

# CITY OF WOLVERHAMPTON COLLEGE

## FINANCIAL REGULATIONS

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# 1 STATUS AND OBJECTIVES OF FINANCIAL REGULATIONS

## General

- 1.1 City of Wolverhampton College is a further education corporation created under the provisions of the Further and Higher Education Act 1992. The College is an exempt charity for the purposes of the Charities Act 1993, as amended by the Charities Act 2006. Its structure of governance is laid down in the Instrument and Articles of Government. The College is accountable through its Board of Governors for the effectiveness of its management and administration. The College is funded and scrutinised by the Education and Skills Funding Agency (ESFA) which is in turn accountable to the Department for Education.
- 1.2 The financial memorandum between the ESFA and the College sets out the terms and conditions on which grant is made. As part of this process the College must adhere to the Funding Body's audit code of practice, which requires it to have sound systems of financial and management control. The financial regulations of the College form part of this overall system of accountability and are subordinate to the College's Instrument and Articles of Government and to any restrictions contained within the College's financial memorandum and within the Funding Body's audit code of practice.
- 1.3 This document sets out the College's financial regulations. The regulations translate the College's broad objectives and policies relating to financial control into practical guidance. This document was last approved by the Board of Governors on 23 September 2019. It applies to the College and all its subsidiary undertakings.
- 1.4 Compliance with the financial regulations is compulsory for all staff connected with the College. A member of staff who fails to comply with the financial regulations may be subject to disciplinary action under the College's disciplinary procedure. It is the responsibility of budget holders to ensure that their staff are made aware of the existence, content and location of financial regulations.
- 1.5 The Vice Principal – Business Success is responsible for maintaining an annual review of financial regulations and for advising the Board of Governors of any additions or changes necessary.

## Financial Responsibilities

- 1.6 The Board of Governors is responsible for the governance of the College. Its financial responsibilities are to:
  - ensure the solvency of the College and safeguard the College's assets;
  - ensure the effective and efficient use of resources;
  - ensure that the funds provided by the funding bodies are used in accordance with the terms and conditions specified in the College's financial memorandum with the funding bodies;
  - ensure that effective financial control systems are in place;
  - ensure that the College complies with the ESFA's post 16 audit code of practice;
  - approve the College's strategic plan and associated financial implications;

- approve the annual estimates of income and expenditure and to approve the annual financial statements.

### 1.7 **Committee Structure**

The Board of Governors has ultimate responsibility for all College matters, but delegates certain functions to the Audit, Search & Governance and Remuneration Committees. These committees are accountable to the Board of Governors.

### 1.8 **The Principal**

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

### 1.9 **The Vice Principal – Business Success**

Day to day financial administration is controlled by the Vice Principal – Business Success. The Vice Principal – Business Success is responsible to the Principal for:

- preparing annual capital and revenue budgets and financial plans;
- preparing accounts, management information, monitoring and control of expenditure and income against budgets and all financial operations;
- preparing the College's annual accounts and other financial statements and accounts which the College is required to submit to other authorities;
- ensuring that the College maintains satisfactory financial systems;
- providing professional advice on all matters relating to financial policies and procedures;
- being the lead officer in liaising with external auditors and liaising with the Clerk to the Board of Governors which maintains responsibility for internal audit.

The Vice Principal – Business Success is also responsible to the Principal for advising on the financial aspects of College policy and on the financial administration of the College, and for ensuring satisfactory procedures and systems of financial control and management function effectively. Where system/process changes are considered then the Vice Principal – Business Success will need to advise on the financial implications of proposals.

### 1.10 **Members of staff of the College**

All members of staff have the following responsibilities;

- (i) a general responsibility for compliance with these Regulations and for the security of the College's property, for avoiding loss and for due economy in the use of resources;

- (ii) making available any relevant records or information to the Clerk to the Board of Governors or her authorised representative (including Internal Audit) in connection with the carrying out of their duties of implementation of the College's financial policies and system of financial control;
- (iii) providing the Clerk to the Board of Governors with such financial and other information as they may deem necessary, from time to time, to carry out the requirements of the Corporation;
- (iv) immediately notifying the Clerk to the Board of Governors whenever any matter arises which involves, or is thought to involve, irregularities concerning, inter alia, cash, stores or property of the College. The Clerk to the Board of Governors shall, subject to the provisions of Section 16 take such steps as they consider necessary by way of investigation and report;
- (v) ensuring in the event of an investigation that evidence is retained and available on request.
- (vi) adhering to Sections 13.9 and 13.10 regarding declaration of interests.

#### 1.11 **Budget Holders**

To assist the Principal discharge their responsibilities, the Principal is empowered to designate members of staff as budget holders. Budget holders shall be responsible for the control and monitoring of expenditure and income within budgets allocated to them. Budget holders are responsible to the Principal via the Vice Principal – Business Success for ensuring that the action they take is in accordance with Financial Regulations.

#### 1.12 **Audit**

Financial statements auditors and internal auditors shall have authority to:

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

Whenever any matter arises which involves, or is thought to involve, material irregularities or fraud concerning cash, stores or other property of the College or any other suspected material irregularity in the exercise of the activities of the College, internal audit and the ESFA must be advised either directly or via the Clerk to the Board of Governors.

The Vice Principal – Business Success is responsible for drawing up a timetable for final accounts purposes and will advise staff and the financial statements auditors accordingly.

The primary role of external audit is to report on the College's financial statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements and to report on the appropriate use of funds. Their duties will be in accordance with advice set out in the ESFA's post 16 audit code of practice and the auditing practices board's auditing standards.

The audit committee must advise the corporation on the adequacy and effectiveness of the corporation's assurance framework. Although no longer mandatory this may include the use of an internal audit function. The main responsibility of internal audit is to provide the Board of Governors, the Principal and senior management with assurances on the adequacy of the internal control system. Any internal audit service remains independent in its planning and operation and has direct access to the Board of Governors, Principal and Chair of Audit Committee. The internal auditor will also comply with the Auditing Practices Board's auditing guidance for internal auditors. Note that the Audit Committee is required under the Audit Code of Practice, to receive and consider the Annual Accounts, prior to their receipt for approval by the Board of Governors.

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

For any other services provided by either the internal or financial statements auditors, the approval of Governors will be required.

#### **1.13 Student Records**

The College will ensure that Funding Body returns related to student records are provided in the prescribed timescales, this being the responsibility of the Vice Principal – Business Success.

- The Information Services function will be responsible to provide regular, at least monthly, reports, to the College Managers and Governors on key student number and funding data.
- Teaching staff will be responsible for ensuring that all relevant data is provided to the Information Services team to ensure the College computer records reflect the reality of a student's learning experience.
- Prime documentation on student records must be held securely and must be accessible so that a clear audit trail is available to support the computer records.

#### **1.14 IT and Accommodation Strategies**

The College will ensure that IT and Accommodation strategies are in place, being the responsibilities of the Vice Principal – Business Success.

## **2 BUDGET PREPARATION AND CONTROL**

### **Budget Preparation and Approval**

- 2.1 The Board of Governors shall be responsible for setting the annual budget for the College within the total resources available e.g. from the ESFA, other funding bodies, general income.
- 2.2 The Principal is responsible for the preparation of annual estimates of income and expenditure. The Vice Principal – Business Success is responsible for the methods of allocating resources in the budget setting exercise.
- 2.3 The Vice Principal – Business Success is responsible to the Principal for preparing the annual budgets for the College. They shall be presented to Governors for formal approval.
- 2.4 Once the Board of Governors has approved the annual budget, the Principal is authorised to incur expenditure within the approved budget in accordance with the Financial Regulations.
- 2.5 The Vice Principal – Business Success must ensure that detailed budgets are prepared in order to support the resource allocation process and that these are communicated to budget holders.
- 2.6 Budget holders have the responsibility for incurring expenditure on behalf of the College and will be notified of their budget by the Vice Principal – Business Success once approved by the Board. A list of all budget holders will be maintained by the Vice Principal – Business Success.
- 2.7 All amendments to the Chart of Accounts and Budget data shall be authorised by the Vice Principal – Business Success or the College Finance Manager.

