in operational terms. With the exception of low levels of investment, where the comparison of "do nothing" with one other option is appropriate, a detailed analysis should be carried out on at least 3 options.

Options to consider for estate projects include refurbishment, demolish and rebuild on same site, purchase of alternative accommodation, lease of additional accommodation and new build on a range of sites. It may also be appropriate to consider a range of financing and procurement options. Some other projects will only have a limited range of options; for example, equipment replacement only has two options in addition to "do nothing", buy or lease.

c. Assess the cost and benefits, financial and otherwise, of each option

When the shortlist of feasible options has been identified the costs, incomes and benefits of each should be identified and appraised. This is done systematically using a two stage approach:

i. Analysis of non-financial benefit

Whilst the financial viability of any investment decision is of paramount importance, in the Higher Education Sector many of the benefits to be derived may not be measurable or realised in financial terms. Therefore, an assessment should be made of the various non-financial benefits which will accrue from each option under consideration. The technique used in this assessment is usually a weighting and scoring methodology which ensures that the merits of each option have been thought through in a structured way thus adding to the rigour of the decision making process.

The criteria selected should be relevant to the objectives of the project. Some examples might include:

- Contribution to University (other relevant) strategy
- Flexibility for the future
- Quality of environment
- Operational effectiveness
- Enhancement of academic image
- Staff satisfaction
- Student satisfaction

A template, which can be used for the weighting and scoring of non-financial benefits, is provided at Appendix A with a worked example provided at Appendix B.

ii. Financial Analysis – Calculation of Net Present Value (NPV) over an appropriate time period

This involves identifying all of the expenditure (including opportunity costs) and income associated with each option, both currently and in the future. These are then analysed over a suitable appraisal period by applying an appropriate discount rate to determine the NPV of each option. The application of the discount rate to calculate NPVs takes account of the time value of money and gives more weight to earlier income and expenditure flows.

For estates projects the appraisal should be carried out over 25 years. This is the typical period of a property lease and therefore facilitates comparisons between freehold and leasehold options. For other projects the appraisal period should be the period for which the service to be provided is required or the remaining useful life of the main asset to which the appraisal relates.

All **assumptions** governing the NPV computations, both the fundamental assumptions governing the calculations and those used to arrive at estimated income and expenditure figures should be clearly stated in the appraisal. The fundamental assumptions should include:

- a. **statement on the basis used to account for inflation** – where it is reasonable to assume that all income and expenditure follow general inflation trends it is suitable to state them all at a base year and apply a consistent real discount rate to all flows.
- b. **the base year** at which all income and expenditure is stated – usually first year of the appraisal period.
- c. **the discount rate** used for the NPV calculations – this will be the Treasury Discount Rate, currently 6% for projects financed from public funds. For projects funded from borrowings the rate should be the real long term rate of borrowing. As borrowing rates are usually quoted in nominal terms, which reflect inflation, these will have to be adjusted to reflect the real rate. E.g if

the borrowing rate is 9.5% and the rate of inflation is assessed as 3% the real borrowing rate is 6.3% ($1.095/1.03$).

- d. **statement on the treatment of tax (VAT)** – all non-recoverable VAT should be included in full where appropriate.

The following paragraphs outline the types of costs and income which may be included in the appraisal and should help ensure that all relevant expenditure and income is captured and factored into the financial appraisal:

- Capital Costs – land, demolition, construction (including fees and non recoverable VAT), refurbishment, equipment purchase, etc.
- Residual values of assets at the end of the appraisal period – this is a benefit that should be stated at current prices (base year) and based on the remaining useful life of the asset, e.g. a new build option with an estimated useful life of 50 years (will have a residual value at the end of a 25 year appraisal period of 50% of its initial cost). Land generally is assumed to have a residual value that equals its initial cost.
- Opportunity costs – If assets (land, accommodation, equipment) which are currently owned by the University are required for one or more option then the relevant option(s) should include an opportunity cost for the assets, even where no expenditure takes place. The asset could be sold or used for alternative purposes if the particular option being considered doesn't occur and therefore a notional cost should be included. The opportunity cost of the asset should be its market value or its value in an alternative use, whichever is highest. Typically the market value is used and included in the first year of the appraisal period. If land or accommodation opportunity costs are included at replacement value a residual value should also be incorporated at the end of the appraisal period.
- Revenue costs – staff costs, non pay costs associated with staff, premises costs (rates, maintenance, etc), equipment maintenance, rental/lease of premises or equipment and any other recurrent costs specific to a particular option. The relevant costs should be included in each year of the appraisal period at the stated current price level.
- Income/Financially Quantifiable Benefits – Income to be included over the appraisal period includes increases in student numbers, fee income, research or other contract income, rental or conference income, capital receipts from disposals, etc.

d. Consider risk and uncertainty

The estimated expenditure and income streams used to inform the financial appraisal will invariably involve assumptions about the future. Changing assumptions particularly those relating to future income levels, may significantly alter the ranking of options. It is therefore important that the effects of variability are assessed.

This should be undertaken using sensitivity analysis, which involves repeating the appraisal calculations with the value of the less robust estimates set at the upper or lower end of likely outcomes as appropriate. For example, if an option depends on additional research contract income a scenario should be examined where the anticipated income levels are not attained. Similarly, if the building/refurbishment costs associated with a particular option are estimated the NPV computation should be re-performed for the construction being over budget. The number of scenarios tested using sensitivity analysis will depend on the robustness of the assumptions used in the initial appraisal.

There will often also be other areas of risk associated with individual options which cannot be readily expressed in financial terms e.g. planning permission being delayed, site location not being available.

All areas of risk associated with each option, particularly the preferred one, should be considered and listed in a risk index where applicable.

e. Presentation of results and assessment of affordability

The results of both the analyses of non-financial benefits and the financial appraisal together with any relevant sensitivity analysis should be clearly presented. In some appraisals, all results will concur in terms of ranking resulting in a clear cut recommendation. In others there may be a conflict between the two assessment techniques or sensitivity analysis may significantly alter the results. In circumstances where the decision is finely balanced the appraisal should clearly document the relevant results and reasons for the judgements made.

The Investment Appraisal methodology concentrates on comparing the costs and benefits of investment alternatives. However, it is of paramount importance that an assessment is made of the impact that the preferred option has on our overall financial position.

Protocol for the Completion of Investment Appraisals (IA)

To ensure a fully informed appraisal input should be provided by the project leader, the finance department, the estates department (where applicable), research and regional services (where applicable) together with the academic area and users of the facility/service to be provided. The Project Leader should take overall responsibility for completion of the appraisal with each step undertaken as follows:

a. ID need and objectives set in the context of relevant strategies

This should be completed by the project leader in consultation with academic colleagues and users of the facility or service to be provided.

b. Identification of Options

For capital projects, the estates department, along with the project leader, should be responsible for compiling the list of options, together with the criteria used for short listing. For non-building projects the project leader should complete this section of the appraisal.

c. i. Analysis of non-financial benefits

This should be completed by the project leader in consultation with academic colleagues and users of the facility or service to be provided.

ii. Financial analysis

This should be undertaken by the finance department representative in consultation with the project leader, estates and research where appropriate.

d. Consider risk and uncertainty

This should be undertaken by the finance department representative in consultation with the project leader, estates and research where appropriate.

e. Presentation of results and assessment of affordability

Finance representative will carry this out.

Threshold Levels

The completion of a full and detailed investment appraisal is a time consuming and often complex task. It is important therefore that the resources devoted to a decision are commensurate with the level of investment being considered. To avoid placing needless additional burdens on, often senior, staff the following thresholds should be observed:

1. Projects where investment is under £0.5m

The need for the project, set in the strategic context, should be outlined. The reason for the preferred course of action together with the proposed source of funding should be clearly documented. For this level of investment a detailed analysis of a full range of options in terms of both non-financial benefits and a financial appraisal is not required.

2. Projects with levels of investment between £0.5m and £2m

Again the need for the project, set in the strategic context, should be outlined. A range of options should be considered with the reasons for the preferred option outlined. A full non-financial scoring approach is not required and the financial appraisal is only required for the preferred option compared to the do nothing base case.

3. Projects with an investment of over £2m

A full investment appraisal, as outlined in the aforementioned steps, should be undertaken with a full range of options considered and a detailed non-financial and financial analysis, with sensitivity analysis, undertaken for at least three options.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	Endowments and Charitable Donations
Regulation Number	6.9
Date Regulation Created	15/05/2008
Version	Version 3
References (external)	
Author	Financial Accountant
Reviewer	Financial Regulations Review Committee: 16/01/2008 Expanded Review Committee: 16/01/2008
Approved	PME: Finance Committee:
Objective:-	<p>To ensure that all charitable donations are properly accounted for and managed in accordance with the donor's wishes, legislation and recommended practice.</p>
Scope: -	<p>All charitable donations received by the University.</p>
Responsibility:-	<p>Court has created a Committee on Endowments which will report to Court. This committee will comprise suitably experienced individuals, drawn from both University employees and lay-members of Court.</p> <p>It is the Endowment Committee's responsibility, acting on behalf of Court and advised by the Finance Committee, to approve all changes to the University's policy regarding the management of its charitably donated assets, as well as ensuring that the set policy is implemented, monitored and reviewed.</p> <p>All operational decisions concerning managing investments, receiving income and making payments shall, within the agreed policy parameters, be delegated to the Director of Finance who will report back to the Endowment Committee on a regular basis.</p> <p>The Director of Finance is responsible for maintaining records in respect of new donations made to the University and for existing funds.</p>
Processes:-	<p>The Charitable Donations Procedures manual gives a detailed framework on</p>

accounting for income & expenditure, asset management and other operational guidelines.

Fundraising campaigns must be coordinated with the Development and Alumni Office, after seeking the approval of the Endowments Committee acting on the advice of the Director of Finance.

Donations to existing funds must be made via the Development and Alumni Office, which will record all the relevant details of the gift.

No new funds may be created unless prior approval is given by the Endowment Committee acting on the advice of Finance and Development and Alumni, where:

- Finance will advise on:
 - the adequacy of the donation to fulfil the fund's specified purpose
 - the anticipated costs related to the fund's administration
 - potential tax implications relating to the fund
 - the accounting treatment and legal status of the fund
- Alumni and Development will advise on:
 - the suitability of the fund in relation to the University's Strategic Plan
 - any ethical issues surrounding either the donor or the circumstances of the donation

The Endowments Committee has the authority to decline donations if the donation does not align with the University's Strategic Plan or is not in the University's wider interests.

Risk:-

- Non-compliance with the wishes of donors.
- Income and expenditure used for out of scope purposes
- Failure to comply with the requirements of the Office of the Scottish Charity Regulator [OSCR]
- Failure to comply with statutory requirements

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	PAYROLL
Regulation Number	7.1
Date Regulation Created	30/08/2006
Version	1
References	HM Revenue & Customs: www.hmrc.gov.uk USS Pension Scheme: www.usshq.co.uk Lothian Pension Fund: www.lpf.org.uk HR website: www.hw.ac.uk/hr
Author	Payroll Manager
Reviewer	Financial Regulations Review Committee: 30/08/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:-	<p>To ensure all staff are paid correctly and timeously according to the procedures laid down by the University and in accordance with H M Revenue & Customs regulations.</p>
Scope:-	<p>All staff, external consultants and student demonstrators.</p>
Responsibility:-	<p>Human Resources oversees the recruitment process and is responsible for issuing contracts of employment and carrying out disclosure and other regulatory checks.</p> <p>The Director of Finance is responsible for the payment of all salaries, pensions or other emoluments to employees or former employees, through the University payroll according to pay scales approved by Court and in accordance with appropriate conditions of service.</p>
Processes:-	<p>Procedures are in place, as detailed in Appendix 1, covering the following steps:</p> <ul style="list-style-type: none">• Recruitment - New Starts• Payment of Salaries• Overtime• Illness• Leavers• Casual and part-time employees

- Self Assessment/Employment Status
- Reimbursement of Expenses
- Redundancy Severance and Early Retirement
- Leave for Attendance at Court
- Pensions

Risk:-

Employees may not be paid correctly or within a reasonable period of time.
Failure to account correctly for PAYE & NI due to the HM Revenue & Customs.

Appendix 1 to PAYROLL, PAYE & NI Financial Regulation

Recruitment - New Starts

New appointees will be asked by HR to complete the following forms where applicable:

- Job offer acceptance
- Bank details for payment of salary
- HWU computer network registration
- Emergency contact details
- Pension scheme enrolment

New employees should produce a P45 tax form (received from previous employment) on the day they start work – where a P45 is not produced an employee will be given a P46 tax form (declaration by the employee of his/her tax status) and will be required to submit proof of eligibility to work in the UK. Authorised New Start forms including copies of signed contracts and acceptance letters relating to payment of salary/pensions are passed from HR to Payroll for processing.

Payment of Salaries

Payment of salaries is made on the last working day of each month by BACS transfer into a UK nominated bank/building society account. All details relating to payments due to staff eg overtime, new starts, leavers must be submitted to payroll by the 15th of each month to ensure payment at month-end. The pay date may differ in December due to Christmas and New Year holidays. The University operates a monthly payroll system only for all grades of staff ie no weekly payroll.

Overtime

All overtime must be approved in advance by appropriate personnel in each department. All overtime claims are submitted to payroll by each department and must be properly authorised.

Illness

When absent from work due to sickness or accident, members of staff are required to comply with the notification and certification procedures issued by HR, compliance with which is a requirement for entitlement to and payment of SSP (Statutory Sick Pay) and OSP (Occupational Sick Pay) if appropriate.

Leavers

A leavers form is completed by the School/Department and submitted to HR. HR then inform Payroll with details of staff to be removed from payroll each month. Any payment of outstanding holiday entitlement must be approved by Departments/ HR. Final salary payment will be made on the last working day of the month of service.

Casual and part-time employees

All casual and part-time workers will be included on the payroll. Under the Working Time Regulations every worker is entitled to four weeks paid annual leave per year from the day they commence working. In line with the University's Equal Opportunities Policy the annual leave for workers should be same as that for contracted staff. If a worker has a break in service of more than eight weeks then

they should be considered a leaver and any annual leave entitlement should be paid to them.

Self Assessment/Employment Status

Before commencement of an external consultancy the Head of Department must authorise the employment status consultancy form (see Form 1). Employment status is not a matter of choice – parties cannot simply decide to treat working arrangements as self-employment or employment. The circumstances and the terms and conditions of the engagement will determine how it is treated. Some cases may be forwarded to the Inland Revenue for approval by the Payroll section.

If self-employment status is approved then the consultant will raise an invoice to the University. This invoice must follow the University's approved purchasing procedures and payment will be made by the Finance Office via BACS transfer into a nominated bank account.

If employment status is approved then the consultant will automatically be treated as an employee of the University and be paid via the payroll system. Payment will be made via BACS transfer into a nominated bank account on the last working day of each month.

Reimbursement of Expenses

No reimbursement of expenses are made via the central payroll system. Accounts Payable will provide employees with a statement of expenses reimbursed for their annual income tax return.

Redundancy Severance and Early Retirement

Any request for early retirement, redundancy or severance must be submitted by the Heads of School/Departments to HR for consideration. On approval HR will inform Payroll of the employee leaving date and any further payments that need to be made.

