



North Highland College
University of the
Highlands and Islands

Financial Regulations of the North Highland College

(Revised October 2011)

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TERMINOLOGY

Owing to the diverse nature of a further and higher education institution, (The North Highland College) a wide range of terms are in use for committees, staff and other persons connected to North Highland Colleges. The following general terms have been used in this guide.

AUDIT COMMITTEE

A committee independent of executive responsibility, which advises the Board of Management on issues related to internal audit, external audit and all internal control systems. It is required to issue an annual report to the Board of Management which comments on the North Highland College's system of internal control.

BUDGET HOLDER

The member of staff who has been assigned his or her own budget and is accountable for the utilization of the budget.

DIRECTOR OF FINANCE

The chief financial officer of the North Highland College.

FINANCE & GENERAL PURPOSES COMMITTEE

The committee with delegated responsibility for financial matters.

FUNDING COUNCIL

This refers to the Scottish Further and Higher Education Funding Council (SFC)

BOARD OF MANAGEMENT

The governing body ultimately responsible for the affairs of the North Highland College.

ASSISTANT DIRECTORS & COLLEGE MANAGERS

The head of an academic or non-academic department of the North Highland College who is responsible for the budget of his or her whole department/area.

PRINCIPAL

The person with the ultimate executive responsibility for the management of the North Highland College.

SENIOR MANAGEMENT

The senior management team who assist the Principal in running the North Highland College. This comprises the Vice Principal, the Director of Enterprise & Innovation and the Director of Finance.

FINANCIAL REGULATIONS

A GENERAL PROVISIONS

1 Background

- 1.1 The North Highland College is an incorporated further and higher education institution incorporated under the Scottish Further and Higher Education (Scotland) Act 1992. Its structure of governance is laid down in the Act. The North Highland College is accountable through its Board of Management to the Scottish Further and Higher Education Funding Council (Funding Council). The Board of Management has ultimate responsibility for the North Highland College's management and administration.
- 1.2 The financial memorandum between the funding council and the North Highland 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, the North Highland College must adhere to the funding body's audit code of practice, which requires it to have sound systems of financial and management control. The financial regulations of the North Highland College form part of this overall system of accountability.
- 1.3 The North Highland College is recognised by the Inland Revenue as a charity for the purposes of Section 505 Income & Corporation Taxes Act 1988. It is entitled under Scottish Charities & Trustee Investment (Scotland) Act 2005. to describe itself as a Scottish Charity

2 Status of Financial Regulations

- 2.1 This document sets out the North Highland College's financial regulations and supersedes previous documentation. It translates into practical guidance the North

Highland College's broad policies relating to financial control. The original document was approved by the Board of Management in October 2006 and this 4th revision in October 2011. It applies to all North Highland College activities, including any hosted activities and any future subsidiary undertakings.

2.2 These financial regulations are subordinate to any restrictions contained within the North Highland College's financial memorandum with the Funding Council and its audit code of practice.

2.3 The purpose of these financial regulations is to provide control over the totality of the North Highland College's resources and provide management with assurances that the resources are being properly applied for the achievement of the North Highland 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 the North Highland College complies with all relevant legislation
- safeguarding the assets of The North Highland College.

2.4 Compliance with the financial regulations is compulsory for all staff connected with The North Highland College. A member of staff who fails to comply with the financial regulations may be subject to disciplinary action under the North Highland College's disciplinary policy. The Board of Management will be notified of any such breach through the audit committee. It is the responsibility of Assistant Directors and College Managers to ensure that their staff are made aware of the existence and content of the North Highland College's financial regulations.

2.5 The finance committee is responsible for maintaining a continuous review of the financial regulations, through the Director of Finance, and for advising the Board of Management of any additions or changes necessary.

2.6 In exceptional circumstances, this committee may authorise a departure from the detailed provisions herein, such departure to be reported to the Board of Management at the earliest opportunity.

- 2.7 The North Highland College's detailed financial procedures set out precisely how these regulations will be implemented.

B CORPORATE GOVERNANCE

3 The Board of Management

- 3.1 The Board of Management and its committees are responsible for the management and administration of the North Highland College. Its financial responsibilities are to:
- ensure the solvency of the North Highland College and the safeguarding of the North Highland 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 for all other staff
 - ensure that the financial, planning and other management controls, including controls against fraud and theft, applied by the North Highland College, are appropriate and sufficient to safeguard public funds
 - approve the appointment of an internal audit service
 - secure the efficient, economical and effective management of all the North Highland College's resources and expenditure, capital assets and equipment, and staff, so that the investment of public funds in the North Highland 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 further education tuition fees
 - ensure that the North Highland College complies with the funding

council's audit code of practice

- approve the North Highland College's strategic plan
- approve the annual financial statements.

4 Designated Officer

4.1 The Principal is the North Highland College's designated accountable officer and is responsible for ensuring the financial administration of the North Highland College's affairs in accordance with the financial memorandum with the funding body. As the designated accountable officer, the Principal may be required to justify any of the North Highland College's financial matters to the Scottish Government.

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 three-year financial forecast return submitted to the funding body.

5 Committee Structure

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

5.2 Finance & General Purposes committee

Monitoring of the North Highland College's financial position and financial control systems is undertaken by the finance & GP committee. The committee will examine annual estimates and accounts (including the accounting policies upon which they are based) and recommend their approval to the Board of Management. It will ensure that short-term budgets are in line with agreed longer-term plans and that they are followed. It will consider any other matters relevant to the financial duties of the Board of Management and make recommendations accordingly. The committee will also ensure that the Board of Management has adequate information to enable it to discharge its financial responsibilities. A more

detailed extract from the finance committee's terms of reference is shown at Appendix B.

5.3 **Audit committee**

Colleges are required by their financial memorandum with the funding council and by its audit code of 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 audit and for monitoring 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 the North Highland College are set out in the funding body's audit code of practice.

5.4 **Remuneration committee**

Consideration of senior management's pay and conditions. The remuneration committee has the power to determine and review the structure of the Senior Management Team and the remuneration package offered, including pay and other benefits, as well as contractual arrangements. The committee reports formally to the Board of Management.

6 Other Senior Managers with Financial Responsibility

6.1 **The Director of Finance**

Day-to-day financial administration is controlled by the Director of Finance, 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 the North Highland College's annual accounts and other financial statements and accounts which the North Highland College is required to submit to other authorities
- ensuring that the North Highland 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 department.

6.2 **Assistant Directors and College Managers**

Assistant Directors and College Managers are responsible to the Principal for financial management for the areas or activities they control. They are advised by the Director of Finance in executing their financial duties. The Director of Finance will also supervise and approve the financial systems operating within their departments, including the form in which accounts and financial records are kept. Assistant Directors and College Managers 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.

Assistant Directors and College Managers shall provide the Director of Finance with such information as may be required to enable:

- compilation of the North Highland 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 and have a general responsibility for the security of the North Highland College's property, for avoiding loss and for due economy in the use of resources.

They should ensure that they are aware of the North Highland College's financial authority limits (see 19.2) 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 Director of Finance or his or her authorised representative in connection with the implementation of the North Highland College's financial policies, these financial regulations and the system of financial control.