### **Budget Monitoring**

- 2.8 The Principal will be responsible for effective budgetary control within the approved capital and revenue budgets.
- 2.9 The Vice Principal – Business Success will be required to submit monthly reports, by the 20<sup>th</sup> calendar day of the month, to the Executive Management Team (EMT) outlining actual revenue and capital income/expenditure in comparison to estimate, to highlight and explain any significant variances. Reports to Governors will be provided in line with the annually agreed Board reporting framework.
- 2.10 Budget holders will have the following responsibilities;
  - authorising expenditure against budget;
  - monitoring expenditure commitments during the year with reference to the budget for that year;
  - explaining any variations from budget; and
  - reporting as soon as possible to the Vice Principal – Business Success if it is foreseen that the budget will be either under or overspent.

- 2.11 Budget holders will be furnished with financial statements on a monthly basis to assist the budget monitoring process.

### **Virement**

- 2.12 The Vice Principal – Business Success has delegated responsibility to exercise virement between main expenditure headings, with the following conditions:

- i) there shall be no virement between the aggregate of payroll budgets and any other expenditure budgets without the prior authorisation of the Vice Principal – Business Success;
- iii) virement within budget centres and between expenditure headings not exceeding £5,000 in a financial year, which shall be at the discretion of the budget holder. Virements above this level must be approved by the Vice Principal – Business Success;
- iv) the action shall not involve the College in additional financial commitments in subsequent years.

- 2.13 The Board of Governors shall not permit virement from ESFA allocated capital funds to recurrent expenditure budgets.

## **3 ACCOUNTING RECORDS AND ACCOUNTING POLICIES**

- 3.1 The Principal is responsible for ensuring that the College's accounting records are maintained in a form required by the ESFA and the Charity Commissioners (where applicable). The accounts will be prepared in accordance with the guidelines issued by the ESFA and the Charity Commissioners and conform to recommended accounting practice.

- 3.2 The Board of Governors will ensure that audited accounts are forwarded to the ESFA no later than five months after the end of the financial year.

- 3.3 The Vice Principal – Business Success will be responsible for the maintenance of proper accounting records including;

- Cash and petty cash books;
- Nominal, Purchase and Sales ledgers;
- Asset Registers;
- Payroll Records.

The Vice Principal – Business Success is also responsible for ensuring that appropriate internal controls operate in and around financial systems. Appendix E outlines minimum expected internal controls for financial systems.

- 3.4 The accounting records must facilitate:

- clear identification of moneys paid and received;
- all sales and purchases of goods and services;
- acquisition of assets and the creation of liabilities;
- appropriate analysis and management control reports;
- a clear audit trail between accounts, records and basic prime documents.

- 3.5 The accounting records must ensure that all financial transactions, including any provisions, are recorded and that no transactions appear in the accounts unless they have occurred.

- 3.6 The Vice Principal – Business Success is responsible for the retention of financial documents. These should be in a form acceptable to the relevant authorities. The College is required by law to retain Prime Documents for 7 years. These include official orders, paid invoices, accounts raised, bank statements, copies of receipts, paid cheques, part time lecturer contracts, and complete paper record, **or** electronic where system is HMRC compliant, transactions for each year from the computerised accounting system.
- 3.7 The Vice Principal – Business Success is responsible for the safekeeping of official and legal documents relating to the College. Signed copies of deeds, leases, agreements and contracts must, therefore, be forwarded to the Vice Principal – Business Success. All such documents shall be held in an appropriately secure, fireproof location and copies held at a separate location. Where a deed or document requires the College’s seal, it must be sealed by the Clerk to the Board of Governors in the presence of two members of the Board of Governors: the Chair (or some other member authorised by the Board of Governors) and another member of the Board. The use of the College’s seal should be reported to the Board of Governors.
- 3.8 The financial and management accounting records will be maintained by the designated staff of the Vice Principal – Business Success. The Finance staff will ensure that the accounting entries are recorded accurately and promptly.
- 3.9 The College Finance Manager will be responsible to the Vice Principal – Business Success for regular bank reconciliation and for the control of cash flow.
- 3.10 The Vice Principal – Business Success will prepare, as required, statutory accounts, grant claims and other returns as appropriate.
- 3.11 The management accounting records will assist in the preparation of budgets business plans, strategic plans, cash forecasts, expenditure forecasts and outturn reports.
- 3.12 The Consolidated Financial Statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards. The Consolidated Financial Statements incorporate the College and any subsidiary undertakings for the Financial Year.
- 3.13 The accounts are prepared for the Financial Year ending 31 July in the format required by the ESFA and in accordance with the provisions of the Companies Act 2006.

#### **4 BANKING ARRANGEMENTS AND CHEQUE CONTROL**

- 4.1 The Board of Governors will have responsibility for all College banking arrangements. The provision of banking services should be subject to competitive tendering every three to five years to ensure that the College obtains value for money.
- 4.2 The Vice Principal – Business Success will be responsible for the opening and closing of all bank accounts. All bank accounts will be in the name of the College or one of its subsidiary undertakings.



- 4.3 The Vice Principal – Business Success and the College Finance Manager shall be responsible for the daily management of the College's bank balances. The Vice Principal – Business Success shall be responsible for all transfers between the College's bank accounts.
- 4.4 The College has two signing panels.
- Cheques up to £5,000 – either the College Finance Manager, or the Vice Principal – Business Success.
  - Cheques over £5,000
    - First signature - either College Finance Manager, Vice Principal – Business Success.
    - Second signature - either Principal, Vice Principal – Student Success, Assistant Principal – People Engagement or Assistant Principal – Student Engagement.
- 4.5 The authorised signatories for the College Account are the:
- Principal
  - Vice Principal – Business Success
  - Vice Principal – Student Success
  - Assistant Principal – Student Engagement
  - Assistant Principal – People Engagement
  - College Finance Manager.
- Any changes in authorised signatories on the College Account shall be approved by the Board of Governors. Specimen signatures shall be provided to the College's Bankers on a standard bank mandate form and this will be updated in the event of a change of signatory.
- 4.6 The Vice Principal – Business Success will maintain a record of all cheques ordered, make arrangements for their safe custody and for the recording of all cheques cancelled or spoilt.
- 4.7 The Vice Principal - Business Success is responsible for ensuring that all bank accounts are subject to regular reconciliation and that large or unusual items are investigated as appropriate.

## **5 INCOME**

### **General**

- 5.1 The Vice Principal – Business Success is responsible for ensuring that appropriate procedures exist to facilitate the receipt of all income to which the College is entitled and for the security and prompt banking of all monies received. All monies received on behalf of the College must be banked at least once a week into the College bank account.
- 5.2 Personal cheques must not be cashed from College monies.
- 5.3 Cash income must not be used to settle creditors' accounts.

## **Invoicing**

- 5.4 Each Budget holder responsible for generating Sales Ledger income must ensure that an invoice is raised promptly.
- 5.5 The Vice Principal – Business Success shall be responsible for the safe control and issue of all invoices.
- 5.6 All requests of payment for goods or services provided by the College should be made on an official College invoice in a form agreed by the Vice Principal – Business Success. Unless the Vice Principal – Business Success approves otherwise, credit terms of 30 days from the invoice date shall be available to all debtors. All invoices and credit notes will be properly authorised by either the Vice Principal – Business Success or the College Finance Manager.
- 5.7 The approval of the Vice Principal – Business Success must be sought for any departure from the College's invoicing system.