Leave for Attendance at Court

When an employee is selected for Jury Duty they must bring the court citation and form for loss of earnings to Payroll for completion before attending court. On their return to work the employee must inform Payroll of the amount (less any expenses) paid to them by the Court. This amount will be deducted from the employee's next salary payment.

Pensions

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

The Director of Finance is responsible for

- Paying contributions to authorised pension schemes
- Preparing the annual return to pension schemes
- Administering the University's pension funds

For all academic and related members of staff who join the USS pension scheme contributions will be deducted from member's salary at a percentage rate of basic earnings. This is currently 6.35% of basic earnings with an employers contribution rate of 14%. Tax relief will be given through the payroll at the time of deduction. All staff who do not wish to join the scheme must complete an 'Election not to join' form before commencing employment.

For all non-academic members of staff who join the Lothian Pension Fund scheme contributions will be deducted from member's salary at a percentage rate of basic earnings. This is currently 6% of basic earnings with an employers contribution rate of 19.8%. Tax relief will be given through the payroll at the time of deduction. All staff who do not wish to join the scheme must complete an 'Election not to join' form before commencing employment.

For academic staff at Borders Campus who do not have Heriot Watt Contracts of Employment and are members of the STSS scheme contributions will be deducted from member's salary at a percentage rate of basic earnings. This is currently 6% of basic earnings with an employer's contribution rate of 12.5%. Tax relief will be given through the payroll at the time of deduction. This scheme is closed to new members.

Form 1

EMPLOYMENT STATUS QUESTIONNAIRE

If you consider yourself to be self-employed in your role with the University this questionnaire should be completed by the department and then countersigned by yourself.

Employment status is not a matter of choice – parties cannot simply decide to treat working arrangements as self-employment or employment. The circumstances and the terms and conditions of the engagement will determine how it is treated.

Name: _____

Address: _____

Postcode: _____

NI Number:

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1. Is there a contract or written agreement in force ? **Yes / No**
If so a copy of the signed document should be attached.

2. **PRECISELY** what are the duties to be undertaken ?

3. Is the individual **AT LIBERTY** to appoint a substitute or stand-in if for some reason or other they were unable to attend ? **Yes / No**

4. Where are the duties performed ?

5. Is there any choice in the location ?

6. What are the arrangements for payment ? – ie hourly/daily rate etc

7. Is any equipment required to carry out the duties ? If so

(a) what equipment ?

(b) who provides the equipment ?

(c) who maintains the equipment ?

8. Can the person be overruled ? – if so under what circumstances

Yes / No

9. Who has the final say over how the work is done ?

10. Is the person required to work a set number of hours ?

Yes / No

11. Is the work supervised/monitored in any manner by a Manager or Head of School/Department ? – if so in what manner

12. Must the individual adhere to University rules and regulations (outwith Health & Safety)

Yes / No

13. Will the individual be provided with office space/administrative back-up etc

Yes / No

14. How long will the engagement last

15. Does the individual risk any of their own money/finance in fulfilling the role

Yes / No

SIGNED HWU

SIGNED A N O T H E R

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	ADVANCES AND LOANS TO STAFF
Regulation Number	7.2
Date Regulation Created	04/11/2006
Version	1
References (external)	
Author	Group Financial Accountant
Reviewer	Financial Regulations Review Committee: 06/11/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:-	<p>To ensure that any advances and loans made by the University to members of staff are properly authorised and are recovered in full as they fall due</p>
Scope: -	<p>All employees of the University</p>
Responsibility:-	<p>The Director of Finance is responsible for ensuring the validity of all advances / loans made to University staff and for ensuring that they are repaid in full in accordance with the agreed terms</p>
Processes:-	<p>All requests for a staff advance or a staff loan must be authorised by the Head of School/Department and then passed to the Finance department for processing.</p> <p>In the course of normal business no advance or loan shall be made for less than £250 or for more than £5,000. If more than one advance or loan is outstanding the upper limit will be treated as cumulative.</p> <p>Authorisation from the Group Financial Controller is required for any exceptional case that falls outwith these limits.</p> <p>No repayment period shall exceed 12 months.</p> <p>The Finance department shall monitor all advances and/or loans and apply sanctions for recovery in the event that repayment is not forthcoming at the due date.</p>

No staff member is eligible for a further advance or loan if he/she failed to comply in full with the agreed terms of any previous advance or loan made.

Risk:-

- That unauthorised advances will be made and/or that they will either fail to be recovered in full or be recovered late exposing the University to financial loss
- That the University may be exposed to additional taxation liabilities

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	REIMBURSEMENT OF EXPENDITURE
Regulation Number	7.2
Date Regulation Created	31/10/2006
Version	1
Author	Group Financial Accountant
Reviewer	Financial Regulations Review Committee: 09/08/2007 Expanded Review Committee: 09/08/2007
Approved	PME: 23/08/2007 Finance Committee:
<p>Objective:-</p> <p>To reimburse employees wholly, exclusively and necessarily in the performance of their duties of employment for the University.</p> <p>To reimburse non-employees travel and subsistence expenditure (including interview expenses) incurred wholly, exclusively and necessarily for the benefit of the University (i.e. external examiners).</p> <p>The reimbursement system is not to be used to purchase goods or services that fall outwith the University's Purchasing Policy.</p>	
<p>Scope:-</p> <p>All employees and non-employees of the University.</p> <p>All re-imburement of expenditure, whether incurred in the UK or overseas.</p>	
<p>Responsibility:-</p> <p>Members of staff should comply with the guidelines as set out in Appendix A, failure to apply guidelines may be treated as a disciplinary matter</p> <p>Line managers are authorised to approve the reimbursement of expenditure in accordance with the established delegated authorities. (See Delegated Authority regulation 5.1).</p> <p>In the event that the reimbursement of items of expenditure is disputed the Director of Finance for the University is the final authority.</p>	

Processes:-

All claims for re-imburement of expenditure by both employees and non-employees must be prepared on the appropriate claim form available from the group's web site, approved in writing by the appropriate line manager and then forwarded to the Finance Department for processing and payment.

Bank details section on each claim form should be completed so that reimbursement can be made by electronic payment direct to the claimant's bank account. For claims where bank details are not provided a manual cheque will be issued.

Payment terms:

- Electronic payments – two payment runs per month; at mid-month & month-end
- Manual payments – one payment run per month; at month-end

Risks:-

Inappropriate or unnecessary expenditure will be incurred.

Failure to achieve value for money.

Dilution of commitment to contracted travel agencies and consequent poorer terms when re-negotiating agreements.

Non-compliance with Inland Revenue regulations on allowable expenses exposing the employees and the University to penalties.

Staff travelling abroad without the proper declaration and insurance documentation exposing the university to uninsured medical and travel costs.

Excessive number of unwarranted expense advances and failure to use official systems leads to process inefficiencies, extra workload and failure to obtain maximum return on investment in these systems.

Failure of corporate governance and non-compliance with the University's Financial Memorandum with SFC.

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Legal & Tax Background

Under general tax law some, but not all, expenses payments and benefits are taxable remuneration. Income Tax law also contains special rules affecting most directors and employees, the broad effect of which is that expenses payments made to them and benefits provided for them are taxable.

Benefits provided for employees (or members of their families or households) by reason of their employment by someone other than their employer are also taxable in the same way as expense payments, as if they had been provided by their employer.

Note, certain benefits such as cars and vans available for private use, loans, certain arrangements in connection with share incentive schemes, scholarships and tax not deducted from remuneration paid to directors are, however, taxed in accordance with special rules.

Expenses payments include:

- Advance payments on account of expenses and reimbursements of expenses incurred, including all kinds of travelling and entertaining expenses
- Allowances related to specific expenses; for example based on mileage or to meet subsistence whether calculated by reference to a fixed scale or otherwise
- Round sum allowances for entertaining and other expenses
- amounts put at the disposal of the employee in respect of expenses and paid away by the employee
- Expenses paid by the employee by means of a credit card in the employer's name

Taxable benefits and facilities include:

- The provision of living or other accommodation, including light, heat, rates and domestic or other services
- The use of any asset provided by the employer or another person acting on the employer's behalf, for example, the use of a motorcycle, furniture or a TV set.
- The provision of fuel for private motoring in a provided car
- Gifts of assets to the employee, or the sale to the employee of assets at less than their market value (this applies not only to assets such as a car or a house, but also to goods such as clothes, TV sets, wines & spirits or groceries)
- Any expenses or liabilities incurred by the employee and paid direct by the employer, for example, hotel or restaurant bills, whether paid direct or through a credit card company
- Income tax not deducted from remuneration paid to a director, but paid to HM Revenue & Customs by the employer and not reimbursed by the director
- Scholarships awarded to students by reason of their parents' employment
- Any other benefits or facilities of any kind, for example
 - hotel accommodation and restaurant facilities arranged by the employer, holidays, childcare (but some forms of childcare were exempted from 6 April 1990)
 - shooting, fishing and other sporting facilities (but certain sporting facilities are exempt)
 - Work carried out at the employee's residence.

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Certain items of expenditure are normally treated as being **non taxable payments and benefits** and these include:

- Annual parties or similar functions
- Cost of purchasing assets from employees
- Equipment provided for disabled employees
- Goodwill gifts
- Job related accommodation
- Long service and suggestion scheme awards
- Meals and food vouchers
- Medical treatment abroad
- Mobile telephone
- Nurseries or play schemes
- Office accommodation; supplies & services
- Parking spaces
- Payments towards additional household costs for employees who work from home
- Pensions etc, on retirement or death
- Purchases on employers behalf
- Removal expenses and benefits
- Re-training expenses and courses
- Some travel between home and work
- Sports facilities
- Trivial benefits
- Welfare counselling
- Work related training expenses

Caution; the definition of the individual non taxable payments and benefits listed above is often strictly defined by HM Revenue and Customs and professional advice should be sought from the Finance department if you believe that reasonable doubt exists as to whether a specific transaction being considered falls within one of the above heads.

An employee's remuneration for tax purposes is reduced by the cost of journeys:

- He or she has to make in the performance of the duties of the employment, or to a workplace
- He or she has to attend to carry out the duties of the employment, but not if the journey is ordinary commuting or private travel.

The employee is also entitled to a deduction for any other expenses which are incurred **wholly, exclusively and necessarily** in the performance of the duties of the employment, (but there is an exception for some entertaining expenses).

At the end of each tax year the employer is required to give particulars of the expense payments, benefits and facilities provided for each of his or her employees, when remuneration is more than £8,500 a year, on Form P11D to HM Revenue & Customs. (Special rules apply to reporting on directors and employees with remuneration less than £8,500 a year).

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Heriot-Watt : General Principles

With regard to the re-imburement of expenditure the following general principles apply:-

- 1) For all employees only expenditure incurred **wholly, exclusively and necessarily** in the performance of their duties of employment for the University may be reclaimed.
- 2) For non-employees only travel and subsistence expenditure (including interview expenses) incurred **wholly, exclusively and necessarily** for the benefit of the University may be reclaimed.
- 3) All claims for re-imburement **must** be made on the appropriate form and be properly authorised before a payment will be made.
- 4) A presumption exists that **all claims shall be evidenced** by receipts or other documentation.
- 5) For goods and supplies where the University has established nominated suppliers a presumption exists that these will be used. Where alternative suppliers are used each occurrence will be reviewed and if such usage is deemed to be unjustified by the University then it reserves the right not to reimburse the expenditure incurred.

With regard to the re-imburement of expenditure the following specific rules apply:-

- 1) No personal debit / credit card interest or charges paid will be reimbursed.
- 2) Only inclusive service charges added on to the invoice / receipt will be reimbursed. No discretionary tip or gratuity may be claimed.
- 3) No road traffic fine, parking ticket or any other motoring penalty paid will be reimbursed.

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1. TRAVEL

Employees are entitled to be reimbursed in full for all travel costs incurred on behalf of the University in the course of the performance of their duties of employment provided that the travel arrangements made are in strict adherence with the HWU Travel Policy and Financial Regulations.

Where possible all travel arrangements must be made with the University's preferred supplier (Travel Partner) for the provision of travel services.

http://www.he.purchasing.hw.ac.uk/internal/travel_policy.pdf

Before travelling all employees should consider whether the journey is actually necessary or whether an alternative means of communication, such as telephone, e-mail or video conferencing could be a suitable alternative.

Personal/Spouse's/Partner's/Children's Travel

The University will normally not reimburse any costs relating to personal travel nor that of a spouse, partner or child of an employee who accompanies the employee on a business trip.

In exceptional circumstances the Principal may authorise spouses / partners to accompany senior management at University expense. All such cases **must be** reported in advance of the travel booking being made to the Director of Finance to ensure that any benefit in kind is recorded for taxation under PAYE

Passports and Visas

The travelling employee is responsible, where applicable, for all passport and visa requirements. Facilities are available through the University's Travel Partner for the issue/renewal of passports and visas. Costs associated with the issue/renewal of passports must be met by the employee and are not normally reclaimable from the University. If this service is required, the travelling employee should contact their School/Section travel coordinator for details.

The Foreign Office Website provides other useful information and on-line forms for Visa applications, etc.

<http://www.fco.gov.uk>

Medical Emergencies

If a medical emergency or hospitalisation occurs while an employee is travelling on University business it is suggested that contact is made with your Faculty or Department so that advice and/or support can be given.

Insurance

The University travel policy provides insurance cover for business trips taken outwith the UK. A copy of the current University Travel Insurance booklet and a medical emergency card are available from School/Section Insurance Co-ordinators or from the Insurance Officer located in the Estates Office.

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A form E128 should be completed for travel to European countries – European Health Insurance Card.

<http://www.dh.gov.uk/Policy> & Guidance/Health advice for Travellers/fs/en

Travel information can also be viewed at <http://www.hw.ac.uk/internal/insurance>.

1.1 Air Travel

Whilst the needs of the traveller should be taken into account all travel must be cost and time effective.

The University's Travel Partner will be able to discuss the best options with travelling employees whilst making the reservation. The University's Travel Partner is committed to our cost reduction programme and will offer the lowest cost practicable fare at the time of booking. A change of itinerary may be offered as a cost effective alternative.

Unauthorised requests will not be processed. All air travel must be in either tourist or economy class subject to the exceptions noted below.

Travelling employees must help the University's Travel Partner to provide an efficient and economical service by:

- Planning travel well in advance wherever possible - this will ensure the best prices are obtained.
- Planning travel with as much certainty as possible - 'open' tickets are expensive and should be avoided.
- Discussing travel arrangements with the University's Travel Partner - this may assist with your itinerary and will ensure that promotional fares are taken advantage of where possible.
- Specifying any non-standard criteria such as the need for flexibility - this will avoid late changes to bookings which can be costly.
- Utilising Apex fares wherever possible – this will reduce costs.

1.1.1 Group Bookings

Bookings required for groups of travellers will be obtained at the most economical fare.

1.1.2 Trading Down

"Trading down" of travel tickets; i.e., travelling by a lower class in order to claim an extra ticket for a guest of the employee, is not permitted and is considered to be a disciplinary offence.

1.1.3 Air Travel Upgrades

Upgrades may only be made if available at no additional cost or if a Business Class fare is available at the Economy Class price.

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1.1.4 Cancelled or Unused Tickets

Travellers must notify the University's Travel Partner of all cancelled travel arrangements which have been booked, returning all tickets immediately to ensure a credit is issued.

