Financial Regulations for Lews Castle College UHI
(Adopted 14 November 2017)
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FINANCIAL REGULATIONS

A  GENERAL PROVISIONS

1  Background

1.1  Lews Castle College is an incorporated further and higher education college created under the provisions of the Further and Higher Education (Scotland) Act 1992. Its structure of governance is laid down in the instrument and articles of government, which may only be amended by application to the First Minister. Lews Castle College is accountable through its Board of Management, which has ultimate responsibility for the effectiveness of its management and administration.

1.2  Lews Castle College is an exempt charity by virtue of the Charities Act 1993.

1.3  The financial memorandum between the Scottish Further Education Funding Council and Lews Castle College sets out the terms and conditions on which grant is made. The Board of Management is responsible for ensuring that conditions of grant are met. As part of this process, Lews Castle College must adhere to the funding body’s code of audit practice, which requires it to have sound systems of financial and management control. The financial regulations of Lews Castle College form part of this overall system of accountability.

2  Status of Financial Regulations

2.1  This document sets out Lews Castle College’s financial regulations. It translates into practical guidance Lews Castle College’s broad policies relating to financial control. This document was approved by the Board of Management on 14 November 2017. It applies to Lews Castle College and all its subsidiary undertakings.

2.2  These financial regulations are subordinate to the Constitution and Proceedings of the Board of Management of Lews Castle College and to any restrictions contained within Lews Castle College’s financial memorandum with the Scottish Further Education Funding Council and SFC’s
The purpose of these financial regulations is to provide control over the totality of Lews Castle College’s resources and provide management with assurances that the resources are being properly applied for the achievement of Lews Castle College’s strategic plan and business objectives:

- financial viability
- achieving value for money
- fulfilling its responsibility for the provision of effective financial controls over the use of public funds
- ensuring that Lews Castle College complies with all relevant legislation
- safeguarding the assets of Lews Castle College.

Compliance with the financial regulations is compulsory for all staff connected with Lews Castle College. A member of staff who fails to comply with the financial regulations may be subject to disciplinary action under Lews Castle College’s disciplinary policy. The Board of Management will be notified of any such breach through the Audit Committee. It is the responsibility of Heads of Department to ensure that their staff are made aware of the existence and content of Lews Castle College’s financial regulations.

The Board of Management is responsible for maintaining a continuous review of the financial regulations, through the Principal, and for requesting any additions or changes necessary.

In exceptional circumstances, the Board of Management may authorise a departure from the detailed provisions herein, such departure to be recorded in the minutes of the Board.

Lews Castle College’s detailed financial procedures set out precisely how these regulations will be implemented and are contained in a separate manual.
3 The Board of Management

3.1 The Board of Management is responsible for the management and administration of Lews Castle College. Its financial responsibilities are to:

- ensure the solvency of Lews Castle College and the safeguarding of Lews Castle College’s assets
- appoint, grade, suspend, dismiss and determine the pay and conditions of service of the Principal and other senior post-holders
- set a framework for pay and conditions of service of all other staff
- ensure that the financial, planning and other management controls, including controls against fraud and theft, applied by Lews Castle College are appropriate and sufficient to safeguard public funds
- approve the appointment of external auditors and an internal audit service
- secure the efficient, economical and effective management of all Lews Castle College’s resources and expenditure, capital assets and equipment, and staff, so that the investment of public funds in Lews Castle College is not put at risk
- ensure that appropriate financial considerations are taken into account at all stages in reaching decisions and in their execution
- plan and conduct its financial and academic affairs so that its total income is not less than sufficient, taking one year with another, to meet its total expenditure
- approve an annual budget before the start of each financial year
- determine tuition fees
- ensure that Lews Castle College complies with the funding body’s code of audit practice
- approve Lews Castle College’s Strategic Plan
- approve the annual financial statements.

4 Designated Officer

4.1 The Principal is Lews Castle College’s designated officer and is responsible for ensuring the financial administration of Lews Castle College’s affairs in accordance with the financial memorandum with the SFC. As the designated officer, the Principal may be required to justify
any of Lews Castle College’s financial matters to the Scottish Parliament.

In particular, the articles of government 3.(2).(e) charge the Principal with responsibility:

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

The Principal shall demonstrate his or her oversight of financial matters by signing the balance sheet and the statement of corporate governance within the annual financial statements, and the five-year financial forecasts (FFR) submitted to the funding body.

5 Committee Structure

5.1 The Board of Management has ultimate responsibility for Lews Castle College’s finances, but delegates specific powers and processes to the committee detailed below. These committees are accountable to the Board of Management. A diagram depicting the committee structure is included at Appendix A

5.2 Audit Committee

Institutions are required by their financial memorandum with the funding body and by the funding body’s code of audit practice to appoint an Audit Committee. The Committee is independent, advisory and reports to the Board of Management. It has the right of access to obtain all the information it considers necessary and to consult directly with the internal and external auditors. The Committee is responsible for identifying and approving appropriate performance measures for internal and external audit and for monitoring their performance. It must also satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness. A more detailed extract from the Audit Committee’s terms of reference is shown at Appendix C. The audit requirements of Lews Castle College are set out in the funding body’s code of audit practice.
5.3 Remuneration Committee

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

6 Other Senior Managers with Financial Responsibility

6.1 The Finance Manager

Day-to-day financial administration is controlled by the Finance Manager, who is responsible to the Principal for:

- preparing annual capital and revenue budgets and financial plans
- preparing accounts, management information, monitoring and control of expenditure against budgets and all financial operations
- preparing Lews Castle College’s annual accounts and other financial statements and accounts which Lews Castle College is required to submit to other authorities
- ensuring that Lews Castle College maintains satisfactory financial systems
- providing professional advice on all matters relating to financial policies and procedures
- day-to-day liaison with internal and external auditors in order to achieve efficient processes.

Appendix D shows, for the main areas in which advice is sought, details of the key contacts within the Finance Office.

6.2 Heads of Department

Heads of Department are responsible to the Principal for financial management for the areas or activities they control. They are advised by the Finance Manager in executing their financial duties. The Finance Manager will also supervise and approve the financial systems operating within their departments, including the form in which accounts and financial records are kept. Heads of Department are responsible for establishing and maintaining clear lines of responsibility within their department for all financial matters. Where resources are devolved to budget holders, they are accountable to their Head of Department for their own budget.
Heads of Department shall provide the Finance Manager with such information as may be required to enable:

- compilation of Lews Castle College’s financial statements
- implementation of financial planning
- implementation of audit and financial reviews, projects and value for money studies.

6.3 All Members of Staff

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

They should ensure that they are aware of Lews Castle College’s financial authority limits (see 14.3 and appendix D - 13) and the values of purchases for which quotations and tenders are required (see 19.5).

They shall make available any relevant records or information to the Finance Manager or his/her authorised representative in connection with the implementation of Lews Castle College’s financial policies, these financial regulations and the system of financial control.

They shall provide the Finance Manager with such financial and other information as he may deem necessary, from time to time, to carry out the requirements of the Board of Management.

They shall immediately notify the Finance Manager whenever any matter arises which involves, or is thought to involve, irregularities concerning, inter alia, cash or property of Lews Castle College. The Finance Manager shall take such steps as he/she considers necessary by way of investigation and report to the Board of Management.

7 Risk and Opportunity Management

7.1 Lews Castle College acknowledges the risks inherent in its business, and is committed to managing those risks that pose a significant threat to the achievement of its business objectives and financial health.

7.2 The Board of Management has overall responsibility for ensuring there is a risk management strategy and a common approach to the management of risk throughout Lews Castle College
through the development, implementation and embedment within the organisation of a formal, structured risk management process. Rather than producing a separate policy document, the Board of Management has agreed to embed Risk and Opportunity management in its key planning documents: the Strategic Plan and the Operational Plan.

7.3 Strategic Risk Appetite – Risk Appetite conveys the college’s attitude to how much of what type of risk the college is willing to take, and is considered in terms of both opportunities and threats that will invariably impact the performance and reputation of the college.

The college recognises that a risk-free environment is unattainable, and that its size and the likely public finance regime in the next few years mean that a certain amount of risk is unavoidable. A level of risk associated with the achievement of the college’s mission for creative, radical and intellectually rigorous thinking and practice is accepted. However, any action or judgement that has the potential to harm the college’s reputation and/or business continuity stands outside the college’s defined tolerance level.

7.4 A Risk Register will be maintained within the framework provided by the Strategic and Operational Plans to provide evidence of effective risk management, without adding to the complexity of how the organisation is governed and managed. Risks will be categorised based on the likelihood of the risk occurring and the impact of the occurrence on the business of the college. The highest risks will be those that have a high likelihood of occurring and which, if they do occur, will have a significant impact on the business of the college. The lowest risks are those which are not likely to occur and which, if they do occur, will have little impact on the business of the college.

7.5 Respective roles in Risk Management have been clarified as follows:

- **Board of Management**

  Consider whether Risk and Opportunity Management Policy is effectively communicated as an integral part of Strategic and Operational Plans.

  Consider updates to plans and regular updates of the risk register.

- **Audit Committee**

  Consider the detail of the Risk Register.

- **College Management**

  Maintain and develop the Risk Register and integrate Risk and Opportunity Management into
In line with this policy, the Board of Management requires that the detailed risk management procedures include:

- the adoption of common terminology in relation to the definition of risk and risk management
- the establishment of institution-wide criteria for the measurement of risk, linking the threats to their potential impact and the likelihood of their occurrence, together with a sensitivity analysis
- a decision on the level of risk to be accepted, together with tolerance levels expressed in terms of measurable outcomes (see above)
- a decision on the level of risk to be covered by insurance (see 23.1)
- detailed regular review at department or support function level to identify significant risks associated with the achievement of key objectives and other relevant areas
- development of risk management and contingency plans for all significant risks, to include a designated ‘risk owner’ who will be responsible and accountable for managing the risk in question
- regular reporting to the Board of Management of all risks above established tolerance levels
- an annual review of the implementation of risk management arrangements

The strategy and procedures must be capable of independent verification.

7.6 Heads of Department must ensure that any agreements negotiated within their departments with external bodies cover any legal liabilities to which Lews Castle College may be exposed. The Finance Manager’s advice should be sought to ensure that this is the case.

8 Whistleblowing

8.1 Whistleblowing in the context of the Public Interest Disclosure Act 1998 is the disclosure by an employee (or other party) about malpractice in the workplace. A whistleblower can blow the whistle about crime, civil offences (including negligence, breach of contract, etc), miscarriage of justice, danger to health and safety or the environment, and the cover-up of any of these. It does not matter whether or not the information is confidential, and the whistleblowing can extend to malpractice occurring in the UK and any other country or territory.
8.2 Normally, any concern about a workplace matter at Lews Castle College should be raised with the relevant member of staff’s immediate line manager or Head of Department. However, Lews Castle College recognises that the seriousness or sensitivity of some issues, together with the identity of the person the member of staff thinks may be involved, may make this difficult or impossible.

8.3 A member of staff may, therefore, make the disclosure to one of the staff designated for this purpose, for example the Secretary to the Board of Management. If the member of staff does not wish to raise the matter with this person, or with the Principal or the Chair of the Board of Management, it may be raised with the Chair of the Audit Committee.