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

They shall immediately notify the Director of Finance whenever any matter arises which involves, or is thought to involve, irregularities concerning cash or property of the North Highland College. The Director of Finance shall take such steps as he or she considers necessary by way of investigation and report.

7 Risk Management

7.1 The North Highland College acknowledges the risks inherent in its business, and is committed to managing those risks that pose a significant threat to the achievement of its business objectives and financial health. Detailed guidance on the level of risk considered to be acceptable/unacceptable by the North Highland College will be set out in a separate risk management policy and risk register.

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 the North Highland College through the development, implementation and embedment within the organisation of a formal, structured risk management process.

7.3 A risk register is maintained to provide evidence of effective risk management. Risks are 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, have little impact on the business of the College.

7.4 The respective roles in Risk Management have been clarified as follows:

- Board of Management – Consider whether risk management policy is operating effectively and is effectively communicated in College plans. Consider the detail of the risk register and update as required. This duty may be delegated to the Audit Committee
- College Management – Maintain and develop the risk register and integrate risk management into internal planning and delivery processes.

In line with this policy, the Board of Management requires that the risk management strategy and supporting procedures include:

- the adoption of common terminology in relation to the definition of risk and risk management
- the establishment of North Highland College-wide criteria for the measurement of risk, linking the threats to their potential impact and the likelihood of their occurrence together with a sensitivity analysis
- a decision on the level of risk to be accepted, together with tolerance levels expressed in terms of measurable outcomes (see above)
- a decision on the level of risk to be covered by insurance (see 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.

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 the North Highland College should be raised with the relevant member of staff's immediate line manager, Assistant Director or College Manager. However, the North Highland 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 Vice Principal. If the member of staff does not wish to raise the matter with one of the designated investigating officers, it may be raised with the Chair of the Audit committee.
- 8.4 The full procedure for whistleblowing is set out in the North Highland College's whistleblowing policy, which is available via the SQMS manual and the College intra-net. Further details of the Public Interest Disclosure Act are set out at Appendix E.

9 Code of Conduct

- 9.1 The North Highland 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, it is expected that members of the Board of Management of the North Highland College and staff at all levels will observe its code of conduct, contained in its detailed financial procedures, 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 the North Highland College's register of interests maintained by the Secretary to the Board of Management. They will also be responsible for ensuring that entries in the register relating to them are kept up to date regularly and promptly, as prescribed in the financial procedures.

9.3 In particular, no person shall be a signatory to a North Highland College contract where he or she also has an interest in the activities of the other party.

9.4 **Receiving gifts or hospitality**

It is an offence under the Bribery Act 2010 for members of staff to accept corruptly any gift or consideration as an inducement or reward for doing, or refraining from doing, anything in an official capacity or showing favour or disfavour to any person in an official capacity. The guiding principles to be followed by all members of staff must be:

- the conduct of individuals 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 the North Highland 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 Assistant Director, College Manager or the Director of Finance. Guidance on acceptable hospitality is contained in the detailed financial procedures. For the protection of those involved, the Director of Finance (or other designated officer) will maintain a register of gifts and hospitality received where the value is in excess of £50. Members of staff in receipt of such gifts or hospitality are obliged to notify the Director of Finance (or other designated officer) promptly.

C FINANCIAL MANAGEMENT AND CONTROL

10 Financial Planning

10.1 The Director of Finance is responsible for preparing annually a rolling three-year financial plan for approval by the Board of Management on the recommendation of the finance committee 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 the North Highland College. These will help the Director of Finance in preparing his or her more detailed financial plans for the North Highland College.

10.3 Resource allocation

Resources are allocated annually by the Board of Management on the recommendation of the finance committee, and on the basis of the above objectives. Assistant Directors and College Managers are responsible for the economic, effective and efficient use of resources allocated to them.

10.4 Budget preparation

The Director of Finance is responsible for preparing each year an annual revenue budget and capital programme for consideration by the finance and general purposes committee before 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 Director of Finance must ensure that detailed budgets are prepared in order to support the resource allocation process and that these are communicated to Assistant Directors and College Managers as soon as possible following their approval by the Board of Management.

During the year, the Director of Finance is responsible for submitting revised budgets to the finance and GP committee for consideration before submission to 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 the North Highland 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 Director of Finance 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 and are shown in more detail in financial procedures.

The Director of Finance will also establish procedures for the approval of variations, including the notification of large variations to the funding body, as laid down in funding council guidelines.

The Director of Finance is responsible for providing regular statements concerning all capital expenditure to finance and GP committee for monitoring purposes.

Following completion of a capital project, a post-project evaluation or final report should be submitted to the finance and GP committee 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 council guidelines.

10.6 **Overseas activity**

In planning and undertaking overseas activity, the North Highland College must have due regard to any 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 £50,000 should be presented for approval to the finance and GP committee.

The Director of Finance, together with the Major Projects section, 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. They are summarised at Appendix H and are shown in more detail in financial procedures.

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 line manager for the income and expenditure appropriate to their budget.

Significant departures from agreed budgetary targets must be reported immediately to the Director of Finance by the budget holder 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 Director of Finance. The types of management information available to the different levels of management are described in the detailed financial procedures, together with the timing at which they can be expected.

The Director of Finance is responsible for supplying budgetary reports on all aspects of the North Highland College's finances to the finance and GP committee on a basis determined by the finance and GP committee but subject to any specific requirements of the funding body. These reports are presented to the Board of Management, which has overall responsibility for the North Highland College's finances.

11.3 **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 finance and GP committee has approved a specific scheme for carrying forward all or part of unspent amounts.

12 **Accounting Arrangements**

12.1 **Financial year**

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

12.2 **Basis of accounting**

The consolidated 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 installments 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.

In general terms, 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, however this may vary dependent on circumstances, e.g. as a part of a larger project. Plant and Equipment and Computing Equipment will be depreciated over a period of 3 years commencing in the year of acquisition. Motor Vehicles will be depreciated over a period of 4 years commencing in the year of acquisition.

12.5 **Accounting records**

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

The North Highland 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 Director of Finance 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 European Funding agencies.

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 freedom of information legislation (FOI), the Board of Management is required to supply any person with a copy of the North Highland College's most recent financial statements or other non-commercial information within 30 days. The Act enables the Board of Management to levy a reasonable fee and this will be charged at the discretion of the FOI Officer. With effect from 2006 copies of the college accounts will be made available on the North Highland College's website.

12.7 **Taxation**

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

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

The Director of Finance is responsible for drawing up a timetable for final accounts purposes and will advise staff and the external auditors accordingly.

Following consideration by the finance and GP committee, the financial statements should be reviewed by the audit committee. On the recommendation of the finance and GP and audit committees they will be submitted to the Board of Management for approval and signing.

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 the North Highland College.

The primary role of external audit is to report on the North Highland 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 the funding body's audit code of 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.

The North Highland College's financial memorandum with the funding council requires that it has an effective internal audit function and their duties and responsibilities must be in accordance with advice set out in the funding body's audit code of 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 Chairman of the Board of Management, Principal and 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, Bribery and Corruption**

It is the duty of all members of staff, management and the Board of Management to notify the Director of Finance immediately whenever any matter arises which involves, or is thought to involve, irregularity, including fraud, bribery, corruption or any other impropriety.