1.1.5 Frequent Flyer

Travellers may retain frequent flyer programme benefits. However, participation in these programmes should not result in any incremental costs to the University. The University will not be responsible for any tax liability, which may result from the use of these benefits.

1.1.6 Business Class

Employees should abide by the general principle of travelling by the lowest cost practicable fare at the time of booking.

For long-haul destinations with a flight time of more than 8 hours approval to travel in Business Class may be granted by the traveller's Head of School or Department if deemed to be both wholly, exclusively and necessarily for the performance of their duties of employment and for the benefit of the University.

	Economy	Business
Domestic & European	Yes	No
Middle East & Other	Yes	Yes

1.1.7 Management Reports

The University's Travel Partner has been instructed to supply Air Fare Savings reports on a monthly basis. These reports show realised and missed savings. Reports will be forwarded to the University's Financial Director to ensure that the disciplines of the University's Air Travel Policy are adhered to.

1.1.8 Excess Baggage

Excess baggage caused by the necessity of taking items for business reasons must be authorised and advised to the University's Travel Partner at the time of booking.

1.1.9 Lost Luggage

Losses in airports or in transit must be immediately reported to local authorities and documentation evidencing this must be obtained. Local authorities must be pressed for action. On return to the UK, travelling employees must report any losses to the Insurance department.

1.2 Rail Travel

Tickets, whenever possible, should be arranged through the University's Travel Partner, via their website, and paid for using the University purchasing card.

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All University staff will travel standard class (with seat reservations where required) and are expected to avail themselves of any reduced fares such as day return tickets or “savers” that may be available at lower cost.

1.3 Taxis

Employees who are travelling should avoid the use of taxis unless alternatives are not available or are impractical. The use of cost effective public transport or airport/hotel courtesy buses is encouraged whenever possible.

1.3.1 Taxis For Late Working

The University will cover costs of taxis for late working subject to the following conditions:

- The employee is occasionally **required** to work until after 9pm, and
- Late working is neither regular nor frequent
 - Regular means a predictable pattern e.g., every Friday night.
 - Frequent means more than 60 occasions per year, and
- Public transport has stopped or it would not be reasonable for the employer to expect the employee to use public transport (i.e. low level of availability or reliability of services at that time of night).

No reimbursement is available where employees work late from choice.

1.4 Private Cars

Use of private vehicles http://www.he.purchasing.hw.ac.uk/internal/travel_policy.pdf

Reference: Work Related Road Safety Policy

1.4.1 Drivers' Responsibilities

All drivers must complete the driver declaration form prior to using personal vehicles for University business and attach a copy of their current motor insurance certificate. All approved drivers will receive a driver's permit.

When undertaking a business journey the driver is responsible for ensuring the vehicle is in a roadworthy condition. When using their own vehicle employees must ensure that it is licensed, appropriately insured for business use and has a valid MOT certificate where appropriate. In addition the employee must ensure that vehicles used for business travel are regularly serviced and the employee must undertake a basic safety check (i.e., tyres, windscreen etc) prior to each business journey.

1.4.2 Insurance

University insurance does **NOT** cover use of private vehicles, users of their own private vehicles on University business **must** ensure that they are licensed and appropriately insured for business use of their vehicle for themselves and any passengers.

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1.4.3 Cars and Vans – mileage rates

A flat rate allowance of 40p per mile is given for the first 10,000 business miles driven each tax year. Thereafter a reduced rate of 25p per mile is given in accordance with Inland Revenue limits.

1.4.4 Home to Work Travel

The University does not accept any claims for home to work travel.

1.4.5 Private Fuel

No claims for fuel used in private cars will be paid.

1.4.5 Restrictions on Mileage Claims

Reimbursement of claims is subject to the following restrictions:

- No home to work journeys will be accepted, and
- Where a journey starts from the employee's home the amount that may be claimed is the lower of from home to destination or from normal place of work to destination.

1.4.6 Mileage Records

Employees **must** keep a note of and record their cumulative business mileage on their claim forms to ensure that business mileage incurred is re-imbursed at the correct rate.

1.4.7 Mileage Claim Forms

The car mileage claim form **must** always be fully completed and authorised, including home address, destination details and mileage records.

The University reserves the right to return incomplete mileage claim forms unpaid.

1.5 Hired Cars

For long road journeys, employees should consider alternate means of travel such as rail rather than driving. In addition, for road journey exceeding 120 miles employees should consider using a hired car rather than their own private vehicle as this will normally be the most cost effective option to the University.

All drivers of hired vehicles must comply with the procedures for Insurance coverage by completing a Driver's Declaration Form available at:

<http://www.hw.ac.uk/internal/insurance> and, producing a current driving licence.

Type of Hire Car

The type of hire car that may be booked depends on the number of people travelling and the period of hire. The University's policy with regard to this is set out in the table below.

	Days of Hire		
	One	Two - Five	Five +
One person	1400cc	1400cc	1600cc
2-3 people	1400cc	1600cc	2000cc
4+ people	1600cc	2000cc	2000cc

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Hire Bookings

All hire vehicles must be booked through the University's nominated car and van rental companies.

<http://www.he.purchasing.hw.ac.uk/internal/vehicle>

Where a hired vehicle is used hire company's instructions for returning vehicle must be observed with particular reference to fuel and damage.

Insurance

All drivers of hired cars will be covered by the University's insurance policy upon satisfactory completion of a Driver's Declaration Form and producing a current driving licence. Copies can be obtained from www.hw.ac.uk/internal/insurance).

Drivers who have not complied with the above procedure **should not drive** under any circumstances as they will not be insured. Additionally, should the University receive any claim for damages it reserves the right to seek to recover these in full or part from the driver concerned.

1.6 Motor Cycles

The same conditions apply to motor cycles, including the requirement for appropriate insurance cover for business use and personal loss, as apply to private cars

A flat rate allowance of 24p per mile is given.

1.7 Pedal cycles

The same conditions apply to pedal cycles, including the requirement for appropriate insurance cover for business use and personal loss, as apply to private cars

A flat rate allowance of 20p per mile is given.

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2. ACCOMMODATION

Employees are entitled to be reimbursed in full for all accommodation costs incurred on behalf of the University in the course of the performance of their duties of employment provided that the accommodation arrangements made are in strict adherence with the Financial Regulations.

All accommodation arrangements must be made through the companies nominated by the University.

<http://www.he.purchasing.hw.ac.uk/internal/travel> policy

Before booking overnight accommodation all employees should consider whether the journey is actually necessary or whether an alternative means of communication, such as telephone, e-mail or video conferencing could be a suitable alternative.

Personal/Spouse's/Partner's/Children's Accommodation

The University will normally not reimburse any costs relating to personal accommodation nor that of a spouse, partner or child of an employee who accompanies the employee on a business trip.

In exceptional circumstances the Principal may authorise spouses / partners to accompany senior management at University expense. All such cases **must be** reported in advance of the accommodation booking being made to the Group Financial Controller to ensure that any benefit in kind is reported to Revenue & Customs and the appropriate PAYE tax deduction applied.

Incidental Expenses

An employee making a business trip may spend money on items such as private phone calls, laundry and newspapers. These are not 'travel expenses' – they are deemed to be personal expenses incurred while travelling.

Personal expenses will be reimbursed by the University upto the following maxima

- UK - £5 per overnight stay
- Overseas - £10 per overnight stay

This maximum applies to total personal expenses, whether incurred within or outwith the hotel itself.

2.1 Hotel Accommodation

2.1 Away From Home

A traveller **must** be away overnight from their home and at least 5 miles distant before a claim for accommodation may be made.

2.2 Accommodation Rates

The University adopts a policy of restricting choice of hotels in key locations to take advantage of special negotiated rates.

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Hotel rates

- London £100 per room per night
- Other UK £80 per room per night
- Europe & North America £100 per room per night
- Middle East, Far East & Australasia £100 per room per night

Above rates must include breakfast and VAT.

2.3 Booking Accommodation

All hotel accommodation (other than where included in a conference package) must be booked through the University's Travel Partner.

2.4 Payment For Hotel Accommodation

Payment for the cost of the room (including breakfast and VAT where appropriate) should be settled by the traveller unless they have been made aware in writing that it has been settled directly by the University through the University's Travel Partner.

All other charges due on checking out should be paid in full by the traveller. Allowable expenditure can then be reclaimed as per the Financial Regulations.

The expenditure reimbursed will not exceed the actual costs incurred and refund will be no more than the costs incurred.

Certain expenditure is restricted to less than actual cost (see incidental expenses above).

2.4 Hotel Meals

There is a restriction on meals where no overnight stay is involved: the claimant **must** be out of the office for more than 5 hours and at a distance of more than 5 miles before a claim for a meal can be made.

2.5 Cancellations

Hotels booked through the University's Travel Partner will be guaranteed for late arrival.

Travellers are responsible for cancelling reservations either by contacting the University's Travel Partner or dealing direct with the hotel. In the latter case, a 'cancellation reference' should be obtained as evidence of the cancellation.

'No show' charges will not be reimbursed by the University and the traveller will be held responsible for these costs.

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3 OTHER EXPENDITURE

3.1 Telephone

Only the cost of business calls, substantiated by a log or itemised phone bill, will be accepted, no proportion of home rental will be reimbursed.

Where telephone charges appear on hotel bills these **must** be identified as business calls where appropriate.

3.2 Mobile Phones

Business calls on privately-owned mobile phones are claimable as above.

3.3 Personal Professional Subscriptions

The University does not reimburse staff for their personal subscriptions to professional bodies in connection with their duties unless:

- a) the claimant's department or unit has received sponsorship from outside to fund such expenditure, or
- b) The claimant's contract of employment with the University specifies that membership of an appropriate professional body is required for his/her current position.

Payment of such a subscription is liable to be reported to the Inland Revenue as a benefit under the PAYE scheme.

3.4 Entertaining

The broad effect of the Taxes Acts is to prohibit entertaining being allowed on the employer's tax return and to create a benefit in kind for the employee concerned that must be reported to Revenue & Customs and be subject to the appropriate PAYE tax deduction.

An exemption is given though if the employee is required for genuine business reasons to entertain customers, suppliers, or other business connections in the course of performing their duties of employment.

Expenditure incurred from occasions arising to discuss a particular business project will normally be reimbursed. Also, expenditure incurred where the purpose is to maintain an existing business connection or to form a new one even though no business was actually done.

Expenditure incurred entertaining personal friends or business acquaintances where there is no business obligation to entertain them will not be reimbursed. Also, reciprocal entertaining between business acquaintances, even though some business topic happens to be discussed, if deemed to be really for social and not for business reasons will not be reimbursed.

A presumption exists that expenditure incurred entertaining colleagues, that is other employees of the university, will fail to satisfy the criteria for reimbursement

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No entertainment expenditure will be reimbursed without written evidence of payment. Receipts must be presented with all claims and the following additional information must be provided:

- The names of all attendees and the names of their employers
- For the University catering facilities, charged internally, **must** comply with requirements and always record details of all persons attending and the organisations which they represent on an internal Catering Hospitality form.

The University reserves the right to reject or restrict claims regarded as by it unreasonable.

The University reserves the right to recover from current and past employees any PAYE and/or NICs subsequently paid by it with regard to entertaining expenditure that was not undertaken for a genuine business reason.

3.5 Employee Advances

Requests for advances should be made at least 5 working days before travelling. The university can not guarantee that requests made at shorter notice will be processed before departure.

A request will only be considered when the employee concerned is:

- Travelling for a genuine business reason on University business, and
- When the anticipated travel costs are expected to exceed £1,000

The minimum advance given will be £500 and all advances will be made in Sterling by a cheque drawn on the University's bank account.

All advances are treated as loans.

On returning to their normal place of work the employee should account for the cash remaining from the advance made by either:

- Repaying the unspent balance to the Finance Dept, or
- Offsetting it against their expense claim.

Expense claims substantiating the advance should be submitted not later than 15 working days after the employee returns to their normal place of work.

If, within 16 working days after the employee returns to their normal place of work the employee has neither submitted a claim nor advised the Finance dept that reasonable grounds exist for the delay the University reserves the right to either:

- Deduct from the employee's salary, without further reference, any outstanding balance on an advance made, and/or
- Treat the advance as an advance of net pay and gross it up in the next payroll run, deducting PAYE and NICs from the employee's salary accordingly.

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3.6 Non-Employee Expenditure

The procedures for non-employees are the same as those for employees with the following exceptions.

- No air fares will only be reimbursed unless approval is granted in writing before the travel booking is made by the Director of Human Resources or the Head of School/Department
- All air fares booked must be in either tourist or economy class.
- For private cars all mileage claims **must** be approved in writing before the travel is undertaken by the Director of Human Resources

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	REQUISITIONING
Regulation Number	7.4
Date Regulation Created	20/09/2006
Version	1
References	
Author	Financial Controller, SLS
Reviewer	Financial Regulations Review Committee: 20/09/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:- To ensure that purchasing needs are clearly identified and sufficiently authorised prior to transmission of requisitions to the purchasing function (Purchasing Department or the Oracle Purchasing Module used within Schools/Departments/Units).	
Scope:- All staff requesting the purchasing of goods or services for University purposes. Note: Staff are not permitted to make personal purchases through the University's systems.	
Responsibility:- Schools and Central Areas are required to identify and approve procurement needs by use of formal requisitions, subject to detailed specification of need, technical approval and financial authorisation. The Oracle Internet Procurement module is responsible for obtaining on-line any further approvals required on the requisitions input to it.	
Processes:- Non-capital purchases: <ul style="list-style-type: none">• Staff member (requisitioner) identifies what is needed, using sources made available by Purchasing through the i-Procurement and e-Procurement facilities or from catalogues or suppliers' websites. Technical aspects are cleared with a specialist / technician, as needed.• Requisitioner completes the School's or Central Area's requisition form,	

giving details of requisitioner, proposed supplier, delivery details, goods required, quantity, cost, and cost centre / project to be charged and any specific technical approval obtained.

- Requisition is passed for approval to an authorised signatory. Proposed spend is checked against budget before this approval is given.
- One the requisition is authorised, the purchase is initiated by using one of:
 - Purchasing Card (for one-off buys or regular low-value orders). See rules and instructions for use:
http://www.he-purchasing.hw.ac.uk/internal/purch_card.pdf
 - i-Procurement (for goods or services available from within HWU)
 - Oracle Internet Procurement (for all other purchases)

Capital purchases with value over £5,000:

Requirements are passed through the HWU Capital Approval Process, administered by Financial Controller, Estate & Building Services, based on requests from Schools and Central Areas.

Risk:-

Inadequate communication of requirements to purchasing.

Lack of budget approval of requisitions.

Delays in obtaining necessary goods and services.