8.4 The full procedure for whistleblowing is set out in Lews Castle College’s whistleblowing policy, which is available on pages 39-40 of the Staff Handbook on the College website. Further details of the Public Interest Disclosure Act are set out at Appendix E.

9 Code of Conduct

9.1 Lews Castle College is committed to the highest standards of openness, integrity and accountability. It seeks to conduct its affairs in a responsible manner, having regard to the principles established by the Committee on Standards in Public Life (formerly known as the Nolan Committee), which members of staff at all levels are expected to observe. These principles are set out at Appendix F. In addition, Lews Castle College expects that staff at all levels will observe its code of conduct which covers:

- probity and propriety
- selflessness, objectivity and honesty
- relationships.

9.2 Additionally, members of the Board of Management, senior management or those involved in procurement are required to disclose interests in Lews Castle College’s register of interests maintained by the Principal’s Secretary (or other designated officer). They will also be responsible for ensuring that entries in the register relating to them are kept up to date regularly and promptly.

9.3 In particular, no person shall be a signatory to a college-related contract where he or she also has an interest in the activities of the other party.
9.4 Statement against Bribery

- Members of the Board of Management are committed to the prevention of bribery and all forms of corruption. The Board of Management operates a zero tolerance approach to bribery committed by any person working at Lews Castle College and any person who provides services for or on behalf of Lews Castle College. Any allegation of bribery by a member of the Board of Management or employee will be investigated in accordance with Lews Castle College’s disciplinary procedures and may be reported to the authorities as appropriate.

- The Board of Management expects all its members and all employees of the college to act with integrity, transparency and honesty. It is committed to the prevention of bribery and to maintaining the confidence of employees, students, partner organisations and all other clients and stakeholders in all the college’s activities.

- The Board of Management expects all other organisations with which it has dealings to share its commitment to preventing bribery and corruption.

9.5 Receiving gifts or hospitality

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

- the conduct of individuals should not create suspicion of any conflict between their official duty and their private interest.

- the action of individuals acting in an official capacity should not give the impression (to any member of the public, to any organisation with whom they deal or to their colleagues) that they have been (or may have been) influenced by a benefit to show favour or disfavour to any person or organisation.
Thus, members of staff should not accept any gifts, rewards or hospitality (or have them given to members of their families) from any organisation or individual with whom they have contact in the course of their work, that would cause them to reach a position whereby they might be, or might be deemed by others to have been, influenced in making a business decision as a consequence of accepting such hospitality. The frequency and scale of hospitality accepted should not be significantly greater than Lews Castle College would be likely to provide in return.

When it is not easy to decide between what is and what is not acceptable in terms of gifts or hospitality, the offer should be declined or advice sought from the relevant Head of Department or the Finance Manager. For the protection of those involved, the Finance Manager (or other designated officer) will maintain a register of gifts and hospitality received where the value is in excess of £25. Members of staff in receipt of such gifts or hospitality are obliged to notify the Finance Manager (or the Secretary to the Board of Management) promptly.
10 Financial Planning

10.1 The Principal is responsible for preparing annually a rolling three-year financial plan for approval by the Board of Management and for preparing financial forecasts for submission to the funding body. Financial plans should be consistent with the strategic plans and estates strategy approved by the Board of Management.

10.2 Budget objectives

The Board of Management will, from time to time, set budget objectives for Lews Castle College. These will help the Principal in preparing his/her more detailed financial plans for Lews Castle College.

10.3 Resource allocation

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

10.4 Budget preparation

The Principal is responsible for preparing each year an annual revenue budget and capital programme for submission to the Board of Management. The budget should also include monthly cash flow forecasts for the year and a projected year-end balance sheet. The Finance Manager must ensure that detailed budgets are prepared in order to support the resource allocation process, and that these are communicated to Heads of Department as soon as possible following their approval by the Board of Management.

During the year, the Finance Manager is responsible for submitting revised budgets for consideration of the Board of Management for approval.
10.5 **Capital programmes**

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

The Finance Manager will establish protocols for the inclusion of capital projects in the capital programme for approval by the Board of Management. These will set out the information that is required for each proposed project as well as the financial criteria that they are required to meet. They are summarised at Appendix G. The Finance Manager will also establish procedures for the approval of variations, including the notification of large variations, to the funding body, as laid down in funding body guidelines.

The Finance Manager is responsible for providing regular statements concerning all capital expenditure to the Board of Management, for monitoring purposes.

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

10.6 **Overseas activity**

In planning and undertaking overseas activity, Lews Castle College must have due regard to the relevant guidelines issued by the funding body.

10.7 **Other major developments**

Any new aspect of business, or proposed establishment of a company or joint venture, which will require an investment in buildings, resources or staff time of more than £20,000 should be presented for approval to the Board of Management.

The Finance Manager will establish protocols for these major developments to enable them to be considered for approval by the Board of Management. These will set out the information that is required for each proposed development as well as the financial criteria that they are required to meet. The protocols are summarised at Appendix H.
11 Financial Control

11.1 Budgetary control

The control of income and expenditure within an agreed budget is the responsibility of the designated budget holder, who must ensure that day-to-day monitoring is undertaken effectively. Budget holders are responsible to their Head of Department for the income and expenditure appropriate to their budget.

Significant departures from agreed budgetary targets must be reported immediately to the Finance Manager by the Head of Department concerned and, if necessary, corrective action taken.

11.2 Financial information

The budget holders are assisted in their duties by management information provided by the Finance Manager.

The Finance Manager is responsible for supplying budgetary reports on all aspects of Lews Castle College’s finances to the Board of Management on a basis determined by the Board but subject to any specific requirements of the funding body. Summary reports are presented to the Board of Management, which has overall responsibility for Lews Castle College’s finances.

11.3 Changes to the approved budget

Changes to the approved budget can only be made by the Board of Management, unless they fall within the delegated approval arrangements:

- Principal £20,000

11.4 Virement

Where a budget holder is responsible for more than one budget, virement is permitted of up to 5% of the budget from which virement is sought, with the written approval of the Principal.
Virement between budgets held by different budget holders is permitted up to 5% of the budget from which virement is sought with the written approval of the transferring budget holder, the Head of Department and the Principal.

The Principal is responsible for submitting requests for virement of resources above 5% to the Board of Management for approval.

11.5 **Treatment of year-end balances**

At the year end, budget holders will not normally have the authority to carry forward a balance on their budget to the following year unless the Board of Management has approved a specific scheme for carrying forward all or part of unspent amounts. Specific departmental consumables and equipment account balances may be carried forward with the approval of the Board of Management.

12 **Accounting Arrangements**

12.1 **Financial year**

Lews Castle College’s financial year will run from 1 August until 31 July the following year.

12.2 **Basis of accounting**

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

12.3 **Format of the financial statements**

The financial statements are prepared in accordance with the Statement of Recommended Practice *Accounting for Further and Higher Education*, subject to any specific requirements of the funding body, and in accordance with the provisions of the Companies Act 1985, if that is appropriate.

12.4 **Capitalisation and depreciation**

New land and buildings will be recorded in the balance sheet at actual build or acquisition cost, except where they are received as gifts, where they will be recorded at depreciated replacement value. Buildings will be depreciated in equal instalments over their estimated remaining useful life.
Land will not be depreciated.

Expenditure incurred on repair, refurbishment or extension of existing buildings will not be capitalised unless it can be demonstrated that the resultant value of the building, on the basis of depreciated replacement value, is greater than the current book value.

Expenditure incurred on the acquisition of assets other than land and buildings will be recorded in the balance sheet where the acquisition cost per item is £2,500 or more. Capitalised assets other than land and buildings will be depreciated over a period of 7 years commencing in the year of acquisition.

12.5 **Accounting records**

The Finance Manager is responsible for the retention of financial documents. These should be kept in a form that is acceptable to the relevant authorities.

Lews Castle College is required by law to retain prime documents for six years. These include:

- official purchase orders
- paid invoices
- accounts raised
- bank statements
- copies of receipts
- paid cheques
- payroll records, including part-time lecturers’ contracts.

The Finance Manager will make appropriate arrangements for the retention of electronic records.

Members of staff should ensure that retention arrangements comply with any specific requirements of funding organisations such as regional development agencies and the European Commission.

Additionally, for auditing and other purposes, other financial documents should be retained for three years, or as determined by the funder.

12.6 **Public access**

Under the terms of the Charities Act 1993, the Board of Management is required to supply any
person with a copy of Lews Castle College’s most recent financial statements within two months of a request. The Act enables the Board of Management to levy a reasonable fee and this will be charged at the discretion of the Finance Manager. Lews Castle College will also allow members of the public to inspect the statement of accounts during normal working hours, provide copies to local libraries and make a summary available on Lews Castle College’s website. (*Freedom of Information Act – 20 working days.*)

12.7 Taxation

The Finance Manager is responsible for advising Heads of Department, in the light of guidance issued by the appropriate bodies and relevant legislation as it applies, on all taxation issues, to Lews Castle College. Therefore the Finance Manager will issue instructions to departments on compliance with statutory requirements, including those concerning VAT, PAYE, national insurance, corporation tax and import duty.

The Finance Manager is responsible for maintaining Lews Castle College’s tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

13 Audit Requirements

13.1 General

External auditors and internal auditors shall have authority to:

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

The Finance Manager is responsible for drawing up a timetable for final accounts purposes and will advise staff and the external auditors accordingly.
The financial statements should be reviewed by the Audit Committee. On the recommendation of the Audit Committee they will be submitted to the Board of Management for approval.

13.2 **External audit**

Under the terms of the Public Finance and Accountability (Scotland) Act 2000, the Auditor General is responsible for the appointment of the external auditors for Lews Castle College.

The primary role of external audit is to report on Lews Castle College’s financial statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements and to report on the appropriate use of funds. The external auditors address their report and opinion jointly to the Auditor General and the members of the Board of Management. Their duties will be in accordance with advice set out in SFC’s Code of Audit Practice and the Auditing Practices Board’s statements of auditing standards.

13.3 **Internal audit**

The internal auditor is appointed by the Board of Management on the recommendation of the Audit Committee.

Lews Castle College’s financial memorandum with the funding body requires that it has an effective internal audit function and their duties and responsibilities must be in accordance with advice set out in the SFC’s Code of Audit Practice. The main responsibility of internal audit is to provide the Board of Management, the Principal and senior management with assurances on the adequacy of the internal control system.

The internal audit service remains independent in its planning and operation but has direct access to the Board of Management, the Principal and the Chair of the Audit Committee. The formal responsibilities of internal audit are detailed at Appendix I. The internal auditor will also comply with the Auditing Practices Board’s auditing guideline *Guidance for Internal Auditors*.

13.4 **Fraud and corruption**

It is the duty of all members of staff, management and the Board of Management to notify the Finance Manager immediately whenever any matter arises which involves, or is thought to involve, irregularity, including fraud, corruption or any other impropriety.
The Finance Manager shall immediately invoke the fraud response plan, which incorporates the following key elements (see Appendix J for fuller details):

- he or she will notify the Principal and the Audit Committee (through its Chairman) of the suspected irregularity and shall take such steps as he or she considers necessary by way of investigation and report;
- the Principal shall inform the police if a criminal offence is suspected of having been committed;
- any significant cases of fraud or irregularity shall be reported to SFC in accordance with their requirements as set out in the Code of Audit Practice;
- the Audit Committee shall commission such investigation as may be necessary of the suspected irregularity, by the internal audit service or others, as appropriate;
- the internal audit service, or others commissioned to carry out an investigation, shall prepare a report for the Audit Committee on the suspected irregularity. Such report shall include advice on preventative measures.