The Director of Finance 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 chair) 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 the funding council in accordance with their requirements as set out in the audit code of 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 Director of Finance and/or the Principal, the member of staff shall notify the chair 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 the North Highland 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 council, Audit Scotland, the Public Accounts Committee or other relevant bodies.

Internal audit may 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**

The North Highland College may, from time to time, be subject to audit or investigation by external bodies such as the funding body, European Court of Auditors, HM Customs and Excise and the Inland Revenue. They have the same rights of access as external and internal auditors.

14 Treasury Management

14.1 **Treasury management policy**

The North Highland College must comply with funding council rules regarding approval for any secured or unsecured loans that go beyond the general consent levels set out in the financial memorandum. The finance and GP committee has a responsibility to ensure implementation, monitoring and review of such arrangements.

All executive decisions concerning borrowing, investment or financing (within policy parameters) shall be delegated to the Director of Finance and an appropriate reporting system set up. All borrowing shall be undertaken in the name of the North Highland College and shall conform to any relevant funding council requirements. The Director of Finance will report to the finance and GP committee in each financial year on the activities of the treasury management operation and on the exercise of treasury management powers delegated to him or her.

14.2 **Appointment of bankers and other professional advisers**

The Board of Management is responsible for the appointment of the North Highland College's bankers and other professional financial advisers (such as investment managers) on the recommendation of the finance and GP committee. The appointment shall be for a specified period after which consideration shall be given by the finance and GP committee to competitively tendering the service.

14.3 **Banking arrangements**

The Director of Finance is responsible, on behalf of the finance and GP committee, for liaising with the North Highland College's bankers in relation to the North

Highland College's bank accounts and the issue of cheques. All cheques shall be ordered on the authority of the Director of Finance, who shall make proper arrangements for their safe custody.

Only the Director of Finance may open or close a bank account for dealing with the North Highland College's funds. All bank accounts shall be in the name of the North Highland College or one of its subsidiary companies.

All cheques drawn on behalf of the North Highland College must be signed in the form approved by the finance and GP committee. All cheques require two signatures. Details of authorised persons and limits shall be provided for in the North Highland College's detailed financial procedures (see 19.2).

All automated transfers on behalf of the North Highland College, such as BACS or CHAPS, must be authorised in the appropriate manner and on the basis approved by the finance and GP committee. Details of authorised persons and limits shall be provided for in the North Highland College's detailed financial procedures (see 19.2).

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

15 Income

15.1 General

The Director of Finance is responsible for ensuring that appropriate procedures are in operation to enable the North Highland 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 Director of Finance.

Levels of charges for contract research, services rendered, goods supplied and rents and lettings are determined by procedures approved by the finance and GP committee, and are approved by the Board of Management.

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

The Director of Finance is responsible for ensuring that all grants notified by the funding council and other bodies are received and appropriately recorded in the North Highland College's accounts.

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

15.2 **Maximisation of income**

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

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

All monies received must be paid to the cashier promptly, and in accordance with a timetable prescribed by the Director of Finance and set out in financial procedures. The custody and transit of all monies received must comply with the requirements of the North Highland 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 departmental petty cash float. Personal or other cheques must not be cashed out of money received on behalf of the North Highland College.

Receipts by credit or debit card: the North Highland College may only receive payments by debit or credit card using procedures approved by the Director of Finance.

Internet receipts: any member of staff wishing to arrange for payment to be made to the North Highland College by the internet should seek guidance from the Director of Finance at an early stage.

15.4 **Collection of debts**

The Director of Finance should ensure that:

- debtors invoices are raised promptly on official invoices, in respect of all income due to the North Highland 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 Director of Finance can implement credit arrangements and indicate the periods in which different types of invoice must be paid.

Requests to write off debts in excess of £5,000 must be referred in writing to the Director of Finance for submission to the finance committee for consideration.

Debts below this level may be written off with the permission of the Director of Finance, who will deliver a summary report to the Principal.

15.5 **Student fees**

The procedures for collecting tuition and residence fees must be approved by the Director of Finance. He or she is responsible for ensuring that all student fees due to the North Highland College are received.

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

15.6 **Student loans**

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

15.7 **Hardship loans**

The North Highland College's scheme for hardship loans must be approved by the Board of Management via its Finance and GP committee. 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 Director of Finance 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 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 Director of Finance. This will include obtaining a set of grant terms and conditions from each organisation providing funding to enable appropriate monitoring of compliance.

The Director of Finance is responsible for examining every formal application for grant and shall ensure that there is adequate provision of resources to meet all commitments. The Director of Finance should ensure that the full cost of research contracts is established. The research agreement must be in line with the North Highland 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 the North Highland College by the Principal or his/her delegated deputy.

The Director of Finance 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 head of the budget centre 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 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 the North Highland 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 the North Highland 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 North Highland College resources required (for the calculation of the full economic cost)
- an undertaking that the work will not interfere with the teaching and normal North Highland College 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 the North Highland College provides education to students away from North Highland College premises, or with the assistance of persons other than the North Highland 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 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 and the impact of the contract(s) shall be subject to scrutiny by the finance and GP committee or the Board of Management. The format for regular reports shall be as stated in funding council guidance. They shall consider the risk factors associated with the proposed partnership and agree an appropriate entry in

the North Highland College's financial forecast.

Where the partnership would represent a significant departure from the North Highland 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 Principal prior to any commitment being entered into. Such approval shall be dependent upon the Principal being satisfied that eligible match funds are available and that the project is financially viable by the application of the North Highland College's costing and pricing policy.

Individual applications for funds in excess of £50,000 (net) 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 projects.

If North Highland College sub-contracts such work to external providers, the relevant project manager shall ensure:

- 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 made only 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 Assistant Director and the Director of Finance.

Other income-generating activities organised by members of staff must be costed and agreed with the Director of Finance before any commitments are made.

Provision must be made for charging both direct and indirect costs in accordance with the North Highland College's costing and pricing policy, in particular for the recovery of overheads.

18 Intellectual Property Rights and Patents

18.1 General

Certain activities undertaken within the North Highland 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 finance and GP committee is responsible for establishing procedures to deal with any patents accruing to the North Highland College from inventions and discoveries made by staff in the course of their research.

18.3 Intellectual property rights

In the event of the North Highland College deciding to become involved in the commercial exploitation of inventions and research, the matter should then proceed in accordance with the intellectual property procedures issued by the North Highland College and contained in the North Highland College's detailed financial procedures.

19 Expenditure

19.1 General

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

19.2 Scheme of delegation/financial authorities

Assistant Directors and College Managers are 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 Director of Finance shall maintain a register of authorised signatories and Assistant Directors and College Managers must supply him or her with specimen signatures of those authorised to certify invoices for payment.

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

Assistant Directors, College Managers and budget holders are not authorised to commit the North Highland College to expenditure without first reserving sufficient funds to meet the purchase cost.