Inefficient purchasing

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	PURCHASING
Regulation Number	7.5
Date Regulation Created	13/09/2006
Version	1
References	EC Directive 2004/18/EC & subsidiary regulations Public Contracts (Scotland) Regulations 2006 (Scottish Statutory Instrument 2006 No. 1) Public Contracts Regulations 2006 (Statutory Instrument 2006 No. 5)
Author	Director, Purchasing & Supply Services
Reviewer	Financial Regulations Review Committee: 13/09/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:-	<p>To provide maximum value from all areas of the University's non-salary spend, using professionally qualified staff to deliver expenditure control, expenditure efficiency and flexibility.</p> <p>To ensure best practice procurement is established throughout the University and its subsidiaries, providing all University staff with prescriptive guidance on matters relating to the Purchase-to-Pay cycle</p> <p>To ensure compliance with statutory requirements for procurement by public bodies.</p>
Scope:-	<p>Contracting and tendering.</p> <p>Requisitioning and purchase order processing.</p> <p>i-Procurement and e-Procurement, including VISA card purchases.</p>
Responsibility:-	Director, Purchasing & Supply Services
Processes:-	The University has a Procurement Policy in order to obtain optimum value for money in respect of all goods, services and utilities purchased, irrespective of the source of funds. This is to be 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.

Detail of operational procedures see:

http://www.he-purchasing.hw.ac.uk/internal/financial_regulations.htm

Risk:-

Inappropriate or unnecessary non-pay spend.

Failure to achieve best value for money.

Failure to achieve strategic targets (e.g.) operating surplus, expenditure control and expenditure flexibility.

Failure in good corporate governance and non-compliance with the University's Financial Memorandum with SFC.

Less than optimum value for money, dilution of commitment to contracted suppliers and consequent poorer terms when re-negotiating agreements.

Failure to capture all expenditure data, or increased difficulty in analysing multiple data sources, complicating expenditure analysis for improving purchasing power.

Failure to use official systems leads to process inefficiencies, extra workload and failure to obtain maximum return on investment in these systems.

Failure to control vendor base quality and/or numbers leading to loss of procurement leverage.

Financial exposure in terms of unsecured outlay (pre-payments), pre-payments and unfavourable supplier payment profile with cash-flow implications.

Loss of pre-payments, unenforceable contracts and non-delivery or delivery of unsuitable goods and services through entering agreement without adequate vetting and approval processes.

Loss of income from (e.g.) research contracts through failure to follow supplier selection and adoption processes.

Legal infraction proceedings through failure to comply with European Union, United Kingdom and World Trade Authority legislation and case law.

Reputational damage due to adverse publicity if aggrieved suppliers pursue legal action, and damage to supplier relationships.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	INSURANCE
Regulation Number	7.6
Date Regulation Created	13/09/2006
Version	1
References	
Author	Financial Controller, Estate & Building Services
Reviewer	Financial Regulations Review Committee: 13/09/2006 Expanded Review Committee: 27/04/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:- The objective of the University's insurance programme is to preserve the University's assets and earnings. In implementing this policy the University aims to: <ul style="list-style-type: none">• Identify sources of loss to property, income, employees or visitors• Retain risks wherever the amount of potential loss would not significantly affect the University's assets and earnings• Purchase insurance in such amounts and in such areas as will provide assurance against catastrophic loss and where insurance is required by law or contractual agreement and in other circumstances where it is economically viable.• To comply with its Financial Memorandum with SFC to have adequate insurance cover.	
Scope:- The policy terms and conditions can be viewed by visiting: http://www.hw.ac.uk/insurance/forms/information/insurance_summary.pdf <u>Summary of Cover</u> <ul style="list-style-type: none">• Property Damage and Business Interruption• Excess Employers Liability & Excess Public & Products Liability• Edinburgh Conference Centre Public & Products Liability• Engineering Combined• Electrical Wiring Inspection• Computer	

- Hired in Plant
- Motor Fleet
- Marine Combined
- Marine Craft
- Professional Indemnity
- Directors & Officers
- Pension Trustee Liabilities
- Clinical Trials

Responsibility: -

The Group Risk Manager (appointed by the Director of Estates & Building Services) is responsible for:

- Effecting all insurance cover and negotiating all claims as directed by the Finance Committee
- Obtaining quotes, negotiating claims and maintaining the necessary records
- Dealing with the University's insurers and advisers about specific insurance problems.

The Director of Estates & Building Services or appointed person must inform the Group Risk Manager of all building projects and alteration work likely to cost in excess of £250,000, in order that appropriate insurance cover can be negotiated.

It is University policy that wherever possible all insurance cover be purchased through one appointed insurance broker. Except in cases where express agreement to the contrary has been reached with the Group Risk Manager, all insurances must be arranged only through the Group Risk Office.

General Disclaimers

The University does not accept any liability or responsibility for the loss or damage to personal effects belonging to staff, students or visitors.

The University does not accept liability or responsibility for damage or loss to private motor vehicles whilst on University premises. Staff who are authorised to use private motor vehicles for University business are required to ensure that they are appropriately insured. All staff are therefore required to ensure that their private motor insurance extends to cover business use and any passengers carried.

Processes:-

The Heads of Schools, Institutes, Sections or appointed person give notification in writing to the Group Risk Manager of the extent of the nature of all new risks, additional property and equipment which require to be insured and the amount of insurance cover required. Notification must be also given in writing regarding any alteration affecting the risk in their area. The Group Risk Manager maintains a register of all insurances effected by the university and the property and risks covered.

The Heads of Schools, Institutes and Section pass all insurance requirements to the

Group Risk Office. They must notify the Group Risk Manager in writing of any loss, liability, accident or damage which may give rise to an insurance claim. All claims are prepared by the Group Risk Manager in conjunction with the Head of School, Institute, Section or relevant staff.

Negotiation of coverage and of premiums payable

The University's insurance programme and Broker services are tendered in accordance with the European Union Procurement Directives and regulations. The Director of Purchasing & Supplies handles the negotiations.

The Group Risk Manager ensures that all insurance premiums are paid in accordance with policy terms and conditions and the University financial regulations.

The Group Risk Manager ensures that the University's insurance programme is reviewed and appropriate risk profiles are updated as and when required subject to amendments to regulations, statutory obligations and new business objectives.

Claims Procedure

A General Claims Procedure is in operation and is available at:

http://www.hw.ac.uk/insurance/forms/information/claims_procedure_guide_2005.pdf

Risk:-

Destruction, loss or theft of assets.

Uninsured claims for personal injury from students, visitors, staff and contractors.

Business interruption and related economic loss.

Non compliance with statutory regulations and statutory obligations.

Professional liability.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	FIXED ASSETS
Regulation Number	8.1
Date Regulation Created	30/03/2007
Version	1
References (external)	FRS 15 & FRS 11
Author	Group Financial Controller
Reviewer	Financial Regulations Review Committee: 08/06/2007 Expanded Review Committee: 08/06/2007
Approved	PME: 23/08/2007 Finance Committee:

Objective:-

Financial Reporting Standard 15 'Tangible Fixed Assets' sets out the principles of accounting for the initial measurement, valuation and depreciation of tangible fixed assets, with the exception of investment properties.

The objective of this regulation is to ensure that:

- (a) Consistent principles are applied to the initial measurement of tangible fixed assets.
- (b) Depreciation of tangible fixed assets is calculated in a consistent manner and recognised as the economic benefits are consumed over the assets' useful economic lives.
- (c) Sufficient information is disclosed in the financial statements to enable users to understand the impact of the university's accounting policies regarding initial measurement, valuation and depreciation of tangible fixed assets on the financial position and performance of the entity.

Scope: -

This regulation aims to ensure that tangible fixed assets are accounted for on a consistent basis.

A tangible fixed asset should initially be measured at its cost. Only costs that are directly attributable to bringing the asset into working condition for its intended use should be included. Such costs should be capitalised only for the period in which the activities that are necessary to get the asset ready for use are in progress.

If the amount recognised when a tangible fixed asset is acquired or constructed exceeds its recoverable amount, it should be written down to recoverable amount. However, on initial

recognition the asset needs to be reviewed for impairment only if there is an indication of impairment, in accordance with **FRS 11 'Impairment of Fixed Assets and Goodwill'**.

Subsequent expenditure undertaken to ensure that the asset maintains its previously assessed standard of performance, for example routine repairs and maintenance expenditure, should be recognised in the profit and loss account as it is incurred. Without such expenditure the depreciation expense would be increased because the useful economic life or residual value of the asset would be reduced.

However, subsequent expenditure should be capitalised in three circumstances, where the expenditure:

- (i) Enhances the economic benefits of the asset in excess of its previously assessed standard of performance; or
- (ii) Replaces or restores a component of the asset that has been treated separately for depreciation purposes and depreciated over its individual useful economic life; or
- (iii) Relates to a major inspection or overhaul that restores the economic benefits of the asset that have been consumed by the entity and have already been reflected in depreciation

Responsibility: -

It is the Capital Committee's responsibility, acting on behalf of PME and advised by the Finance Committee, to approve all changes to the University's policy regarding the management of its capital assets and future capital spending plans, as well as ensuring that the set policy is implemented, monitored and reviewed.

All accounting for capital assets, creating new assets, disposing of existing assets and setting parameters such as asset lives shall, within the agreed policy parameters, be delegated to The Director of Finance who will report back to the Capital Committee on a regular basis.

The Director of Finance is responsible for maintaining the University's Fixed Asset Register.

Disclosures: -

The following information should be disclosed separately in the financial statements for each class of tangible fixed assets:

- (a) The depreciation methods used;
- (b) The useful economic lives or the depreciation rates used;
- (c) Total depreciation charged for the period;
- (d) Where material, the financial effect of a change during the period in either the estimate of useful economic lives or the estimate of residual values
- (e) The cost at the beginning of the financial period and at the balance sheet date;
- (f) The cumulative amount of provisions for depreciation or impairment at the beginning of the financial period and at the balance sheet date;
- (g) A reconciliation of the movements, separately disclosing additions, disposals, transfers, depreciation, impairment losses, and reversals of past impairment losses written back in the financial period; and
- (h) The net carrying amount at the beginning of the financial period and at the balance

sheet date.

The Heads of School/Departments are responsible for providing information about acquisitions or disposals to the Finance department on a timely basis.

Processes:-

The Fixed Asset Procedures manual gives a detailed framework on accounting for additions, disposals, transfers, depreciation methods, asset lives and other operational guidelines.

Additions

Additions to fixed assets must be treated in accordance with procedures laid down in the Fixed Asset Procedures manual. This includes the purchase of any fixed asset that is to be financed with the aid of a grant from an outside body.

For the University the threshold for inclusion of £5,000, includes both fixed assets that are single items and those that comprise a number of items which, if grouped together, are deemed to constitute an single interdependent operational unit e.g. analysis rig etc. The latter does not need to be from the same manufacturer or supplier.

The fixed asset register must also include all items donated or held on trust if they meet the above threshold for inclusion as fixed assets.

Where any fixed asset is loaned the Head of School/Department should have procedures in place to ensure that it is returned in good condition. If the borrower is to have custody and control of the asset it must be for the borrower to arrange insurance cover. All loans must be notified the Finance department on a timely basis

No fixed asset belonging to the University may be removed for personal use without prior written approval from the relevant Head of School/Department

Disposals

Disposal of all fixed assets must be treated in accordance with procedures laid down in the Fixed Asset Procedures manual. This includes disposal of any fixed asset originally purchased with the aid of a grant from an outside body.

Any proceeds on disposal will credited to the School/Department that held the asset subject to approval by PME where the surplus is > £10,000

The Director of Finance should be informed of any item which has previously required special insurance cover, which is sold, or otherwise disposed of, as the insurance arrangements may need to be amended or unexpired premiums recovered.

Reporting gains or losses on disposal

The profit or loss on the disposal of a tangible fixed asset should be accounted for in the income and expenditure account of the period in which the disposal occurs as the difference between the net sale proceeds and the carrying amount, whether carried at historical cost (less any provisions made) or at a valuation. Profits or losses on the disposal of fixed assets

should be shown in accordance with [FRS 3 'Reporting Financial Performance'](#)

Impairment

Tangible fixed assets, other than non-depreciable land, should be reviewed for impairment, in accordance with [FRS 11](#), at the end of each reporting period when either:

- (a) No depreciation charge is made on the grounds that it would be immaterial (either because of the length of the estimated remaining useful economic life or because the estimated residual value of the tangible fixed asset is not materially different from the carrying amount of the asset); or
- (b) The estimated remaining useful economic life of the tangible fixed asset exceeds 50 years.

Verification

Physical verification checks should be carried out on a regular basis by the Finance department with the assistance of Schools/Departments. Such checks should test for both under and over statement. (i.e. checking from accounting records to physical assets and vice versa).

Risks:-

- The carrying amount of fixed assets held is under or over stated
- Depreciation is incorrectly calculated
- A failure of stewardship in safeguarding the University's assets

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	INTELLECTUAL PROPERTY COMMERCIALISATION
Regulation Number	8.2
Date Regulation Created	02/10/2006
Version	1
References	Patents Act 1977 Copyright, Designs and Patents Act 1988 FRS 10: Goodwill and Intangible Assets
Author	Financial Controller, IPE
Reviewer	Financial Regulations Review Committee: 06/11/2006 Expanded Review Committee: 08/06/2007
Approved	PME: 23/08/2007 Finance Committee:
<p>Objective:-</p> <p>To define and safeguard the University's intellectual property rights. To maximise revenues from intellectual property. To establish sound, prudent controls to ensure that all commercialisation activity is educationally, scientifically, legally and commercially of the highest quality. To maintain a professional, integrated approach to the management of commercialisation with a proper balance between flexibility and control.</p>	
<p>Scope:-</p> <p>Intellectual Property created by a:</p> <ul style="list-style-type: none"> • Student - when not retained by the student under the detailed provisions of the University Policy (see "Processes" below); • Member of staff as part of employment; or, • Visitor or consultant as part of work with the University. <p>'Intellectual Property' is defined as all outputs of creative endeavour in literary, artistic, scientific and engineering fields that can be protected either formally or informally including but not limited to all forms of copyright, design right whether registered or unregistered, patent, patentable material, trademarks, know-how, trade secrets, rights in databases, information, data, discoveries, mathematical formulae, specifications, diagrams, expertise, techniques, research results, inventions, computer software and programs, algorithms, laboratory notebooks, actual and potential teaching and distance learning material, and such other items as the University may from time to time specify in writing.</p> <p>'Intellectual Property Rights' are defined as any legal rights that subsist in any Intellectual Property under any current or future laws including but not limited to all United Kingdom Statutes, European Treaties, Directives and Regulations, International Treaties and common law.</p>	
<p>Responsibility:-</p> <p style="text-align: center;">Technology & Research Services (TRS) is the research development and</p>	

commercialisation department for the University. It is responsible for:

- promoting the transfer of knowledge by developing collaborative links between industry and academic through collaborative research, technology licensing, the delivery of training and consultancy services,
- compiling and controlling the University's portfolio of intellectual property,
- maximising revenues arising from intellectual property,
- convening the Innovation Exploitation Board (IEB) to assess and advise on inventions.

Any student, member of staff, visitor or consultant who creates any potentially commercially exploitable intellectual property or intellectual property right which is the property of the University must inform TRS and the appropriate Head of School at the earliest possible opportunity.

Processes:-

Description of determination of ownership and of income allocation is given in the 'University Policy on Intellectual Property, Confidential Information and Commercialisation' (Appendix A) –

<http://www.hw.ac.uk/hr/htm/policies/IP%20Policy%20Commercialisation%20Policy.pdf>

The inventor of a product/process informs TRS and the Head of School. TRS provides an Invention Disclosure Form (IDF), a copy of the policy and a commercialisation case number. The inventor completes the IDF and returns it to TRS.

