



COLLEGE

FINANCIAL REGULATIONS

JULY 2011

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STRATFORD-UPON-AVON COLLEGE FINANCIAL REGULATIONS

1. GENERAL

- 1.1 These Financial Regulations are made by the College in accordance with the provisions of the Further and Higher Education Act 1992, the conditions laid down by the funding bodies and in accordance with the Instrument and Articles of Government of the College and take into account the Financial Memorandum.
- 1.2 Financial Regulations apply to all staff of the College and outline rules, and practices which all staff must follow. They also outline general procedures to be followed and give special notes and information for all staff to build up a library of best practice. (See also paragraph 2.6)
- 1.3 The College is an exempt charity by virtue of the Charities Act 1960 and the Further and Higher Education Act 1992.
- 1.4 For Financial Regulations to be informative and incorporate best practice, all staff must feel free to contribute to them. All staff are, therefore, encouraged to forward suggestions for new sections and/or how these can be improved, to the Vice Principal - Finance in the first instance.
- 1.5 All Stratford-upon-Avon College Corporation activities, trading activities and activities of wholly-owned subsidiary companies, if any, shall be conducted in accordance with the Financial Regulations of the College Corporation.
- 1.6 Values in this document are deemed to be exclusive of VAT.
- 1.7 For the purpose of these Regulations the following definitions apply:
- a) "SFA" means the Skills Funding Agency;
 - b) "Corporation" means the Stratford-upon-Avon College Corporation;
 - c) "College" means the Stratford-upon-Avon College which the Corporation has been established to conduct;
 - d) "Principal" or "Chief Executive" means the Chief Executive and Principal of Stratford-upon-Avon College who may delegate as appropriate within the terms of these Financial Regulations;
 - e) "Exec" means the College Executive Team; current Principal, Deputy Principal, Vice Principals and Clerk to the Corporation.
 - f) "SMT" means the College Senior Management Team of Stratford-upon-Avon College;
 - g) "Senior Post-holder" means a Senior Post-holder of Stratford-upon-Avon College;
 - h) "Clerk to the Corporation" means the Clerk to the Stratford-upon-Avon Corporation;
 - i) "Budget Holder" means the person to whom budgetary responsibility has been delegated by the Corporation or the Principal and these are defined in **Appendix 1**;
 - j) "Staff" means all the staff of the College including temporary staff;
 - k) "Capital" or "capital expenditure" shall mean the purchase of goods or services either discretely or as a grouped unit with a value in excess of £1,000 and a life of over 12 months. Building projects, excluding maintenance, in excess of £1,000 will be similarly treated as capital expenditure (see 7.1);
 - l) "Assets" mean individual capital items in excess of £1,000;
 - m) "Tender" means a written offer to execute works or supply goods or materials or services;
 - n) "Contract" means an accepted offer whether in writing or not for the execution of works or the supply of goods or materials or services but shall exclude contracts of employment and contracts for the sale or purchase of any interest in land;
 - o) "Sub-contract" means any contract to which the College is not a party but in respect of which a sub-contract or supplier is specified by the College to the contractor;
 - p) "Goods and Services" means all transactions that are subject to payment being made by the College in whatever form;
 - q) "Supply" includes the provision of goods or materials by way of sale or lease or hire to the College;
 - r) "Estimated value" means:
 - In the case of contracts for the provisions of goods or materials by way of lease or hire to the College, the total capitalised value of the contract in question or of the series of contracts of which it forms a part;

- In any other case, the total amount which the Manager reasonably expects the contract or sub-contract in question, or any series of contracts or sub-contracts of which it forms part, will be worth, provided that no account shall be taken in either case of any trade-in transaction;
- s) "Utility Services" include Gas, Electricity, Water, Postage, Telephones, Petrol, Photocopying and others as appropriate;
- t) "Companies" means wholly owned subsidiaries of Stratford-upon-Avon College which currently are:
 - Stratford-upon-Avon College Services Limited;
 - Stratford Business Services Limited;
 - Stratford-upon-Avon International Academy Limited;
 - Heart of England International Academy Limited.
- u) These regulations will continue to apply where there have been changes to job titles and structures but the regulations will be amended to reflect any changes at the next revision.

1.8 The Financial Regulations will be reviewed every two years by the Finance Committee and any revisions approved by the Finance Committee who have delegated authority to approve changes. The current financial regulations will be available on the College website.

1.9 Status of Document

The College Financial Regulations were approved by the College Corporation in July 2011.

2. FINANCIAL MANAGEMENT AND CONTROL

2.1 The Corporation shall be responsible for controlling the finances of the College and, through the Principal, shall ensure that these Financial Regulations are observed.

2.2 The Corporation has delegated to the Principal the day-to-day operation of the College, whilst retaining overall responsibility for the proper exercise of their duties.

2.3 FINANCE COMMITTEE

The Corporation shall have a Finance Committee with the terms of reference set out in **Appendix 2**.

2.4 AUDIT COMMITTEE

The Corporation shall have an Audit Committee with the terms of reference set out in **Appendix 3**.

2.5 A member of staff who fails to comply with the Financial Regulations may be subject to disciplinary action under the College's disciplinary policy and, depending on the seriousness of the breach, may lead to dismissal. Any significant breach will, where appropriate, be notified to the Corporation through the Audit Committee. (See also paragraph 24 if fraud is suspected.)

2.6 Financial Regulations will form part of the induction of new staff. Line Managers are responsible for ensuring that the Financial Regulations and up-dates are communicated promptly to all staff, as relevant.

2.7 In addition to these, there shall also be in existence a current procedures manual for general ledger, payroll, purchase ledger, purchase ordering, income, sales ledger and debtors, cash handling and banking, goods received, treasury management, budgeting process and computer security, which the Principal shall agree and may vary from time to time.

2.8 The Corporation shall define the trading activities of the companies, if any, and shall delegate responsibility for running these companies to the directors of these companies. (See Section 33).

2.9 The Clerk to the Corporation will annually request Corporation Members and the SMT to complete a declaration of interest form which will be held by the Clerk. The register will be available to the public on request.

2.10 Payments of all amounts due from the College will be made by or under arrangements approved by the Principal and Vice Principal - Finance.

2.11 **ACCOUNTING RECORDS**

2.11.1 The Vice Principal – Finance is responsible for the retention of financial documents. These should be kept in a form that is acceptable to the relevant authorities and complies with their retention requirements.

2.11.2 The 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.

2.11.3 The Vice Principal – Finance will make appropriate arrangements for the retention of electronic records.

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

3. **BUDGET PREPARATION**

3.1 The Vice Principal – Finance is responsible for preparing annually a rolling three-year financial plan for approval by the Corporation on the recommendation of the Finance Committee and for preparing financial forecasts for submission to the appropriate funding bodies. Financial plans should be consistent with the strategic and accommodation strategies approved by the Corporation.

3.2 The Vice Principal - Finance is responsible for preparing annually, in consultation with Budget Holders, a revenue budget and capital programme for consideration by the Finance Committee before submission to the Corporation. The budget should also include monthly cash flow forecasts for the year and a projected year-end balance sheet. The Vice Principal - Finance must ensure that detailed budgets are prepared in order to support the resource allocation process and that these budgets are communicated to Budget Holders as soon as possible following Corporation approval of the global budget.

3.3 The Vice Principal - Finance shall be responsible to the Principal for monitoring the budgetary performance of the whole College. The Vice Principal - Finance shall have the authority to ask for and receive from relevant staff at all levels explanations of actual or potential expenditure overspending and short-falls of income so that these can be reported to the Principal and the Corporation.

3.4 The Vice Principal - Finance shall prepare a monthly management accounts pack comprising:

- a) income and expenditure account and budget remaining statement;
- b) balance sheet;
- c) cash flow forecast;
- d) summary of College debtors;
- e) capital projects expenditure statement;
- f) a departmental income and expenditure statement;
- g) commentary on the financial position.

The pack will be circulated to the SMT, Corporation Members and College Finance Committee Members within 14 working days of the month end (with the exception of August and September).

3.5 Budget Holders may be allocated additional budget expenditure to match additional budget income if agreed by the Principal and the Vice Principal - Finance.

3.6 **PLANNED MAINTENANCE PLAN**

The Vice Principal – Corporate Services will prepare a 10 year maintenance plan which will be up-dated each year.

The Finance Committee will approve the plan and make adequate provision in the College's annual expenditure budget.