Expenditure on a single item in excess of £1,000 shall require the approval of a member of the Executive Group. Expenditure on items in excess of £50,000 (net) shall require the approval of the finance and GP committee.

19.3 **Procurement**

The North Highland 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 Director of Finance (or other designated officer) is responsible for:

- ensuring that The North Highland College's purchasing policy is known and observed by all involved in purchasing for The North Highland College.
- Advising on matters of college purchasing policy and practice
- Advising and assisting Sections where required on specific departmental purchases
- Developing appropriate standing supply arrangements on behalf of North Highland College to assist budget holders in meeting their value for money obligations
- Vetting all orders above £1,000 before they leave North Highland College
- Ensuring that North Highland College complies with EU regulations on public procurement policy

19.4 **Purchase orders**

The ordering of goods and services shall be in accordance with the North Highland College's detailed financial procedures/procurement policies.

Official North Highland College orders must be placed for the purchase of all goods or services via the PECOS system, except those made using purchasing cards, company credit cards or petty cash. 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.

It is the responsibility of the Director of Finance to ensure that all purchase orders refer to the North Highland College's conditions of contract (see 19.7 and Appendix K).

19.5 **Tenders and quotations**

Assistant Directors, College Managers and delegated budget holders must comply with the North Highland College's tendering procedures contained in the North Highland College's code of tendering practice, which are applicable as follows:

- under £3,000 – the budget holder shall have the discretion to decide whether or not to obtain quotations, but value for money must always be obtained
- £3,001 to £19,999 – the budget holder shall be required to obtain at least three quotations
- £20,000 – £49,999 - all items will require three competitive tenders.
- £50,000 and over - all items will require three competitive tenders and will require to be approved by the Finance and GP Committee of the Board of Management.

Only partnership arrangements for the supply of goods or services specifically approved by the Finance and GP Committee or the Board of Management will fall outside these arrangements for tenders and quotations.

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

19.6 **Post-tender negotiations**

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

- it would not put other tenderers at a disadvantage
- it would not affect their confidence and trust in the North Highland 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 finance and GP committee.

19.7 **Contracts**

Building contracts are administered by the College Manager with responsibility for Estates.

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

Consultants may be appointed if the project, as determined by Board of Management, is too large or too specialised for North Highland College Estates 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 Director of Finance as appropriate for Board of Management consideration. Investment appraisals should comply with appropriate funding council guidance.

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

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

Conditions of contract for the purchase of goods will be followed as described in the North Highland College's detailed financial procedures. The main points are described at Appendix K.

19.8 **EU regulations**

The purchasing officer is responsible for ensuring the North Highland 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 Director of Finance will advise Section Assistant Directors and College Managers on the thresholds that are currently in operation. A breach of these EU regulations is actionable by a supplier or potential supplier.

The Director of Finance is also required to submit to the funding council annually details on expenditure which exceeds the threshold. Copies of the relevant documentation falling into this category must be provided by Assistant Directors and College Managers to the purchasing officer.

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.

All goods received shall be entered onto an appropriate goods received document or electronic receipting system on the day of receipt. If the goods are deemed to be unsatisfactory, the 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.

All persons receiving goods on behalf of the North Highland 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 Director of Finance.

The Director of Finance is responsible for deciding the most appropriate method of payment for categories of invoice. Payments to UK suppliers will normally be made by computer cheques or BACS transfer each month. In exceptional circumstances the Director of Finance will prepare cheques manually for urgent payments.

Assistant Directors and College Managers 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 finance department (electronic system).

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

Payments will only be made by the Director of Finance against invoices that have been certified for payment by the appropriate head of department or budget holder (paper-based system).

Payments will only be made by the Director of Finance against invoices that can be matched to a receipted order (electronic 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**

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 Director of Finance and the relevant head of department may jointly approve cash advances to staff who are going to incur expenditure on the North Highland College's behalf. Upon completion of the travel or project to which the advance relates, within one month a claim 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 North Highland College credit cards

Where appropriate, the Principal or the Director of Finance may approve the issuing of North Highland 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 Director of Finance will be responsible for setting in place a system to monitor the use of North Highland College credit cards and account for expenses charged through them.

19.13 Petty cash

Where small value expenditure is proposed, it should be paid from petty cash if possible. It must be supported by receipts or vouchers where available.

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

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

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

Standard North Highland College petty cash records are supplied by the Director of Finance 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 Director of Finance, supported by detailed claims.

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
- the North Highland 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 Director of Finance and the relevant head of department may jointly approve cash advances for projects carried out away from the North Highland 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 or a North Highland College credit card.

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 the North Highland College's catering facilities.

The limits concerning acceptable expenditure for entertaining guests are set out in the North Highland College's detailed financial procedures.

20 **Pay Expenditure**

20.1 **Remuneration policy**

All North Highland 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 Human Resources office.

The Board of Management will determine what other benefits are to be available, the basis of their provision (contributory or not) and the staff to whom they are to be available. No other benefits are currently offered.

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 the North Highland College's approved H.R. practices and procedures and all offers of employment with the North Highland College shall be made in writing by the Human Resources Manager. Assistant Directors and College Managers shall ensure that the Director of Finance and the H.R. Manager are provided promptly with all information they may require in connection with the appointment, resignation or dismissal of employees.

20.3 **Salaries and wages**

The Director of Finance 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 Director of Finance.

The Human Resources Manager will be responsible for keeping the Director of Finance 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 Director of Finance 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.

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

All payments must be made in accordance with the North Highland 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 Director of Finance and the Human Resources Manager are responsible for day-to-day superannuation matters, including:

- paying contributions to various authorised superannuation schemes
- preparing the annual return to various superannuation schemes
- administering the North Highland College's pension fund.

The Human Resources Manager is responsible for administering eligibility to pension arrangements and for informing the Director of Finance when deductions should begin or cease for staff.

20.5 **Travel, subsistence and other allowances**

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

Claims by members of staff must be authorised by a member of the Executive Group. The certification shall be taken to mean that:

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

Arrangements for 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 Chair of finance and GP committee.

20.6 **Overseas travel**

All arrangements for overseas travel must be approved by the Principal in advance of committing the North Highland 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 Chair of finance and GP committee.

Where spouses, partners or other persons unconnected with the North Highland College intend to participate in a trip, this must be clearly identified in the approval request. The North Highland 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 Chairman of the Board of Management. Claims for the Chairman will be authorised by the Chair of finance and GP committee. Claims for 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 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 Human Resources Manager or Director of Finance. Amounts paid should be declared in the financial statements.

All matters referred to an industrial tribunal shall be notified to the HR and finance and GP committees 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 council requirements where exchequer-funded assets or exchequer funds are involved.

21.2 **Fixed asset register**

The Director of Finance is responsible for maintaining the North Highland College's register of land, buildings, fixed plant and machinery. Assistant Directors and College Managers will provide the Director of Finance with any information he or she may need to maintain the register.

21.3 **Stocks and stores**

Assistant Directors and College Managers are responsible for establishing adequate arrangements for the custody and control of stocks and stores within their departments.