When TRS receives the form:

- It initially assesses the commercial potential of the invention and undertakes a prior art search.
- A meeting of the IEB is convened to discuss the invention. The IEB will decide whether to proceed with commercialisation and, if so, the best way in which to do so.

IEB will keep the project under review to make sure it is worth continuing and if at any stage it does not wish to continue with it, the inventor may do so in his/her own name. The University will generally request reimbursement of its costs before releasing the project back to the inventor.

Through this system TRS is informed of newly-developed IP by academics seeking advice and assistance with patent applications and commercialisation routes. All patents are recorded in a database managed by the Intellectual Property & Contracts Advisor.

Commercialisation of IP is the overall responsibility of the Technology Transfer Manager and is administered through databases of (a) patented technology in the course of commercialisation and (b) ongoing licensing deals and other contracts.

Revenue from IP licences is controlled through this last database. It provides prompts on billing periods to the TRS Administrator, who at the due dates sends out letters to licensees requesting information on production/sales volumes generated under the

licence since the last invoicing milestone. This information when received back from the licensee – after reminder, where necessary – is used by the TRS Administrator to produce an invoice for the licence fees.

Risk:-

Commercial opportunities are not protected and developed, so that the University loses out on invaluable income streams.

The University's intellectual property rights are not recognised, recorded and managed.

Intellectual property income due to the University is not received.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	STOCKS AND STOCKHOLDING
Regulation Number	8.3
Date Regulation Created	13/09/2006
Version	1
References (external)	SSAP 9: Stocks and Long-Term Contracts
Author	Financial Controller, Catering & Residences
Reviewer	Financial Regulations Review Committee: 13/09/2006 Expended Review Committee: 08/06/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:- To ensure stocks and stores are securely held and protected from physical damage and theft. To ensure that reliable records of stores are maintained and subject to periodic check against the physical stock held.	
Scope:- All Schools and Central Areas having stocks on hand and maintaining stores.	
Responsibility:- The Head of School or Central Area is responsible for ensuring that all reasonable precautions to safeguard stocks and stores are taken and to supply appropriate information required for the accounting, costing and financial records of the University to the Director of Finance.	
Processes:- Heads of School or Central Areas ensure that periodic or perpetual stock counts are conducted so that all stock is checked at least once a year. These should be carried out by persons other than the storekeeper concerned. Stock levels are reviewed at least once per year to ensure that levels are not in excess of normal requirements. Stock valuation is on a FIFO basis (First In First Out)	

An annual stocktaking record for stores certifying all particulars are correct is prepared and submitted to the Director of Finance.

Any surpluses or deficiencies in quantity and value are reported promptly in writing to the Director of Finance to obtain authority to write back surpluses and to write off any deficiencies.

Risk:-

Excessive stock holding and out of date stock being written off to Income and Expenditure.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	ACCOUNTS RECEIVABLE
Regulation Number	8.4
Date Regulation Created	04/10/2006
Version	1
References	Ordinance 2: Fees, Charges, Fines and Debts
Author	Financial Controller and Director of Administration, SML
Reviewer	Financial Regulations Review Committee: 06/11/2006 Expanded Review Committee: 08/06/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:- To ensure debtors are invoiced timeously. To ensure debt collected when due, with procedures in place to follow up and collect overdue debt. To define clear procedures to be followed to write off bad debts after a defined period, subject to sufficient approval. To ensure debtor balances accurately reflect amounts due, with regular reconciliation of debtor control accounts.	
Scope:- All sales on credit including revenue arising where the provision of goods or services to the customer is made before payment is received - including fees, consultancies, grant claims, conference revenues, cost recoveries and rents receivable.	
Responsibility:- Area responsible for providing billable services is required to raise an invoice request form. The finance function in Schools, departments and units generates an invoice on the Oracle financial system from the invoice request form. Finance Department processes and allocates receipts from debtors. Finance Department manages credit control centrally.	

Processes:-

The Accounts Receivable operating procedures are contained in Appendix A.

Risk:-

Incomplete reporting of financial results and unrecorded debts.

Loss of assets through bad debts.

Loss or inappropriate treatment of cash receipts from debtors.

Failure to meet budgetary targets for revenue/expense recovery.

Incomplete and/or inaccurate VAT returns.

Accounts Receivable

1 General credit sales and billing framework:

1.1 All Schools and departments and units within the University will be required to record their billed (i.e. invoiced) sales and funding claims to external bodies on the Oracle system (except the specific areas identified in section 6 below). This is to enable the correct recording of income due against departmental budgets and research projects (i.e. both sales made and claims) thereby providing a framework for more complete budgetary control and planning.

1.2 Invoices are required for all credit sales, i.e. sales where provision of the goods or services to the customer is made before payment is received.

1.3 Funding claims are required for those activities for which the University is entitled to request funding from an external organisation but does not provide goods or services directly in return to that sponsor - e.g. research projects.

1.4 It is not expected that the billing process be used to request or record donations from benefactors (see section 8) - any unfulfilled promises should be managed in other ways, such as by letter. The Development Office will be responsible for setting appropriate procedures

1.5 The above definitions include the following types of credit sale and claim:

- Course fees where payment is not required before starting the course;
- Sale of goods and services, including consultancy;
- Sale of stock (inventory) items;
- Claims on sponsors or grant making bodies;
- Any other type of request for payment that is not a freely given gift;
- Fixed asset disposals;
- Foreign currency sales. (Under normal circumstances only sterling sales invoices will be permitted; for arrangements or situations where this is not appropriate, however, prior written authority must be sought from the Director of Finance.)

1.6 The functions available within Oracle to support these processes are:

- Raising invoices for sale of non-stocked items;
- Raising invoices for sale of stocked items;
- Raising project claims;
- Receipt of cash and debt management.

2 Control of billing processes:

2.1 Sales invoices (bills) will in most cases be raised and input locally, although the degree of devolution within Schools and departments will be determined locally. Departments will be expected to undertake period-end reviews of all local sales activity in line with departmental month-end procedures.

2.2 As with purchase ordering, Schools, departments and units must determine which of the following approaches to sales processing is most appropriate:

- **Fully devolved Oracle billing:** Individual staff within departments have direct access to the Accounts Receivable module and are able to enter their billed sales directly onto the system.
- **Locally centralised billing:** Individual staff are required to complete pro forma sales records for submission to each School or department's administration for collation and entry onto the Accounts Receivable module.
- **Centralised billing:** All sales billing within the department is effected via pro forma notification forms, manually or via e-mail attachment, which are then forwarded either to the departmental finance function for entry onto the Accounts Receivable module.

Whichever approach is adopted, it is the responsibility of departmental management to ensure that all staff involved in the process are aware of their own responsibilities and of which process is being employed.

2.3 Regardless of the option taken in respect of processing the initial sales request, the procedures for entering and producing invoices to customers are then the same throughout the University as described in the paragraphs below.

2.4 A central Accounts Receivable (AR) team within the University's Finance Department will perform ongoing debt management processes (see section 6 below).

2.5 The Oracle database will contain details relating to all University customer credit accounts. All new customer account codes and records will be set up and maintained by Schools and departments during 'normal' operations.

3 Customer set-up/maintenance:

3.1 A University customer is a Company (Ltd or non Ltd), Charity or Person requesting good/services to be provided to them by Heriot-Watt University. All customers have to be set up in the Accounts Receivable module of Oracle - if they are not set up, they cannot be invoiced.

3.2 Companies can be invoiced before goods/services are provided; or they can be offered credit (subject to satisfactory credit checks) with the invoices being raised after the supply of goods and services.

3.3 If there is any doubt as to the standing of a new customer, credit checks must be carried out before services or goods are provided. When the company first contacts the School or department, the department must contact Purchasing and Supply Services and request that they carry out a Dun and Bradstreet credit check. If the customer has been approved, the account can be set up and an invoice can be raised for this customer. If the credit check is unsatisfactory, we will not be able to give credit to the company; and any fees will have to be paid in full prior to the delivery of goods/services.

3.4 The following framework will apply for customer account maintenance:

- Authorised staff within Schools/departments will have access to the customer accounts maintenance screens within Oracle. Before creating new customer codes staff must ensure by enquiring within this module that no valid account for the customer concerned already exists.
- Once it is established that a new record is required details must be entered via the screens provided, ensuring that all mandatory fields (highlighted in yellow) are completed accurately. Wherever possible, all other fields should be completed.
- When all details have been entered, the 'complete' button is to be used to store the new customer record in Oracle and to make it available for invoice production.
- The central Finance Accounts Receivable team will monitor all new records created by departments.

4 Raising sales invoices to external customers:

4.1 Invoices for external sales must be recorded initially via the Accounts Receivable module.

4.2 Sales invoices will only be raised on receipt of a formal request. The party providing the services/goods is responsible for completion of a Sales Invoice Request form (Appendix A), giving detail of the nature of the supply and the value. Details submitted must include who the invoice is to be raised against, the nature of the service or goods supplied, the value to be charged and where the income is to be allocated to.

4.3 A preliminary check should be carried out to determine whether a customer account exists prior to the entry of sales details onto the system. This can be done by using the enquiry screens available within the Accounts Receivable.

4.4 Schools/departments should request the set-up of a new customer account if an appropriate account does not already exist - see section 3 above.

- 4.5** The system will not allow the creation of an invoice without a customer account.
- 4.6** All required sales details must be entered. All mandatory fields will be highlighted in yellow and will include: customer name and address (selected from the system listing); details of the item or service supplied; and charge value.
- 4.7** The VAT Tax code may be suggested by the system but it is the responsibility of the user to ensure that these are correct for the circumstances of each invoice and that the VAT has been correctly calculated and posted.
- 4.8** An Accounts Receivable invoice record is automatically authorised at the point it is 'completed' on Oracle - there is no further authorisation process. The invoice will be generated and will be ready for printing and distribution.
- 4.9** Part-completed invoices may be saved if not all aspects of the sale are known. Additional information can be added later before subsequent completion of the invoice.
- 4.10** A single, universal format of external sales invoice used across the University, which includes all necessary terms, conditions and details.
- 4.11** Departments are responsible for determining when their sales invoices are printed or otherwise produced - they may be produced on an ad hoc basis (useful for 'urgent' requests for payment) or printed in a single run on a daily (or other scheduled) basis. In most cases invoices should be printed and despatched no later than the following working day after completion.
- 4.12** Credit notes or any reduction of the amount due can only be actioned on receipt of a Sales Credit Request form. This must include an acceptable written explanation signed by an authorised signatory of the School or department.
-

5 Raising project claims/invoices:

5.1 Claims for funding and invoices associated with research or other projects will be made via the Accounts Receivable module. This process is part of the overall management of grants and projects is the responsibility of the Research Grants Office.

6 Receipt of cash and debt management:

6.1 The general process for the receipt of cash relating to accounts receivable invoices is described in section 8. Payment of all bills will be directed to a central PO Box, which will be managed by the central Cash Office (see below).

6.2 The Accounts Receivable team is a centrally located, dedicated debt collection unit, empowered to recover late payment by customers of the University. The team will work in a professional and disciplined manner to achieve efficient and effective debt settlement while at all times recognising the specific intrinsic relationships between the University and its customers.

6.3 Debt profiling and categorisation will be used to ensure that all standard sales debtors will be treated in the same manner, with the same terms for, and approach to, debt reminders and recovery. Exceptions to this will include:

- The treatment of 'sale or return' sales where fees may not be due for some time after the initial release of goods, or dependent upon goods actually being despatched;
- Debtors in sectors where standard terms are longer than the University's normally-accepted terms;
- Debtors for certain student fees, or course payments (e.g. Continuing Education, colleges) where the initial follow-up of debt may be undertaken locally, but the potential for referral of outstanding debt to external collecting agencies still remains;
- Payroll debts;
- Companies where initial order/sale is in excess of £10,000.

A different profile will be required for such sales to prevent customers receiving inappropriate reminders or communications otherwise generated by the standard profile.

6.4 All standard debtors will have terms stated on the invoice issued, after which debt recovery action will be commenced by the Accounts Receivable team through the issue of a reminder letter. Schools/departments will be informed by the Accounts Receivable team of any debts not settled following that reminder, and will be informed of each part of the process after this point. The precise timetable will be amended to reflect any contracts with non-standard terms

7 Exceptions and variations to the billing framework:

7.1 The only permitted exceptions and variations to the billing framework described above are given in the following paragraphs.

7.2 Student fees:

- Payments received by Schools in respect of students attending the University and by Continuing Education for part-time courses will not be reflected in detail in Oracle but only in summarised form. This is to avoid unnecessary duplication of detail with the Integrated Student Records System.
-

Receipt of cash and non-credit sales

8 General cash receipting framework:

8.1 All Schools and departments within the University will be required to record their income received and cash sales on the Oracle system. This is to enable the correct allocation of income against departmental budgets and research projects. It is important also that cash received can be reconciled accurately and quickly against the accounts or projects to which it relates in order to provide assurance that all of the University's income is being recognised.

8.2 The above definition includes the following types of sale:

- Sale of items credited to departmental accounts or projects;
- Sale of services and utilities;
- Sale of stock (inventory) items;
- Foreign currency sales;
- Claims on sponsors;
- Donations, or other miscellaneous cash receipts;
- Fixed asset disposals.

8.3 The functions available within Oracle to support these processes are:

- Receipt of payment against invoices or claims raised;
- Shop (till) sales;
- Miscellaneous departmental cash receipts.

9 Control of cash receipting and non-credit sales:

9.1 The central Cash Office within the Finance Department will support the processes described by providing a centrally located, dedicated cash collection and management unit in a secure environment. This will include arrangement of services for the collection and banking of cash received departmentally (as required).

9.2 Cash income will be governed by the following framework:

- **(i)** In the case of all credit sales (and other income not included in (ii) to (iii) below), where a sales invoice is raised after the sale has been transacted (e.g. a student attends a course and receives the invoice later), payment will be directed to and managed by the central cash office;

- **(ii)** In the case of all high volume non-credit or credit sales where payment is received with the order or prior to the sale being transacted (including shop till sales, payment made with bookings, photocopying/other service sales where cash is received in advance, etc.) - payment will be managed locally and banked at the central cash office. VAT on shop sales must be considered and accounted for in accordance with Customs and Excise rules and must always be input via Accounts Receivable;
 - **(iii)** In the case of all low volume non-credit sales - e.g. occasional 'over the counter' sales - departments will manage receipting locally. All receipts must be coded for VAT and be entered via the Accounts Receivable module;
 - **(iv)** In the case of miscellaneous cash (e.g. charges for photocopying, small donations, etc.) below £500 per week, payment may be managed locally and input via the Accounts Receivable module with VAT accounted for.
-

10 Receipt of payment against invoices or claims raised:

10.1 All payments relating to accounts receivable invoices will be directed - via a single PO Box number - to the central Cash Office for processing.

10.2 On receipt of a payment the Cash Office will determine whether there is a related accounts receivable invoice or whether the payment is a miscellaneous item or donation. If the payment is a miscellaneous item or donation it is treated in the same manner as a departmental receipt, as described in section 11 below.

10.3 In the event that the payment relates to an accounts receivable invoice the details of the payment will be recorded in the Accounts Receivable module and matched against the invoice. In the event that such a payment is received directly into the bank (via BACS) the bank reconciliation team will undertake the same process by recording the details in the Cash Management module and linking the receipt to the appropriate invoice.