4. BUDGETARY CONTROL

- 4.1 The Principal shall be accountable to the Corporation for effective and efficient budgetary control of the College as a whole.
- 4.2 The Principal shall promptly inform the Corporation of any matter which is liable to affect materially the finances of the College.
- 4.3 Budget Holders may delegate the supervision of budgets to nominated post holders, as set out in **Appendix 4**, but they cannot delegate their budgetary responsibilities.
- 4.4 The Vice Principal - Finance shall provide Budget Holders and nominees with accurate and timely information, normally within 14 working days of the beginning of each month, regarding budgetary performance. In accordance with strict procedures, budgets are constantly up-dated and Budget Holders informed accordingly.
- 4.5 All Budget Holders or nominees will receive not less than monthly visits from Finance Department staff in order to ensure that monitoring statements are being received, understood and used.

5. VIREMENTS

- 5.1 Virement is the term used for describing the movement of budget allocation or money between expenditure headings.
- 5.2 Budget Holders will be free to vire within non-staffing expenditure headings of any individual budget area for which they are responsible.
- 5.3 Where a Budget Holder is responsible for more than one budget, virement is permitted of up to 10% of the budget from which virement is sought.
- 5.4 Budget Holders may vire from staff budgets only with the written approval of the Vice Principal – Finance.
- 5.5 Virement between budgets held by different Budget Holders is permitted up to 10% of the budget from which virement is sought with the written approval of the transferring Budget Holder.
- 5.6 All requests for the virement of funds in excess of 10% of the budget should be made in writing stating the justification to the Vice Principal - Finance who will then action the request.
- 5.7 Budget Holders shall be free to use revenue funds for capital purposes.

6. ACCOUNTING MATTERS AND EXPENDITURE AUTHORITY

6.1 YEAR END ACCOUNTING

6.1.1 The Vice Principal - Finance shall be responsible for preparing the College's Annual Financial Statements. The Vice Principal - Finance shall be authorised to request from Budget Holders whatever information is necessary to complete this task.

6.1.2 Audited financial statements will be presented by the Vice Principal - Finance to the Principal. The Principal, with the Vice Principal - Finance, shall be responsible for presenting the audited accounts to the Finance and Audit Committees who will then recommend approval to the Corporation in accordance with their Terms of Reference. If appropriate, the Auditor may also be present at the Committee and Corporation meetings.

6.1.3 The Vice Principal - Finance shall be responsible for arranging the audit of the financial statements.

6.2 TREATMENT OF YEAR-END BALANCES

Budget Holders will be expected to operate within their budget but may be allowed, in exceptional circumstances, to carry forward into the next financial year any unspent budget allocation. Actual plus committed expenditure will be used when agreeing budget surplus/deficit for carry forward. Any carry forward will be at the Principal's discretion, who must have regard to the overall financial position of the College.

7. CAPITAL EXPENDITURE

7.1 The term "capital", "capital expenditure" or "assets" shall mean the purchase of goods or services either discretely or as a grouped unit with a value in excess of £1,000 and a life of over 12 months. Building projects, excluding maintenance, in excess of £1,000 will be similarly treated as capital expenditure. Expenditure incurred on repair, refurbishment or extension of existing buildings will only be capitalised if 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.

7.2 Acquisitions or disposals of land or buildings of over £100,000 or 5% of the College's annual revenue, whichever is the lower, will only be entered into with the prior approval of the SFA.

7.3 Notwithstanding 7.2, any acquisition or disposal of land will require the approval of the Corporation.

7.4 MAJOR CAPITAL PROJECTS

Proposed capital projects in excess of £200,000 should be supported by:

- a) a statement which demonstrates the project's consistency with the strategic plans and accommodation strategy, if appropriate, approved by the Corporation;
- b) an initial budget for the project for submission to the Finance Committee. The budget should include a breakdown of costs including professional fees, VAT, both staff and premises requirements and funding sources;
- c) a financial evaluation of the plans, together with their impact on revenue, capital, plus advice on the impact of alternative plans;
- d) When required an investment appraisal in an approved format which complies with SFA guidance on option and investment appraisal;
- e) a demonstration of compliance with normal tendering procedures and Funding Council regulations;
- f) a cash-flow forecast;
- g) the proposals for managing the project;

7.5 CAPITAL GRANT

- a) All grants received will be used for their designated purpose;
- b) The release of capital grants must be treated in accordance with the Financial Procedures;
- c) Following completion of a capital project, a final report should be submitted to Finance Committee recording actual expenditure against budget and reconciling funding arrangements where a variance has occurred;

- d) Each project will be reviewed after one year of operation in order to assess performance against that envisaged in the project appraisal document.

7.6 MAJOR CAPITAL PROJECTS REPORTING

The Finance Committee will receive at each meeting a report on capital projects, ie over £200,000. The report will include a progress statement, financial statement and an analysis of significant variances. If so desired, the Finance Committee will meet more frequently.

7.7 CAPITALISATION AND DEPRECIATION

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

7.8 DEPRECIATION POLICY

Depreciation of tangible fixed assets is charged on a straight line basis as follows:-

Buildings	50 years
Refurbishment to buildings	10 years
Plant and equipment	15 years
Computer equipment	4 years
Furniture & fittings	10 years

If circumstances occur that which affect the useful life of an asset or asset class it may be necessary to change the basis of the depreciation charge to more reflect the useful economic life of the asset.

8. ORDERING AND PURCHASING

- 8.1 Budget Holders must have sufficient sums in their accounts to cover the costs of any orders placed. Staff must not commit the College to exceptional expenditure or that not previously budgeted for beyond the end of the financial year in which they are working without the prior written approval of the Vice Principal - Finance.

8.2 LOCATION AND SECURITY OF ORDER FORMS

The staff, as listed in **Appendix 5** by job title, hold official order pads and are authorised to prepare orders in accordance with the policy and practices laid down in this document. This appendix may be varied by the Principal from time to time to reflect changes in duties and job titles.

Order pads are controlled stationery and, as such, should be kept in a secure cabinet when not in use. The Vice Principal – Finance will ensure that a record is kept detailing to whom order pads have been issued.

- 8.3 College orders must not be used for making private purchases except with the written permission of the Principal and then only to make use of legitimate educational discounts on items useful to the applicant's professional responsibilities.

- 8.4 Although staff have a degree of autonomy in purchases, the following guidance must be followed:

- a) All computer hardware, software and telephone related matters, regardless of department, should be purchased through the Computing Services Director and be in accord with the College IT Strategy. This encompasses all media technology equipment and software purchases.
- b) Building works and goods and services which affect the fabric of the building, eg electrical wiring, portable heaters, must be placed by the Vice Principal – Corporate Services.
- c) The only person authorised to purchase/hire photocopying equipment is the Vice Principal – Corporate Services.
- d) Budget Holders are not authorised to commit expenditure for the refurbishment, redecoration or purchases of furniture for their offices without the prior written approval of the Principal.

8.5 Goods and services shall be purchased using the most advantageous terms and conditions, having regard to value for money and embracing quality, quantity, reliability, delivery and total cost to the College. Regard should also be given where appropriate to adequate after-sales service and support, environmental issues and the effect on the local economy.

8.6 CREDIT CARDS / GOVERNMENT PROCUREMENT CARDS

8.6.1 Credit cards and Government Procurement Cards may be issued to staff to facilitate College purchases. Procedures for their use will be maintained by the Vice Principal – Finance and staff must use the card solely in accordance with the procedure.

8.6.2 These cards and associated PIN numbers must not be loaned or disclosed to another individual; the member of staff to whom the card has been issued will be held to account for all transactions. If a card is lost or stolen it should be reported immediately.

8.6.3 These cards cannot be used for personal or private purchases except in an emergency whilst on College business which will be reported immediately to the Vice Principal Finance. Any misuse shall be the grounds for disciplinary action.

8.6.4 When using the cards, holders should ensure that there is sufficient funds in the relevant Budget Holder's account to cover the transaction except in extreme cases of emergency where it is not possible to contact the Vice Principal – Finance in advance, eg the member of staff is on an overseas visit.

8.6.5 A transaction record must be completed on every occasion the card is used and reconciled by Finance on a monthly basis.

8.6.6 Official orders must be issued for all non pay expenditure incurred, other than periodical payments such as rent or rates, contracts, subscriptions, professional fees, for purchases using petty cash or the College credit / procurement cards, or such other exceptions as the Vice Principal - Finance may approve.

8.6.7 All orders shall state quantities, prices and a full description of the item to be purchased. Delivery dates should also be quoted where available.

8.6.8 Orders placed over the telephone must have a confirmatory order raised immediately and can only be placed with the full knowledge of the Budget Holder or relevant signatory. The order must be endorsed 'confirmation order only'.