If the suspected fraud is thought to involve the Finance Manager and/or the Principal, the member of staff shall notify the Chairman of the Audit Committee direct of their concerns regarding irregularities.

13.5 Value for money

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

Internal audit is to have regard to value for money in its programme of work. This will be used to enable the Audit Committee to refer to value for money in its Annual Report.

13.6 Other auditors

Lews Castle College may, from time to time, be subject to audit or investigation by external bodies such as the funding body, National Audit Office, European Court of Auditors and HM Revenue and Customs. They have the same rights of access as external and internal auditors.
14 Treasury Management

14.1 Treasury management policy statement
This statement sets out the policies, practices and objectives of Lews Castle College’s treasury management activities, as agreed by the Board of Management.

14.1.1 Lews Castle College adopts the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA)’s Treasury Management in the Public Services: Code of Practice.

14.1.2 Lews Castle College, in compliance with the CIPFA Code of Practice, defines its treasury management activities as -
the management of the college’s 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.

14.1.3 Lews Castle College regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the college.

14.1.4 Lews Castle College acknowledges that effective treasury management will provide support towards the achievement of its business objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

The full Treasury Management Policy and related Treasury Management Practices is at Appendix M.

14.2 Appointment of bankers and other professional advisers

The Board of Management is responsible for the appointment of Lews Castle College’s bankers and other professional financial advisers (such as investment managers). The appointment shall be for a specified period, after which it will be subject to a competitive tendering exercise in line with the contemporaneous procurement regulations.
14.3 **Banking arrangements**

The Finance Manager is responsible, on behalf of the Board of Management, for liaising with Lewis Castle College’s bankers in relation to Lewis Castle College’s bank accounts and the issue of cheques. All cheques shall be ordered on the authority of the Finance Manager, who shall make proper arrangements for their safe custody.

Only the Principal or the Finance Manager may open or close a bank account for dealing with Lewis Castle College’s funds. All bank accounts shall be in the name of Lewis Castle College or one of its subsidiary companies.

All cheques drawn on behalf of Lewis Castle College must be signed in the form approved by the Board of Management. Cheques up to an agreed amount (currently £2,500), specified in Lewis Castle College’s detailed financial procedures, shall require one original approved signature. Cheques over the agreed amount must be signed by two authorised persons, as specified in the mandate approved by the Board of Management. All automated transfers on behalf of Lewis Castle College, such as BACS or CHAPS, must be authorised in the appropriate manner and on the basis approved by the Board of Management. Details of authorised persons and limits shall be provided for in Lewis Castle College’s detailed Financial Procedures (see also 19.2).

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

15 **Income**

15.1 **General**

The Finance Manager is responsible for ensuring that appropriate procedures are in operation to enable Lewis Castle College to receive all income to which it is entitled. All receipt forms, invoices, tickets or other official documents in use and electronic collection systems must have the prior approval of the Finance Manager.

Levels of charges for contract research, services rendered, goods supplied and rents and lettings are determined by procedures approved by the Board of Management, and are approved by the Board of Management.
The Finance Manager is responsible for the prompt collection, security and banking of all income received.

The Finance Manager is responsible for ensuring that all grants notified by the funding body and other bodies are received and appropriately recorded in Lews Castle College’s accounts.

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

15.2 **Maximisation of income**

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

15.3 **Receipt of cash, cheques and other negotiable instruments**

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

All monies received must be passed to the Finance Office promptly, and in accordance with a timetable prescribed by the Finance Manager and set out in financial procedures. The custody and transit of all monies received must comply with the requirements of Lews Castle College’s insurers.

All sums received must be paid in and accounted for in full, and must not be used to meet miscellaneous departmental expenses or be paid into the department’s petty cash float. Personal or other cheques must not be cashed out of money received on behalf of Lews Castle College.

**Receipts by credit or debit card:** Lews Castle College may only receive payments by debit or credit card using procedures approved by the Finance Manager.

**Internet receipts:** any member of staff wishing to arrange for payment to be made to Lews Castle College via online banking should seek guidance from the Finance Manager at an early stage.
15.4 **Collection of debts**

The Finance Manager should ensure that:

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

Only the Finance Manager can implement credit arrangements and indicate the periods in which different types of invoice must be paid. Any changes must be submitted to the Board of Management for approval.

Requests to write off debts in excess of £1,500 must be referred in writing to the Principal for submission to the Board of Management for consideration. Debts below this level may be written off with the permission of the Principal.

15.5 **Student fees**

The procedures for collecting tuition and residence fees must be approved by the Finance Manager. He/she is responsible for ensuring that all student fees due to Lews Castle College are received.

Any student who has not paid an account for fees or any other item owing to Lews Castle College shall not receive the certificate for any degree, diploma or other qualification awarded by Lews Castle College until all outstanding debts have been cleared. Such students shall be prevented from re-enrolling at Lews Castle College and from using any of Lews Castle College’s facilities unless appropriate arrangements have been made.
15.6 **Emergency/Discretionary loans**

Lews Castle College’s scheme for emergency/discretionary loans must be approved by the Board of Management. This will include the maximum assistance that can be given in any individual case. Under no circumstances should payments be made other than in accordance with the approved scheme.

The Finance Manager is responsible for ensuring the adequacy of the systems in place for:

- approving loans in accordance with the scheme
- paying loans that have been approved
- recovering loans that have been paid.

16 **Research Grants and Contracts**

16.1 **General**

Research can be defined as original investigation, undertaken to gain new knowledge and understanding, which may be directed towards a specific aim or objective. It can use existing knowledge in experimental development to produce new or substantially improved materials, devices, products and processes, including design and construction. It excludes routine testing and analysis of materials, components and processes.

The term ‘research grant’ is restricted to research projects funded by the UK research councils, charities and the further and higher education funding bodies.

All other externally financed research projects are classified as ‘research contracts’.

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 the Head of Department to ensure that the financial implications have been appraised by the Finance Manager. This will include obtaining a set of grant terms and conditions from each organisation providing funding, to enable appropriate monitoring of compliance.
The Finance Manager is responsible for examining every formal application for grant and shall ensure that there is adequate provision of resources to meet all commitments. The Finance Manager should ensure that the full cost of research contracts is established. The research agreement must be in line with Lews Castle College’s policy with regard to indirect costs and other expenses, and taking account of different procedures for the pricing of research projects, depending on the nature of the funding body.

Research grants and contracts shall be accepted on behalf of Lews Castle College by the Finance Manager.

The Finance Manager shall maintain all financial records relating to research grants and contracts and shall initiate all claims for reimbursement from sponsoring bodies by the due date.

Each grant or contract will have a named supervisor or grant holder and will be assigned to a specific budget holder.

Control of pay and non-pay expenditure will be contained within the budget centre. The Budget Holder may delegate day-to-day control of the account to a supervisor or grant holder, but any overspend or under-recovery of overheads is to be the clear responsibility of the budget centre with any loss being a charge on departmental funds.

16.2 Recovery of overheads

Overheads will be charged to research activity whether or not the funding arrangements permit full recovery.

16.3 Costing/transparency

Lews Castle College has agreed to adopt the principles on costing and pricing recommended by the Joint Costing and Pricing Steering Group (JCPSG).

Staff undertaking research activity will maintain the records specified by the Finance Manager to enable compilation of returns to the funding body which meet the requirements of the Transparency Review.

16.4 Grant and contract conditions

Many grant-awarding bodies and contracting organisations stipulate conditions under which their
funding is given. In addition, there are often procedures to be followed regarding the submission of interim or final reports or the provision of other relevant information. Failure to respond to these conditions often means that Lews Castle College will suffer a significant financial penalty. It is the responsibility of the named supervisor or grant holder to ensure that conditions of funding are met.

Any loss to Lews Castle College resulting from a failure to meet conditions of funding is the responsibility of the budget holder, and will be charged against departmental funds.

17 Other Income-Generating Activity

17.1 Private consultancies and other paid work

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

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

17.2 Short courses and services rendered

In this context a short course is any course which does not form part of the award-bearing teaching load of the department.

Any staff wishing to run a short course must have the permission of their Head of Department. The course organiser will be responsible to the Head of Department for day-to-day management of the course.
The term ‘services rendered’ includes testing and analysis of materials, components, processes and other laboratory services or the use of existing facilities in order to gain additional information.

17.3 Off-site collaborative provision (franchising)

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

*There shall be a contract signed by the Principal and on behalf of any partner organisation that shall comply at least with the funding body model contract (as amended from time to time) in place, before any provision is made. Contracts for significant changes in franchising activity shall be approved in advance by the Board of Management.*

*The form of the contract shall be scrutinised in advance of its operation by the Audit Committee and approved by the Board of Management.*

*The impact of the contract(s) shall be subject to scrutiny by the Board of Management. The format for regular reports shall be as stated in funding body guidance. They shall consider the risk factors associated with the proposed partnership and agree an appropriate entry in Lews Castle College’s financial forecast.*

*Where the partnership would represent a significant departure from Lews Castle College’s Strategic Plan, the Board of Management shall approve the departure, and the Principal shall seek the views of and inform the funding body.*

17.4 European Union (EU) and other matched funding

Any such project requires the approval of the appropriate officer prior to any commitment being entered into. Such approval shall be dependent upon the relevant Head of Department being able to demonstrate that eligible matching funds are available and that the project is financially viable, by the application of Lews Castle College’s costing and pricing policy.
Individual applications for funds in excess of £150,000 shall be the subject of a report by the Principal to the Board of Management which will set out, amongst other things, the potential risks generated by the project.

If Lews Castle College sub-contracts such work to external providers, the relevant Head of Department shall ensure that:

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

### 17.5 Profitability and recovery of overheads

All other income-generating activities must be self-financing or surplus-generating unless it is intended that a new course is to be launched as a loss leader. If that is the case, the reason for it must be specified and agreed by the Head of Department and the Finance Manager.

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

### 17.6 Deficits

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

### 17.7 Additional contributions to departments

Distribution of profits on other income-generating activity between central funds of Lews Castle College and individual departments will be in accordance with the policy approved by the Board of Management.

### 17.8 Additional payments to staff

Any proposal that involves additional payments to members of staff should be supported by a schedule of names and values and must be approved by the Principal.
18 Intellectual Property Rights and Patents

18.1 General

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

18.2 Patents

The Board of Management is responsible for establishing procedures to deal with any patents accruing to Lews Castle College from inventions and discoveries made by staff in the course of their research.

18.3 Intellectual property rights

Decisions to become involved in the commercial exploitation of inventions and research must be approved by the Board of Management.
19 **Expenditure**

19.1 **General**

The Finance Manager is responsible for making payments to suppliers of goods and services to Lews Castle College.

19.2 **Scheme of delegation/financial authorities**

The Head of Department is responsible for purchases within his or her Department. Purchasing authority may be delegated to named individuals within the Department. In exercising this delegated authority, budget holders are required to observe the purchasing policies and Financial Procedures.

The Finance Manager shall maintain a register of authorised signatories and Heads of Department/Managers must supply him or her with specimen signatures of those authorised to certify invoices for payment (for paper-based systems).

Under procedures agreed by the Finance Manager, central control shall be exercised over the creation of requisitioners and authorisers and their respective financial limits (for electronic systems).