11 Miscellaneous departmental cash receipts:

11.1 Donations or other miscellaneous cash receipts which are handled within Schools or departments must be recorded on the Oracle system in Accounts Receivable. It is imperative that such receipts are reconciled appropriately against independent sources wherever they exist prior to banking and that such reconciliations are undertaken regularly and evidenced. **N.B.** it is not permitted to add cash receipts to petty cash floats.

11.2 Where donations are made, Schools and departments should ensure that the Development Office is informed and liaised with as appropriate. All donations will be accounted for through the Accounts Receivable module.

11.3 As outlined in section 9 above, Schools and departments must determine locally which staff will carry out the handling and recording of such receipts. Departments must also determine how cash, cheques, and other payments will be collected and banked in accordance with the options available and the framework provided.

11.4 On receipt of a payment the staff concerned must ensure that it is promptly recorded (i.e. within the same working day) as a miscellaneous cash item within the Oracle Accounts Receivable module. Miscellaneous items do not require the specification of customer accounts (unlike invoiced items) but do require VAT to be accounted for.

11.5 If a receipt is required this will not be produced directly from Oracle but must be produced via the use of a standard receipt template that will be provided in Microsoft Word by the central Cash Office for departmental use.

11.6 There is no specific authorisation required once the transaction has been completed and closed. The system will automatically update associated General Ledger, Projects, and Cash Management modules as appropriate.

TEMPLATE FOR CREATION OF FINANCIAL REGULATIONS

Regulation Name	Banking Arrangements
Regulation Number	8.5
Date Regulation Created	03/05/2007
Version	1
References	
Author	Group Financial Controller
Reviewer	Financial Regulations Review Committee: 08/06/2007 Expanded Review Committee: 08/06/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:- <ul style="list-style-type: none">• To ensure the completeness and accuracy of the records maintained by the group for all banking transactions.• To ensure that only valid authorised transactions are processed.• To ensure that only valid authorised bank accounts are operated.• Act to ensure that appropriate physical, procedural and personnel measures are in place to safeguard the physical security of all cash and of all other confidential/sensitive documentation.	
Scope:- <ul style="list-style-type: none">• All staff, students, parents, research councils, external customers, suppliers, banks and senior management.• All monies receivable by the University are to be regarded as income of the University.• All bank accounts operated in the name of the University and its subsidiaries• University income includes all monies made available to individuals on the basis of their association with the University, unless explicitly excluded.• All University income must be paid into a University bank account promptly and be properly accounted for.	

Responsibility:-

Respective responsibilities:

- The Director of Finance: is responsible for ensuring there that appropriate policies are in place to ensure that all receipts and payments are being completely and accurately accounted for and that only authorised transactions are taking place and authorising new or revised contractual relationships with third party providers of banking services.
- Group Financial Controller: is responsible for the ensuring the effective implementation and ongoing operation of the agreed policies and the ongoing management of relationships with third party providers of banking services, including authorising new banking services within the bounds of existing contractual relationships.

Individual operational banking processes may be delegated to the relevant Financial Controller responsible, subject to prior approval from the Group Financial Controller.

- Cash Office and other University Staff: are accountable for acting in accordance with the agreed policies and within the authority delegated to ensure that all receipts and payments are being completely and accurately accounted for and that only authorised transactions are taking place.

General Responsibilities

- The line manager of each team within the University undertaking banking duties is responsible for the security of any and all cash received until banked.
- All income received by cash, cheque or credit card must be recorded before being banked.
- The postal service and internal mail must not be used to send cash.
- Those making payment to the University should be advised that cheques are to be made payable to 'Heriot-Watt University'.
- Only the Cash Office may accept foreign currency payments

Processes:-

Authorisation

- Maintain up to date records of all bank mandates and present recommendations as to changes / adjustments as necessary.
- Maintain up to date records of all authorised direct debit and standing order mandates and present recommendations as to changes / adjustments as necessary.
- Maintain up to date records of all other bank mandates and present recommendations as to changes / adjustments as necessary.

Receipts

- Process all receipts on a daily basis to the appropriate student / customer accounts no later than the close of business the following day.
- Pay-in all receipts on a daily basis to the bank no later than the close of business the following day.
- Create a remittance for each of these payment methods.
- Except for petty cash only the Cash Office and Catering & Residences have authority to hold cash balances overnight.

Payments

- Process BACS payment files for the University and its' subsidiary companies.
- Create one-off cheque runs for payments not paid via BACS.
- Use electronic banking facilities to make authorised GBP and foreign currency payments in accordance with the terms agreed with suppliers.

Direct Debits

- Run the Bacstel-IP Direct Debit claim process to collect outstanding tuition and residence fees from students on the due dates advised in the 'advance notification' letters issued annually to the students.

Credit & Debit Cards

All Schools/depts without card authorisation machines should direct enquiries to the Cash Office.

An administration fee of 1.75% is charged to the cardholder for all credit card transactions. No charge is made for debit card transactions.

Ledger Reconciliations

- Perform bank reconciliations on all open bank accounts within 5 working days of each calendar month end.
- Perform all other ledger reconciliations designated as being a 'cash office' responsibility within 5 working days of each calendar month end.
- Investigate in a timely manner any balances outstanding on student and/or customer accounts. Handle student and staff queries, giving advice where possible.

Physical Security

- Retain a 'live' copy of all bank mandates.
- Retain a 'live' copy of all other authorisations

Risks:-

- Misappropriation of funds
- Payments made without appropriate authorisation
- Inadequate security of cash deposits to bank
- Non-compliance with insurance procedures

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	Treasury Management
Regulation Number	8.6
Date Regulation Created	3 rd May 2007
Version	1
References (external)	
Author	Kevin Mallett
Reviewer	
Approved	
<p>Objective:-</p> <p>The University defines the policies and objectives of its treasury management activities as "the management of the its cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".</p> <p>It believes that one of the prime criteria by which its effectiveness will be measured is the successful identification, monitoring, and control of risk.</p> <p>It acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives and accordingly will employ suitable performance measurement techniques within the context of effective risk management.</p>	
<p>Scope: -</p> <p>Treasury management is a central function of the University and is managed by the Finance Department. It covers the following key areas:</p> <p>Cash flow management Managing day-to-day cash balances at the bank, investing surplus funds as required and cash-flow forecasting and management.</p> <p>Investing cash deposits Investing via the London Money Market, ranging from both short-term-money lent overnight, to longer-term deposits - 1 year and beyond. The source of the funds varies and can consist of day-to-day cash surpluses held at bank, inter account balances, other funds and the cash investments of individual endowment funds which are managed on their behalf by the University.</p>	

Ownership of these deposits is split into three categories:

- **The University's own cash deposits.** The University's central cash resource comprising reserves held in cash plus working capital and including centrally allocated SFC grant funding ahead of the cash being utilised.
- **Individual endowment funds.** The University acts as 'banker' to certain individual endowment funds (which have separate legal identities).
- **Subsidiary Companies.** Monies invested on behalf of the University's subsidiary companies.

Investments

The University's investments comprise three funds invested in external funds managed by external fund managers:

- Income Fund
- Managed Fund
- Corporate Bond Fund

Fund management

External Fund Managers. Appointed to invest in any, all, or a combination of the following instruments: Cash, equities, UK and Global bonds, hedge funds, private equity and venture capital schemes.

Spin-out companies

The University has a financial interest in a number of spin-out companies which have been created mainly to exploit the benefits (often intellectual property rights) flowing from research activity.

Subsidiary companies

Companies set up to manage the trading activities of the University in a tax efficient way.

Management of foreign currency exposures

The Treasury activity includes overseeing and managing the University's exposure to foreign currency, ensuring where possible that the risks of currency fluctuations are minimised.

Responsibility:-

The University confirms that:

- it has in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its treasury management activities;
- one of its prime objectives is the effective management and control of risk;
- it has in place suitable measures to effectively monitor its performance;
- it supports the adoption of the clauses contained within the Code of Practice on Treasury Management produced by the Chartered Institute of Public Finance and Accountancy, and the adoption of a Treasury Management Policy Statement and will also aim to follow the recommendations contained within

in its Treasury Management Practices;

Accordingly it will create and maintain:

- a Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities;
- suitable Treasury Management Practices (TMP's) which set out the manner in which the University will seek to achieve its policies and objectives and manage and control its activities;

The University's Finance Committee will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual review report and an annual strategy plan in the form prescribed in its TMP's.

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 University's policy statement and TMP's.

Definitions:-

TMP 1: Treasury risk management

- **Liquidity risk** - the risk that cash will not be available when needed;
- **Interest rate risk** - that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on an group's finances against which it has failed to protect itself adequately;
- **Exchange rate risk** - the risk that fluctuations in foreign exchange rates also create an unexpected or unbudgeted burden on an group's finances;
- **Inflation risk** - i.e. any unexpected or unbudgeted impact caused by levels of inflation;
- **Credit and counter-party risk** - the risk of failure of a third party to meet its contractual obligations under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness;
- **Refinancing risk** - the risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the group for those re-financings, both capital and revenue;
- **Legal and regulatory risk** - the risk that the group fails to act in accordance with its powers or regulatory requirements;
- **Fraud, error, corruption and contingency management** - the failure to employ suitable systems and procedures and to maintain effective contingency management arrangements to these ends;
- **Market risk** - the risk that through adverse market fluctuations in the value of the principal sums an group invests, its stated policies and objectives are compromised;

TMP 2: Performance measurement

- the process designed to calculate the effectiveness of a portfolio's or managers' investment returns or borrowing costs and the application of the resulting data for the purposes of comparison with the performance of other portfolios or managers, or with recognised industry standards or market indices;

TMP 3: Decision-making and analysis

- consideration of key aspects such as risk, legality, creditworthiness, competitiveness;

TMP 4: Approved instruments, methods and techniques

- consideration of the types of investment instruments the group is legally able to deal in and also the level of competences available within the group to allow effective decisions to be taken;

TMP 5: Clarity and segregation of responsibilities, and dealing arrangements

- clear organisational and decision making lines, clearly laid down division of responsibilities, proper internal control procedures in place;

TMP 6: Reporting requirements and management information arrangements

- covering reporting lines and frequencies

TMP 7: Budgeting, accounting, and audit arrangements

- covering staff costs, debt and financing costs, bank and overdraft charges, brokerage commissions, external advisers' and consultants' costs;

TMP 8: Cash and cash flow management

- the preparation of cash flow management forecasts and 'actuals' to determine acceptable levels of cash balances, the adequacy of overdraft facilities and the optimum arrangements for investing and managing surplus cash;

TMP 9: Money laundering

- making appropriate staff aware of the provisions of the Money Laundering Regulations (1993) and associated legislation such as the Terrorism Act 2000 and the Proceeds of Crime Act 2002, and ensuring (as far as is possible) that adequate procedures are in place to ensure effective compliance with them;

TMP 10: Staff training and qualifications

- ensuring a staff training and development regime is in place and that staff are competent to operate within a treasury environment;

TMP 11: Use of external service providers

- ensuring that correct appointment and renewal procedures are followed;

TMP 12: Corporate governance

- the code requires a commitment to the principles of corporate governance which will embrace the TPS itself, treasury policies, procedural guidelines and defined responsibilities, dealings with counter parties and external bodies

Processes:-

TMP1: Risk management

The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the group's objectives in this respect, all in accordance with the procedures set out in *TMP6: "Reporting Requirements and Management Information Arrangements"*.

- **Liquidity risk management.** The group will ensure it has adequate, though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievements of its business/service objectives.
- **Interest rate risk management.** The group will ensure that it protects itself adequately against the risk of fluctuations in the level of interest rates creating an unexpected or unbudgeted burden on the group's finances.
- **Exchange rate risk management.** The group will ensure that it protects itself adequately against the risk of fluctuations in foreign exchange rates creating an unexpected or unbudgeted burden on the group's finances.
- **Inflation risk management.** The group will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with *TMP6: "Reporting requirements and management information arrangements"*. It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

The effects of varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, will be controlled by the group as an integral part of its strategy for managing its overall exposure to inflation. It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates, exchange rates or inflation. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

- **Credit and counter-party risk management.** The group will ensure that it protects itself against the risk of failure by a third party to meet its contractual obligations to the group under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the group's capital or current (revenue) resources. The group regards a prime objective of its treasury management activities to be the security of the principal sums it

invests. Accordingly, it will ensure that its counter-party lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in *TMP4: "Approved instruments, methods and techniques"*. It also recognises the need to have, and will therefore maintain, a formal counter-party policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

- **Refinancing risk management.** The group will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the group as can reasonably be achieved in the light of market conditions prevailing at the time. It will actively manage its relationships with its counter-parties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.
- **Legal and regulatory risk management.** The group will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counter-party policy under *TMP1: "credit and counter-party risk management"*, it will ensure that there is evidence of counter-parties' powers, authority and compliance in respect of the transactions they may effect with the group, particularly with regard to duty of care and fees charged. This group recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the group.
- **Fraud, error and corruption, and contingency management.** The group will ensure that it has identified the circumstances which may expose it so the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.
- **Market risk management.** The group will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP2: Performance measurement

The group is committed to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement. Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the group's stated business or service objectives.

TMP:3 Decision making and analysis

The group will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

TMP4: Approved instruments, methods and techniques

The group will undertake its treasury management activities by employing only those instruments, methods, and techniques within the limits and parameters defined in *TMP1 "Risk Management"*.

TMP5: Segregation of responsibilities, and dealing arrangements

The group considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities. The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function. If and when the group intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with *TMP6: "Reporting requirements and management information arrangements"*, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The responsible officer will fulfil all such responsibilities in accordance with the group's policy statement and TMPs.

TMP6: Reporting requirements and management information arrangements

The group will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Finance Committee will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the groups treasury management policy statement and TMPs.

TMP7: Budgeting, accounting and audit arrangements

The responsible officer will prepare, and the group will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running treasury management functions, together with associated income. The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with *TMP6: "Reporting requirements and management information arrangements"*.

The group will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

The group will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfillment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

TMP8: Cash and cash flow management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the group will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with *TMP1: "liquidity risk management"*.

TMP9: Money laundering

The group is alert to the possibility that it may become the subject to an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counter-parties and reporting suspicions, and will ensure that staff involved in this, are properly trained.

TMP10: Staff training and qualifications

The group recognises the importance of ensuring that all staff involved in treasury management functions are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements.

TMP11: Use of external service providers

The group recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons, which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service provider is used, to avoid over reliance on one or a small number of companies. Where services

are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer.