8.6.9 Any member of staff involved in order preparation or negotiation for goods or services who has a financial interest in that firm, or whose partner has a financial interest, will be expected to declare that interest in writing to the Principal.

8.7 PETTY CASH

8.7.1 Wherever possible, a College credit or procurement card should be used for small purchases. Where this is not possible, a petty cash float will be maintained in the Finance Department to meet small value items. The level of the float will vary dependent upon incoming cash but will be within the prescribed level of insurance cover.

8.7.2 a) Goods to the value of £60 can be obtained through petty cash. Ordinarily, this type of purchase should be used to cover emergency or special requirements. For all purchases through this account a VAT receipt must be obtained from the firm supplying the goods. The receipt should be signed by the relevant Budget Holder in the College before presentation to the Finance Department for payment. Details should also be given on the receipt as to the expenditure code to which the purchase is to be charged.
b) In certain circumstances, a Senior Post-holder has discretion to authorise purchases above the £60 limit.

8.7.3 Subsistence, salary advances and travelling expenses should not, unless in exceptional circumstances, and with the approval of a Senior Post-holder, be paid out of the petty cash float.

- 8.7.4 Where appropriate, the Vice Principal - Finance or his/her representative may approve cash advances to authorised officers for them to make local payments. Any such amounts shall be properly accounted for with appropriate receipts. Cash advances may also be issued for other purposes, for example, business trips abroad.
- 8.7.5 The Vice Principal - Finance can make available to individual departments an imprest float of up to £150 for disbursement of petty cash within their departments but based on the terms contained in clause 8.8.2. Requisitions for reimbursement of these floats must be sent to the Finance Department, 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.
- 8.7.6 The member of staff granted such an imprest float shall be responsible for the safe-keeping of the float, which will be secured in a place agreed with the Vice Principal - Finance.
- 8.7.7 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 Budget Holder.

8.8 **GOVERNMENT / AUTHORITY CONTRACTS**

Where the College has used ESPO, OGC Buying Solutions, Local Authority contracts, or other Government agencies or other College approved consortia, it is deemed to have complied with its obligations under the tendering process.

- 8.9 The following regulations apply to order values:

a) Orders	Requirements
Up to £1,999	No quotation
£1,999 - £8,500 on individual item	Written quotation
£8,501 - £144,371	Three quotations
Orders in excess of £144,371 will need to be compliant with European Union Rules (see para 8.16.4)	
* Orders with an individual item in excess of £5,000	Three quotations

- b) Where there is a sole supplier, the rules in relation to quotations and tenders will be relaxed but a justification will be lodged with the copy of the order indicating why it was not possible to obtain the appropriate quotations or tenders. This must be agreed by the Vice Principal – Finance and the Principal up-dated on a quarterly basis of all such exceptions.

- 8.10 All quotations (see 8.10) must be retained with the copy order for audit purposes. Where the Budget Holder chooses not to use ESPO or OGC or meet the quotation requirements referred to in the regulations, then the Manager should be able to justify his/her decision and lodge a copy of the justification with the order. Justifications may be made for example:

- Where the goods are to be purchased at a fixed price, or there is no genuine competition;
- The Budget Holder considers it necessary that repairs and/or parts for existing plant and machinery shall be carried out by the original supplier;
- The goods have been purchased off a previously arranged contract.

This list need not be regarded as conclusive.

PLEASE NOTE THAT THERE IS NO AUTHORITY TO GO OUTSIDE THE EU RULES.

8.11 **AUTHORISATION AND DESPATCH OF ORDERS**

- 8.11.1 Official orders up to the value of £10,000 must be authorised by the relevant Budget Holder after checks have been made to ensure that funds are available to meet the expenditure.
- 8.11.2 Budget Holders are responsible for all orders placed for their area. However, they may delegate authority to sign orders up to £10,000 to members of staff, as detailed in **Appendix 6**.
- 8.11.3 The Principal may instruct as necessary that all orders should be issued through the Finance Department.

- 8.11.4 The Principal, or in his absence a Senior Post-holder with subsequent written notification to the Principal, is authorised to sign orders/contracts between £10,001 and £199,999. In the event of an order/contract exceeding £200,000, the approval of the Corporation will be required.
- 8.11.5 Any officer signing an order for goods or services should not be the same officer signing the invoice certification slip confirming that the goods have been received.
- 8.12 **DISTRIBUTION OF ORDER AND COPIES**
- a) After an order has been raised by a Budget Holder and authorised, the order must be passed to the Finance Department.
 - b) Budget Holders are responsible for ensuring that expenditure, including commitments within their departments, does not exceed funds available.
 - c) The white copy of the order goes to the supplier, the blue copy remains with the person who placed the order, the pink copy passes to Finance and entered onto the commitment section of the Financial Accounting system. Any spoilt orders must be cancelled and all three copies returned to the Finance Department for filing.
 - d) The blue copy should be used by the person who placed the order to record details of invoices for goods relating to the order and the date upon which they had been certified and passed to the Finance Department.
- 8.13 **PAYMENT FOR GOODS AND SERVICES IN ADVANCE**
- The College shall not pay for any goods and/or services until deliveries have been made against College purchase orders and are found to be satisfactory for the intended purpose. However, under certain circumstances, a supplier may require a payment or part payment in advance of delivery. In such circumstances, if the value of the proposed order is in excess of £5,000, then no order shall be placed without the written consent of the Vice Principal - Finance or his nominee that the satisfactory credit status of the supplier has been established.
- 8.14 **CONTRACT DOCUMENTS**
- 8.14.1 **Agreements and Legally Binding Documents**
- Only members of the College Executive are authorised to sign agreements or enter into legally binding documents other than Stratford-upon-Avon College official orders in relation to the purchase of goods or services for which they have budgetary authority (see Para 8.12). Other contractual documentation or contracts for which there is no budgetary provision should be passed to the Vice Principal - Resources for vetting. Where necessary, the Vice Principal - Resources will consult with a solicitor. As appropriate, the Vice Principal – Resources will refer the contract to the Principal for signature.
- 8.14.2 Every contract shall be evidenced by a written acceptance of a written offer and if, because of urgency or emergency, any offer is made or accepted orally, such offer or acceptance shall be put in writing within two working days thereafter.
- 8.14.3 Every contract shall:
- a) Specify the work or services to be undertaken and/or the goods or materials or things to be purchased or sold as the case may be;
 - b) State the price to be paid to the College with a statement of any discount or other deductions;
 - c) State the time or times in which the contract is to be performed or the duration of the contract;
 - d) Be based wherever practicable upon a definite specification which shall be included in the contract;
 - e) State the payment terms with an indicative timing of such payments.
- 8.15 **TENDER PROCEDURE**
- 8.15.1 Every tender made by, or on behalf of, the College shall comply with the Financial Regulations of the College and the European Union Regulations applicable (see para 8.16.4). When agents are used there may be a need for minor variations but the spirit of the following paragraphs will be observed.
- 8.15.2 All invitations to tender on a competitive basis shall state that no tender will be accepted unless submitted in either:

- a) A plain sealed package bearing a pre-printed label supplied by the College, or the word "Tender" followed by the subject to which it relates, and the latest date and time for the receipt of such a tender, or;
- b) In a special envelope supplied by the College to prospective tenderers and that tender envelopes/packages shall not bear any names or marks indicating the sender.

8.15.3 Every invitation to tender shall state the nature and, where appropriate, the purpose of the contract or sub-contract, the place at which tenders or applications shall be submitted and the date and time before which tenders or applications for permissions to tender shall be submitted. Wherever practicable, this shall not be less than ten days after the issue of invitations to tender.

8.15.4 The College shall comply with the procurement directives issued by the European Commission which require the College to ensure that contracts in excess of the relevant financial thresholds are advertised throughout the EC in the Official Journal of the EU, formerly OJEC. The contract value thresholds above which tenders should be advertised in the OJEU **which will apply from 1 January 2010 to 31 December 2012, net of VAT value, are as follows:**

Public Contracts Regulations 2006	Supplies	Services	Works
Entities listed in Schedule 1 *	£101,323 (€125,000)	£101,323 (€125,000)	£3,927,260 (€4,845,000)
Other public sector contracting authorities	£156,442 (€193,000)	£156,442 (€193,000)	£3,927,260 (€4,845,000)

Utilities Contracts Regulations 2006	Supplies	Services	Works
All sectors	£313,694 (€387,000)	£313,694 (€387,000)	£3,927,260 (€4,845,000)

***Schedule 1 of the Public Contracts Regulations 2006 lists central government bodies subject to the WTO GPA and these thresholds will also apply to any successor bodies.**

The Vice Principal - Finance will ensure compliance with these regulations and distribute appropriate up-dates.