## **Collection of Debts**

- 5.8 The Vice Principal – Business Success should ensure that:
- Debtor invoices are raised promptly on official invoices, in respect of all income due to the College;
  - Invoices are prepared with care, recorded in a ledger, show the correct amount due and are credited to the appropriate income account;
  - Any credits granted are valid, properly authorised and completely recorded;
  - VAT is correctly charged where appropriate, and accounted for;
  - Monies received are posted to the correct debtors account;
  - Swift and effective action is taken in collecting overdue debts, in accordance with the protocols noted in the financial procedures;
  - Outstanding debts are monitored and reports prepared for management.
- 5.9 Only the Vice Principal – Business Success can implement credit arrangements and indicate the periods in which different types of invoices can be paid.

Requests to write off debts in excess of £3,000 must be referred in writing to the Vice Principal – Business Success for submission to the Board of Governors for consideration. Debts below this level can be written off with the approval of the Vice Principal – Business Success.

## **Student Fees**

- 5.10 The procedure for collecting tuition fees and residence fees must be approved by the Vice Principal – Business Success. They are responsible for ensuring that all student fees due to the institution are received.

It is at the discretion of the Principal, in instances where a student has not paid for fees or any other item owing to the College, whether the student receives the certificate for the qualification awarded by the College, until all outstanding debts have been cleared.

Likewise, it is at the discretion of the Principal whether such students shall be prevented from re-enrolling at the College and from using any of the College's facilities unless appropriate arrangements have been made to clear the amount owed.

Tuition and other fees should be paid directly to the cashiers who are part of the Finance Department, whenever practicable. When cashiers are unavailable, Student Services staff should collect the fee and deposit them in the night safe. Teaching staff should not handle payments from students.

It is the responsibility of the Board of Governors to agree the policy within which the tuition and other fees are determined by the Principal. Within this framework, the Principal has discretion to vary fee charges in response to market conditions and to introduce promotional or other incentives designed to increase recruitment or to improve achievement rates.

### **Miscellaneous Cash Income**

- 5.11 With the exception of educational visits income, all miscellaneous cash income should be received by Finance Department staff. Such income will be recorded on official receipting sheets and official College receipts will be given to the customer. The responsible officer must ensure that the cash is held securely in a manner consistent with the College's insurance policy.
- 5.12 Educational visits income will be paid by students to the lecturer who will issue a receipt to each student for the cash received. The lecturer will in turn pay the money to the cashiers who will give a total receipt for the income to the lecturer. The Finance Department will maintain income and expenditure accounts for each trip or visit to ensure financial viability in each case.

### **Review of Charges**

- 5.13 The Vice Principal – Business Success will undertake, at least annually, a review of charges and fees; and report thereon to the EMT for approval.
- 5.14 Facilities exist for the payment of fees by Direct Debit.

### **Post Opening**

- 5.15 Incoming mail must be opened by two members of staff. All remittances received on behalf of the College must be recorded on remittance sheets or in a post book as part of the opening procedure and be evidenced by both officers' dated signatures.

## **6 EXPENDITURE**

- 6.1 The Principal is responsible for all payments made by or on behalf of the College. The Principal shall approve all payment procedures. Guidance on procurement decisions and actions which support the Financial Regulations are provided by the Procurement and Value for Money (VFM) Policies.

## **Orders for Goods and Services**

- 6.2 Official College orders must be used in advance for the purchase of all goods or services, except utilities such as electricity, gas etc., periodic payments such as rent and rates, payments made by standing order or direct debit, claims for travel and subsistence and petty cash purchases, or where approved/controlled purchase cards are used.

Only in emergency situations can goods or services be ordered without the use of an official college purchase order, and only then with the written agreement of the Principal or Vice Principal – Business Success.

Information technology equipment and software purchases or leases must always be made through the Information Technology department who will ensure value for money, compliance with financial regulations, and compatibility with College systems. No other budget holders have authority to order or procure information technology equipment without the IT Manager's authorisation.

Fixtures and fittings, as well as decorative and refurbishment works must always be made through the Estates department who will ensure value for money and compliance with financial regulations. No other budget holders have authority to order or procure such equipment or works without the Estate Manager's authorisation.

Where expenditure is incurred in respect of temporary staff through employment agencies, this must only be on explicit authority of the Assistant Principal – People Engagement. The use of such employees must not exceed the period of this authority. Purchase orders must be fully completed prior to commencement of any work. Timesheets used as the basis for invoices must only be completed by an authorised member of the Human Resources function, independent of the line management of the temporary employee on confirmation of the work completed and within the approval given.

- 6.3 Budget holders have the authority to authorise requisitions, but may only authorise requisitions for items that are chargeable to their budget. The College Finance Manager shall maintain a register of authorised signatories for requisitioning purposes. Any changes to the authorities to sign must be notified to the College Finance Manager immediately.
- 6.4 Orders shall not be placed by authorised officers unless:-
- i) the costs are covered by the budget;
  - ii) the appropriate selection, contract and tender requirements have been complied with.
- 6.5 Budget holders in requisitioning orders shall pay due regard to economy and efficiency when making arrangements for the purchase of supplies, goods, equipment and services.

- 6.6 All orders require budget holder and procurement authorisation. In addition, orders between £1,000 and £10,000 must be signed by the Vice Principal – Business Success, Vice Principal – Student Success or the Principal. The Principal and Vice Principal – Business Success must sign all orders between £10,000 and £50,000 in value. Orders in excess of this value must be approved by the Chair of the Board of Governors. These thresholds are inclusive of VAT.
- 6.7 Orders shall contain clear information as to the nature, volume, unit price, discounts claimed and total cost of the goods, works or services required. Orders must also refer to any contract or quotation, setting out the agreed terms and conditions.
- 6.8 The Vice Principal – Business Success shall be responsible for the regulation of the requisitioning and ordering system.
- 6.9 Personal or private use must not be made of the College ordering system nor of College contracts.

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

- 6.10 Goods received must be checked at the point of receipt to the satisfaction of the budget holder, or a designated Officer, against the details contained on the delivery/goods received note and purchase order. Obvious defects and quantity variations shall be noted on the delivery note by the budget holder or a designated Officer and advised to the carriers and suppliers, copied to Finance.
- 6.11 A schedule of periodic payments such as electricity, gas, telephones, rent and rates will be maintained by the College Finance Manager.

### **Expenditure Authorisation and Payment of Invoices**

- 6.12 All expenditure due from the College and chargeable against the College's budget shall be made by the Vice Principal – Business Success.
- 6.13 Payments will be made by cheque or BACS on the College's main bank account; or by an accredited College Procurement Card.
- 6.14 Access to BACS transmission facilities will be appropriately restricted by the Vice Principal – Business Success and all transmissions must be undertaken by two members of Finance staff. BACS transmission limits will be set by the College Finance Manager for the aggregate value of each payments run and for individual payments. These limits will be communicated to the Bank for enforcement.
- 6.15 The College Finance Manager is responsible for the prepayment examination and posting of invoices to the College account.
- 6.16 Invoices will be received by the Finance Department who will register the invoice and then match the details to the goods received note or delivery note passed to Finance by the budget holder, if applicable. The Vice Principal – Business Success shall be responsible for maintaining a record of budget holders and the scope of their authority to incur expenditure.