The Finance Manager must be notified immediately of any changes to the authorities to commit expenditure.

Heads of Department and budget holders are not authorised to commit Lews Castle College to expenditure without first reserving sufficient funds to meet the purchase cost.

The member of staff (or budget holder) authorising the invoice for payment must be different from the member of staff responsible for signing the purchase order form.

Expenditure on a single item in excess of £5,000 shall require the approval of the Principal. Expenditure on items in excess of £50,000 shall require the approval of the Board of Management.
19.3 Procurement

The College has approved a procurement strategy which can be found at Appendix M. Lews Castle College requires all budget holders, irrespective of the source of funds, to obtain supplies, equipment and services at the lowest possible cost consistent with quality, delivery requirements and sustainability, and in accordance with sound business practice. Factors to be considered in determining lowest cost are noted in the Financial Procedures.

The Finance Manager (or other designated officer) is responsible for:

- ensuring that Lews Castle College’s purchasing policy is known and observed by all involved in purchasing for Lews Castle College
- advising on matters of institution purchasing policy and practice
- advising and assisting departments where required on specific departmental purchases
- developing appropriate standing supply arrangements on behalf of Lews Castle College to assist budget holders in meeting their value for money obligations
- vetting all purchase orders before they leave Lews Castle College
- the drafting and negotiation of all large-scale purchase contracts (generally in excess of £20,000) undertaken by Lews Castle College, in collaboration with the responsible Department
- ensuring that Lews Castle College complies with EU regulations on public purchasing policy.

19.4 Purchase orders

Official Lews Castle College orders must be placed for the purchase of all goods or services except the following:

- Those made using petty cash
- Utilities where a contract is already in place: eg electricity, telephone, water, hygiene services, fuel
- Travel booked through the college
- Other contract payments including framework agreements for food and other specified supplies.
• Fees that have been notified by key suppliers such as SQA, UHI, Audit Scotland etc and other agreed membership fees.

In exceptional circumstances, urgent orders may be given orally, but must be confirmed by an official purchase order endorsed ‘confirmation order only’ not later than the following working day.

When transferring goods or services between Departments, an interdepartmental transfer form must be used.

It is the responsibility of the Finance Manager to ensure that all purchase orders refer to Lews Castle College’s conditions of contract (see 19.8 and Appendix K).

19.5 Tenders and quotations

Heads of Department and delegated budget holders must comply with Lews Castle College’s tendering procedures contained in Lews Castle College Procurement Procedures, which are applicable as follows:

● under £7,500 – the budget holder shall have the discretion to decide whether or not to obtain quotations, but value for money must always be obtained

● from £7,501 to £50,000 – the budget holder shall be required to obtain at least three written quotations

● over £50,000 – all items will require three competitive tenders if the value of spend is £50,000 or over within any four-year period.

● the award of contracts over £50,000 shall be reported to the Board of Management.

Partnership arrangements for the supply of goods or services specifically approved by the Board of Management will fall outside these arrangements for tenders and quotations. Where the college has agreed to take advantage of the services provided by a Procurement Consortium such as APUC, these requirements do not apply, as long as the consortia procurement requirements are complied with.

The main points covered by Lews Castle College’s code of tendering practice are described at Appendix L and may be subject to special rules imposed by funding bodies.

19.6 Post-tender negotiations

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

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

In each case, a statement of justification should be approved by the Principal prior to the event, showing:

- background to the procurement
- reasons for proposing post-tender negotiations
- demonstration of the improved value for money.

All post-tender negotiations should be reported to the Board of Management.

19.7 Contracts

Building contracts are the responsibility of the Board of Management and are administered by Lews Castle College’s Finance Manager/Building Project Director.

Proposals will normally be initiated by the Finance Manager in respect of planned replacements, general improvement schemes, space planning or in response to requests from departments.

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

Proposals shall be presented in the form of costings or investment appraisals prepared in conjunction with the Finance Manager as appropriate for Board of Management consideration. Investment appraisals should comply with appropriate funding body guidance.

Following consideration and approval by the Board of Management, submissions should be forwarded to the funding body where appropriate. If the required agreement is secured from the funding body, funding body procedural rules should be followed. Funding body guidance on best practice should be followed even when funding body approval is not required.

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

The conditions of contract are described at Appendix L.

19.8 EU regulations

The Finance Manager is responsible for ensuring Lews Castle College complies with its
legal obligations concerning EU procurement legislation. EU procurement regulations apply to written contracts for all forms of procurement, purchase or hire (whether or not hire purchase) with a total value exceeding a threshold value.

The Finance Manager will advise Heads of Department on the thresholds that are currently in operation. A breach of these EU regulations is actionable by a supplier or potential supplier.

It is the responsibility of Heads of Department to ensure that their members of staff comply with EU regulations by notifying the Finance Manager of any purchase that is likely to exceed the thresholds. This will need to be done well in advance in order to permit advertisements in journals such as the Official Journal of the European Community (OJEC).

The Finance Manager is also required to submit to the funding body annually details on expenditure which exceeds the threshold. Copies of the relevant documentation falling into this category must be provided by Heads of Department to the Finance Manager.

19.9 Receipt of goods

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

Delivery notes should be held with any relevant records as required by the Finance Manager. If the goods are deemed to be unsatisfactory, the delivery note/record shall be marked accordingly and the supplier immediately notified so that they can be collected for return as soon as possible. Where goods are short on delivery, the record should be marked accordingly and the supplier immediately notified.

Wherever practical, persons receiving goods on behalf of Lews Castle College must be independent of those who negotiated prices and terms and placed the official order.

19.10 Payment of invoices

The procedures for making all payments shall be in a form specified by the Finance Manager. The Finance Manager is responsible for deciding the most appropriate method of payment for categories of invoice. Payments to UK suppliers will normally be made by computer cheques or
BACS transfer each week. In exceptional circumstances the Finance Manager will prepare cheques manually for urgent payments.

Heads of Department are responsible for ensuring that expenditure within their departments does not exceed funds available.

Suppliers should be instructed by the Budget Holder to submit invoices for goods or services to the College Finance Office. Invoices inadvertently received by departments must be passed to the Finance Office as soon as they have been certified (paper-based system).

Care must be taken by the Budget Holder to ensure that discounts receivable are obtained.

Payments will only be made by the Finance Manager against invoices that have been certified for payment by the appropriate Head of Department or Budget Holder (paper-based system).

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

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

19.11 **Staff reimbursement**

Lews Castle College’s purchasing and payments procedures are in place to enable the majority of non-pay supplies to be procured through the creditors system without staff having to incur any personal expense. However, on occasion, staff may incur expenses, most often in relation to travel, and are entitled to reimbursement (see 20.5).
Where such purchases by staff are planned, the Finance Manager and the relevant Head of Department may jointly approve cash advances to staff who are going to incur expenditure on Lews Castle College’s behalf. Upon completion of the travel or project to which the advance relates, within one month a final account must be prepared to demonstrate how the advance was disbursed and any unspent balance repaid. Under no circumstances will a second advance be approved when the final accounting for an earlier advance to an individual is still outstanding.

19.12 Institution credit cards

Where appropriate, the Principal or the Finance Manager may approve the issuing of College credit cards to senior staff. Such credit cards shall be used for the payment of valid business expenses only, and the misuse of such cards shall be grounds for disciplinary action. The Finance Manager will be responsible for setting in place a system to monitor the use of college credit cards and account for expenses charged through them.

19.13 Petty cash

Where a single item is for less than £5 it should be paid from Finance Office petty cash if possible, or by cheque if it is to be paid through the post. It must be supported by receipts or vouchers where available.

The Finance Manager shall make available to the Finance Office at Lews Castle College and to designated staff at its Learning Centres at Benbecula and Castlebay such imprests as he/she considers necessary for the disbursements of petty cash expenses. However, it is important for security purposes that petty cash imprest floats are kept to a minimum.

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

Each member of staff granted a float is personally responsible for its safe-keeping. The petty cash box must be kept locked in a secure place in compliance with the requirements of Lews Castle College’s insurers when not in use, and will be subject to periodic checks by the Head of Department or another person nominated by him/her.

Standard College petty cash books are supplied by the Finance Manager and must be used for recording all imprest accounts.
At the end of the financial year a certificate of the balances held should be completed by the member of staff responsible for the float and counter-signed by the Head of Department.

19.14 **Other payments**

Payments for maintenance and other items to students on behalf of sponsoring organisations shall be made on the authority of the Finance Manager, supported by detailed claims approved by the Head of Department.

Individual payments under ‘outward collaborative provision’ contracts shall be authorised by the Finance Manager. This authority shall be on the basis that the payment represents a bona fide element of the contract which has been approved under a scheme set out by the Board of Management.

19.15 **Late payment rules**

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

- small businesses can charge interest on overdue invoices
- interest is chargeable on sales made after 1 November 1998
- the rate of interest is currently 8% per annum above the official daily rate of the Bank of England
- the Act also applies to overseas organisations
- Lews Castle College can be sued for non-payment.

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

19.16 **Project advances**

The Finance Manager and the relevant Head of Department may jointly approve cash advances for projects carried out away from Lews Castle College where cash expenditure may be unavoidable. Other forms of payment will be expected to be used wherever possible, such as an official purchase order and subsequent payment.
Receipts or paid invoices will be retained for all sums expended in this way. Upon completion of the project to which the advance relates, within one month a final account must be prepared to demonstrate how the advance was disbursed and any unspent balance repaid. Under no circumstances will a second advance be approved when the final accounting for an earlier advance to a project or individual is outstanding.

19.17 Giving hospitality

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

The limits concerning acceptable expenditure for entertaining guests are set out in Lews Castle College’s detailed Financial Procedures.

20 Pay Expenditure

20.1 Remuneration policy

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

The Board of Management will determine what other benefits, such as cars, medical and life insurance, are to be available, the basis of their provision (contributory or not) and the staff to whom they are to be available.

Salaries and other benefits for senior management will be determined by the Remuneration Committee set up by the Board of Management.

20.2 Appointment of staff

All contracts of service shall be concluded in accordance with Lews Castle College’s approved personnel practices and procedures and all offers of employment with Lews Castle College shall be made in writing by the Finance Manager. Budget holders shall ensure that the Finance Manager is provided promptly with all information he/she may require in connection with the appointment, resignation or dismissal of employees.
20.3 **Salaries and wages**

The Finance Manager is responsible for all payments of salaries and wages to all staff including payments for overtime or services rendered. All timesheets and other pay documents, including those relating to fees payable to external examiners, visiting lecturers or researchers, will be in a form prescribed or approved by the Finance Manager.

The Principal’s Secretary and/or Executive Assistant will be responsible for keeping the Finance Manager informed of all matters relating to personnel for payroll purposes. In particular these include:

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

The Finance Manager is responsible for payments to non-employees and for informing the appropriate authorities of such payments. All casual and part-time employees will be included on the payroll unless otherwise authorised by the Finance Manager.

The Finance Manager shall be responsible for ensuring that records are kept for all transactions relating to payroll including those of a statutory nature.

All payments must be made in accordance with Lews Castle College’s detailed payroll financial procedures and comply with Inland Revenue regulations.

20.4 **Superannuation schemes**

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

The Finance Manager is responsible for day-to-day superannuation matters, including that arrangements are in place for ensuring:

- payment of contributions to various authorised superannuation schemes
- preparation of the annual return to various superannuation schemes
administration of Lews Castle College’s pension funds.