TMP12: Corporate governance

The group is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

Risk:-

- See *TMP 1: "Risk Management"*

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	DONATION ACCOUNTS
Regulation Number	9.1
Date Regulation Created	15/05/2008
Version	Version 3
References	
Author	Group Financial Controller
Reviewer	Financial Regulations Review Committee: Expanded Review Committee:
Approved	PME: Finance Committee:
<p>Objective:-</p> <p>To set out the principles under which the University operates donation accounts.</p>	
<p>Scope:-</p> <p>All Schools and Institutes.</p>	
<p>Responsibility:-</p> <p>Funds held in donation accounts are administered by the School(s) and Institute(s) who receive the monies.</p> <p>No member of staff outwith a School and/or Institute has authority to operate a donation account unless he/she has requested and received explicit written authorisation from the Group Financial Controller.</p> <p>All donation accounts shall be administered in the name of the University and the funds held in the University's main bank account.</p> <p>No member of staff has the authority to hold donation account funds in their own name or that of any third party, whether in bank accounts, building society accounts or other forms of deposits, funds, certificates or securities of any kind whatsoever.</p> <p>Donation accounts can only be used for charitable purposes, namely to support the teaching and research activities of the School and/or Institute that is administering the funds.</p> <p>In the event that an individual donation account is improperly administered, and other effective remedies are not available, the Director of Finance has the authority to consolidate or wind-up or transfer any monies remaining into another account to ensure that future expenditure is only incurred for the purposes described above.</p>	

Funds are donated by a member of staff to a donation account, whether from fees due to them from research activities or otherwise, solely at their discretion.

The responsibility for authorising expenditure from donation accounts shall be in accordance with the standard delegated authorities established within the School and/or Institute.

The donor(s) to a donation account should not be granted authority to authorise expenditure from that account.

Processes:-

For tax purposes it is essential that the right to remuneration is waived, in writing, **before** it is earned. If it is not then both the employee concerned and the University as the employer will be liable under PAYE and National Insurance Regulations to account for tax on the monies being received. Donating funds after it has been earned **does not** eliminate the tax liability incurred.

Donation accounts must at no time be in deficit.

Once a fund is exhausted any further expenditure incurred shall be charged to the main budget of the relevant School and/or Institute.

Complete and accurate records of each fund, both financial and non-financial, shall be maintained by Schools and Institutes. These records being available for inspection as appropriate, whether internally or by external bodies (i.e. auditors and the Inland Revenue).

Risk:-

Use of such accounts for commercial purposes may adversely affect the University's charitable status.

Improper use could result in VAT and Income Tax demands being made on members of staff and on the University.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	Deferred Capital Grants
Regulation Number	9.2
Date Regulation Created	26th November 2007
Version	Version 2
References (external)	Statement of recommended practice
Author	Financial Accountant
Reviewer	Financial Regulations Review Committee: 16/01/2008 Expanded Review Committee: 16/01/2008
Approved	PME: Finance Committee: Capital Committee:
<p>Objective:-</p> <p>To ensure that all Deferred Capital Grants received are properly accounted for and managed in accordance with the requirements of the UK Funding Bodies and the regulatory framework in which further and higher education institutions operate.</p>	
<p>Scope: -</p> <p>All Deferred Capital Grants received by the University</p> <p>Definition:- <i>Deferred Capital Grants are those capital grants where an asset purchased with such a grant has been capitalised. The deferred capital grant related to the asset is included in the balance sheet and released to the income and expenditure account over the life of the asset to which it relates.</i></p>	
<p>Responsibility:-</p> <p>It is the Capital Committee's responsibility, acting on behalf of Court, and advised by the Finance Committee, to approve all changes to the University's policy regarding the management of its funding from all sources which in turn will support future capital spending, as well as ensuring that the set policy is implemented, monitored and reviewed.</p> <p>All operational decisions concerning accounting for deferred capital grants shall, within the agreed policy parameters, be delegated to the Director of Finance and the Director of Estates who will report back to the Capital Committee on a regular basis.</p> <p>The Director of Finance is responsible for maintaining records in respect of funding given to the University by the Funding Bodies.</p> <p>The Head of School/Departments are responsible for providing information about deferred capital grants to the Finance Department in respect of acquisitions or disposals affecting grant</p>	

funds. The accountant responsible within the Finance Department will in turn take appropriate action to ensure that the proper treatment of deferred capital grants is taken.

Processes:-

Included within the Fixed Asset Procedures, a detailed framework on accounting for releases, grant amortisation, grant lives and other operational guidelines is provided.

Recognition of Grant Income

Where the University receives a grant to finance, or partly finance, the purchase, construction or development of an asset, and the asset is capitalised, the grant should be credited to *deferred capital grants* and an annual transfer made to the income and expenditure account over the economic life of the asset at the same rate as the *depreciation* charge on the asset for which the grant was awarded.

Income received for specific purposes should only be credited to the income and expenditure account when the conditions attaching to its receipt have been met. Any payments received in advance of performance of the contractual obligation should be recognised on the balance sheet as liabilities.

The University should identify each material grant they receive, note the conditions attaching to its receipt and ensure that revenue is recognised on this basis.

Deferred Capital Grant Additions:

The University's threshold for the inclusion onto the fixed asset register for both fixed assets and deferred capital grants is £5,000.

Amortisation:

Capitalised deferred capital grants shall be released using the straight line method over the expected useful economic lives of the fixed asset with which they are associated as follows:-

- Freehold land – not depreciated
- Buildings – 50 years
- Plant – 15 years
- Equipment – 5 years
- Fixtures & fittings – 5 years
- Computers – 5 years
- Motor Vehicles – 4 years

Risk:-

- Failure to recognise grant income correctly.
- Failure to dispose of grants which are attached to disposed assets.
- Asset/Grant lives incorrect.
- Amortisation is incorrectly calculated.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	Retirement Benefits
Regulation Number	9.3
Date Regulation Created	28 th November 2007
Version	Version 3
References (external)	Financial Reporting Standard 17 'Retirement Benefits' Statement Of Recommended Practice 'Accounting for Further & Higher Education' (July 2007)
Author	Group Financial Controller
Reviewer	Financial Regulations Review Committee: Expanded Review Committee:
Approved	PME: Finance Committee:
Objective:-	To ensure that retirement benefits are completely and accurately accounted for To ensure that retirement provisions are adequate but not excessive
Scope: -	All the University's retirement schemes, both internal and external All the University's retirement provisions
Responsibility:-	The University's Court, as the governing body, is responsible for undertaking the role of the employer in relation to appropriate pension arrangements for the university's employees. It is PME's responsibility, acting on behalf of Court and advised by the Finance Committee, to approve all proposed changes to the University's compensation and benefit policy (including its retirement schemes). It is The Director of Human Resources' responsibility to make recommendations to PME with regard to all proposed changes to the University retirement schemes being made available as an aspect of the compensation and benefit policy. It is The Director of Finance's responsibility to manage the schemes according to the policies set, ensuring that agreed policies are implemented, monitored and reviewed.

All operational decisions concerning scheme administration, paying & refunding contributions, admission to the schemes and scheme compliance & reporting shall, within the agreed policy parameters, be delegated to The Director of Finance who will report back to PME and the Finance Committee on a regular basis.

The Director of Finance is responsible for creating, monitoring and reviewing retirement provisions

Processes:-

The Payroll Procedures manual gives a detailed framework on accounting for pension contributions due, making contribution payments and other operational guidelines.

The Finance department shall maintain reconciliations and calculations of all retirement provisions and liaise with Schools, Departments and external advisors as appropriate.

The Finance department will engage qualified actuaries on an annual basis to obtain actuarial valuations as required by FRS 17 and on an ad hoc basis as appropriate for individual professional engagements.

Risk:-

- Financial reports may be materially mis-stated
- Pension contributions may be paid late or missed
- Pension liabilities may not be properly recorded and disclosed

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	PROVISIONS AND CONTINGENCIES
Regulation Number	9.4
Date Regulation Created	04/11/2006
Version	1
References (external)	
Author	Group Financial Accountant
Reviewer	Financial Regulations Review Committee: 06/11/2006 Expanded Review Committee: 08/06/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:-	To ensure that provisions and contingencies are adequate but not excessive
Scope: -	All material provisions and contingencies of the University
Responsibility:-	The Director of Finance is responsible for the monitoring and reviewing of provisions and contingencies created by Financial Controllers/Finance Office.
Processes:-	The Finance department shall maintain reconciliations and calculations of all relevant provisions and contingencies and liaise with Schools and Central Areas as appropriate
Risk:-	<ul style="list-style-type: none">• Financial reports may be materially mis-stated

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	Direct Taxation (Corporation Tax, Capital Gains Tax, etc)
Regulation Number	9.5
Date Regulation Created	28 th November 2007
Version	1
References (external)	Income and Corporation Taxes Act (ICTA 1988)
Author	Group Financial Controller
Reviewer	Financial Regulations Review Committee: 16/01/2008 Expanded Review Committee: 16/01/2008
Approved	PME: Finance Committee:
<p>Objective:-</p> <p>To ensure that all the group's taxation obligations are appropriately discharged in a timely manner.</p>	
<p>Scope: -</p> <p>All tax matters relating to the University, its subsidiary companies and all other associated organisations both in the UK and overseas</p> <p>Tax Status</p> <p>The University is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act (ICTA 1988).</p> <p>Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The subsidiaries, 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.</p> <p>EBS Americas is a corporate organisation in the USA and, as such, is liable to US taxation.</p>	
<p>Responsibility:-</p> <p>The Director of Finance is responsible for advising Court and the Finance Committee on all taxation issues that relate to the group and will issue guidance to Schools/Departments on compliance with statutory requirements, including those concerning VAT, PAYE, National Insurance, Corporation Tax, Stamp Duty Land Tax and Import Duty.</p>	

The Director of Finance is responsible for maintaining the group's 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.

Processes:-

Monitoring & Reviewing Activities

Monitoring and reviewing the following for tax compliance and tax planning issues / risks affecting the group, including:

- Existing and potential activities of the University
- Existing subsidiaries
- Newly formed subsidiaries
- Joint ventures

This will involve liaising both within the group and outwith with external tax and legal advisors as appropriate on any issues identified.

Collation of Information

Collating annual accounts from all the legal entities within the group to enable the preparation of tax computations and returns.

Tax Returns

Corporation Tax computations shall be completed by the Finance department and passed for external review to suitably qualified professional advisors before being filed with HM Revenue & Customs.

Value Added Tax

VAT (see regulation 9.5.2 'Value Added Tax')

Payroll Taxes

PAYE and National Insurance (see regulation 7.1.1 'Payroll')

Contact With Tax Offices

Direct contact with Revenue and Customs should only be made by employees with prior authorisation from the Director of Finance.

Risk:-

Appropriate action is not taken to manage the group's potential taxation liabilities.

Taxation liabilities due are not correctly identified on a timely basis resulting in fines and penalties being levied against the group.

HERIOT-WATT UNIVERSITY - FINANCIAL REGULATIONS

Regulation Name	Indirect Taxation (Value Added Tax)
Regulation Number	9.6
Date Regulation Created	30/08/2006
Version	1
References	HM Revenue & Customs: www.hmrc.gov.uk
Author	VAT Officer
Reviewer	Financial Regulations Review Committee: 30/08/2006 Expanded Review Committee: 08/06/2007
Approved	PME: 23/08/2007 Finance Committee:
Objective:-	To ensure the University accounts correctly for all VAT transactions in accordance with HMRC regulations.
Scope:-	All University staff involved in the processing of any financial transactions
Responsibility:-	The Director of Finance is responsible for the completion of all VAT Returns on an accurate and timely basis.
Processes:-	Procedures are in place, as detailed in Appendix 1, covering the following steps: <ul style="list-style-type: none">• VAT Return procedures• Basic Requirements defining Output VAT and Input VAT• VAT treatment of transactions in the Oracle general ledger system.• The University's Scottish Charity Number with HMRC.• VAT Registration Numbers for the University and subsidiary companies• Special rules for capital inputs under the Capital Goods Scheme• Voluntary disclosure of VAT errors.• VAT implications of Research Grants
Risk:-	Penalties and interest charges for failing to account correctly for output/input VAT, which may be passed on to department/unit responsible for the error.

INDIRECT TAXATION – Appendix 1

VAT Returns

The University VAT Officer is responsible to the Director of Finance for completion of all VAT returns including subsidiary companies on a quarterly basis.

Basic Requirements

Determining correct VAT coding can be complex and departments/units should consult the VAT Officer and NOT contact HMRC directly.

OUTPUT VAT

All sales invoices must be correctly VAT coded.

INPUT VAT

Recoverable input tax must be identified and coded as such on all purchases of goods and services which can be attributable to the University's VAT taxable commercial sales.

The Oracle accounting system determines the VAT treatment for all purchases according to the General Ledger code combinations. Departments/units should NEVER override the default in Oracle.

Additional Information

The Finance Act 1972 introduced VAT into the UK on 1 April 1973. Further Acts in 1983 and 1994 amended and consolidated VAT legislation. Although Acts provide a general framework, much of the detail is to be found in statutory instruments – in Orders (made by HM Treasury) or in Regulations (made by HMRC).

The University is a recognised charity. Our Scottish Charity Number with HMRC is SC000278 and our VAT Registration Number is 270 8005 79.

The VAT Registration Numbers for the subsidiary companies are:

693 9010 17 - Edinburgh Business School
592 8607 01 - Heriot Watt Trading Ltd
761 7824 09 - Heriot Watt Sports Village Ltd
446 6187 26 - Edinburgh Conference Centre Ltd

Capital Goods Scheme

Special rules apply in respect of input tax incurred on certain high value assets – 'capital items' eg Property – where the threshold value is £250k plus VAT or more. This would include:

- Purchase or construction of land & buildings
- Extension or refurbishment of existing buildings

- Computer or item of computer equipment where value is £50k plus VAT or more

Voluntary Disclosure

Any net VAT errors over £2k must be reported to HMRC under a voluntary disclosure. These disclosures may be subject to penalties and interest. Errors under £2k must be adjusted in the next quarter VAT Return.

Research Grants

The VAT treatment of any research grants is determined by the Research Grants Office.

Please contact the VAT Officer for further information in the event of query

Heriot-Watt University

APPENDIX A – FINANCIAL MEMORANDUM

Preamble

- 1 This memorandum sets out the formal relationship between the Scottish Further & Higher Education Funding Council ('the Council') and 'the institution'. The foundation of the relationship is provision of funding by the Council to the governing body of the institution, according to statute.
- 2 The constitutional arrangements for the relationship are laid down in the relevant statutes and instruments of governance which establish the autonomy of the institution and the powers and duties of the Council.
- 3 For these arrangements to be effective the Council and the institution have to work in partnership to assist the delivery of the Scottish Executive's policies for further and higher education and to secure best value from the investment of funds derived from Scottish Ministers. The ultimate purpose of all these partnerships, policies and investments is to secure further and higher education in Scotland which meets the nation's economic, social and cultural needs by providing excellent learning opportunities for students and outstanding research. The Council recognises that the institution may also undertake activities and have to comply with legislation and regulation which fall outside the scope of this partnership.

Purpose of the memorandum

- 4 Accordingly, this memorandum sets out the expectations of the institution and the requirements which are a condition of the Council's funding. It also sets out the agreed expectations which the institution, in the spirit of constructive partnership, has a right to have of the Council.

What the institution can expect of the Council

- 5 The Council will conduct its affairs at all times to the highest accepted standards for public sector bodies. It will act reasonably on the basis of the fullest available evidence and objective analysis. Subject to any legal requirement to observe confidentiality, it will be open and transparent with the institutions it funds and other stakeholders, and will give or be prepared to give a public justification of all its decisions.
- 6 The Council will maintain a policy on openness which sets out the work of the Council, the services it aims to provide and how to complain or appeal if something goes wrong.