- 6.17 Payments will only be made by the College Finance Manager against invoices which have been certified for payment by the appropriate budget holder. Certification of an invoice will ensure that:
- i) the goods, services or work covered by the invoice or account have been received, carried out, examined and approved;
  - ii) the price is in accordance with the relevant quotation, tender or contract;
  - iii) the prices, trade discounts, other allowances, credits and tax calculations are correct;
  - iv) the invoice is legally payable by the College and not by some other authority or person;
  - v) the invoice has not been previously paid;
  - vi) the invoice is a properly detailed account (not a periodic statement of account) and is in the correct form for VAT purposes;
  - vii) that the quality matches specification and/or is satisfactory;
  - viii) the expenditure was necessary, has been properly authorised and is within the sum available in the budget against which it has been allocated;
  - ix) an authorised purchase requisition note has been received and official order subsequently issued in accordance with the ordering of goods and services procedures and details agree to the invoice;
  - x) a signed delivery note/goods received note has been received from the budget holder or their nominee if applicable; and
  - xi) where appropriate the asset register and relevant inventory record is updated.
- 6.18 Claims by members of staff shall be certified by the appropriate budget holder (or the appropriate line manager where the member of staff is the budget holder). The certification shall be taken to mean that the expense was authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the College. Claims should be submitted to the Finance department on a monthly basis.
- 6.19 Supplier invoices will be paid on a fortnightly basis, except where cash flow requirements may dictate otherwise.

## **Petty Cash**

- 6.20 The College Finance Manager will be responsible for the control of the College petty cash float and for providing such advances as considered appropriate for staff of the College that may need them for the purpose of defraying petty cash. Apart from main enrolment periods, only one petty cash float per main site will be in operation.
- 6.21 Payments from petty cash shall be limited to minor items of expenditure, not exceeding £20 and to such other items as the Vice Principal – Business Success may approve. All items are to be supported by a petty cash voucher and also a receipt where applicable. For payments related to the Learner Support Fund, the cap on such payments is £50.
- 6.22 Petty cash balances will be reconciled at the end of each month with the ledger balances.
- 6.23 The College Finance Manager will carry out 'spot checks' of petty cash floats advanced to individual members of staff at least biannually and the main petty cash float at least monthly.
- 6.24 No payments shall be made from petty cash for payroll items or other items which may legitimately be paid through the normal payments routine. The petty cash system should not be used for the payment of travel and subsistence expenditure or expenses claim.
- 6.25 No income received on behalf of the College should be paid into petty cash.
- 6.26 The College Finance Manager shall ensure that where a member of staff holding a petty cash advance leaves the employment of the College, the petty cash is either handed to their successor or back to the College Finance Manager.
- 6.27 Petty cash float holders are responsible for the physical security of monies held and for maintaining adequate records of petty cash transactions. In the event of another officer acting as float holder (e.g. due to annual leave) a handover form must be completed recording the imprest level, the value of petty cash vouchers, and the value of monies held at the time of handover. The form must be signed and dated by both officers.

## **7 EMPLOYMENT MATTERS - SALARIES, WAGES AND EXPENSES**

- 7.1 The salary of the senior post holders and the Clerk shall be determined by the Board of Governors on the advice of the Remuneration Committee.
- 7.2 The Principal is responsible for the payment of salaries and wages to all staff and shall only appoint those permanent staff where financial provision has been made within the approved College budget. Appointments will be to the salary scales approved by the Board of Governors and in accordance with appropriate conditions of service. The Principal has the discretion to appoint to spot salaries, within the approved salary scales, in order to secure highly performing individuals and in response to market conditions.
- 7.3 The Principal may also appoint temporary staff, where budgetary provision is available to meet the cost, only on a fixed term contract basis.

- 7.4 Unless otherwise stated in a member of staff's contract:
- outside consultancies or other paid work may not be accepted without the consent of the Principal
  - applications for permission to undertake work as a purely private activity must be fully detailed and submitted to the Principal for consideration.
- 7.5 The Board of Governors is responsible for undertaking the role of employer in relation to appropriate pension arrangements for employees. The Vice Principal – Business Success is responsible for day to day superannuation matters including payment of contributions to authorised schemes, and preparing returns.
- 7.6 The Assistant Principal – People Engagement shall be responsible for the design and maintenance of all personnel records and for the provision of relevant information to enable all salaries, wages, pensions and other emoluments to be paid. Typically, the information held will include the following:
- Details of appointments, leavers, transfers, secondments, suspensions and dismissals;
  - Changes in wages, salaries and other payments to staff (except those arising from normal increments, pay awards and agreements of general application), and changes in hours of work and/or duties which affect rates of pay;
  - Absences from duty (other than normal annual leave); information for the maintenance of records of service for superannuation, income tax, national insurance, or other similar purposes;
- 7.7 The Assistant Principal – People Engagement is responsible for ensuring that appropriate records relating to payroll including those of a statutory nature are maintained by the College. All payments must comply with HMRC regulations.
- 7.8 All personnel and pay records shall be in a format agreed by the Assistant Principal – People Engagement and shall only be certified by such officers as authorised by the Principal or nominee, a record of which shall be maintained by the Vice Principal – Business Success, with specimen signatures. Payroll records must be retained for at least seven years to satisfy HMRC requirements.
- 7.9 Claims for expenses incurred by Governors and College staff in carrying out official duties, shall be paid at rates approved by the Board of Governors where actual costs are reimbursed up to a maximum level as defined by the approved framework. The approved framework is subject to regular review. All expense claims must be submitted on an official College expenses claim form, supported by vouchers. All overseas journeys must be approved by the Principal, prior to the journey being undertaken. A record must be maintained of all overseas journeys undertaken by EMT and Governors for inclusion in the Annual Accounts where necessary.
- 7.10 Expenses claim forms shall be signed by the claiming officer and authorised by the budget holder. Where the claiming officer is the budget holder, the claim form must be authorised by the relevant Line Manager. The Principal's expense claims are to be approved by the Chair of the Board of Governors. A summary of EMT expenses will be reported to the Board of Governors on an annual basis.



- 7.11 Claims for expenses must be submitted promptly and not later than one month after the event.

## **8 PROTECTION OF PROPERTY AND INFORMATION**

- 8.1 The Vice Principal – Business Success shall be responsible for making arrangements for the proper control and security of all buildings, furniture, equipment, plant, stores, cash and other items of value held by the College, ensuring that such items are recorded on an inventory or other suitable record. All capital assets must be recorded on the College's Asset Register. In the event of an irregularity being suspected or discovered, Governors and staff are to refer to the College's Anti-Fraud Policy.
- 8.2 Items of equipment costing over £1,000 should be included on the inventory immediately on receipt of the equipment and invoice and clearly marked as the property of the College.
- 8.3 The Vice Principal – Business Success will have the responsibility of ensuring that the College inventories are checked on an annual basis and for ensuring that all portable items of equipment are security tagged.
- 8.4 The property of the College shall not be removed from the College premises or used other than for the normal activities of the College. Any property removed from the premises shall be recorded in a schedule maintained by the relevant budget holder.
- 8.5 The disposal of surplus materials, stores or equipment should be undertaken in a cost effective manner commensurate with their estimated value, by competitive tender or public auction. It is the responsibility of the Vice Principal – Business Success to authorise the disposal of assets up to an estimated value of £10,000 in aggregate or on any one occasion. Disposals in excess of this value must be approved by the Principal and reported to the Board of Governors. Disposals of land and buildings must only take place with the authorisation of the Board of Governors. ESFA consent may also be required if exchequer funds were involved in the acquisition of the asset.
- 8.6 Budget holders are responsible for maintaining proper security at all times for all buildings, stock, stores furniture, cash etc., under their control. Budget holders shall consult the Vice Principal – Business Success in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- Responsibility for the security keys to safes or other similar containers rest with the manager, who should set appropriate systems and procedures of control. The loss of such keys must be reported to the Vice Principal – Business Success.
- 8.7 The IT Manager will be responsible for ensuring that virus checkers are regularly used to safeguard computerised records. Staff and students may not install any software onto College computers which has not been officially procured by the College.
- 8.8 A disaster recovery plan is in place to mitigate against loss of computing facilities, and is reviewed annually.