The Finance Manager is responsible for administering eligibility to pension arrangements and for informing the Payroll provider when deductions should begin or cease for staff.

20.5 **Travel, subsistence and other allowances**

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

Claims by members of staff must be authorised by their Head of Department (or Principal in the case of Heads of Department). The certification by the Head of Department shall be taken to mean that:

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

Details of travel undertaken by the Principal or members of the Board of Management shall be included in a regular report to Audit Committee.

20.6 **Overseas travel**

All arrangements for overseas travel must be approved by the Principal in advance of committing Lews Castle College to those arrangements or confirmation of any travel bookings.

Arrangements for overseas travel by the Principal or members of the Board of Management shall be approved by the Chairman of the Board of Management. Arrangements for travel by the Chairman shall be approved by the Audit Committee.

Where spouses, partners or other persons unconnected with Lews Castle College intend to participate in a trip, this must be clearly identified in the approval request. Lews Castle College must receive reimbursement for the expected costs it may be asked to cover for those persons in advance of confirming travel bookings.

20.7 **Allowances for members of the Board of Management**

Claims for members of the Board of Management will be authorised by the Principal.
meeting attendance will be based on standard amounts for each individual, but only reasonable expenses can be reimbursed.

20.8 Severance and other non-recurring payments

Severance payments shall only be made in accordance with relevant legislation, including any guidance from, or requirements of, funding bodies, and under a scheme approved by the Board of Management. Professional advice should be obtained where necessary. No amounts shall be expended that exceed the budget allocated for the purpose. All such payments shall be authorised by the Principal and calculations checked by the Finance Manager. Any individual amounts that do not fall within the parameters above require approval by the Board of Management. Amounts paid should be declared in the financial statements.

All matters referred to an industrial tribunal shall be notified to the Board of Management at the earliest opportunity in order that budget provision may be made as necessary. All determinations of tribunals must be similarly notified.

21 Assets

21.1 Land, buildings, fixed plant and machinery

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

21.2 Fixed asset register

The Finance Manager is responsible for maintaining Lews Castle College’s register of land, buildings, fixed plant and machinery. Heads of Department will provide the Finance Manager with any information he or she may need to maintain the register.

21.3 Inventories

Heads of Department are responsible for maintaining inventories, in a form prescribed by the Finance Manager, for all plant, equipment, furniture and stores in their departments with a value in excess of £100. The inventory must include items donated or held on trust.
Inventories must be checked at least annually.
When transferring equipment, etc between departments, a transfer record must be kept and the inventories amended accordingly.

21.4 **Stocks and stores**

Heads of Department are responsible for establishing adequate arrangements for the custody and control of stocks and stores within their departments. The systems used for stores accounting in departments must have the approval of the Finance Manager.

Heads of Department are responsible for ensuring that regular inspections and stock checks are carried out. Stocks and stores of a hazardous nature should be subject to appropriate security checks.

Those Heads of Department whose stocks require valuation in the balance sheet must ensure that the stock-taking procedures in place have the approval of the Finance Manager and that instructions to appropriate staff within their departments are issued.

21.5 **Safeguarding assets**

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

Assets owned by Lews Castle College shall, so far as is practical, be effectively marked to identify them as college property.

21.6 **Personal use**

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

21.7 **Asset disposal**

Disposal of equipment and furniture must be in accordance with procedures agreed by the Board of Management using the forms identified in Lews Castle College’s detailed Financial
Procedures.

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

21.8 All other assets

Heads of Department are responsible for establishing adequate arrangements for the custody and control of all other assets owned by Lews Castle College, whether tangible (such as stock – see above) or intangible (such as intellectual property – see section 18.3), including electronic data.

22 Funds Held on Trust

22.1 Gifts, benefactions and donations

The Finance Manager is responsible for maintaining financial records in respect of gifts, benefactions and donations made to Lews Castle College and initiating claims for recovery of tax where appropriate.

22.2 Student Discretionary and Childcare Funds

The Finance Manager will ensure that procedures for the use of further and higher education students’ Discretionary and Childcare Funds are in accordance with those prescribed by the Student Awards Agency for Scotland and the Scottish (Further Education) Funding Council respectively.

Records of these funds will be maintained according to funding body requirements.

22.3 Trust funds

The Finance Manager is responsible for maintaining a record of the requirements for each trust fund and for advising the Board of Management on the control and investment of fund balances.
The Board of Management is responsible for ensuring that all Lews Castle College’s trust funds are operated within any relevant legislation and the specific requirements for each trust. They will also be responsible for investment of fund balances.

22.4 **Voluntary funds**

The Finance Manager shall be informed of any fund that is not an official fund of Lews Castle College which is controlled wholly or in part by a member of staff in relation to their function in Lews Castle College.

The accounts of any such fund shall be audited by an independent external person and shall be submitted with a certificate of audit to the appropriate body. The Finance Manager shall be entitled to verify that this has been done.

23 **Other**

23.1 **Insurance**

The Finance Manager is responsible for Lews Castle College’s insurance arrangements, including the provision of advice on the types of cover available. As part of the overall risk management strategy (see sections 7.1 to 7.5), all risks will have been considered and those most effectively dealt with by insurance cover will have been identified. This is likely to include important potential liabilities and provide sufficient cover to meet any potential risk to all assets. This portfolio of insurances will be considered and approved by the Board of Management on an annual basis.

The Finance Manager is responsible for effecting insurance cover as determined by the Board of Management. He/she is therefore responsible for obtaining quotes, negotiating claims and maintaining the necessary records. The Finance Manager will ensure that a register is kept of all insurances effected by Lews Castle College and the property and risks covered. He or she will also deal with Lews Castle College’s insurers and advisers about specific insurance problems.
Heads of Department must ensure that any agreements negotiated within their departments with external bodies cover any legal liabilities to which Lews Castle College may be exposed. The advice of the Finance Manager should be sought to ensure that this is the case. Heads of Department must give prompt notification to the Finance Manager of any potential new risks and additional property and equipment that may require insurance, and of any alterations affecting existing risks. Heads of Department must advise the Finance Manager immediately of any event that may give rise to an insurance claim. The Finance Manager will ensure that Lews Castle College’s insurers are notified, and, if appropriate, a claim is prepared in conjunction with the Head of Department for transmission to the insurers.

The Finance Manager is responsible for ensuring that the Health and Safety Adviser keeps suitable records of plant which is subject to inspection by an insurance company and for ensuring that inspection is carried out in the periods prescribed.

All staff using their own vehicles on behalf of Lews Castle College shall maintain appropriate insurance cover for business use.

23.2 Companies and joint ventures

In certain circumstances it may be advantageous to Lews Castle College to establish a company or a joint venture to undertake services on behalf of Lews Castle College. Any member of staff considering the use of a company or a joint venture should first seek the advice of the Finance Manager, who should have due regard to guidance issued by the funding body.

It is the responsibility of the Board of Management to establish the shareholding arrangements and appoint directors of companies wholly or partly owned by Lews Castle College. The directors of companies where Lews Castle College is the majority shareholder must submit an Annual Report to the Board of Management. They will also submit business plans or budgets as requested to enable the Committee to assess the risk to Lews Castle College. Lews Castle College’s internal and external auditors shall also be appointed to such companies.

Where Lews Castle College is the majority shareholder in a company, the funding body requires that the company’s financial year must be consistent with that of Lews Castle College.

23.3 Security

Keys to safes or other similar containers are to be securely retained by those responsible. The
loss of such keys must be reported to the Finance Manager immediately.

An officer shall be responsible for maintaining proper security and privacy of information held on Lewis Castle College’s computer network. Appropriate levels of security will be provided, such as passwords for networked PCs together with restricted physical access for network servers. Information relating to individuals held on computer and on paper will be subject to the provisions of the Data Protection Act 1998, or any act which supersedes this. A data protection officer shall be nominated to ensure compliance with the Act and the safety of documents.

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

23.4 Students’ Union

The Students’ Union, as represented by the Highlands & Islands Students Association (HISA), is a separate legal entity from Lewis Castle College but is recognised to fulfil a valuable role in relation to Lewis Castle College’s students.

Subject to any constraints imposed by the funding body, the College shall contribute a fair and reasonable share of the HISA running costs as agreed by the Academic Partners of UHI.

23.5 Provision of indemnities

Any member of staff asked to give an indemnity, for whatever purpose, should consult the Finance Manager before any such indemnity is given.
Appendices

Appendix A  Committee Structure
Appendix B  No Longer in Use
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APPENDIX A: COMMITTEE STRUCTURE

Board of Management

All Board Members

Audit Committee

Committee Chair, Board Chair, 2 Board members, and Principal.

Remuneration Committee

Board Chair plus minimum of two Board members
APPENDIX B: No longer in use
APPENDIX C: AUDIT COMMITTEE TERMS OF REFERENCE

Duties

- To advise the Board of Management on the appointment of the external auditors, the audit fee, the provision of any non-audit services by the external auditors and any questions of resignation or dismissal of the external auditors.
- To discuss if necessary with the external auditors, before the audit begins, the nature and scope of the audit.
- To discuss with the external auditors problems and reservations arising from the interim and final audits, including a review of the management letter incorporating management responses, and any other matters the external auditors may wish to discuss (in the absence of management where necessary).
- To consider and advise the Board of Management on the appointment and terms of engagement of the internal audit service (and the head of internal audit, if applicable), the provision of any non-audit services by the internal auditors and any questions of resignation or dismissal of the internal auditors.
- To review the internal auditors’ audit needs assessment and the audit plan; to consider major findings of internal audit investigations and management’s response; and to promote co-ordination between the internal and external auditors. The committee will ensure that the resources made available for internal audit are sufficient to meet Lews Castle College’s needs (or make a recommendation to the Board of Management, as appropriate).
- To keep under review the effectiveness of internal control and risk management systems, and in particular to review the external auditors’ management letter, the internal auditors’ annual report, and management responses.
- To monitor the implementation of agreed audit-based recommendations, from whatever source.
- To ensure that all significant losses have been properly investigated and that the internal and external auditors, and, where appropriate, the SFC accounting officer, have been informed.
- To oversee Lews Castle College’s policy on fraud and irregularity, including being notified of any action taken under that policy.
- To satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.
● To receive any relevant reports from Audit Scotland, SFC and other organisations.

● To monitor annually the performance and effectiveness of external and internal auditors, and to make recommendations to the Board of Management concerning their reappointment, where appropriate.

● To consider elements of the annual Financial Statements in the presence of the external auditor, including the auditor’s formal opinion, the statement of members’ responsibilities and any corporate governance statement. This responsibility should be extended to include consideration of internal control and risk management statements. This is in line with the 2000 Accounts Direction, which includes a phased timetable leading to the adoption of internal control and risk management statements from 2002-03.

REPORTING PROCEDURES

● The Minutes (or a report) of meetings of the Committee will be circulated to all members of the Board of Management.

● The Committee will prepare an annual report for Lews Castle College’s financial year. The report will be addressed to the Board of Management, SFC and designated officer, summarising the activity for the year. It will give the Committee’s opinion on the extent to which the Board of Management may rely on the internal control and risk management system and the arrangements for securing economy, efficiency and effectiveness. (This opinion should be based upon the information presented to the Committee.) The Audit Committee Annual Report should normally be submitted to the Board of Management before the members’ responsibility statement in the annual financial statement is signed.