Assistant Directors and College Managers 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 Assistant Directors and College Managers whose stocks require valuation in the balance sheet must ensure that the stock-taking procedures in place have the approval of the Director of Finance and that instructions to appropriate staff within their departments are issued in accordance with advice contained in the North Highland College's detailed financial procedures.

21.4 Safeguarding assets

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

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

21.5 Personal use

Assets owned or leased by the North Highland College shall not be subject to personal use without proper authorisation.

21.6 Asset disposal

Disposal of equipment and furniture must be in accordance with procedures contained in the North Highland College's detailed financial procedures.

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

22 Funds Held on Trust

22.1 Gifts, benefactions and donations

The Director of Finance is responsible for maintaining financial records in respect of gifts, benefactions and donations made to the North Highland College and initiating claims for recovery of tax where appropriate.

22.2 **Student Hardship and Childcare funds**

The Director of Finance will ensure that procedures for the use of further and higher education student hardship and childcare funds are in accordance with those prescribed by the Student Awards Agency for Scotland and the Funding Council respectively.

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

22.3 **Voluntary funds**

The Director of Finance shall be informed of any fund that is not an official fund of the North Highland College which is controlled wholly or in part by a member of staff in relation to their function in the North Highland 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 Director of Finance shall be entitled to verify that this has been done.

23 **Other**

23.1 **Insurance**

The Director of Finance is responsible for the North Highland 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 8.1 to 8.5), 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 finance and GP committee on a regular basis.

The Director of Finance is responsible for effecting insurance cover as determined by the finance and GP committee. He or she is therefore responsible for obtaining quotes, negotiating claims and maintaining the necessary records. The Director of Finance will keep a register of all insurances effected by the North Highland College and the property and risks covered. He or she will also deal with the North Highland College's insurers and advisers about specific insurance problems.

Assistant Directors and College Managers must ensure that any agreements negotiated within their departments with external bodies cover any legal liabilities to which the North Highland College may be exposed. The Director of Finance's advice should be sought to ensure that this is the case. Assistant Directors and College Managers must give prompt notification to the Director of Finance of any potential new risks and additional property and equipment that may require insurance and of any alterations affecting existing risks. Assistant Directors and College Managers must advise the Director of Finance immediately of any event that may give rise to an insurance claim. The Director of Finance will notify the North Highland College's insurers and, if appropriate, prepare a claim in conjunction with the head of department for transmission to the insurers.

The College Manager responsible for Estates and Facilities is responsible for keeping 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 the North Highland College shall maintain appropriate insurance cover for business use.

23.2 **Companies and joint ventures**

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

The Board of Management is responsible for ensuring that the required procedures are followed. The process involved in forming a company or a joint venture and arrangements for monitoring and reporting on the activities of these undertakings are documented in the North Highland College's financial procedures.

It is the responsibility of the Board of Management to establish the shareholding arrangements and appoint directors of companies wholly or partly owned by the North Highland College. These and other arrangements will be set out in a memorandum of understanding.

The directors of companies where the North Highland College is the majority

shareholder must submit, via the finance and GP committee, 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 the North Highland College. The North Highland College's internal and external auditors shall also be appointed to such companies.

23.3 **Security**

Keys to safes or other similar containers are to be carried on the person of those responsible at all times. The loss of such keys must be reported to the Director of Finance immediately.

An officer shall be responsible for maintaining proper security and privacy of information held on the North Highland 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 will be subject to the provisions of the Data Protection Act 1998. A data protection officer shall be nominated to ensure compliance with the Act and the safety of documents.

The Director of Finance is responsible for the safekeeping of official and legal documents relating to the North Highland College. Signed copies of deeds, leases, agreements and contracts must, therefore, be forwarded to the Director of Finance. All such documents shall be held in an appropriately secure location.

23.4 **Students' Association**

The Students' Association is a constituent part of the North Highland College and, as such, is responsible to the Board of Management.

The Board of Management shall determine the level of grant to be paid annually to the Students Association and approve their budget for the year.

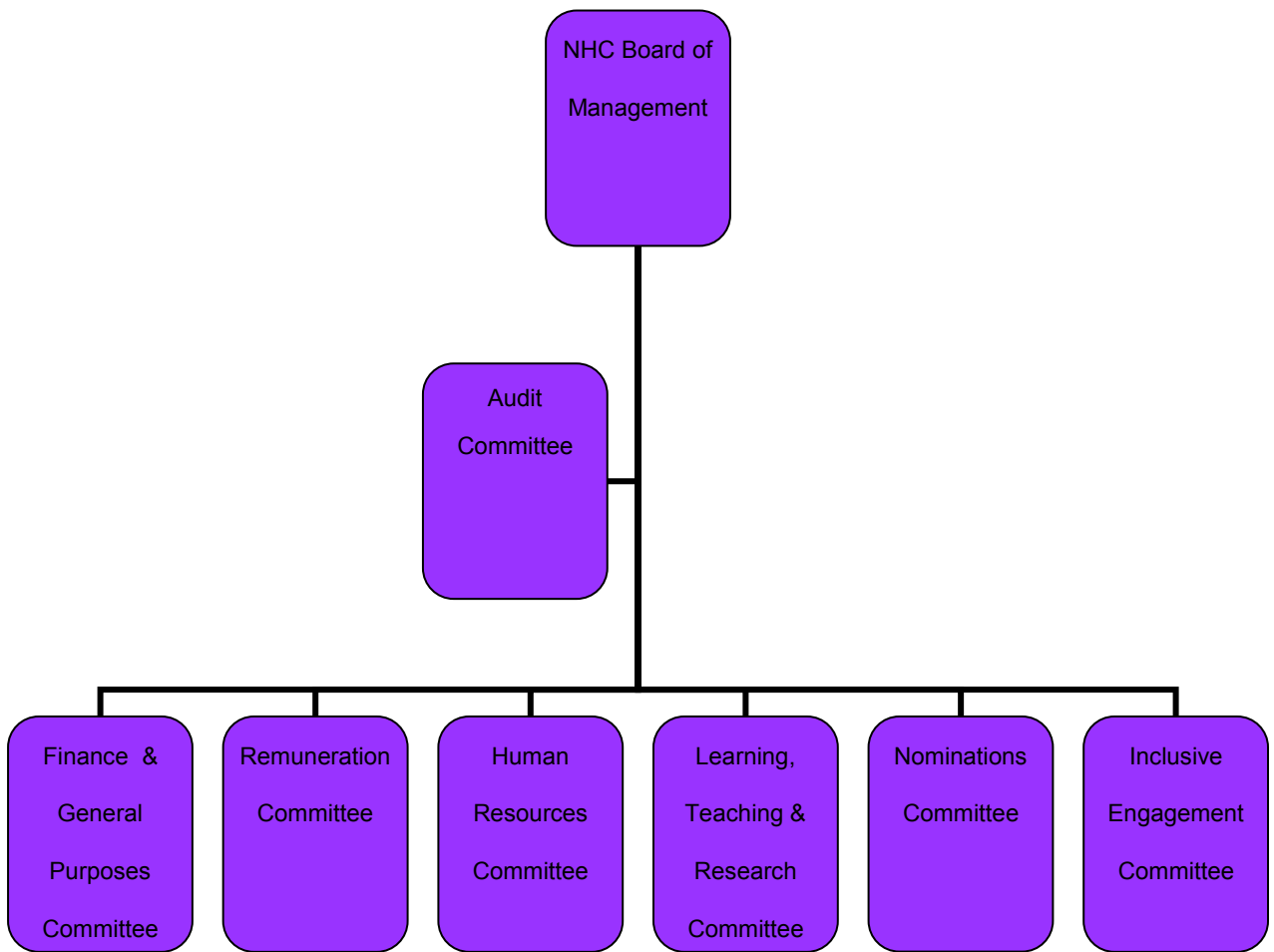
23.5 **Provision of indemnities**

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

25 Appendices

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North Highland College Board of Management Structure