## **Stocks and Stores**

- 8.9 The Vice Principal – Business Success is responsible for the maintenance of sufficient records of stores as required for accounting, costing and financial record purposes.
- 8.10 All items should be delivered to the delivery point noted on the order, where they shall be checked against the order form and the delivery note, and signed by the receiving officer.
- 8.11 All stocks shall be issued from stores in accordance with procedures established by the Vice Principal – Business Success.
- 8.12 Stock checks should be carried out annually by the manager responsible for the stock. The performance of stock checks should be fully documented.
- 8.13 Stock returns should be submitted to the College Finance Manager on an annual basis, as at 31<sup>st</sup> July, identifying the range of items held, the quantity, the value (using the lower of cost or net realisable value or average prices paid), the date of the stock take and the staff taking stock. Any significant discrepancies should be identified and reported to the Board of Governors.
- 8.14 The Head of Student Entitlement will provide a full inventory of book stocks on an annual basis at the end of the Financial Year.
- 8.15 The Estates Team will be responsible for the secure and efficient use of the transport fleet. A report will be provided annually to the EMT outlining the size and application of the fleet.

## **9 RISK MANAGEMENT AND INSURANCES**

- 9.1 The Principal is responsible for developing a risk management strategy in order to identify the risks facing the College and types of protection required to cover these risks. The strategy will cover important potential liabilities such as terrorism and be sufficient to meet any potential risk to all assets. This will be considered and approved by the Board of Governors periodically.
- 9.2 The Vice Principal – Business Success shall, within the policies determined by the Board of Governors, effect all necessary insurance e.g. damage to: property by fire, explosion, lightning, impact by aircraft together with motor vehicle, employers and third party liability insurance, professional negligence (in respect of both staff and governors). The Facilities and Procurement Manager is therefore responsible for obtaining quotes, negotiating claims, and maintaining appropriate records. The Facilities and Procurement Manager will also liaise with the College's insurers.
- 9.3 Budget holders shall notify the Vice Principal – Business Success of all new risks falling within their areas of responsibility. The College shall promptly notify the insurers of all new or increased risks which may require insurance and of any alterations affecting the level of risk.
- 9.4 Officers must immediately inform the Facilities and Procurement Manager of any event involving loss or other circumstance which may involve a potential insurance claim.

- 9.5 The Facilities and Procurement Manager shall immediately inform the insurers of any loss, liability or damage, or of any event likely to lead to a claim. The Estates Manager will be responsible for processing all insurance claims made.
- 9.6 The Facilities and Procurement Manager shall keep a register of all insurance effected by the College and the property and risks covered thereby.
- 9.7 The Vice Principal – Business Success is responsible for keeping suitable records of plant which are available for inspection by the College's insurers. The Vice Principal – Business Success is also responsible for ensuring plant is regularly inspected and serviced as required by the insurers.
- 9.8 All staff using their own vehicles on behalf of the College shall maintain appropriate insurance cover for business use.

## **10 TREASURY MANAGEMENT**

### **Investments**

- 10.1 The Board of Governors shall approve a policy statement outlining the strategy based on CIPFA's Treasury Management in Higher Education: A Statement of Best Practice for the investment of surplus funds, which shall be in the name of the College. The College's powers to invest are regulated by the trustees Investment Act and the Policy Statement must comply with this legislation.
- 10.2 The Vice Principal – Business Success shall have delegated power to invest funds on a day to day basis in accordance with this policy.
- 10.3 The Board of Governors shall receive reports from the Vice Principal – Business Success at appropriate stages in the year detailing the investment decisions taken.

### **Borrowing**

- 10.4 Borrowing will conform to the College's Treasury Management Policy and to the requirements of the ESFA and a report will be submitted to the Board of Governors at least once in the financial year to identify the pattern of borrowing.
- 10.5 All investments and borrowing will be made in the name of City of Wolverhampton College. The College will have a bank overdraft facility of £250,000 and the Vice Principal – Business Success shall have delegated power to call on this facility and report its use to the next meeting of the Board of Governors. Any borrowing over this limit must be authorised by the Board of Governors.

## **11 CAPITAL EXPENDITURE AND CONTRACT ARRANGEMENTS**

- 11.1 Revenue expenditure consists of the day to day costs of running the College including expenditure incurred in repairing, maintaining and overhauling capital assets. It will normally be charged to the revenue account in the financial year in which it is incurred and subject to any arrangements for provisions.
- 11.2 Capital expenditure shall include those items which have a long-term value to the College beyond the year of account. Such expenditure shall add to, rather than maintain the value of any existing asset and/or useful life of the asset.

- 11.3 Capital expenditure shall typically include the following:
- i) acquisition of land and buildings;
  - ii) minor capital works costing £30,000 or more for the provision, extension, improvement or adaptation of buildings and building elements;
  - iii) acquisition, installation or replacement of movable or immovable plant or machinery;
  - iv) purchase of vehicles; and
  - v) purchase of computer and other equipment in excess of £1,000 in value.
- 11.4 If there is any doubt as to whether an item should be charged to revenue or capital then the advice and guidance of the Vice Principal – Business Success should be sought.

#### **Project appraisal and monitoring**

- 11.5 The Board of Governors shall, before any bids are submitted to the ESFA or any other funders for capital funding, receive from the Principal the following details of the scheme:
- i) the business case and fit with College mission;
  - ii) a description of the capital project together with a summary of the reason and the need for the project,
  - iii) the reporting and monitoring procedures;
  - iv) a fully costed estimate of the total capital cost, including cash flow projections and payback periods where appropriate;
  - v) the risk assessment;
  - vi) the project manager arrangements; and
  - iv) the estimated revenue implications of the scheme.
- 11.6 The Principal shall approve all capital expenditure contracts up to £50,000. Capital expenditure contracts exceeding £50,000 in value or one year in term shall be approved by the Chair of the Board of Governors.
- 11.7 Submissions will be forwarded to the ESFA and other funders where appropriate. If agreement is secured, the relevant procedural rules should be followed. Guidance on best practice should be followed in all circumstances.
- 11.8 The Vice Principal – Business Success shall furnish the Board of Governors with details of the progress of the scheme, including any potential changes in the scheme design and/or cost.

- 11.9 Consultants may be appointed if the project, as determined by the Board of Governors, is too large or too specialised for Estates department resources. Appointments shall be subject to tendering and other procedures where appropriate.

## **12 REVENUE CONTRACTS, RESEARCH GRANTS AND OTHER SERVICES RENDERED**

- 12.1 Staff intending to submit applications for research funding or other activities, such as regeneration, learning partnership or overseas initiatives, amongst others, must discuss their proposal in detail in the first instance with the Vice Principal – Business Success to enable an assessment of the likely areas of cost to be made.
- 12.2 The following points will be considered as part of the assessment process for new initiatives:
- i) the project contribution to the College mission and strategic priorities;
  - ii) the business case;
  - iii) that funds intended to support teaching activity in England will not be used to subsidise overseas activity;
  - iv) length of project;
  - v) appointment of a project manager;
  - vi) staff numbers and level of appointment;
  - vii) confirmation of outputs and the monitoring framework:
    - quality measurements
    - a comprehensive risk assessment
  - viii) travel and subsistence;
  - ix) consumable costs including printing, stationery, postage and advertising, and that systems for control of assets to be used in contract delivery are adequate;
  - x) the application of overheads and other indirect costs;
  - xi) benefits accruing to the College;
  - xii) quality assurance arrangements applied to core activity are applied for such projects.
- 12.3 Detailed costings shall be prepared in collaboration with the Vice Principal – Business Success prior to approval being given to the project by the Principal.
- 12.4 Staff undertaking private work which involves the use of College resources, for which a charge will be made, must obtain the permission of the Principal. Such permission will only be granted in exceptional circumstances.
- 12.5 Certain activities undertaken within the College including research and consultancy may give rise to ideas, designs and inventions which may be patentable. These are collectively known as intellectual property. The Principal is responsible for establishing procedures to deal with any patents accruing to the College from inventions and discoveries made by staff in the course of their research.
- 12.6 Where the College enters into franchise or direct delivery partnership arrangements, the College will seek the approval of Governors to such arrangements, and will provide regular reports to Governors on performance.