8.15.5 Every invitation to tender shall:

- Indicate the College does not bind itself to accept or nominate the lowest tender where payment is to be made by the College or the highest, where payment is to be made to the College;
- Give notice of the form of any formal contract or sub-contract document which the contractor will be required to sign or execute.

8.15.6 Where the tender is invited, the invitation for such a tender shall require the tender to be sent to the Vice Principal – Corporate Services.

8.15.7 The Vice Principal – Corporate Services shall retain custody of the unopened tenders until the time appointed for their opening.

8.15.8 Tenders shall be opened and recorded at one time only by the Principal or his representative accompanied throughout the opening of tenders by at least one other senior member of staff.

8.15.9 No tender received after the time and date by which it is to be received or which contravenes any provision of this section, shall be opened except with the authority of the Vice Principal - Resources in consultation with the Principal.

8.15.10 Where in their view circumstances so warrant, the Vice Principal – Corporate Services in consultation with the Principal, may postpone for such period as they may consider reasonable, the time and date by which the tenders concerned shall be received.

8.15.11 Every tender received shall be stamped with the date of opening and initialled by those present at the opening.

8.15.12 A record shall be maintained to show for each set of competitive tender invitations despatched:

- The name of all firms invited;
- The name and number of firms from which tenders have been received;
- The date on which the tenders were opened;
- The signatures of persons present at the opening.

8.16 ACCEPTANCE OF TENDERS

8.16.1 Vice Principal – Corporate Services will draw up agreed pre-determined criteria for the evaluation of tenders to support its decision in the event of any challenge.

- 8.16.2 When tenders have been received under the procedures required, the Principal, in consultation with the Budget Holder may either:
- a) Accept the lowest tender when payment is to be made by the College or the highest tender when payment is to be made to the College or;
 - b) If the Principal is satisfied that to do so is in the best interests of the College, authorise the appropriate member of staff of the College to negotiate with any tenderer prior to a final decision or;
 - c) If the Principal is satisfied that to do so is in the best interests of the College, authorise the acceptance of a tender other than the lowest when payment is to be made by the College or other than the highest tenderer when payment is to be made to the College.

9. PAYMENTS

9.1 Budget Holders must ensure that expenditure and income is coded to the correct financial code. Deliberate mis-coding of financial documents in order to maximise spending against budgets or to avoid the need for virement is not permitted.

9.2 Budget Holders are responsible for the authorisation of an invoice for payment having ensured that the following checks have been completed within his/her area:

- a) That the invoice has been checked against the relevant official purchase order;
- b) That the goods have been received, examined and approved with regard to quality and quantity, or that services rendered or work done is satisfactory;
- c) The prices, calculations, trade discounts, other allowances, credits and tax are correct;
- d) The coding is correct and is to a cost centre code included in the Budget Holder's areas of responsibility and the code must correspond with the types of goods or service described on the invoice;
- e) That the relevant expenditure has been properly incurred;
- f) That appropriate entries have been made in inventories and stores records where required;
- g) The invoice has not previously been passed for payment and is a proper liability of the College;
- h) The invoice must be made out in the name of the College, in line with current VAT legislation;
- i) The invoice certification slip is signed appropriately;
- j) Any officer signing an order for goods or services should not be the same officer signing the invoice certification slip confirming that the goods have been received.

9.3 If the invoice contains charges against a number of budgets, paragraph 9.2 applies to each area.

9.4 Following 9.2 any invoice will be passed to the Finance Department who will check that the amounts comply with the information in the financial system and that the coding is correct.

9.5 All copy invoices passed to the Finance Department must be boldly marked "copy".

9.6 Budget Holders must supply the Vice Principal - Finance with the names and specimen signatures of persons in their area who are authorised to approve invoices for payment and the expenditure limit of such persons. The Vice Principal - Finance must be notified of any changes without delay.

9.7 All internal recharges will be made in accordance with the procedures approved by the Vice Principal - Finance.

9.8 Vice Principal - Finance will ensure that payments to suppliers are made on a timely basis using the most appropriate method of payment.

9.9 PAYMENT OF EXPENSES INCLUDING AUTHORISATION

9.9.1 All claims for payment must be on the forms provided for the purpose and must be authorised by the relevant Budget Holder.

9.9.2 The authorisation of a claim shall be taken to mean that the authorising officer is satisfied that the fees and expenses:

- a) Comply with the College's rates, regulations and procedures;
 - b) Were properly and necessarily incurred on the College's behalf;
 - c) Have been correctly calculated and coded;
 - d) Have not previously been passed for payment.
- 9.9.3 Budget Holders are responsible for all expenses relating to their area. However, they may delegate authority to sign claims to members of staff within their area as detailed in **Appendix 6**.
- 9.9.4 No member of staff shall be allowed to authorise their own claim for the payment of expenses. A claim made by the Principal should be authorised by the Clerk to the Corporation and a claim made by the Clerk to the Corporation by the Deputy Principal. Other Budget Manager claims will be authorised by their Line Manager.
- 9.10 **TRAVEL**
- 9.10.1 Claims for travel and subsistence allowances by members of staff shall be made on the appropriate form and at the end of the calendar month in which the expenses have been incurred. Claims in excess of six months old will only be paid in exceptional circumstances provided they relate to the current financial year and provision has been made for them in the end of year accounting treatment. Cumulative mileage must be recorded on all claim forms.
- 9.10.2 All staff undertaking travel on behalf of the College must observe the following conditions:
- a) For car travel, staff must have in place business use cover on their own insurance policy and, where applicable, current MOT certification;
 - b) Travel arrangements must be agreed in advance with the relevant Line Manager, having due regard to all relevant factors including staff time and cost;
 - c) It is expected that travel beyond the West Midlands / Warwickshire boundaries will, when practical, be by public transport. In instances where although practical to travel by public transport a private car is used to make the journey, the rail fare if cheaper will be paid for that journey;
 - d) Car mileage, when authorised, will be paid within the current approved scales. Mileage must be claimed by reference to the shortest practicable route, but including motorways and bypasses where appropriate;
 - e) First class rail travel will be paid in respect of members of the SMT and Corporation Members to facilitate work in transit. For other staff, unless agreed in advance with a member of the SMT first class fares will not normally be paid. In the case of Corporation Members, this will be agreed with the Clerk to the Corporation;
 - f) Flights within the European Union will normally be made at budget or economy class rates. Only in exceptional circumstances will business class be authorised (see clause 9.10.7);
 - g) Members of staff are not normally allowed to claim travelling expenses from their home to the College or vice versa. It is, therefore, a mandatory requirement to specify time of absence on the relevant claim form. Claim forms will be returned where no time of absence is stated. Under certain circumstances in accordance with the Inland Revenue Regulations, staff may claim travelling expenses when they are called back to College to deal with an emergency;
 - h) Taxis may be used in exceptional circumstances or to complete journeys by public transport. Receipts must be obtained and submitted with any claim.
- 9.10.3 Unless otherwise provided for, a subsistence allowance is payable when a member of staff is required to be away from the College on official business, subject to the following conditions:
- a) For journeys commencing before 8.00am - a breakfast allowance;
 - b) Absence from the place of work between 12.00noon and 2.00pm - lunch allowance;
 - c) Absence after 6.30pm - tea allowance;
 - d) Absence continuing after 8.30pm - dinner allowance. Tea and dinner allowances cannot both be claimed on the same day.
- The Principal / Clerk to the Corporation may authorise payments in excess of the prevailing rates in appropriate circumstances.
- 9.10.4 Staff absent overnight are entitled to claim for reimbursement of accommodation, dining and refreshment costs upon production of the appropriate receipt. Normally, overnight stays will be

agreed in advance with the member of staff's Line Manager or, in the case of Corporation Members, the Clerk to the Corporation.

9.10.5 Current approved rates for travel and subsistence are available from the Human Resources or Finance Offices and are published in the Intranet.

9.10.6 Members of the Corporation carrying out duties on behalf of the College which involve travel and subsistence may claim an allowance in accordance with rates for staff of the College. The Clerk to the Corporation will authorise expenses for Corporation Members in accordance with the College's policy on the payment of expenses to Corporation Members published on the website.

9.10.7 Overseas Travel

Travel within the European Union will be treated as UK travel, authorised in advance by the Line Manager, Chair or Clerk to the Corporation as appropriate. Travel will normally be at budget or economy grade. The standard of travel will be agreed as part of the business case and may take into account the length of the flight.