APPENDIX B: FINANCE & GENERAL PURPOSES COMMITTEE
RESPONSIBILITIES

Terms Of Reference

1. GENERAL

The Finance & General Purposes Committee shall exercise an appropriate degree of independence and have sufficient authority and resources to form an opinion and to report on the arrangements of the College with regards to the matters defined in its list of duties in Section 5 below.

2. CONSTITUTION AND MEMBERSHIP

The Committee and its Chairman will be appointed by the Board of Management. There shall be not less than five members. The Chairman of the BoM and the Principal may be *ex officio* members of this Committee. A quorum shall be four members. It would be advantageous for one member at least to have an appropriate background within the context of the Committee's duties but membership shall not be drawn exclusively from people with such a background. The Committee may, if it considers it necessary or desirable, co-opt members with particular expertise.

3. AUTHORITY

The Committee is authorised by the Board to investigate any activity within its list of duties as outlined in Section 5 below. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee in pursuit of its duties.

The Committee is authorised by the Board to obtain independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary.

4. PROCEEDINGS

The Committee shall normally meet four times per year. The Director of Finance and another member of the Senior Management Team shall normally attend Committee meetings, together with other staff invited to attend.

5. The Finance & General Purposes Committee has overall responsibility (within the Financial Memorandum between the College and the Scottish Funding Council (SFC)) for the direction and oversight of the College's financial affairs. The Committee also has responsibility for the College's existing buildings, facilities and Estate, including, but not limited to, adopting all reasonably practicable measures to ensure compliance with statutory and regulatory requirements. On behalf of the Board of Management the duties of the Committee shall be to:

1. Approve all key decisions taken in relation to the College Estate, Facilities and Financial matters;
2. Allocate the Estates capital formula funding on an annual basis;
3. Co-ordinate the Estates Strategy and deal with all Estate & Facilities business;
4. Consider the Health Safety Policy annual review prior to recommendation to the BoM;
5. Monitor and review all College Health & Safety statistics on an annual basis;
6. Make recommendation on the annual budget to the Board of Management and monitor actual performance against budget and KPIs;
7. Consider the annual accounts and make recommendation of these for approval;

8. Advise the BoM with regard to College compliance with all statutory requirements relating to the college accounts and application of appropriate best practice in accounting procedures;
9. Oversee systems of financial control and delegated authority and review the Financial Regulations on a regular basis;
10. Liaise with the external auditor to ensure the college accounts show a true and fair view and exhibit regularity of spend;
11. Advise the BoM that the allocation of resources is in accordance with college priorities as defined in the strategic plan;
12. Make recommendations to the Board on capital expenditure, investments and borrowing;
13. Set the levels of course fees, as appropriate;
14. Approve amendments to the Fee Waiver Policy;
15. Consider/approve any College developments and initiatives not covered by the above and, in addition, not covered by the remit of the HR or LT&R Committees.

6. REPORTING PROCEDURES

The Finance & General Purposes Committee reserves the right to refer any item within its scheme of delegation to the BoM, if considered necessary.

The Committee shall circulate a report of its meetings to the Board of Management.

TERMS OF REFERENCE

1. GENERAL

The Audit Committee shall exercise an appropriate degree of independence and operate within the framework as authorised in Section 5. It shall have sufficient authority and resources to fulfil its responsibilities in respect of corporate governance compliance and legislative requirements and will report to the BoM on:

- the effectiveness of financial and non-financial internal control systems and provide an annual written report to the BoM prior to the signing of the financial statements;
- proper financial management;
- safeguarding the assets of the College, its subsidiaries and public funds;
- the economy, efficiency and effectiveness of the College and its subsidiaries' activities;
- corporate governance and conduct of the College and its subsidiaries' operations.

The terms of reference and membership of the Committee shall be disclosed in the Group's annual report and accounts.

2. CONSTITUTION AND MEMBERSHIP

The Committee and its Chairman will be appointed by the Board of Management and will consist of members with no executive responsibility for the management of the College. The Chairman of the BoM, Staff representatives or other appointed representatives will not be members of the Audit Committee. No connected party such as an employee or partner of the College's solicitors, bankers, auditors, insurers or other professional advisers shall be a member.

There shall be not less than three members. A quorum shall be two members. At least one member shall have a background in finance, accounting or auditing but membership need not be drawn exclusively from people with such a background. The Committee may, if it considers it necessary or desirable, co-opt members with particular expertise.

The Principal as Accountable Officer for the College shall be authorised to attend meetings in an advisory capacity only.

It is normally the responsibility of the Assistant Director, Quality & Audit to supply the Committee with appropriate documentation. Other members of the Senior Management Team will be expected to attend meetings on request.

3. AUTHORITY

The Committee is authorised by the Board to investigate any activity within its list of duties as outlined in Section 5. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary.

4. PROCEEDINGS

The Committee shall normally meet four times per year, but must meet at least three times a year. The timing and content of the meetings shall follow, as far as possible, the planning and reporting cycles of internal and external audit. The internal auditor shall normally be invited to attend Audit Committee meetings, together with other staff as appropriate. The external auditor must attend any meetings where relevant matters are being considered.

The Committee shall, whenever it is satisfied it is appropriate, go into a confidential session and exclude any, or all, of the executive team or observers.

5 DUTIES

The duties of the Committee shall be to:

- review the processes for auditing the effectiveness of all internal control and financial systems;
- advise the Board on the criteria for the selection and appointment of the internal auditor;
- review the scope and effectiveness of internal audit work including planning and operation of the work and the internal audit annual report;
- ensure the College has systems and procedures to promote economy, efficiency and effectiveness and that activities are managed in accordance with legislation and regulations - this may require identifying specific value for money studies;
- consider the College and its subsidiaries' annual financial statements after review by the Finance Committee and prior to submission to the Board, focussing in particular on any changes in accounting policy, major judgmental areas, significant audit adjustments, the going concern assumption and compliance with accounting standards and the Accounts Direction;
- review the external auditor's Management Letter and management's response and having direct access to the external auditor;
- review relevant reports from the SFC, Audit Scotland and other organisations;
- monitor the performance and effectiveness of external and internal audit;
- carry out an audit needs assessment for the College and draw up a risk register and, from that, determine the audit programme;
- ensure a system of risk management has been established and is being maintained.
- Monitor the arrangements by which staff can raise concerns about possible improprieties in matters of financial reporting or other matters, in confidence (Public Interest Disclosures Act 1998 -Whistleblowing),

ensuring that proportionate and independent investigation of such matters can take place and the appropriate follow-up action taken.