### 13 CONTRACTING AND TENDERING ARRANGEMENTS

- 13.1 Section 13.2 to 13.8 summarises the key issues on Contracting and Tendering Arrangements however all staff are recommended to contact the College Procurement team in advance of any material procurement exercise.
- 13.2 All contracts must comply with European procurement legislation and The Public Contract Regulations 2015. The European regulations apply to written contracts for all forms of procurement or hire (whether or not hire purchase) with a total value exceeding a threshold value.

Details of the thresholds applying from 1 January 2018 are given below.

Category	Threshold
Supplies	£181,302
Services	£181,302
Social & Other Specific Services*	£615,278
Works	£4,551,413
Concession contract (works or services)	£4,551,413

\*Applies to subcontracting contracts.

These thresholds are exclusive of VAT and relate to the full life of the contract.

A breach of EU procurement regulations is actionable by a supplier or potential supplier. The Vice Principal – Business Success is responsible for ensuring all EU procurement requirements (e.g. advertising in official journals or electronically) are satisfied.

- 13.3 The Public Contract Regulations 2015 also effects tender opportunities from £25,000 to the appropriate EU threshold above. Opportunities advertised within these thresholds are required to be published on [Contracts Finder](#).
- 13.4 Except as required by UK legislation, the EC and relevant directives, these regulations must be followed every time the College enters into a contract in relation to building works or the maintenance and servicing of buildings/equipment.

The procedures for obtaining estimates shall be as follows:

- i) For orders with a total value up to £1,000 budget holders shall use good sense as to the need to obtain information in addition to an estimated price from a supplier.

- ii) For orders with a value of £1,000 to £25,000, at least three written quotations should be submitted electronically with the purchase requisition using the attachment feature of the Finance system and then retained for inspection by the Vice Principal – Business Success and available for audit. Where it is not possible to obtain three quotations, a tender exemption form must be completed and signed by the Vice Principal – Business Success.
- iii) For orders with a value over £25,000 (over the total contract life) at least three competitive tenders are required in accordance with the tender procedures of the College, and a written contract entered into. Budget holders must contact the Facilities and Procurement Manager to ensure that the opportunity is advertised in the appropriate forum in compliance with procurement law.

13.5 The need for tenders up to the value of £100,000 may be waived at the discretion of the Principal if, after the completion of the tender exemption form, the Principal considers that:

- benefit would be derived from using an alternative method of contractor selection.
- where contracts are of a specialist nature, two or more persons normally engaged in carrying out contracts of a similar nature are approached.
- it appears that there is only one possible supplier or that it is for any reason impossible or unreasonable to invite an offer from more than one supplier.

Any such instances of waiver should be recorded, with appropriate documentation retained, and reported to the Audit Committee.

13.6 Budget holders are not ordinarily authorised to commit expenditure for the refurbishment or redecoration of their offices or classrooms without the prior consent of the Vice Principal – Business Success. Normally, such expenditure will be met out of the College's main estates cost centre. Budget holders are entitled to commit to the purchase of minor items of equipment from their budget provided this does not result in an overspend and it is charged to the appropriate account code.

13.7 The Vice Principal – Business Success shall maintain a register of all contracts (except contracts of employment) between the College and third parties and shall report thereon. Authorisation of College commitment towards contract arrangements will normally rest with a member of the EMT or an appropriate senior manager.

- 13.8 The procurement and selection of subcontracting training provision is governed by the College Partnership Subcontracting Policy which provides guidance on complying with ESFA funding requirements.

It is anticipated that most of the subcontracting training provision would fall within the procurement category specified as 'Social and Other Specific Services' by the EU procurement and UK Public Contracts Regulations.

Social and Other Specific Services are services to which a lighter touch set of regulations apply at a much higher threshold of £615,278. Therefore if a subcontracting training provision contract is over this threshold the College must comply with EU procurement and UK Public Contracts Regulations.

### **Declaration of Interest**

- 13.9 Any Governor, the Principal or other member of staff of the College with a material interest in a personal capacity in any contract with the College is required to declare that interest to the Clerk to the Board of Governors who will maintain a register of such interests.
- 13.10 Staff in positions of financial responsibility and authorisation are required to inform the Clerk to the Board of Governors on a timely basis of any business or commercial interests which may conflict with their responsibilities when carrying out the business of the College.
- 13.11 Staff failing to respond to a circularisation request to declare interests will be identified and requested to comply with the procedure.

## **14 TAXATION**

- 14.1 The Vice Principal – Business Success will issue instructions to departments on compliance with statutory taxation requirements covering PAYE, National Insurance and Corporation Tax.
- 14.2 The Vice Principal – Business Success is responsible for maintaining the College's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date.

## **15 HOSPITALITY AND INDUCEMENTS**

### **Hospitality**

- 15.1 The College may provide hospitality in connection with the normal business affairs of the College. This hospitality may be provided at the discretion of the Principal or nominee to the following:-
- Governors;
  - College staff;
  - representatives from educational institutions, firms or companies visiting the College on business;
  - any other visitors connected with the business of the College.



- 15.2 The hospitality provided will not normally exceed the provision of tea, coffee, sandwiches, buffet lunches etc. Subsistence and entertaining is governed by the College Business Expenses Policy.
- 15.3 The budget for hospitality, subsistence and entertaining expenditure will be subject to annual review in accordance with the budget setting process of the College.

#### **Gifts, benefactions and donations**

- 15.4 The Vice Principal – Business Success is responsible for maintaining financial records in respect of gifts, benefactions and donations made to the College and initiating claims for recovery of tax where appropriate. Acceptance of gifts by staff may be construed by the Inland Revenue as a taxable benefit.
- 15.5 It is inevitable that, from time to time, Governors and staff will be offered gifts and hospitality when exercising duties on behalf of the College. In deciding whether it is appropriate to accept such a gift or hospitality Governors or members of staff should ask themselves whether members of the public, knowing such information, would reasonably conclude that the gift or hospitality might influence their judgement. Under no circumstances should a gift or concession of any sort be accepted where it could be construed as a reward for services rendered. In situations where governors or staff are uncertain as to whether it would be appropriate to accept an offer of a gift or hospitality, the offer should be declined or advice sought from the Clerk to the Board of Governors. It is an offence under the Bribery Act 2010 to give (or offer) or receive (or request) a financial or other advantage in connection with the improper performance of a position of trust, or a function, that is expected to be performed impartially or in good faith.
- 15.6 Where a gift or hospitality, where the value exceeds an estimated £25 in value, is accepted this should be reported to the Clerk to the Board of Governors who will maintain a gifts and hospitality register.
- 15.7 The Vice Principal – Business Success is responsible for maintaining a record of the requirements for any and each trust fund and for advising the Board of Governors on the control and investment of fund balances. The Board of Governors is responsible for ensuring that all the College's trust funds are operated within any relevant legislation and the specific requirements for each trust.

#### **16 DISCOVERY OF FRAUD PROCEDURES**

- 16.1 With reference to duties and responsibilities of all members of staff (see Section 1.10 iv), the Clerk to the Board of Governors shall be immediately notified whenever any matter arises which involves or is thought to involve, irregularity, including fraud, bribery or any malpractice.
- 16.2 The Clerk to the Board of Governors shall immediately notify the Principal, the Audit Committee (through the Chair of the Audit Committee) and the Internal Auditors of the suspected irregularity and shall take such steps, as she considers necessary by way of investigation and report.
- 16.3 The Principal shall inform the police if a criminal offence is suspected of having been committed.