- 7 The Council will maintain regular and frequent dialogue with institutions and their representative bodies where it seems appropriate to:
 - (i) promote a shared understanding of the aspirations, needs and concerns of the various stakeholders;
 - (ii) support the beneficial impact of institutions' collaborative activities; and
 - (iii) better enable it to provide the information, advice and assistance Scottish Ministers require of it.
- 8 The Council will not substitute its judgements for those which are properly at the discretion of institutions. In particular, the Council will seek to maximise the discretion of institutions to use grants provided by the Council.
- 9 In discharging its duty to monitor and publish the performance of the institution generally and on specific projects, the Council will, as far as possible, rely on the data and information used by the institution for its own purposes.
- 10 The Council will allocate and pay grant to the institution in accordance with current published policies and procedures. The institution will be consulted in advance and given reasonable notice of any significant change to these policies and procedures and of significant changes in overall funding levels.
- 11 The accountable officer of the Council is required to be satisfied that the institution has put in place the organisation and procedures necessary to ensure compliance with this memorandum, including the achievement of best value from funds derived from Scottish Ministers. The Council will obtain evidence from the institution, which will include undertaking reviews (but only by prior arrangement), to provide the assurances required to discharge this responsibility.
- 12 Where the Council has concerns or insufficient information to provide the assurance required, the Council will, in the first instance, seek to resolve matters with the chief executive officer of the institution. Where this has not proved possible, the Council's accountable officer will inform the chair of the governing body and the institution's chief executive officer in writing and without delay of any significant concern of the Council about the conduct of the institution. Only after such notification and where the circumstances warrant it, the Council's accountable officer may suspend the payment of any or all grants to the institution. Where the concern relates to the financial support which the institution receives (or might receive) from the Council, the Council may also use its powers to attend and address a meeting of the governing body.

What the Council can expect of the institution

- 13 The following paragraphs state the expectations of the institution and the requirements which are a condition of the Council's funding.
- 14 The Council must be able to rely on the whole system of governance, management and conduct of the institution to safeguard all funds of the institution deriving from Scottish Ministers and to achieve the purposes for which those funds are provided. As a recipient of public funds, the governing body of the institution will strive to achieve at all times good practice in the governance, management and conduct of the institution.
- 15 The governing body will ensure that it has in place and effectively implemented the proper arrangements for governance, leadership and management of the institution as required by statute, its instrument and articles of governance. This includes the appointment of the chief executive officer. As well as being directly accountable to the governing body for the proper conduct of the institution's affairs, the chief executive officer of the institution is also directly accountable to the chief executive officer of the Council for the institution's proper use of funds deriving from Scottish Ministers and its compliance with this memorandum.
- 16 Respecting the primacy of the institution's own statutory and constitutional obligations, the governing body will ensure that:
 - (i) there is effective planning and delivery of the institution's education programmes, research and related activities, in accordance with its mission;
 - (ii) it obtains sufficient data and information of a quality to enable it to determine how well the institution is achieving its goals across the full range of its activities and that the institution is adjusting its strategies as necessary for the delivery of these goals. Such information will be made available to the Council on request as necessary for the exercise of its statutory functions;
 - (iii) public funds are used in accordance with relevant legislation and only for the purposes for which they are given;
 - (iv) the institution strives to achieve best value from its use of public funds from all sources;
 - (v) the institution takes appropriate account of Scottish Ministers' priorities as expressed in the Council's further and higher education policies and drawn to the institution's attention by the Council;

(vi) the institution is actively engaged in seeking continuously to enhance the quality of its programmes and services and to involve students and other stakeholders in these processes;

(vii) there are in place up-to-date and readily accessible procedures for handling complaints by students, staff and others;

(viii) its and the institution's activities are conducted in an appropriately open, transparent and fully accountable manner;

(ix) the institution plans and manages the deployment of its resources in a sustainable way;

(x) it and the institution adheres to the Council's mandatory requirements (as notified to the institution in circular letters) and that the institution takes account of relevant good practice in the management of all its activities and resources including its:

- staff, human resources and industrial relations practices;
- estates and equipment; and
- finances, and risk and internal control procedures.

17 The chief executive officer of the institution must inform the accountable officer of the Council without delay of any circumstance that is having or is likely to have a significant adverse effect on the ability of the institution to maintain its capacity to deliver relevant education programmes, research and related activities.

Finance Committee

Terms of reference:

- To review and oversee the financial implications of the University's rolling strategic plan (which is prepared annually by the management of the University) and to advise Court of any issues/concerns.
- To review the annual budgets (which are prepared by the management of the University) and present the budgets to Court.
- To monitor actual financial outturn (income/expenditure/cash flow) against budget and ensure that management takes appropriate actions to address variances and report progress.
- To authorise, if appropriate, proposed material expenditure which is not included in the annual budget.
- To ensure the University complies with the Financial Memorandum agreed with SFC.
- To ensure the University applies "best practice" to all aspects of the Finance function.
- To advise Court on appropriate financial performance measures and benchmarking comparisons.
- To oversee the treasury activities of the University (e.g. investment of funds, borrowing commitments).
- To oversee the financial affairs of the University's trading/commercial activities.
- To present the University's Annual Financial Report to Court.
- To be informed (by the management of the University) of developments in the Higher Education sector and elsewhere which have financial implications for the University.
- To act and report to Court on matters which are delegated to it by Court (subject to the requirement that a minimum of three members of court approve any decisions).

Composition of Finance Committee:

Chairman of Court (ex officio)
Principal (ex officio)
Vice-Principal (ex officio)
Deputy Principal (Resources)

Conveners of the following Court Committees (ex officii):

Estate Strategy Committee
Staffing Strategy Committee

Conveners of Sub-Committees of Finance Committee (ex officii)

Audit Committee

Terms of Reference:

Governance

- To review the effectiveness of the financial and other internal control systems and advise the Court on its compliance with corporate governance requirements and good practice guidance.
- To advise the Court of any salient issues raised by the Head of IAS or the External Auditor and produce an annual report for the Court summarising how the remit of the Audit Committee has been discharged.
- The members of the Committee have right of access to the external and internal auditors (and vice versa) and can meet in confidential sessions excluding any or all non members as appropriate.
- Approve on behalf of court the Financial Regulations of the University.

Risk Management

- To review and monitor the institution's approach to the management of risk (financial and non-financial)

External Audit

- To consider the institution's annual financial statements and the external auditor's report prior to submission to the Court by the Finance Committee; specifically the Committee should consider the external audit opinion, the Statement of Members' Responsibilities and any relevant issues raised in the external auditor's management letter.

Internal Audit

- To review the scope and effectiveness of internal audit's work, including planning and operation of the work, and the results of individual internal audit assignment reports and the annual report of the Head of IAS.
- To monitor management action on the implementation of agreed recommendations reported in internal audit assignment reports and the internal audit annual report.

Appointment of Auditor

- To advise the Court on the selection, appointment and remuneration of the internal/external auditor, and on the scope of their work.
- To review, on an annual basis, the performance of the internal and external auditors against predefined indicators.

Value for Money

- To evaluate the processes implemented by management for securing value for money

Internal Audit

Terms of Reference:

To provide internal audit services to the Heriot-Watt group, currently comprising the following wholly owned companies: -

- Heriot-Watt University – education services (registered charity)
- Edinburgh Business School – education services (registered charity)
- Heriot-Watt Trading Ltd – sundry commercial activities
- Edinburgh Conference Centre Ltd – conferences & catering
- Heriot-Watt Sports Village Ltd – football academy & sports centre

and, the following associate companies: -

- The Interactive University – educational services
- EBS Americas – educational services

Additionally the group also has significant overseas interests via its newly opened Dubai campus

Key Points

Internal audit should provide an independent and continuing appraisal of Heriot-Watt's internal control system and take the action needed to provide the Audit Committee with a continuing assurance that the internal control systems are adequate and effective.

Schools and Departments are responsible for ensuring that appropriate and adequate internal controls exist within their own areas of responsibility, but with the Director of Finance and IT holding overall responsibility on matters relating to financial transactions, systems, procedures and processes.

Background

Internal audit should provide an independent and continuing appraisal of Heriot-Watts internal control system and take appropriate action to provide the Audit Committee with a continuing assurance that the internal control systems are adequate and effective.

The Audit Committee is responsible for ensuring that appropriate and adequate internal controls exist within the group and for monitoring the management action(s) being taken to implement agreed recommendations

The Audit Committee has overall responsibility for ensuring that prompt and effective action is taken on recommendations, and that the risks resulting from inaction are recognised and accepted.

The internal auditors have the right of direct access to the Audit Committee.

Operationally the Director of Finance and IT is responsible for liaising with the internal auditors.

Internal Control System

The internal control system comprises the whole network of systems established in the group to provide reasonable assurance that the objectives set out in the rolling three year Strategic Plan will be achieved, with particular reference to:

- risk management;
- the effectiveness of operations;
- the economical and efficient use of resources;
- compliance with applicable policies, procedures, laws and regulations;
- safeguards against losses, including those arising from fraud, irregularity or corruption; and
- the integrity and reliability of information and data.

Internal audit will not have responsibility for executive functions or for the development or implementation of systems. Internal audit will, however, serve as a valuable source of advice on systems of control and related matters without impairing its objectivity and independence.

Internal Audit Process

Internal audit should:

- analyse the internal control system and establish a review programme;
- identify and evaluate the controls which are established in systems to achieve objectives in the most economic and efficient manner;
- report findings and conclusions and, where appropriate, make recommendations for improvement;
- provide an opinion on the reliability of the controls in the system under review; and
- provide an assurance based on the evaluation of the internal control system within the organisation as a whole.

Internal Audit Assurance

Annual audit assurance is provided to the Audit Committee by the internal auditors as to the adequacy and effectiveness of the internal control system and the extent to which it can be relied upon.

This opinion is contained in an annual report from the internal auditors to the Audit Committee, and forms part of the assurance required by Accountable Officers to enable them to sign the annual statutory financial statements and to discharge their responsibilities to the Scottish Funding Council.

Conduct of Internal Audits

All of the activities of the internal auditors must comply with mandatory standards, statements of recommended practice and codes of professional ethics.

The internal auditors work to long-term and annual plans approved by the Audit Committee_which has been established by the University's Court to support Accountable Officers with their financial and operational responsibilities.

Internal audit plans aim to ensure that all significant business areas are audited at least once in a review cycle, as agreed with the relevant Accountable Officers and the Audit Committee.

The internal auditors' plan of reviews is the result of an assessment of audit needs of the group, which is based on the risks present in systems. Business areas are given advance notice of the annual audit programme and consulted about the proposed timing and duration of audit visits. Before each audit review begins, the internal auditors discuss its purpose and scope with the School and/or department manager and the Finance team and will take account of matters to which they have been asked as a result of these discussions to pay particular attention.

At the conclusion of the audit fieldwork, the audit team will normally discuss their findings at an informal close meeting with the School and/or department manager. The internal auditors will then produce a written report on the scope and results of the review, including a draft Action Plan detailing the recommendations made, the reasons for them and a timetable for implementation. A copy of the report will also be sent to the Group Financial Controller.

The procedure for dealing with audit reports is as follows:

- the audit manager will normally issue the draft audit report to the appropriate manager within 4 weeks of the conclusion of the fieldwork;

- the final report, containing any management responses and agreed actions will normally be published within 4 weeks of the draft audit report being issued. The decision to re-draft or add any additional significant points arising from any discussions held will be at the discretion of the internal auditors;
- a copy of the final report will be sent to the Director of Finance and IT and the briefing to the next Audit Committee meeting;
- the internal auditors will be responsible for monitoring the implementation of agreed recommendations;
- the internal auditors will normally arrange a follow-up review about 12 months after issue of the agreed Action Plan to ensure the remedial action agreed has been taken and is proving effective.

In cases where there is no satisfactory resolution of the issues raised or there are excessive delays in eliciting responses, the internal auditors will consider whether the circumstances warrant drawing the position to the attention of the Accountable Officer and the possible implications for the audit assurance that can be given in the annual report to the Audit Committee.

Heriot-Watt Endowment Committee

An Endowment Committee has been established as a Committee of Court, reporting to the Finance Committee. Its purpose is to assist the Court in discharging its responsibilities with regard to donations, endowments and legacies in the context of the University as a charitable body.

Membership of the Endowment Committee

The following are members of this Committee, each in an ex officio capacity:

Principal
Chairman of Court
Convener of Finance Committee
A further (lay) member of Court
Vice Principal
University Secretary

In Attendance:

Reporting on Financial Management – Group Financial Controller
Reporting on General Endowments Management – Head of Development Operations

For a quorum a minimum of three Members of Court would be required to be present.

The Committee will be chaired by

[This needs to be discussed further. Options might include: the Convener of Finance Committee or perhaps the Vice Principal]

Remit of the Endowment Committee

1. General management of Endowments
This includes oversight of the full set of endowment funds: (a) their original purpose, (b) their current use/allocation, (c) authorities to spend, (d) adherence to legal restrictions, etc.
2. Financial management of Endowment Funds
This includes: (a) monitoring the financial status of each fund, both capital and revenue components, (b) overseeing investments strategy and the appropriate balance between capital growth and expenditure, (c) advising on the sums available for disbursement.
NB. It is assumed that the Committee will take advice, as necessary, on the detailed investment strategy and that such financial management is not the prime purpose of the Committee.
3. Management of legal aspects of the Endowment Funds
Interactions with Office of the Scottish Charity Regulator, including: (a) ensuring relevant reports are being made to OSCR, (b) agreeing plans to request amendments to the purposes to which specific funds can be put, (c) agreement to plans aimed at amalgamating or running down endowment funds, etc.

4. Risk Assessment

Monitoring and assessments of relevant risk associated with both investment strategy and disbursement of funds.

5. Reports to Finance Committee

Reports will be provided to Finance Committee on an annual basis. A copy of the report will also be sent to PME. The Finance Committee will include a summary of the Endowments Report as part of its report to the subsequent meeting of Court.

Frequency of Meetings

The Endowment Committee meets a minimum of twice per year.

Heriot-Watt University

FINANCIAL REGULATIONS

Glossary

Budget holder	Individual with delegated authority and responsibility for managing a budget within a School / Post Graduate Institute / Central Area
Central Area	Non-school administration area of the University, including Catering & Residences
CET	Continuing Education and Training
Court	University Court
Dean	Dean of the University
EU	European Union
FOI	Freedom of Information Act (Scotland) 2002
FRS	Financial Reporting Standard
HEI	Higher Education Institution
HESA	Higher Education Statistics Agency
HoS	Head of School / Postgraduate Institute
HWU	Heriot-Watt University
IPR	Intellectual Property Rights
NI	National Insurance
OSCR	Office of the Scottish Charities Register
PAYE	Pay As You Earn
PME	Planning & Management Executive
PRC	Planning and Resources Committee
Research Contract	Research project funded from a source other than the UK Research Councils, Charities and Higher Education Funding Councils
Research Grant	Research project funded by the UK Research Councils, Charities and Higher Education Funding Councils
School/Post-graduate Institute	One of the six Schools and two Post Graduate Institutes in the University as defined by the Statutes
SFC	Scottish Funding Council
SORP	Statement Of Recommended Practice: Accounting in Higher Education Institutions
SSAP	Statement of Standard Accounting Practice
VAT	Value Added Tax