- monitor the implementation of the College's ICT Security Policy;
- provide such advice to the BoM as the Committee considers appropriate.

For additional guidance, see Annex B of the SFC 'Code of Audit Practice', the FRC Combined Code on Corporate Governance and the ASC Guide for College Board Members.

The Audit Committee shall ensure that all significant losses have been properly investigated.

6. REPORTING PROCEDURES

The Audit Committee reserves the right to refer any item within its scheme of delegation to the BoM, if considered necessary.

The Committee shall circulate a report of its meetings to the Board and impart its advice directly to the BoM. It will produce an annual report to the BoM, a copy of which must be submitted to the Accounting Officer of SFC within one month of being presented to the BoM. Where an annual report has not been submitted to the BoM by 31 December, following the end of the College's financial year to which it relates, a draft copy of the report must be submitted to SFC FEDD by that date.

APPENDIX D: KEY CONTACTS IN THE FINANCE DEPARTMENT

INTRODUCTION

- 1 The finance department is located on the ground floor of the Main Campus building, Thurso. The office is manned open between 8.30 am and 5.00 pm.
- 2 In order to obtain maximum benefit from the finance department, it is important to observe the published deadlines. The 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 together with appropriate contact names. There is also a list at the end of the document which gives contact details for individual post-holders.
- 5 **Creditor payments.** This service pays all sums owed by the North Highland College other than payroll items. Payments are made mainly to suppliers of goods and services. Payments can be made to any country and in most currencies. For payments queries please contact: *Lesley Gunn*.
- 6 **Collection of income.** All income due to the North Highland College must be banked through the finance department. Payments are received by BACS, cheque, cash, credit cards or debit cards and can be in sterling or foreign currencies. Instalment facilities are available for some categories of student in relation to their tuition fees. Overdue debts are pursued in consultation with departments and, where appropriate, court action is taken. Security arrangements for cash in transit are made for transfers between financial services and the bank but not for internal transfers to financial services. For income queries please contact: *Irene Sutherland*
- 7 **Payroll.** The North Highland College payroll is managed and processed in-house. This service also cover the administration of all PAYE, Pension and other deduction, returns and other. For payroll queries please contact: *Moirra Conway*

- 8 **Insurance.** All aspects of insurance cover and claims are handled by the finance department. 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. For insurance queries please contact: *Roddy Ferrier or Gillian Hossack.*
- 10 **Controlled stationery.** In order to comply with financial regulations, to ensure that current versions of documents are used and to avoid duplication of control numbers, it is important to order these items from the finance department. They include official order forms, claim forms, travel forms, etc. To order supplies of controlled stationery please contact: *Gillian Hossack*

FINANCIAL ACCOUNTING

- 12 Many of the functions under this heading will not directly affect faculties and departments. They include maintenance of the accounting system, preparation of final and other accounts, tax returns, etc. Another such function relates to treasury management, which encompasses borrowing and lending, cash flow forecasting and management of the bank accounts. There are, however, several services which are for the specific benefit of users.
- 13 **Project Accounting.** Project numbers are allocated on receipt of specific proposal so that all income and expenditure can be matched to projects. Advice is available for the preparation of bids for projects, especially in relation to external funding. Arrangements are also made for vetting and auditing various grant claims. For queries relating to other project services contact: *Roddy Ferrier.*
- 14 **Major capital projects.** Assistance in the preparation of bids for funding, investment appraisals and monitoring of schemes are all included within the service. It is mandatory for the negotiation of funding packages to be carried out by finance department staff. For queries relating to capital schemes and grant claims please contact: *Roddy Ferrier.*

Management accounting

- 15 Much of the work in this area is at a corporate level. This includes the preparation of the financial plan, consolidation and submission of planning data to the funding council, compilation of the detailed annual budget and production of comparative statistical data. The Director of Finance must also provide regular monitoring statements and financial advice to the Finance & general Purposes Committee and the Board of Management.
- 16 **Budget monitoring.** At the appropriate level, detailed accounts are produced indicating performance against budget at account code level. All users also offered regular support from finance department staff in order to ensure that monitoring statements are being received, understood and used. For queries relating to budget monitoring please contact: *Roddy Ferrier*.

MANAGEMENT CONTROL

- 17 A range of services provided by the finance department relate to the overall control of the North Highland College's systems. Some of these are mandatory.
- 18 **Procedures and regulations.** Financial regulations and detailed financial procedures are maintained and disseminated by the finance department. Again, their existence is a funding council requirement. For queries relating to management control matters please contact: *Roddy Ferrier*.
- 19 **Purchasing Issues.** Purchasing advice and guidance on the acquisition of goods/services; assistance with compiling specifications; quotations; sourcing of vendors; negotiations; maintenance of the purchasing manual and associated guidance notes. For all purchasing issues contact: *Gillian Hossack*.

Finance department post-holders and contact details to be completed

Post Director of Finance
Name Roddy Ferrier
Phone 01847 889221
Email rodgy.ferrier@thurso.uhi.ac.uk

Post Management Accountant
Name Gillian Hossack
Phone 01847 889223
Email gillian.hossack@thurso.uhi.ac.uk

Post Accounts Assistant
Name Moira Conway
Phone 01847 889229
Email moira.conway@thurso.uhi.ac.uk

Post Finance Supervisor
Name Irene Sutherland
Phone 01847 889225
Email irene.sutherland@thurso.uhi.ac.uk

Post Clerical Assistant
Name Lesley Gunn
Phone 01847 889222
Email lesley.gunn@thurso.uhi.ac.uk

APPENDIX E: MAIN FEATURES OF THE PUBLIC INTEREST DISCLOSURE ACT 1998

SUMMARY

The Public Interest Disclosure Act 1998 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 agency staff, contractors, home workers, trainees and every professional in the NHC. 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 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 (e.g. 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.

The Bribery Act 2010 introduces new criminal offences for bribery for both individuals and companies. The Act is in force from 1 July 2011. The Bribery Act 2010 replaces the previous main statutory authorities on bribery and creates several new criminal corporate offences. The purpose of the Act is to provide a new consolidated scheme of bribery offences to prosecute bribery both in the UK and abroad.

Bribing and being bribed: improper performance of function

The approach of the Act is to penalise the intention to induce improper conduct. To achieve this, the Act makes the “improper performance of a function or activity” the key to the offences of bribing and being bribed.

Improper conduct is where someone offers, gives, requests or receives an advantage. An advantage includes a financial advantage such as a payment but is otherwise undefined in the Act so it will be a matter of common sense as determined by the courts.

A relevant function is a public function or a business activity where it is expected that the person performing it does so impartially or in good faith or in a position of trust. Improper performance will arise where the relevant person does not act impartially, or in good faith or acts in abuse of a position of trust.

The Act regulates functions and activities when these are:-

1. functions of a public nature
2. activities connected with a business
3. activities performed in the course of a person’s employment; and
4. activities performed by or on behalf of a body of persons.