Before any overseas travel outside the European Union is undertaken, the full business case requirement, including travel arrangements and risk assessment, must be presented to the Principal in writing or, in the case of the Principal or Corporation Members, to the Chair or Vice-Chair of the Corporation by the visit organiser on the prescribed form. Where there is more than one travel journey to be undertaken as part of a global business plan, each journey must still be authorised by the Principal or, in the case of the Principal, by the Chair or Vice-Chair of the Corporation. The Corporation will not fund partners' expenses for overseas visits. Any additional costs associated with travel arrangements to lengthen a stay for personal reasons or partner's expenses will not be met by the College.

At the conclusion of the visit, a statement of all expenditure incurred for that visit will be completed and submitted for approval by the Line Manager or authorising officer as set out above.

A summary of the previous year's overseas travel will be made to the Finance Committee by the December following the end of the financial year.

9.10.8 Interview Expenses

Interview expenses will not normally be paid to candidates with the exception of accommodation and subsistence for any candidate invited to stay overnight to meet the requirements of the College. The rates will be agreed in advance with HR.

10. HOSPITALITY, BUSINESS ENTERTAINMENT, AND GIFTS/PRIZES FOR EMPLOYEES AND CORPORATION MEMBERS

10.1 The following paragraphs apply to both employees and Corporation Members and are designed to provide protection from possible allegations or bad publicity:

- a) Business entertainment only occurs before, during or after a business discussion, or under conditions where the recipient would reasonably know that the object of such entertainment is to further business relations.
- b) Entertainment, hospitality and gifts should only be received or given if they meet all the following criteria:
 - i) they are consistent with customary business practices;
 - ii) they are not excessive in value and cannot be construed as a bribe or a pay-off;
 - iii) they are not in contravention of applicable law or ethical standards; and
 - iv) public disclosure of the facts will not embarrass the College.
- c) Exercising good judgement regarding the provision and receipt of business entertainment, hospitality and gifts is essential and must always pass the test that it provides reasonable expectations of producing a benefit to the College commensurate with the expense.

10.2 Corporation Members and employees should bear in mind the importance of high standards in public life and how their offer or acceptance of gifts or hospitality might be viewed by third parties. Client and customer gifts and hospitality are now accepted business practice but it

remains difficult to distinguish what is acceptable and proper from what is not. A corporate event to which other organisations have been invited, such as a golf match/dinner/play would normally be acceptable. A helpful question for Corporation Members and employees to ask is whether such an act places one or either party under an obligation or compromises their judgement or integrity. If so it is not justifiable and not in the interest of the Corporation.

In general, to help and protect Corporation Members and employees in any doubt about the propriety of their action, the Corporation requires them to consult with the Clerk to the Corporation in respect of Corporation Members and the Principal in respect of staff before they accept from or offer to an individual or an organisation any gift, hospitality, fee, reward or other inducement in connection with College business, and in the case of the Principal, the Chair of the Corporation.

- 10.3 The College may provide hospitality in connection with the business affairs of the College. This hospitality shall be provided at the discretion of the Budget Holder to:
- a) Members of the Corporation;
 - b) College staff;
 - c) Representatives from firms or companies visiting the College on business;
 - d) Any other visitors connected with the business of the College.
- 10.4 The hospitality provided, dependent upon the circumstances, will not normally exceed the provision of tea/coffee / sandwiches / buffet lunches, or lunch or dinner with wine in the College and will be proportionate to the occasion. On occasions when hospitality is provided outside the College premises, for example at a restaurant, it will normally only be reimbursed on production of a valid receipt and will be proportionate to the circumstances. The member of staff may be requested to put forward a justification for the expenditure.
- 10.5 The budget for hospitality will be determined by the Principal and will be subject to review in accordance with the College's budget setting process.
- 10.6 Any hospitality or gifts accepted or offered by Corporation Members or employees above £35.00 will be entered into the Register of Hospitality or gifts maintained by the Clerk to the Corporation. At all times staff will have regard to the Bribery Act when offering or receiving gifts or hospitality. Breach of the Bribery Act will be a disciplinary offence.

11. SALARIES, SUPERANNUATION AND PAYMENTS

Salaries

- 11.1 The College shall only employ staff for whom financial provision has been made and in accordance with HR processes and practices.
- 11.2 The Vice Principal – Corporate Services shall be responsible for the maintenance and retention of the Human Resources records, including statutory records, and for the provision of relevant information to enable all salaries, wages and other emoluments to be paid.
- 11.3 Budget Holders are responsible for ensuring that Human Resources are provided with details of all staff, including part-time and casual staff, employed in the College and that appropriate monitoring arrangements are in place to identify and report any absences by part-time staff.
- 11.4 The payment of all salaries, wages and other emoluments to employees of the College, including part-time and casual staff, shall be made by or under arrangements approved by the Principal and in accordance with the salary framework set by the Corporation. Ex gratia payments may be authorised by the Principal from time to time. The Principal is permitted to allow members of staff to retain monies from third parties for additional duties over the core contract.
- 11.5 Salaries and other benefits for senior post-holders will be determined by the Corporation.
- 11.6 When staff are unavoidably absent from work they must notify the College as soon as possible.

11.7 Line Managers will interview staff returning from sick leave and unauthorised absence and take appropriate action.

11.8 **SUPERANNUATION SCHEMES**

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

The Vice Principal – Corporate Services is responsible for day-to-day superannuation matters including:

- a) Paying contributions to authorised superannuation schemes;
- b) Preparing the annual superannuation scheme return;
- c) Administering eligibility to pension arrangements.

Any statutory returns will be signed by the Vice Principal – Finance.

11.9 **SEVERANCE AND OTHER NON-RECURRING PAYMENTS**

Severance payments shall only be made where the circumstances justify that it is in the College's interest and shall be in accordance with any relevant legislation. Any decision taken by the College to award a discretionary payment to a member of staff should be based on comprehensive information that clearly sets out that:

- a) The College is satisfied that all of the options available to it have been considered and the process by which they were identified;
- b) The option chosen secures value for money and is affordable by evaluating:
 - The full costs and benefits to the College of each option;
 - The criteria by which the different options identified were appraised;
 - What weighting was given to each option;
 - That the basis of comparisons made in respect of financial evaluations is consistent for each alternative option.

All such payments shall be authorised by the Principal and/or Chair. Amounts paid should be declared in the financial statements.

Professional advice should be obtained where necessary.

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

12. **INCOME**

12.1 The collection of all monies due to the College and all banking arrangements shall be in accordance with the arrangements approved by the Principal and Vice Principal – Finance and in accordance with these Regulations.

12.2 The Vice Principal - Finance shall be responsible for maintaining systems to ensure the security and prompt banking of monies received.

12.3 Mail should be opened in accordance with the arrangements approved by the Principal.

13. **VAT**

13.1 The accounting of VAT is the responsibility of the Vice Principal - Finance.

13.2 As a general guide, the College's income will fall into the following VAT categories:

Source of Income	VAT Category	VAT %
LSC Grant and WBL	Outside the scope	0
Treatment fees	Exempt	0
Fees including Overseas	Exempt	0
Grants, eg ESF/AWM	Outside the scope	0
Full Cost Courses	Exempt	0
Consultancy	Standard	20

Room Hire	Exempt	0
Equipment Hire	Standard	20
Training Restaurant	Standard	20
Coffee Shop	Standard	20
Private Telephone Calls	Standard	20
Photocopying (students)	Exempt	20
Drama Performance Receipts	Standard	20

The above list should not be regarded as conclusive and if in any doubt, clarification should be sought from the Vice Principal - Finance.

HM Customs and Excise may vary the categories from time to time.