- 16.4 Any significant cases of fraud or irregularity shall be reported to the ESFA. A fraud or irregularity is significant where one or more of the following factors are involved:
- the sums of money are in excess of £10,000;
  - the particulars of the fraud are novel, unusual or complex;
  - there is likely to be great public interest because of the nature of the fraud or the people involved
- 16.5 The internal audit service, or others commissioned to carry out the investigation, shall prepare a report for the Audit Committee on the suspected irregularity. Such report shall include advice on preventative measures.
- 16.6 If the suspicion of fraud is thought to involve the Clerk to the Board of Governors the member of staff shall notify the Vice Principal – Business Success of their concerns regarding irregularities.
- 16.7 The Board of Governors has adopted an Anti-Fraud Policy, the provisions of which should be followed in all respects.

### **Whistleblowing**

- 16.8 Whistleblowing is the disclosure by an employee (or other party) about malpractice in the workplace. There is no legal definition of 'whistleblowing' or of 'malpractice'. For the purpose of this procedure, 'malpractice' in relation to the College means
- fraud, theft, corruption, bribery or other financial irregularities;
  - other criminal activities or dishonesty;
  - failure to comply with a legal obligation, the staff code of conduct, the financial regulations or the Corporation's Code of Conduct;
  - a miscarriage of justice;
  - creating or ignoring a serious risk to health, safety or the environment (whether by other employees, contractors, the public or members of the Corporation).

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

## **17 COLLEGE PRIVATE FUNDS**

- 17.1 The Board of Governors shall ensure that a record is kept of all such funds for the College and that annual accounts, audited by a suitable qualified auditor, are submitted to them within a reasonable time after the end of each accounting period which is to coincide with the College main account.

- 17.2 The students union is a constituent part of the College and as such is responsible to the Board of Governors. Subject to the constraints imposed by the ESFA, the Board of Governors shall determine the level of grant to be paid annually to the students union. The students union is responsible for maintaining its own bank account and financial records and preparing its own accounts. At year end the students union accounts will be presented to the Board of Governors. The College's internal auditor shall have access to records, assets and personnel within the students union in the same way as other areas of the College.
- 17.3 In certain circumstances it may be advantageous to the College to establish a company to undertake services on its behalf. The Board of Governors is responsible for approving the establishment of companies and the procedure to be followed in order to do so. The process involved in forming a company and arrangements for monitoring and reporting on the activities of subsidiary undertakings shall be documented in the College's procedures.

It is the responsibility of the Board of Governors to establish the shareholding arrangements and appoint directors of companies wholly or partly owned by the College. The directors where the College is the majority shareholder must submit an annual report to the Board of Governors.

## **18 JOINT VENTURES**

- 18.1 The Vice Principal – Business Success will be responsible to report to the Board of Governors regarding Joint Venture arrangements. It will be the responsibility of the Board of Governors to approve the arrangements, in addition to overseeing monitoring and reporting arrangements.

## **19 AMENDMENTS TO FINANCIAL REGULATIONS**

- 19.1 Amendments to these Financial Regulations may only be approved by the Board of Governors.

## **Appendix A - TERMS OF REFERENCE FOR THE COLLEGE INTERNAL AUDIT SERVICE**

- 1 The Internal Audit Service (IAS) is responsible for conducting an independent appraisal of all the College's activities, financial and otherwise. It should provide a service to the whole College, including the Board of Governors and all levels of College management. It is not an extension of, nor a substitute for, good College management, although it can have a role in advising College management. The IAS is responsible for giving assurance to the College's Board of Governors and Principal on the adequacy and effectiveness of the College's risk management, control and governance processes. The IAS assists College management by evaluating and reporting to it the effectiveness of the controls for which it is responsible. This work contributes to the opinion that the IAS provides on risk management, control and governance processes. It remains the duty of College management, not the IAS, to operate adequate systems of risk management, control and governance. It is for College management to determine whether or not to accept audit recommendations and to recognise and accept the risks of not taking action.

### **Appointment**

- 2 The IAS audit service is appointed by the Board of Governors for a term of 3 years. This is subject to satisfactory annual review by the Audit Committee and recommendation to the Board of Governors. Remuneration shall be fixed by the Board of Governors on the advice of the Audit Committee.

### **Scope**

- 3 All the College's activities, funded from whatever source, fall within the remit of the IAS. The IAS may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that College management has taken the necessary steps to achieve these objectives and manage the associated risks. The scope of the IAS's work shall cover operational and College management controls and should not be restricted to the audit of systems and controls necessary to form an opinion on the financial statements. The IAS shall devote particular attention to any aspects of risk management, control and governance processes affected by material changes to the College's risk environment.
- 4 The systems of control subject to the IAS's work shall include those systems of control operated by:
  - all College subsidiary or associated companies;
  - the College's partners in franchised learning provision;
  - joint ventures;
  - subcontracted direct learning providers; and
  - contractors of the College who provide any service that handles or processes College finances or management information in any form.
- 5 It is not within the remit of the IAS to question the appropriateness of policy decisions. However, the IAS is required to examine the arrangements by which such decisions are made, monitored and reviewed.
- 6 The IAS may also conduct any special reviews requested by the Board of Governors, Audit Committee or Principal, provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

## **Responsibilities**

- 7 The head of the IAS is required to give an annual opinion to the Board of Governors, through the Audit Committee, on the adequacy and effectiveness of the college's risk management, control and governance processes. He or she should also comment on other activities for which the Board of Governors is responsible, and to which the IAS has access.
- 8 The IAS fulfils its terms of reference through review and evaluation of risk management, control and governance processes. These comprise the policies, procedures and operations in place to:
  - establish and monitor the achievement of the College's objectives;
  - identify, assess and manage the risks to achieving the College's objectives;
  - advise on, formulate, and evaluate policy, within the responsibilities of the Principal as accounting officer;
  - ensure the economical, effective and efficient use of resources;
  - ensure compliance with established policies, procedures, laws and regulations;
  - safeguard the College's assets and interests from losses of all kinds including those arising from fraud, irregularity and corruption; and
  - ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

## **Standards and Approach**

- 9 The IAS's work will be performed with due professional care, in accordance with the requirements of the ESFA as detailed in the Audit Code of Practice and the standards for the IAS promulgated by HM Treasury. The work shall comply in all material respects with Government Internal Audit Standards (GIAS). The IAS should also have regard to advice provided by professional auditing and accountancy bodies.
- 10 The head of the IAS shall implement measures to monitor the effectiveness of the service and compliance with standards. The head of the IAS should prepare a set of performance measures and criteria for the IAS function, which shall be agreed with the Audit Committee.
- 11 In achieving its objectives, the IAS shall develop and implement an audit strategy that assesses the College's risk management, control and governance processes.

## **Independence**

- 12 The IAS has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. However, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day to day administrative purposes only, the head of the IAS reports to a senior officer within the College and the reporting arrangements must take account of the nature of audit work undertaken. The head of the IAS has a right of direct access to the chair of the Board of Governors, the chair of the Audit Committee and the Principal.

- 13 The Audit Committee shall advise the Board of Governors on all matters concerning internal control. Within the College, responsibility for the College's risk management, control and governance processes rests with the Board of Governors and management, who shall ensure that appropriate and adequate arrangements exist without relying on the College's IAS. To preserve the objectivity and impartiality of the IAS's professional judgement, responsibility for implementing audit recommendations rests with College management.