Offence 1: bribing another person

This offence will be committed by a person who bribes. This is where a person offers, promises or gives a financial or other advantage to a receiver, where that person’s aim is to induce the receiver to perform a function or activity improperly (section 1 of the Act).

Offence 2: being bribed

This offence will be committed by the receiver of the bribe. It can be committed when the receiver requests, agrees to receive, or accepts a financial or other advantage where the aim, result or purpose is that a function or activity is performed improperly (section 2 of the Act).

Offence 3: bribing a foreign official

The offence of bribing a foreign public official deals with the offering, promising or giving of bribes but not the acceptance of them. The person giving the bribe must intend to influence the foreigner in his official capacity and must be seeking business or a business advantage. However this conduct will only amount to an offence where the *written law* applicable to the foreigner does not permit or require him to be influenced by the offer, promise or gift (section 6 of the Act). A foreign public official includes government members, judicial officers and other individuals exercising public functions.

Offence 4: the corporate offence

The Act creates an offence for failing to prevent bribery which can be committed by a "relevant commercial organisation" (section 7 of the Act).

The term "relevant commercial organisation" is a new concept brought in by the Act. It can be any body corporate or partnership wherever incorporated or formed which *carries on a business* in any part of the UK. The key point from the perspective of a Board Member is that the body corporate must also be one which "carries on a business". There is no statutory definition for what "carries on a business" means.

Government guidance on the meaning of "carries on a business" is as follows:

As regards bodies incorporated, or partnerships formed, in the UK, despite the fact that there are many ways in which a body corporate or a partnership can pursue business objectives, the Government expects that whether such a body or partnership can be said to be carrying on a business will be answered by applying a common sense approach. So long as the organisation in question is incorporated (by whatever means), or is a partnership, **it does not matter if it pursues primarily charitable or educational aims or purely public functions. It will be caught if it engages in commercial activities,**

irrespective of the purpose for which profits are made.”

Board Members should also be aware of the corporate offence as it may affect commercial partners of their FEC. The offence provides that a commercial organisation will be guilty of an offence where a person “associated” with it bribes another person to obtain business or a business advantage. The test of who is an associated person is drawn very wide: any person who “performs services for or on behalf of” an organisation will be an associated person. This includes but is not limited to employees, agents and subsidiaries. An organisation convicted of this offence faces an unlimited fine.

Prosecuting the Board of Management

The College acquires a legal persona through its Board of Management. This means that any prosecution of the College will be run against the Board of Management. It is however possible to prosecute the Board Members separately as individuals.

There are a number of risks which could present to the College under the Act. Below is set out how the Board of Management can directly commit the offences of bribing, being bribed, and bribing a foreign public official.

Bribing

A Board of Management may face prosecution and conviction for bribing (**Offence 1**) if the College *offers, promises or gives a financial or other advantage* with the aim that another person will *improperly perform a relevant function or activity*.

A Board of Management may face prosecution and conviction if it bribes directly or if it arranges for the bribe to be made through a third party.

Being bribed

A Board of Management may face prosecution and conviction for being bribed (**Offence 2**) if the College *requests, agrees to receive or accepts a financial or other advantage* with the aim that *a relevant function or activity will be performed improperly*.

A Board of Management may face prosecution and conviction if it requests, agrees to receive or accepts the bribe *directly or through a third party*. The College can be guilty of this offence even if the bribe is not for the College’s benefit.

Bribing a foreign public official

A Board of Management may face prosecution and conviction for bribing a foreign public official (**Offence 3**) if the College bribes the official with the intention of obtaining business or a business advantage. A Board of Management may face prosecution for this offence if it bribes directly or through a third party.

In relation to **Offences 1-3**, the Board of Management can be liable to prosecution even if the conduct takes place outside of the UK because the College will have a close connection with the UK.

The corporate offence

A Board of Management may face prosecution and conviction for the corporate offence (**Offence 4**) if the College is considered a commercial organisation and fails to prevent bribery. The College will have a full defence if it puts in place adequate procedures designed to prevent bribery. The corporate offence cannot be committed by a Board Member.

APPENDIX G: 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.

APPENDIX H: 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 finance and GP committee. The budget should include a breakdown of costs including professional fees, VAT and funding sources.
- A financial evaluation of the plans together with their impact on revenue plus advice on the impact of alternative plans.
- An investment appraisal in an approved format which complies with funding council guidance on option and investment appraisal.
- A demonstration of compliance with normal tendering procedures and funding council regulations. This will require careful consideration where partnership arrangements are in place.
- A cash flow forecast.

More detail on these protocols can be found in the North Highland College's financial procedures.

APPENDIX I: 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 the North Highland 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 the North Highland College cash flow forecast for the financial years in question.

More detail on these protocols can be found in the North Highland College's financial procedures.

APPENDIX J: 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 the North Highland 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 the North Highland 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.

PURPOSE

- 1 The purpose of this plan is to define authority levels, responsibilities for action and reporting lines in the event of a suspected fraud or irregularity. The use of the plan should enable the North Highland 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 the North Highland 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 Director of Finance. The Director of Finance should, within 24 hours, hold a meeting of the following project group to decide on the initial response:
 - The Principal

- Director of Finance
 - Audit Committee member
- 3 The project group will decide on the action to be taken. This will normally be an investigation, *where considered appropriate this would be led by internal audit*. The decision by the project group to initiate a special investigation shall constitute authority to internal audit to use time provided in the internal audit plan for special investigations, or contingency time, or to switch internal audit resources from planned audits.

PREVENTION OF FURTHER LOSS

- 4 Where initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the project group will decide how to prevent further loss. This may require the suspension, 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 the North Highland College's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the North Highland College. Any security passes and keys to premises, offices and furniture should be returned.
- 6 Advice should be obtained on the best means of denying access to the North Highland College while suspects remain suspended (for example, by changing locks and informing janitorial and office staff not to admit the individuals to any part of the premises). Similarly, access permissions to the North Highland 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 the North Highland College's assets.

ESTABLISHING AND SECURING EVIDENCE

- 8 A major objective in any fraud investigation will be the punishment of the perpetrators, to act as a deterrent to other personnel. The North Highland College will follow disciplinary procedures against any member of staff who has committed fraud. The North Highland College will normally pursue the prosecution of any such individual.
- 9 Internal audit will:
- maintain familiarity with the North Highland 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 Regulation of Investigatory Powers (Scotland) Act 2000.
 - 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 COUNCIL

- 10 The circumstances in which the North Highland College must inform the Funding Council about actual or suspected frauds are detailed in the Funding Council's audit code of practice. The Principal is responsible for informing the Funding Council 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. The North Highland College would normally expect to recover costs in addition to losses.

REFERENCES FOR EMPLOYEES DISCIPLINED OR PROSECUTED FOR FRAUD

- 13 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 Council's audit code of 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, and the Principal 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 on a regular basis and after each use. Any need for change will be reported to the Audit committee for approval.

APPENDIX L: MAIN POINTS INCLUDED IN THE NORTH HIGHLAND
COLLEGE'S CODE OF TENDERING PRACTICE

- Duty to comply by the North Highland 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 the North Highland 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 the North Highland 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 (e.g. 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.