14. SECURITY AND RECONCILIATION OF INCOME

Adequate precautions shall be taken at all times to safeguard the College's monies and related items wherever held:

- a) Monies in excess of £60 and any other "security" items must be locked in a safe out of business hours. Other monies must be kept secure at all times and when they exceed £60 must be paid into the Finance Department;
- b) Monies must not be counted in public view or left unattended, even temporarily;
- c) Monies received must be balanced daily, or after every shift for the Brazz and the Training Restaurant, with receipts and paid into the Finance Department the same day or, where this is not possible, the next working day;
- d) All income receiving points are to produce a summary of receipts and banking each day and pass them to the Finance Department, together with any supporting documents, eg till rolls. Records of individual "discrepancies" are to be maintained by the Finance Department;
- e) Adequate safe facilities must be provided in or near income receiving points. Safes must be kept locked except when in use, to deposit or remove monies or other items. Safe keys and till keys must be held by responsible persons at all times;
- f) Where monies are collected from machines, two persons must be in attendance and must complete the necessary collection forms;
- g) An official receipt must be given for all monies received. Where necessary, manual receipt books are available from the Finance Department;
- h) A receipt book control must be maintained by the Finance Department of all receipt books issued to Departments of the College. Departments must keep a record of receipt books issued by them to persons authorised to collect monies on behalf of the College. Staff members are responsible for all receipts issued from a receipt book whilst it is booked out to them. The Vice Principal - Finance must be informed immediately of the loss of a receipt book;
- i) Where cheques are taken as payment, adequate supporting details must be entered on the reverse side to connect the cheque with the debt;
- j) In instances where a receipt is issued for an incorrect amount then:
 - An additional receipt shall be issued for any under-receipted monies;
 - A new receipt shall be issued for any over-receipted monies and the original receipt cancelled;
 - Under no circumstances must receipts be altered.
- k) Personal or other cheques must not be cashed out of money received on behalf of the College.

15. BANKING

15.1 COLLEGE BANK ACCOUNTS

The College has in place the bank accounts shown in **Appendix 7**.

Other bank accounts may be opened, as necessary, from time to time at the discretion of the Principal and Vice Principal - Finance. Any account so opened shall be notified to the Finance Committee and listed in **Appendix 7** of these regulations.

- 15.2 The Vice Principal - Finance will ensure that regular reconciliations of all accounts are undertaken.

15.3 BANK SIGNATORIES

15.3.1 The following staff are designated to sign cheques on behalf of the College:

- The Principal
- Deputy Principal
- Vice Principals
- Assistant Principal International Curriculum
- Clerk to Corporation

15.3.2 Cheques must be signed by two officers from the aforementioned list, one of whom should be a non-financial officer. In urgent cases when a non-financial officer is not in College, a cheque to the value of £10,000 may be signed by the Vice Principal - Finance and Management Accountant, who will report the matter to the Principal *in writing* at the earliest opportunity.

15.4 The Vice Principal - Finance shall keep the College bank accounts under review and recommend moving bank accounts to the Corporation as necessary.

15.5 Visits to the bank to deposit cash should, wherever possible, be arranged at different times of the day and by varying routes. Where there is more than £2,500 of cash, the visit should be made by two persons. Alternatively, a security company may be used.

16. FEES

16.1 The responsibility for setting and varying fees has been delegated to the Finance Committee.

16.2 TERMS AND CONDITIONS

- a) Course fees are due at enrolment and can be settled by cash/cheque, Mastercard, Visa or other credit cards approved from time to time by the Vice Principal – Finance;
- b) Where employers, Local Authorities, Universities and other similar bodies are willing to pay fees on behalf of students, there is a facility for invoices to be raised;
- c) Students must present a letter of authorisation to that effect at the time of enrolment or other appropriate letter of authorisation must be in the possession of the College;
- d) Payment by instalment is possible for private individuals in respect of part-time course fees over £100, normally by direct debit over six months;
- e) In such cases, there will be an administration charge. Under certain circumstances, instalments for fees under £100 may be considered;
- f) A guaranteed place on a course with a fee in excess of £2,500 will only be confirmed on receipt of a non-refundable deposit equivalent to 10% of the course fee. The balance of the fee to be paid at the commencement of the course;
- g) All payments will be in Pounds Sterling/Euros;
- h) Course fees are due in full at the commencement of the course unless a student has requested to pay by instalments as at paragraph d) above. Anyone in financial difficulty should discuss their circumstances initially with Student Welfare;
- i) In cases of extreme hardship, the Principal has authority to waive the course fee;
- j) A separate scale of fees applies to students on Government-funded training schemes. Details of these rates are available from the Vice Principal - Finance and they supersede the advertised prices in the Prospectus;
- k) Fees for tailored courses will be due prior to the commencement of the course except when credit facilities have been agreed with the Vice Principal – Finance;
- l) The Vice Principal - Finance, in conjunction with the Deputy Principal will review and vary the amounts shown in paragraph 16.3.d) and e) above from time to time.

16.3 EXAMINATION FEES

Apart from HEFP/Overseas and 19+ students, full-time students will have their examination fees paid provided they sign to the fact that:

- a) They intend to sit the examination(s) and submit necessary course work;
- b) If they subsequently fail to sit either the examination(s) or submit the course work they will be required, where appropriate and cost effective, to repay the examination fees paid by the College.

16.4 REFUND OF FEES

Fee refunds shall only be made in accordance with the following:

16.4.1 Full Refund of Fees

- a) Whilst all reasonable care will be taken to ensure that published courses run, there may be occasions when it is necessary to cancel a course. In such circumstances, fees will be refunded in full;
- b) If it has been necessary for the College to change the day, time or venue of a course after a prospective student has enrolled, and it is therefore impossible for them to attend, fees will be refunded in full;
- c) If a course is over-subscribed, fees will be refunded in full to those who are not included within the stipulated maximum acceptable to the tutor/College.

16.4.2 Partial Refund of Fees

- a) If a student is unable to continue with his/her course, tuition fees are not normally refunded. However, on receipt of a written statement of special circumstances, the Deputy Principal may feel that a refund is justifiable, in which case it will be made in accordance with the scale below:

Course duration	Date of leaving	Amount of refund
1 term	Within weeks 1-3	Full refund
1 term	After 3 rd week	No refund
2 terms	Within weeks 1-3	Full refund
2 terms	From 3 rd week to end of 1st term	Half tuition fees refunded
2 terms	After 1st term	No refund
1 year	Within weeks 1-3	Full refund
1 year – 1 st term	From 3 rd week to end of 1 st term	Two-thirds tuition fees refunded
1 year – 2 nd term	At any time during 2nd term	One-third tuition fees refunded
1 year	After 2nd term	No refund

- b) If the quality of a course has been shown to be inadequate, and a complaint is made in writing to the Principal before the course has reached its mid point, the Principal may feel that a refund is justifiable.

16.4.3 No Refund of Fees

- a) No refund of fees will be made for courses of less than 10 weeks' duration;
- b) No refunds will be made for cancellation of classes due to inclement weather, industrial action, interruption to the power supply, or other circumstances outside the control of the College authorities;
- c) No refund of examination fees is possible at any time.

16.5 NON PAYMENT OF COURSE FEES

- a) Enrolment forms for students who are unable to pay at enrolment will be retained in the College Office and the students only provisionally enrolled. Students or their sponsor are requested to pay the fee at the earliest opportunity, and certainly within one month of the commencement of the course. It is the responsibility of the student to provide documentary evidence on enrolment where fees are to be paid by a sponsor. A note should be made on the form of the reason for late payment.
- b) A note will be attached to the enrolment form and passed to the Finance Department stating that an invoice has to be generated for outstanding fees throughout the year.
- c) Student details of the above students to be entered on the student records system with an indication that fees are outstanding.
- d) No receipts or ID cards will be issued to students until fees have been settled.
- e) Students shall not be permitted to continue in attendance after the eighth week of the commencement of the course if the student has not paid the tuition and registration fees or made arrangements satisfactory to the College for the payment of these fees. In exceptional circumstances, a student may be allowed to continue beyond the eighth week of the course where the Vice Principal - Finance is satisfied that there are extenuating circumstances.
- f) If a student has not paid an account nor made arrangements satisfactory to the College for the payment of an account for fees or other items owing to the College, then the student shall not be allowed to sit any final examination(s) or receive any final assessment mark(s) for any qualifications from the College. In certain circumstances, the College can withhold a student's certificate if there are any outstanding fees.

- g) Where a student has made arrangements for a sponsor to pay their fees, the above conditions still apply.

16.6 LETTINGS FEES

The College will publish a scale of charges for the hire of College and Cygnet Court premises. Budget Holders may negotiate on the fees for regular / major lettings to reflect commercial circumstances or special cases for monies paid into their accounts.

17. BAD DEBTS

17.1 The Corporation will be advised of outstanding debts through the Management Accounts. Debts to be written off over £2,500 will be included in the Monthly Report with commentary.

17.2 Formal authority to write off debts rests with the Principal.

18. ASSETS / INVENTORIES

18.1 The Vice Principal – Corporate Services will be responsible for maintaining the College's terrier of land and buildings. The Clerk to the Corporation shall be responsible for the custody of all deeds of title. These are currently held with the College Solicitors, Martineau.

18.2 All capital items purchased either discreetly or as a grouped unit with a value of £1,000 or more must be included in the fixed asset register maintained by the Vice Principal - Finance.