Clerking arrangements
The clerk to the Audit Committee will be the Secretary to the Board of Management (or other appropriate independent individual).

Membership
The Audit Committee will consist of a minimum of 3 members of the Board with non-executive responsibilities for managing the College. Quorum – 3 members. The Finance Manager will normally attend all meetings, together with the internal auditor.
APPENDIX D: KEY CONTACTS IN THE FINANCE OFFICE

INTRODUCTION

1. The Finance Office is located on the ground floor of C Block. The office is normally open between 9.00 am and 5.00 pm.

2. In order to obtain maximum benefit from the Finance Office it is important to observe published deadlines. Deadlines have been established in order to guarantee the delivery of particular services which might not otherwise be achievable.

3. The main services are listed on the following pages.

4. **Creditor payments.** This office pays all sums owed by Lews Castle College other than payroll items. Payments are made mainly to suppliers of goods and services but the office also administers Discretionary and Childcare Funds and emergency loan payments to students and petty cash payments. Payments can be made to any country and in most currencies.

5. **Collection of income.** All income due to Lews Castle College must be banked through the Finance Office. Instalment facilities are available for some categories of students in relation to their tuition fees. Overdue debts are pursued and, where appropriate, court action may be taken.

6. **Payroll.** Lews Castle College’s payroll is currently processed by the Payroll Section of Comhairle nan Eilean Siar. All standing data and adjustments are effected through the Finance Office.

7. **Travel service.** On receipt of the appropriately completed and authorised travel request form, the Finance Office will make the required travel arrangements through Lews Castle College’s appointed travel agent.

8. **Insurance.** All aspects of insurance cover and claims are handled by the Finance Office. Prompt notification of all losses by the use of the appropriate form is essential if claims are to be processed effectively. Failure to notify the police in cases of theft or criminal damage can also invalidate cover.

9. **Controlled stationery.** In order to comply with the Financial Regulations, to ensure that current
versions of documents are used and to avoid duplication of control numbers, it is important to obtain these items from the Finance Office. They include official order forms, invoices, receipts, claim forms, travel forms, purchase orders, etc.

10 **Budget monitoring.** The Finance Manager must provide regular monitoring statements and financial advice to the Board of Management and its committees. Management accounts are produced indicating performance against budget at account code level.

11 **Budget planning.** Advice is available for all budget managers for the purpose of the preparation of their business plans. This is particularly important in the area of other services rendered and research grant contracts, where markets can be volatile.

12 **Internal audit.** All colleges must have an independent internal audit function which operates in conjunction with the Audit Committee. The Finance Office is responsible for the receipt and coordination of responses to audit reports and for the implementation of Audit Committee projects.

13 **Procedures and regulations.** Financial Regulations and Financial Procedures are maintained and disseminated by the Finance Office. Again, their existence is a Funding Council and Audit Committee requirement.

14 **Purchasing issues.** Purchasing advice and guidance on the acquisition of goods/services; assistance with compiling specifications; quotations; sourcing of vendors; and negotiations.
APPENDIX E: MAIN FEATURES OF THE PUBLIC INTEREST DISCLOSURE ACT 1998

SUMMARY

The Act came into force on 2 July 1999. It encourages people to blow the whistle about malpractice in the workplace and is designed to ensure that organisations respond by acting on the message rather than against the messenger. The Act applies to employees blowing the whistle about crime, civil offences (including negligence, breach of contract, etc), miscarriage of justice, danger to health and safety or the environment and the cover-up of any of these. It applies whether or not the information is confidential and extends to malpractice occurring in the UK and any other country or territory. In addition to employees, it covers trainees, agency staff, contractors, home workers, trainees and every professional in the NHS. Employment law restrictions on minimum length of service and age do not apply. At present, the Act does not cover the genuinely self-employed, volunteers, the army, intelligence services or police officers. The Act has been described as ‘the most far reaching whistleblower protection in the world’.

INTERNAL DISCLOSURES

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

REGULATORY DISCLOSURES

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

WIDER DISCLOSURES

Wider disclosures (eg to the police, the media, MPs, and non-prescribed regulators) are protected if, in addition to the tests for regulatory disclosures, they are reasonable in all the circumstances and they meet one of the three preconditions. Provided they are not made for personal gain, these preconditions are that the whistleblower:
• reasonably believed they would be victimised if they raised the matter internally or with a designated regulator
• reasonably believed a cover-up was likely and there was no regulator
• had already raised the matter internally or with a prescribed regulator.

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

FULL PROTECTION

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

QUALIFYING AREAS

The qualifying areas consist of information that the employee reasonably believes tends to show one or more of the following matters is either happening now, took place in the past, or is likely to happen in the future:
• a criminal offence
• the breach of a legal obligation
• a miscarriage of justice
• a danger to the health or safety of any individual
• damage to the environment
• deliberate covering up of information tending to show any of the above five matters.
APPENDIX F: THE SEVEN PRINCIPLES OF PUBLIC LIFE FROM THE REPORT OF THE COMMITTEE FOR STANDARDS IN PUBLIC LIFE (THE NOLAN REPORT)

SELFLESSNESS

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their families or their friends.

INTEGRITY

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that may influence them in the performance of their official duties.

OBJECTIVITY

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

ACCOUNTABILITY

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS

Holders of public office should be as open as possible about all their decisions and the actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
HONESTY

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

LEADERSHIP

Holders of public office should promote and support these principles by leadership and example.

*The Scottish Executive has identified two additional principles, namely:*

PUBLIC SERVICE

Holders of public office have a duty to act in the interests of the public body of which they are a Board member and to act in accordance with the core tasks of the body.

RESPECT

Holders of public office must respect fellow members of their public body and employees of the body and the role they play, treating them with courtesy at all times.
APPENDIX G: SUMMARY OF PROTOCOLS FOR PROPOSED CAPITAL EXPENDITURE

Proposed capital projects should be supported by:

- A statement that demonstrates the project’s consistency with the strategic plans and estates strategy approved by the Board of Management.
- An initial budget for the project for submission to the Board of Management. 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.
APPENDIX H: SUMMARY OF PROTOCOLS FOR PROPOSED MAJOR DEVELOPMENTS

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

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

The prime responsibility of the internal audit service is to provide the Board of Management, the designated officer and the other managers of Lews Castle College with assurance on the adequacy and effectiveness of the internal control system, including risk management and governance. Responsibility for internal control remains fully with management, who should recognise that internal audit can only provide ‘reasonable assurance’ and cannot provide any guarantee against material errors, loss or fraud. Internal audit also plays a valuable role in helping management to improve systems of internal control and so to reduce the potential effects of any significant risks faced by Lews Castle College. Risk Management provides the opportunity for internal audit work to be efficient and focused. It does not necessarily imply that internal audit activity has to be increased.

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

PURPOSE

1. The purpose of this plan is to define authority levels, responsibilities for action and reporting lines in the event of a suspected fraud or irregularity. The use of the plan should enable Lews Castle College to:
   - prevent further loss
   - establish and secure evidence necessary for criminal and disciplinary action
   - notify the funding body, if the circumstances are covered by the mandatory requirements of the audit code of practice
   - recover losses
   - punish the culprits
   - deal with requests for references for employees disciplined or prosecuted for fraud
   - review the reasons for the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud
   - keep all personnel with a need to know, suitably informed about the incident and Lews Castle College’s response
   - inform the police
   - assign responsibility for investigating the incident
   - establish circumstances in which external specialists should be involved
   - establish lines of communication with the police.

INITIATING ACTION

2. All actual or suspected incidents should be reported without delay to the Principal. The Principal should, within 24 hours, hold a meeting of the following project group to decide on the initial response:
   - Principal (chair)
● a senior representative of internal audit
● a member of the Audit Committee.

3 The project group will decide on the action to be taken. This will normally be an investigation, led by internal audit. The decision by the project group to initiate a special investigation shall constitute authority to internal audit to use time provided in the internal audit plan for special investigations, or contingency time, or to switch internal audit resources from planned audits.

PREVENTION OF FURTHER LOSS

4 Where initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the project group will decide how to prevent further loss. This may require the suspension, with or without pay, of the suspects. It may be necessary to plan the timing of suspension to prevent the suspects from destroying or removing evidence that may be needed to support disciplinary or criminal action.

5 In these circumstances, the suspect(s) should be approached unannounced. They should be supervised at all times before leaving Lews Castle College’s premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to Lews Castle College. Any security passes and keys to premises, offices and furniture should be returned.

6 Advice should be obtained on the best means of denying access to Lews Castle College while suspects remain suspended (for example, by changing locks and informing security staff not to admit the individuals to any part of the premises). Similarly, access permissions to Lews Castle College’s computer systems should be withdrawn without delay.

7 Internal audit shall consider whether it is necessary to investigate systems, other than that which has given rise to suspicion, through which the suspect may have had opportunities to misappropriate Lews Castle College’s assets.

ESTABLISHING AND SECURING EVIDENCE

8 A major objective in any fraud investigation will be the punishment of the perpetrators, to act as a deterrent to other personnel. Lews Castle College will follow disciplinary procedures against any
member of staff who has committed fraud. Lews Castle College will normally pursue the prosecution of any such individual.

9 Internal audit will:

● maintain familiarity with Lews Castle College’s disciplinary procedures, to ensure that evidence requirements will be met during any fraud investigation

● establish and maintain contact with the police where appropriate

● establish whether there is a need for audit staff to be trained in the evidence rules for interviews under the Police and Criminal Evidence Act

● ensure that staff involved in fraud investigations are familiar with and follow rules on the admissibility of documentary and other evidence in criminal proceedings.

NOTIFYING THE FUNDING BODY

10 The circumstances in which Lews Castle College must inform the funding body about actual or suspected frauds are detailed in the funding body’s Code of Audit Practice. The Principal is responsible for informing the funding body of any such incidents.

RECOVERY OF LOSSES

11 Recovering losses is a major objective of any fraud investigation. Internal audit shall ensure that in all fraud investigations, the amount of any loss will be quantified. Repayment of losses should be sought in all cases.

12 Where the loss is substantial, legal advice should be obtained without delay about the need to freeze the suspect’s assets through the court, pending conclusion of the investigation. Legal advice should also be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment. Lews Castle College would normally expect to recover costs in addition to losses.
REFERENCES FOR EMPLOYEES DISCIPLINED OR PROSECUTED FOR FRAUD

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

REPORTING TO THE BOARD OF MANAGEMENT

14 Any incident matching the criteria in the funding body’s Code of Audit Practice (as in paragraph 10 above) shall be reported without delay by the Principal to the Chairs of both the Board of Management and the Audit Committee.

15 Any variation from the approved fraud response plan, together with reasons for the variation, shall be reported promptly to the Chairs of both the Board of Management and the Audit Committee.

16 On completion of a special investigation, a written report shall be submitted to the Audit Committee containing:

● a description of the incident, including the value of any loss, the people involved, and the means of perpetrating the fraud
● the measures taken to prevent a recurrence
● any action needed to strengthen future responses to fraud, with a follow-up report on whether or not the actions have been taken.

This report will normally be prepared by internal audit.