### **Access and Liaison**

- 14 The College IAS shall have unrestricted access to all documents, records, assets, personnel and premises of the College and its companies, and to relevant documents of franchise providers, and be authorised to obtain such information and explanations as they consider necessary to form their opinion.
- 15 In turn, the IAS agrees to comply with any requests from the financial statements auditors, the ESFA and the NAO for access to any information, files or working papers obtained or prepared during audit work that they need to discharge their responsibilities. The ESFA seeks to place reliance upon the work of the College's IAS. Liaison is necessary for the ESFA to form this opinion and shall not give rise to additional fees.
- 16 The IAS shall liaise with the financial statements auditor, the funding auditor (where appointed) *and* the ESFA's Provider Financial Assurance (PFA) Service Centre to enhance the level of service it provides to the College management. The IAS and the Audit Committee may seek to place reasonable reliance on the work of the funding auditor (where appointed).

### **Reporting**

- 17 The IAS shall prepare, before the beginning of the year, a long-term strategy document supported by an assessment of resource needs and an annual audit plan. These shall be submitted to the Board of Governors for approval following consultation with relevant managers and the Principal, and on the recommendation of the Audit Committee.
- 18 The IAS produces its reports, in writing, usually within one month of completion of each audit, giving an opinion on the area reviewed and making recommendations where appropriate. Recommendations should be prioritised. All reports are provided to the Principal and should be copied to the Audit Committee. Heads of department or services shall be required to respond to each audit report, usually within one month of issue. In their response, they should state, for agreed recommendations, their proposed action, the person responsible for implementation and a date by which action will be completed. Material recommendations will usually be followed up some six to twelve months later. In addition the Audit Committee shall monitor the implementation of audit recommendations by College management.
- 19 The head of the IAS submits an annual report to the Board of Governors and Principal through the Audit Committee, based on the College's financial year. This gives an opinion on the adequacy and effectiveness of the College's risk management, control and governance processes and on the arrangements for securing economy, efficiency and effectiveness.

- 20 The IAS's annual report to the Board of Governors includes:
- a statement of the overall adequacy and effectiveness of the College's risk management, control and governance processes;
  - any qualifications to that opinion, together with the reasons for the qualification;
  - a notice of any issues that the head of the IAS judges relevant to the preparation of the Statement of the Responsibilities of the Members of the Board of Governors, the Corporate Governance Statement (that now incorporates the statement of internal financial control) and the Statement on the System of Internal Financial Control such as an analysis of common or significant weaknesses or details of any major internal audit findings where action appears to be desirable but has not been taken;
  - a comparison of the IAS's activity during the year with that planned, placed in the context of the IAS need;
  - a summary of the performance of the IAS function against its performance measures and criteria;
  - comment on compliance with the GIAS; and
  - the results of the IAS quality assurance programme.
- 21 The head of the IAS reviews the annual report with the Principal and Audit Committee prior to publication. A copy of the annual report is sent without delay to the ESFA's Regional Audit Manager by the College, after it has been received by the Board of Governors on the advice of the Audit Committee. Copies of other reports and responses to them should not routinely be sent to the ESFA's Regional Audit Manager but the ESFAs Regional Audit Manager may exceptionally request them.
- 22 The head of the IAS is accountable to the Principal and the Board of Governors through the Audit Committee for the performance of the service. The IAS also reports audit findings to the heads of department or services within the College. The head of the IAS shall keep the Principal informed of audit results and draw the attention of the Audit Committee to significant findings and recommendations. This may be done by providing the Audit Committee with copies of all reports, or by reporting by exception, or by providing a summary of key issues.

### **Irregularities, Including Fraud and Corruption**

- 23 The IAS shall without delay report to the ESFA's chief executive, and copy to the Executive Director of the local ESFA, serious weaknesses, significant fraud, major accounting and other breakdowns, subject to the requirements of the Proceeds of Crime Act 2003.
- 24 The head of the IAS shall be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that he or she can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of the IAS is not to investigate the irregularity unless commissioned to do so.

### **Ownership of Papers**

- 25 The IAS's papers are the property of the College. In the event of a change of the IAS provider, the outgoing IAS provider may, with the agreement of the College, surrender all audit working papers which demonstrate compliance with the GIAS. Arrangements should be made for the outgoing IAS provider to meet the incoming IAS provider where appropriate.

### **Electronic Communication**

- 26 During the engagement, the IAS and the College may from time to time communicate electronically with each other. However, the electronic transmission of information cannot be guaranteed to be secure or free of viruses or error and such information could arrive late or incomplete, be intercepted, corrupted, lost, destroyed, or otherwise be adversely affected or unsafe to use. No systems or procedures can guarantee that transmissions will be unaffected by such hazards.
- 27 The IAS and the College confirm that each accepts the risks of electronic communications between each other. Each agrees to use commercially reasonable procedures to check for the most commonly known viruses before sending information electronically. Each shall be responsible for protecting its own systems and interests in using electronic communications. The IAS and the College shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between each other and the reliance on such information.

### **Termination of Appointment**

- 28 The Board of Governors may, by resolution, remove the College's IAS before its term of office expires, notwithstanding any agreement between the IAS and the College.
- 29 Where the IAS ceases to hold office for any reason, it shall provide the Board of Governors with either a statement of any circumstances connected with the removal or resignation that it considers should be brought to the Board of Governors' attention, or a statement that there are no such circumstances. The College must copy this statement to the ESFA without delay.

### **Limitation of Liability**

- 30 For internal audit work colleges can negotiate over any proposal by them to restrict or cap their liability. The Board of Governors must specifically consider and approve any request for a liability restriction. This limit must not be under £1 million for smaller colleges and more for larger colleges.



## **Appendix B - MINIMUM INTERNAL CONTROLS FOR FINANCIAL SYSTEMS**

Finance post shall be opened and all cheques received listed by two persons, one of whom must be independent of staff maintaining the sales ledger or credit control, on a daily basis.

Monthly reconciliation of:

- i) Sales ledger;
- ii) Purchase ledger;
- iii) Nominal ledger,
- iv) Monthly paid staff batch records;
- v) Suspense Accounts;
- vi) Bank Accounts;
- vii) Cash floats.

A monthly review of all reconciliations shall be undertaken by the College Finance Manager.

Monthly approval of all journal vouchers shall be made by the College Finance Manager.

Independent checks shall be carried out on a quarterly basis of cash floats and bank reconciliations by the Vice Principal – Business Success.

A physical stock check should be carried out annually.

A comprehensive inventory check shall be carried out annually.

## **Appendix C - TERMINOLOGY**

### Education and Skills Funding Agency (ESFA)

This is the Department for Education's delivery agency for funding and compliance. It provides revenue and capital funding for education for learners aged between 3 and 19, and for those aged up to 25 with learning difficulties and disabilities.

### Audit Code of Practice

The framework of controls and processes which seek to ensure that the public funds provided by the ESFA are used in the way intended, which include clear separation of duties for the College, internal and external audit services.

### Financial memorandum (with the ESFA)

The financial contract between the ESFA and a college, which comprises two sections; the first is a set of standard arrangements common to all colleges; the second being the specific arrangements negotiated between the ESFA and the College.

### Standing Orders

Written procedures which cover all aspects of the operation of the Board of Governors and its committees.

### Accounting Officer

The Principal and Chief Executive of the College.

### Financial statements auditors

The external auditors, employed by the Board of Governors, to oversee the signing off of the annual accounts.

### Internal auditors

The internal auditors, employed by the Board of Governors, which provides a set of detailed reports on the operations of the College, in addition to an annual report on the robustness and effectiveness of internal controls.

### Prime Documentation

Key documents, such as invoices and timesheets, which underpin a key transaction or action within the College.

### Anti-Fraud Policy

The documented framework for the process to be undertaken in the event of a fraud being identified.