18.3 Stock-taking shall take place in Catering Stores and the Bar no less than termly by two members of staff, one of whom should be from another area. Alternatively, a professional stock-taker may be used.

18.4 College property must not be removed from the premises by staff or students or used other than in the course of the College's purposes except with the approval of a member of Exec. A record should be kept of all equipment loaned or hired out. The borrower or hirer should be responsible for any loss/defect.

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

18.6 All members of staff are responsible for making sure that all goods and equipment under their care are properly secured at all times, eg stocks, stores, fixtures and fittings, computer and other equipment.

19. DISPOSAL OF ASSETS

19.1 Disposals of land or buildings of over £100,000 or 5% of the College's annual revenue, whichever is the lower, will only be entered into with the prior approval of the SFA.

19.2 The disposal of assets shall be in accordance with the following:

- a) A disposal of assets form (available from the Finance Department) must be completed and returned to the Vice Principal - Finance who will authorise the disposal of the property.
- b) Before any item is disposed of, Budget Holders should confirm that the equipment is not required by any other area.
- c) Where the estimated sale value of an asset is less than £1,000 at the point of disposal, then the asset shall be disposed of by whatever method the Budget Holder considers to be the most appropriate and financially advantageous to the College. This does not preclude sales to members of staff but the Budget Holder should negotiate a fair market price.
- d) When the estimated value of the individual asset is over £1,000 at the point of disposal, then the assets shall be advertised as appropriate. This does not preclude sales to members of staff. In certain circumstances, advertising may not be appropriate and, in

such cases, the Principal may waive the requirement to advertise in conjunction with the Vice Principal - Finance.

- e) When appropriate, provided 19.2 a) and b) have been completed, equipment may be traded in part exchange with the approval of the Vice Principal - Finance.

19.3 Budget Holders disposing of an asset shall not be automatically entitled to the proceeds from such disposal. The Principal shall have the discretion to use such proceeds for whatever College purpose he wishes.

20. STUDENT RECORDS

20.1 The Deputy Principal is responsible for the timely and accurate reporting of key student number and funding data. These reports will include appropriate comparatives and projections. They will be considered by the Corporation on a regular basis.

20.2 Staff are responsible for complying with College procedures relating to student records and ensuring the integrity and security of audit evidence for funding claims such as registers and enrolment forms. Staff must ensure that all students complete an accurate enrolment form, and that student attendance is accurately recorded on College registers; staff must ensure that changes in the learning programmes of students are recorded.

21. COMPUTER SECURITY

21.1 The Corporation and all employees shall have regard to the provisions of the Data Protection Act when dealing with information held on or obtained from computer systems.

21.2 Individual members of staff are responsible for ensuring the security of their password in order to prevent unauthorised access to the computer system.

21.3 Computer viruses can have a damaging effect and many instances of viral attack have been traced to the use of unauthorised software and games. Therefore, members of staff should:

- a) use only the original diskettes which are issued with the software - making unauthorised copies is prohibited by law;
- b) use only software which has been authorised by the Director of Computing Services;
- c) have all data disks from outside the College checked with anti-virus software by Computing Services staff before using them on College computers.

All the IT hardware and software purchases should be authorised by the Director of Computing Services in order to comply with the College's network requirements.

21.4 If it is found that a member of staff has made unauthorised copies of software or has used unauthorised software on a College computer, or has removed or interfered with software installed by the College to protect against viruses and ensure conformity with licence requirements, it will be viewed as a disciplinary matter which may lead to dismissal.

21.5 The Director of Computing Services will maintain a current version of anti-virus software.

21.6 The Director of Computing Services, College CIS Manager, Vice Principal – Finance and Vice Principal – Corporate Services shall be collectively responsible for maintaining proper security and privacy of information held on the 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.

21.7 Information relating to individuals held on computer will be subject to the provisions of the Data Protection Act and the Compliance Officer shall be nominated to ensure compliance with the Act and the safety of documents.

21.8 The Vice Principal - Finance shall be responsible for ensuring that hard copies of all data are kept for the relevant length of time to meet operational and legal requirements.

22. INSURANCE

- 22.1 The Principal shall authorise all insurance which is taken out in the College's name. The Vice Principal – Corporate Services shall effect such insurances as are from time to time considered necessary to cover the risks to which the College is exposed and shall negotiate and recover claims.
- 22.2 The Vice Principal - Corporate Services must be promptly notified of all new risks, additions, material changes or policies likely to affect existing insurances.
- 22.3 The Vice Principal – Corporate Services must be promptly notified in writing of any loss, liability or damage or any event likely to lead to a claim and shall take such action as may be necessary to satisfy any insurance policy conditions.
- 22.4 Members of staff who intend to use their own vehicles on College business must ensure that they have business use cover on their own insurance policy. The mileage allowance is deemed to cover any costs (see para 9.10.2).
- 22.5 Members of staff taking students on educational visits must complete the appropriate documentation and have the visit properly authorised in writing before departure.
- 22.6 HR will undertake a check on an annual basis that staff have appropriate insurance cover in place.

23. AUDIT

23.1 FINANCIAL STATEMENTS AUDIT

- 23.1.1 Whilst the College will appoint the Financial Statements Auditors annually, this does not require a full tendering exercise. This will be carried out periodically at the discretion of the Audit Committee in accordance with the Audit Code of Practice requirements.
- 23.1.2 The Financial Statements auditors will report to the Corporation:
- a) on the annual financial statements commenting whether they show a true and fair view taking into account, where relevant, statutory disclosure requirements, Statements of Standard Accounting Practice and other accounting practices recommended by the Accountancy Standards Board (or its predecessor the Accounting Practices Committee) and the requirements of the funding bodies;
 - b) that in all material aspects, monies expended out of funds from whatever source administered by the College for specific purposes have been properly applied to those purposes and, if relevant, managed in compliance with relevant legislation such as Trustee Act 2000;
 - c) that in all material respects, monies expended out of funds provided by the SFA have been applied in accordance with the Financial Memorandum between the SFA and the College and any other terms and conditions attached to them;
 - d) that proper accounting records have been kept.
- 23.1.3 The Financial Statements auditors will report by way of a management letter, within one month of the issue of the opinion on the annual financial statements, to the Corporation through the Audit Committee.
- A copy of the management letter and any other reports of audit findings will be sent direct to the SFA at the same time as the original is sent to the College. Only final versions of such documents are to be sent to the SFA, not drafts. The College will send a copy of its reply to the SFA.
- The management letters shall include any significant matters arising out of the audit which might lead to material errors or impact on future audits, or where, for example, economies could be made or resources used more efficiently. It shall also recommend improvements, particularly in the following areas:
- a) weaknesses in the structure of accounting systems and internal control;

- b) deficiencies in the operation of accounting systems and internal control, including internal audit;
- c) inappropriate accounting policies and practices;
- d) non-compliance with legislation, accounting standards, and other regulations; and
- e) matters raised in previous management letters where remedial action remains incomplete.

23.1.4 Serious weaknesses or an accounting breakdown shall be reported to the Principal and Chief Executive, the Chair of the Corporation, the Chair of the Audit Committee and the SFA or any successor body, as required by the Financial Memorandum.

23.1.5 Ensuring the establishment and maintenance of an adequate system of internal control is the responsibility of the Corporation with whom rests also the responsibility for ensuring compliance with statutory and other regulations, including those in relation to taxation, and for the prevention and detection of irregularities including fraud.

The Financial Statements Auditors will plan and conduct their audit so that Financial Statements Audit will have a reasonable expectation of detecting material mis-statements in the accounts resulting from irregularities, including fraud, or breach of regulations. However, Financial Statements Audit are not required to search specifically for irregularities and fraud and their audit should not therefore be relied on to disclose them.

23.1.6 Financial Statements Audit have unrestricted access to internal audit files and working papers and will, on occasions, have regular meetings with internal audit staff.

23.1.7 The Corporation is responsible for ensuring that:

- a) a system of controls, financial and otherwise, is established and maintained in order to carry on the operations of the College in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure, as far as possible, the completeness and accuracy of the records; and
- b) financial statements are prepared that:
 - i) comply with the College's Articles of Government, all statutory requirements, the Financial Memorandum between the SFA and the College and any other regulations relevant to the constitution and activities of the College;
 - ii) show a true and fair view of the College's financial position and of the income and expenditure for the year taking into account where relevant; statutory disclosure requirements, Statements of Standard Accounting Practice and other accounting practices recommended by the Accounting Standards Board (or its predecessor the Accounting Practices Committee) and requirements of the SFA.