REPORTING LINES

17 The project group shall provide a confidential report to the Chair of the Board of Management, the Chair of the Audit Committee, the Principal and the external audit partner at least monthly, unless the report recipients request a lesser frequency. The scope of the report shall include:

● quantification of losses
● progress with recovery action
● progress with disciplinary action
- progress with criminal action
- estimate of resources required to conclude the investigation
- actions taken to prevent and detect similar incidents.

RESPONSIBILITY FOR INVESTIGATION

18 All special investigations shall normally be led by internal audit. Special investigations shall not be undertaken by management, although management should co-operate with requests for assistance from internal audit.

19 Some special investigations may require the use of technical expertise which internal audit does not possess. In these circumstances, the project group may approve the appointment of external specialists to lead or contribute to the special investigation.

REVIEW OF FRAUD RESPONSE PLAN

20 This Plan will be reviewed for fitness of purpose at least annually or after each use. Any need for change will be reported to the Audit Committee for approval.
APPENDIX K: CONDITIONS OF CONTRACT FOR THE PURCHASE OF GOODS

LIST OF HEADINGS

- interpretation
- variation of conditions
- specification
- identification of goods
- packaging
- containers and pallets
- forms
- delivery
- property and risk
- rejection of goods
- default by contractor
- force majeure
- price and payment
- indemnity
- insurance
- transfer and sub-contracting
- patents, etc
- confidentiality
- inducements to purchase
- insolvency
- publicity
- law
APPENDIX L: LEWS CASTLE COLLEGE PROCUREMENT STRATEGY
APPENDIX M: MAIN POINTS INCLUDED IN LEWS CASTLE COLLEGE’S CODE OF TENDERING PRACTICE

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

1 PURPOSE

1.1 The purpose of this document is to define the college's treasury management activities as: 'The management of the college's 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'.

1.2 The college regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and report of treasury management activities will focus on their risk implications for the college.

1.3 The college acknowledges that effective treasury management will provide support towards the achievement of its corporate and organisational objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

2 POLICY STATEMENT

The college will ensure that treasury management is effective in the successful identification, monitoring and control of financial risk.

3 SCOPE

3.1 The college adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Codes of Practice (the code), as described in section four of that code.

3.2 Accordingly, the college will create and maintain, as the cornerstones for effective treasury management:

- a Treasury Management Policy Statement, stating the policies (TMPs) and objectives of its treasury management activities

- suitable Treasury Management Practices (Tmps), setting out the manner in which the college will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities. The contents of the policy statement and Tmps will follow the recommendations contained
in sections six and seven of the code, subject only to amendment where necessary to reflect the particular circumstances of this college. Such amendments will not result in the college materially deviating from the code’s key recommendations.

3.3 The Senior Management Team (SMT) and the Board of Management will receive reports on its treasury management and activities, in the form prescribed in its TMPs.

3.4 The college delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the SMT and for the execution and administration of treasury management decisions to the Principal and the Finance Manager, who will act in accordance with the college’s policy statement and TMPs.

3.5 This policy should be read in conjunction with the Lews Castle College Equality Diversity and Inclusion Policy and its separate Disability, Race and Gender Equality Schemes.

4 RESPONSIBILITIES

The following staff have responsibilities under this policy:

4.1 The Senior Management Team is responsible for the effective governance of this policy.

4.2 The Principal is responsible for managing this policy.

4.3 The Finance Manager, and appropriate Finance staff, are responsible for the effective operation of this policy and procedures.
5 TREASURY MANAGEMENT PROCEDURES - TMPs (See also Section 6: Treasury Management Practices - Tmps)

TMP1 Risk management

The Finance Manager 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 college's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements. In respect of each of the following risks, the arrangements, which seek to ensure compliance with these objectives, are set out in the Practices to this document.

(a) Liquidity risk management

The college will ensure it has adequate 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 corporate and organisational objectives.

(b) Interest rate risk management

The college 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 college's finances.

(c) Exchange rate risk management

The college will ensure that it protects itself adequately against the risk of fluctuations in foreign exchange rates creating an unexpected or unbudgeted burden on the college’s finances.

(d) Inflation risk management

The college 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.
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 college 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.

(e) Credit and counterparty risk management

The college will ensure that it protects itself against the risk of failure by a third party to meet its contractual obligations, particularly as a result of the third party’s diminished creditworthiness, and the resulting detrimental effect on the college’s capital or current (revenue) resources. The college regards a prime objective of its treasury management activities to be the security of its finances. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent contractual attitude towards organisations and students. It also recognises the need to have, and will therefore maintain, a formal counterparty contract in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

(f) Refinancing risk management

The college 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 re-financing, if required, which are competitive and as favourable to the college as can reasonably be achieved in the light of market conditions prevailing at the time.
It will actively manage its relationships with its counterparties 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.

(g) **Legal and regulatory risk management**
The college 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 counterparty policy under TMP1 (e) *Credit and counterparty risk management*, it will ensure that there is contractual evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.
The college 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 college.

(h) **Fraud, error and corruption, and contingency management**
The college will ensure that it has identified the circumstances which may expose it to 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.

(i) **Market risk management**
The college 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 Best value and performance measurement**
The college is committed to the pursuit of best value in its treasury management activities within the
framework set out in its treasury management policy statement.

**TMP3 Decision making and analysis**
The college will maintain records of its key treasury management decisions 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 college will undertake its treasury management activities by employing mainly those methods and techniques detailed in the practices to this document, and within the limits and parameters defined in TMP1 risk management.

**TMP5 Organisation, clarity and segregation of responsibilities**
The college 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 key treasury management decisions.

If and when the college intends, as a result of lack of resources or other circumstances, to depart from these principles, the Finance Manager 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 Principal will ensure that there are clear written statements (per job descriptions) of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Finance Manager will ensure there is proper documentation for all transactions, and that procedures
exist for the effective transmission of funds.

The delegations from the Finance Manager in respect of treasury management are set out in the finance office staff structure. The Finance Manager will fulfil all such responsibilities in accordance with the college's policy statement and TMPs.

**TMP6 Reporting requirements and management information arrangements**

The college will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of key 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.

As a minimum, the Board of Management 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 work, on the effects of the key decisions taken and a summary of transactions executed in the past year, and on any circumstances of non-compliance with the college's treasury management policy statement and TMPs.

The present arrangements and the form of these reports are detailed in the practices to this document (Tmp6 Practices).

**TMP7 Budgeting, accounting and audit arrangements**

The Principal will prepare, and the SMT will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the income and expenditure involved in treasury management activities.

The college 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 college 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 fulfilment 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 this college will be under the control of the Finance Manager 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 Finance Manager will ensure that these are adequate for the purposes of monitoring compliance with *TMP1 (a) Liquidity Risk Management*.

**TMP9 Money laundering**

The college is alert to the possibility that it may become the subject of 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 counterparties and reporting suspicions.

**TMP10 Staff training and qualifications**

The college recognises the importance of ensuring that all staff involved in the treasury management function 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 Finance Manager will recommend and implement the necessary arrangements.

**TMP11 Use of external service providers**

The college 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 Principal.

There are currently no external providers of treasury management services.

**TMP12 Corporate governance**

The college 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.

This, together with the other arrangements detailed in the practices to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Finance Manager will monitor and, where necessary, report upon the effectiveness of these arrangements.
6 Treasury Management Practices (Tmps)

The college's treasury management practices currently relate to the following activities:

**Tmp1 Risk management practices**

(a) Liquidity risk management practice

The college's cash balances will not be in debit by more than £350,000 in total.

The college's overdraft facility over all of its accounts is currently £0.

(b) Interest rate risk management practice

The college will budget for income from interest by using a rate ½% below the rate achievable when the budget is set, in order to allow for adverse fluctuations in the market.

The college will maximise its interest rate return where possible, without exposure to risk.

(c) Exchange rate risk management practice

The college will not place any investments which will directly expose it to exchange rate risk.

(d) Inflation risk management practice

Inflation will be monitored on a regular basis. Any change to the annual rate of inflation in excess of ½% will be reported immediately to the Finance Manager so that the implications can be incorporated in the budget strategy.

(e) Credit and counterparty risk management practice

Lending to be restricted to:

- The top building societies.

- The English and Scottish clearing banks and subsidiaries.

- Other banks (with International Bankers Credit Assessment (IBCA) rating) as specified by the college, through the Finance Manager, acting under delegated powers.
(f) Re-financing risk management practice
- Any provisions relating to this area should be established before the college enters into any borrowing.

(g) Legal and regulatory risk management practice
- On request, evidence of the college's powers/authorities will be provided to counterparties.

(h) Fraud, error and corruption and contingency management practice
- No major investment will be placed without the authorisation of the Principal, the Finance Manager, and approval from the Board of Management.
- The Treasury Management Procedures notes will be followed in relation to investments, without exception.
- Payments will be made by on-line banking. In the case of system failure, manual transfer forms should be used in an emergency.

(i) Market risk management
- The college will not make any investments where the capital value may fluctuate.

Tmp2 Best value and performance measurement practice
- The revenue and capital impact of all treasury management decisions will be reviewed by the Finance Manager throughout each financial year.
- Any likely variation from budgeted treasury management activity will be reported immediately to the Finance Manager so that any implications can be incorporated into the budget strategy.
- Tendering for banking services will be considered by the Finance Manager every five years, and if considered to be viable, will follow the processes detailed in the college's financial memorandum.
**Tmp3 Decision making and analysis practice**

**Records to be kept:**

- Daily investment diary detailing cleared and uncleared balances for each of the college's accounts, payments, direct debit income and any other significant items of income and expenditure.
- Cash flow history detailing each week's expenditure and income, under the main categories.
- For each investment, if applicable, a separate file should be created, detailing principal invested, rate of interest, period of investment, borrower, borrower's banker and bank details and confirmation.
- Investment register detailing date of lending, borrower, interest rate, reference number, agreed term, date of maturity and amount invested.

**Tmp4 Approved methods and techniques**

Investments will be restricted to:

- Short-term bonds
- Fixed deposits
- Deposits on call, two or seven day notice
- Certificates of deposit.

**Tmp5 Organisation, clarity and segregation of responsibilities**

The Finance Manager is the responsible officer in relation to treasury management activities. The Finance Manager will review the college's cash balances on a daily basis and will arrange to place investments or transfer funds as appropriate, on authority from the Principal.

**Tmp6 Reporting requirements and management information arrangements**

An annual report will be presented to the Senior Management Team (SMT) when it considers the budget detailing the strategy and plan to be pursued in the coming year. The report will detail anticipated income from externally managed funds, internally managed funds, and expected rate of return, alongside interest expected from other sources. The Principal will then report these details to the Board of Management.

An annual report will be presented to the SMT before 31 August detailing treasury management activities.
during the financial year. The report will include:

Closing cash balances
Details of any investment activity during the year, which will include:
- Borrower
- Amount invested
- Date invested
- Rate
- Number of days invested
- Date to be repaid
- Interest earned (during that financial year)
- Circumstances of non-compliance with the college's Treasury Management Policy Statement and TMPs.

The Principal will then report these details to the Board of Management.
The Finance Manager will inform the Principal immediately it becomes likely that there will be any variation from expected target in relation to investment income.

**Tmp7  Budgeting, accounting and audit arrangements**
The investment income budget will be prepared by estimating (with the aid of the cashflow forecast) levels and lengths of investments, along with anticipated rates of return. These estimates will be shown clearly in the budget working paper files.
The investment account, if appropriate, will be included in the financial ledger and will show clearly the loans made and the loans repaid, identifying principal and interest.
The Treasury Management Policy Statement, TMPs, clauses and schedules will be made available for inspection by the college's auditors, along with cashflow history and forecasts, investment files, investment register and treasury management reconciliations.

**Tmp8  Cash and cashflow management**
The Finance Manager will re-analyse the college's cashbook on a monthly basis in order to maintain a cashflow history, and will use this to prepare and update cashflow forecasts/budgets to the end of the financial year on a quarterly basis (as a minimum).
The college's bank will notify the college upon repayment of investments by telephone or letter.

**Tmp9  Money laundering**
Investments will only be placed with those organisations detailed in TMP1(e).
The identity of the borrower will be confirmed as follows:
- For borrowers (students paying by instalments), the borrower should be contacted and be required to provide their bank details to the college before the borrowing is agreed.
- A confirmation of deposit will always be received immediately or, failing this, within seven days of the in-kind advance being made.
- Any suspicions in relation to this area will be reported immediately to the Principal.

**Tmp10  Staff training and qualifications**
Staff will participate in any training courses which are thought to be appropriate by the Principal.

**Tmp11  Use of external service providers**
This organisation 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 providers 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. There are currently no external providers of Treasury Management
Services.

**Tmp12 Corporate Governance**

The annual report to the SMT, and the Board of Management referred to in TMP6, will be open reports and therefore available for inspection by members of the public. The Treasury Management Policy Statement and TMPs are available for public inspection on request.

**7 REVIEW OF POLICY**

7.1 This policy will be reviewed every three years or earlier if changes affect it in any way.
APPENDIX O: THE BRIBERY ACT 2010: COLLEGE POLICY STATEMENT

The College is committed to the prevention of bribery and will not tolerate bribery or other improper conduct, both inside the United Kingdom and abroad, by employees or other individuals or organisations who perform services for or on behalf of the College.

The College is committed to the highest standards of openness, probity and accountability. It seeks to conduct its affairs in a responsible manner taking into account the requirements of the funding bodies and the standards in public life set by the Committee on Standards in Public Life.

To support the achievement of these aims, the College has in place the following College policies and procedures:

- A Code of Conduct which applies to all employees and Board members
- Financial Regulations including specific Procurement procedures and a Fraud policy
- Business conduct and Ethics Policy and Procedure as approved by the Board of Management on 19 September 2011 (See Appendix P below).
APPENDIX P: BUSINESS CONDUCT AND ETHICS POLICY AND PROCEDURE

1 Purpose

1.1 This policy sets out Lews Castle College’s intention to maintain and uphold the highest ethical standards in all of its policy and procedure documentation.

1.2 To emphasise the college’s intention to conform to all applicable laws when managing and operating all college activities.

1.3 To emphasise the intention of all staff to comply fully and comprehensively with the law, and maintain the ethical standards of public life.

2 Policy Statement

*Lews Castle College will abide with all applicable laws and in particular the Ethical Standards in Public Life etc. (Scotland) Act 2000 and the Bribery Act 2010*

3 Scope

3.1 This policy applies to all members of staff within the college and should be read in conjunction with the college’s Employee Code of Conduct.

3.2 This policy should be read in conjunction with the college Equality and Diversity Policy and Procedures and its Disability, Race and Gender Equality Schemes.

4 Responsibilities

4.1 All members of staff are expected to adhere to the ethical and legal standards as outlined in this policy and to preserve the college’s integrity and reputation.

5 Requirements

Financial Record-Keeping

5.1 Truthful and accurate recording and reporting of information is critical to the college’s ability to make responsible decisions. The college’s accounting records are relied upon to produce reports for the college’s management, committees, government agencies and others.
Therefore, the financial statements and the accounts and records on which they are based must accurately reflect all college transactions and comply with all legal and accounting requirements. The college's system of internal control is designed to provide this information.

5.2 Through its Financial Policy and Procedures it is the aim of the college to fully and fairly disclose the financial condition of the college in compliance with the applicable accounting principles, laws, rules and regulations and to make full, fair, accurate, timely and understandable disclosure in periodic reports.

5.3 All employees have a responsibility to ensure that the college’s accounting records do not contain any false or intentionally misleading entries. Information on which the accounting records are based is the responsibility of all staff.

5.4 The college does not permit false classification of transactions as to accounts, departments or accounting periods. Particular attention should be given to the following:

5.4.1 All college accounting records, as well as reports produced from those records, are kept and presented in accordance with the college Financial Regulations and applicable Accounting Standards.

5.4.2 All records fairly and accurately reflect the transactions or occurrences to which they relate.

5.4.3 All records fairly and accurately reflect in reasonable detail the college’s assets, liabilities, revenues and expenses.

5.4.4 The college’s accounting records do not contain any intentionally false or misleading entries.

5.4.5 All transactions are supported by accurate documentation in reasonable detail and recorded in the proper account and in the proper accounting period.

5.4.6 All college accounting financial reports should be prepared in accordance with the college Financial Regulations and generally accepted accounting principles.
5.4.7 The college’s system of internal accounting controls, including compensation controls, is to be followed at all times.

6 Improper payments

6.1 No payment or transfer of college funds or assets will be made that is not authorised, properly accounted for and clearly identified in the college’s accounts. Payment or transfer of the college’s funds and assets are to be used only as specified in the supporting documents, and must only pertain to college business.

6.2 No member of staff, at any level, may authorise any payment or use any funds or assets for a bribe, gift, reward, or similar payment that is directly or indirectly for the benefit of any individual, which is designed to secure favourable treatment for the college.

7 Political contributions and activity

7.1 It is college policy not to contribute any college funds or assets to any political party, committee, organisation, or candidate for any government office. Employees may, in their own time, support individual candidates or political committees, all subject to applicable laws, and may make voluntary contributions to such candidates or committees. Employees can only stand for election with the prior approval of the Principal.

7.2 In terms of the college’s Scottish Parliamentary and Local Elections Guidelines it is the responsibility of all staff, contractors and students to ensure that the college remains politically neutral.

8 Acceptance of payments

8.1 No member of staff, at any level, should seek or accept either directly or indirectly, any payments, fees, services, or other gratuities (irrespective of size or amount) outside the normal course of their college duties from any other person, company or organisation that does or seeks to do business with the college.
8.2 Gifts of cash or cash equivalents of any amount are strictly forbidden.

8.3 The receipt of common courtesies, sales promotion items of nominal value, occasional meals, and reasonable entertainment appropriate to college business and associated with college activities are permissible. Receipt of such items should be recorded in the college's Register of Gifts Received.

9 Business expenses

9.1 All tenders or dealings with suppliers, customers, or others doing, or seeking to procure, business with the college shall be conducted solely on a basis that reflects both the college’s best interests and its high ethical standards.

9.2 The college does permit the providing of common courtesies, entertainment, and occasional meals for potential or actual suppliers, customers, or others involved with the college’s activities, in a manner appropriate to the college’s relationship and associated with business discussions.

9.3 The college's Business Expenses Policy details the process by which expenses of this nature must be transparent, reasonable, customary and properly authorised.

10 Conflicts of interest

10.1 The college expects all members of staff, at all levels, to exercise good judgment and the highest ethical standards in private activities outside the college that may, in any way, affect the reputation of the college.

10.2 Staff shall exercise, at all times, particular care that no detriment to the interest of the college may result from a conflict between those interests and any personal or college interests which the individual may have.

10.3 In particular, every member of staff has an obligation to avoid any activity, agreement, business interest or other situation that might, in fact or in appearance, cause an individual to place his or her own interest, or that of any other person or entity, above his or her obligation to the college. The words 'in appearance'
should be noted particularly, since the appearance of an action might tend to impair confidence even if the individual may not actually do anything wrong.

10.4 To this end, all members of staff must avoid any associations or other relationships that could conflict with their responsibility to make objective decisions in the college’s best interests. Any potential conflicts of interest must be reported immediately to your relevant line manager, in the first instance.

10.5 In accordance with good practice it is college policy that all college senior managers complete a Declaration of Interests statement on an annual basis.

11 Corporate opportunities

11.1 No member of college staff shall, for personal or for any other person’s, or entity’s gain, deprive the college of any business opportunity or benefit which could be construed as related to any existing or reasonably anticipated future activity of the college.

11.2 No member of college staff who learns of any such opportunity through his/her association with the college is allowed to disclose it to a third party or personally invest in the opportunity without first offering it to the college.

12 Confidentiality

12.1 All members of college staff are bound by the college’s Data Protection Policy.

12.2 All members of college staff are responsible for safeguarding and keeping confidential any information that the college considers to be of a confidential or sensitive nature. Such information includes, but is not limited to, financial records and reports, marketing and strategic planning information, employee-related documents, unpublished manuscripts as well as information relating to other materials that the college would not want disclosed to any unauthorised recipient, or that might be harmful to the college or its
students if disclosed, whether or not such information is marked ‘confidential’.

12.3 Confidential information also includes information concerning possible transactions with other colleges or information about the college’s students, suppliers or partners, which the college is under an obligation to maintain as confidential.

12.4 No member of college staff may use confidential information for their own personal benefit or the benefit of persons or entities outside the college, and must exercise caution and discretion with respect to any appropriate temporary removal of confidential or sensitive information from the college’s premises, and should safeguard the information from unintended disclosure or loss.

13 **Compliance with laws and regulations**

13.1 The college will develop policies and procedures to reflect those areas where legislative issues impact on the college’s operation.

13.2 The college requires all members of staff to comply with all applicable laws and regulations.

13.3 All college staff have an obligation to comply with all laws and regulations and policies and procedures and to promptly alert management of any deviation from them.

**Antitrust Laws**

13.3.1 It is the college’s policy to comply with the letter and spirit of all applicable anti-trust laws.

13.3.2 Discussions regarding confidential, sensitive or proprietary information are not permissible. Staff members should seek guidance from the Principal when appropriate.

14 **Fair dealing**

14.1 Each member of staff should endeavour to deal fairly with the college’s suppliers, students and employees. No one should take unfair advantage of another through either manipulation, concealment, abuse of privileged information, misrepresentation of material
facts, or any other unfair-dealing practice.

15 **Duty to report violations**

15.1 In terms of the college’s Whistleblowing Policy any member of staff reporting, in good faith, a violation arising out of this, or any other policy will be protected from victimisation or detrimental treatment.

15.2 Any complaint regarding accounting, internal accounting controls or auditing matters must be reported (including confidential and anonymous complaints) to the Principal. The Principal might report any findings to Internal Audit, the college’s Audit Committee or the College Accountable Officer.

15.3 No retribution against any individual who reports violations of this policy in good faith will be permitted. In terms of the college’s Whistleblowing Policy the college will investigate any matter which is reported and will take any appropriate corrective action. The Whistleblowing Policy provides that the interests of any individual reporting, in good faith, a violation of this Policy, will be protected.

16 **Violations of policy**

16.1 Violations of any of the foregoing provisions may expose the college and the individuals involved to legal action and possible criminal action.

16.2 Staff members who violate this policy are subject to appropriate disciplinary action, up to and including termination.

16.3 Any alleged violations of this policy will be reviewed under the Whistleblowing Policy by the college’s Principal and other appropriate staff members and they will determine the appropriate action to take.

17 **Review of policy**

17.1 This policy will be reviewed whenever changes affect it or within two years, whichever is the earlier.