23.2 INTERNAL AUDIT

23.2.1 Whilst the College will appoint the Internal Auditors annually, this does not require a full tendering exercise. This will be carried out periodically at the discretion of the Audit Committee in accordance with the Audit Code of Practice requirements.

23.2.2 Internal Auditors are appointed by the Corporation on the recommendations of the Audit Committee in accordance with the Audit Code of Practice, as shown in **Appendix 8**.

23.2.3 The Internal Auditors shall be responsible to the Corporation, through the Audit Committee, for maintaining an audit of all aspects of the College's affairs.

23.2.4 The Internal Auditors shall have unrestricted access to:

- a) the Corporation, Principal and Chair of the Audit Committee;
- b) all of the College's records, assets, Human Resources and premises and to obtain such information and explanations as the Internal Auditor considers necessary.

23.2.5 The Internal Auditors will issue a report on the College's activities after each visit to the College. Reports will be submitted to the Compliance Officer in the first instance for forwarding to the Audit Committee and Senior Management Team Members. An annual report will also be issued, a copy of which will be sent to the SFA.

23.2.6 The College may, from time to time, be subject to audit or investigation by external bodies such as the SFA, National Audit Office, European Court of Auditors, HM Revenue and Customs.

These auditors have the same rights of access as external and internal auditors. The Chair of Governors, the Chair of Finance Committee and the Chair of Audit Committee will be immediately notified of any such event.

24. FRAUD AND IRREGULARITY

24.1 The College requires all staff at all times to act honestly and with integrity to safeguard the public resources for which the Corporation is responsible and to abide by the Bribery Act. Fraud is an ever present threat to resources. All members of College staff must, therefore, remain alert to the risk that fraud or irregularity could occur in their area of responsibility.

24.2 The purpose of this guideline is to set out:

- a) staff responsibilities regarding both the prevention of fraud and irregularity;
- b) the procedure to be followed where a fraud or irregularity is detected or suspected.

24.3 In law there is no specific offence of fraud. Many of the offences referred to as fraud are covered by the Theft Acts of 1968 and 1978. The term is usually employed to describe acts such as bribery, corruption, forgery, extortion, conspiracy, theft, embezzlement, misappropriation, false representation and concealment of material facts. For all practical purposes, fraud may be defined as "The use of deception with the intention of obtaining an advantage, avoiding a loss, or causing loss to another party."

24.4 Fraud can be committed by persons outside as well as inside the College. In the College context, fraud or irregularity could include:

- a) pilfering of stock;
- b) excessive use of telephone/fax facilities for personal gain;
- c) unauthorised use of College equipment (including computers);
- d) theft of cash or equipment;
- e) improper manipulation of computer programmes or data collusion with others for illicit gain;
- f) falsification of claims for travel and subsistence or other allowances;
- g) improper/inaccurate claims for overtime or time off in lieu;
- h) Excessive hospitality;
- i) Deliberate manipulation of CIS records.

24.5 External attempts at fraud or irregularity could include:

- a) offers of bribes/inducements;
- b) submission of false invoices;
- c) demands for payment of unsolicited goods;
- d) contractor frauds involving overcharging, sub-standard work, bid rigging and/or collusion in competition for services;
- e) fraudulent claims for College funds.

24.6 PREVENTION OF FRAUD/IRREGULARITY

The management and financial systems of the College have been designed to incorporate appropriate controls for preventing fraud. These controls include, inter alia:

- a) supervisory checks;
- b) management checks;
- c) appropriate organisational structures;
- d) complete, accurate and up-to-date records;
- e) physical security of assets/stocks;
- f) segregation of duties;
- g) clearly defined written responsibilities;
- h) clearly defined lines of reporting;
- i) regulations and associated procedure guides.

24.7 All Line Managers are responsible for ensuring that an adequate system of internal control exists within their areas of responsibility. The responsibility for the prevention and detection of fraud, therefore, rests primarily with managers who should assess the types and risk involved with operations for which they are responsible.

- 24.8 The Vice Principal - Finance and the College Internal Auditors are able to offer advice and assistance on control issues.
- 24.9 If a member of staff suspects that an action or event perpetrated either by another member of College staff or by a third party may constitute a potential fraud or irregularity, the suspicion should be immediately reported to his/her Line Manager.
- 24.10 The Line Manager must then discuss the facts of the case with the person raising the issue. If the Line Manager considers that a fraud or irregularity has occurred or is likely to occur, he/she must immediately report the matter to the Vice Principal - Finance, normally in writing. (Note : If the Vice Principal - Finance is implicated in the case then the Principal should be informed, who will nominate another Senior Post-holder to take matters forward, other than the Vice Principal - Finance.) The Vice Principal - Corporate Services will be informed at the appropriate time to ensure HR practices are followed where possible and the College Insurers advised.
- 24.11 On receipt of the information, the Vice Principal - Finance must establish the facts of the case and decide what further action, if any, is required. This may or may not include:
- removing for safe custody any books, records or documents relating to the case;
 - confiscating any equipment relating to the case (eg personal computers and discs);
 - the possibility of commissioning a special investigation by a suitably qualified and independent third party, such as the College Internal Audit Service;
 - Suspending and escorting from the premises the alleged culprit.
- 24.12 All cases reported to the Vice Principal - Finance under the terms of paragraph 24.11 above with a value in excess of £500 must be reported by the Vice Principal - Finance to:
- the College Internal Auditors;
 - the College Audit Committee, under a standing agenda item at each Committee meeting.
- Notwithstanding the above, any employee caught perpetrating a fraud with a value below £500 will be subject to the College Disciplinary Procedure for gross misconduct.
- 24.13 If the evidence strongly points to a material fraud having been perpetrated, the College, after consultation with as appropriate the Principal and Chief Executive, the Chair of the Corporation and/or the Chair of the Audit Committee, the Vice Principal - Finance, the Vice Principal – Corporate Services and the College Internal Auditors may:
- inform the Police;
 - suspend any members of College staff suspected of involvement, pending further investigation;
 - recover any College property that has been unofficially removed from College premises;
 - Advise the appropriate funding body of any significant loss.
- 24.14 Where a fraud or irregularity has occurred, College management will take steps to improve the controls in the systems where the fraud occurred. This will help to ensure that the fraud, or a version thereof, does not recur in the future.
- 24.15 A formal report on the outcome and resolution of any suspected fraud or irregularity should be presented to the Audit Committee.

Note : For whatever reason, the matter may be referred by any interested party to the Clerk to the Corporation for action on behalf of the Corporation.

25. RISK MANAGEMENT

- 25.1 The 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. Guidance on the level of risk considered to be acceptable/unacceptable by the College is set out in a separate Risk Management Policy.
- 25.2 The Corporation has overall responsibility for ensuring that there is a risk management strategy and a common approach to the management of risk throughout the College through the development, implementation and embedment within the organisation of a formal, structured risk management process.

- 25.3 In line with this policy, the Corporation requires that the risk management strategy and supporting procedures include:
- a) The adoption of common terminology in relation to the definition of risk and risk management;
 - b) The establishment of 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;
 - c) Detailed regular review at senior and middle management level to identify significant risks associated with the achievement of key objectives and other relevant areas;
 - d) 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;
 - e) Regular reporting to the Corporation, via the Audit Committee, of the Risk Register;
 - f) An annual review of the implementation of risk management arrangements.

26. WHISTLEBLOWING

- 26.1 Whistleblowing in the context of the Public Interest Disclosure Act 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.
- 26.2 Normally any concern about a workplace matter at the College should be raised with the Clerk to the Corporation. However, the College recognises that the sensitivity of some issues, together with the identify of the person the member of staff thinks may be involved, may make this difficult or impossible.
- 26.3 A member of staff may, therefore, make the disclosure to the Principal. If the member of staff does not wish to raise the matter with the Principal, it may be raised with the Chair of the Corporation.
- 26.4 The full procedure for whistleblowing is set out in the College's Whistleblowing Policy which is available from the Clerk to the Corporation and on the staff intranet.

27. TREASURY MANAGEMENT

- 27.1 Subject to the conditions of the funding bodies, the Principal shall be authorised to enter into short-term borrowing to fund recurrent expenditure to enable the College to carry on those activities which it has power to carry on or to meet any liability. Under the provisions of the Further and Higher Education Act 1992 all borrowing should be affected in the name of the Corporation.
- 27.2 A Code of Practice for Treasury Management shall be adopted by the College and thereafter its implementation and monitoring shall be the responsibility of the Finance Committee.
- 27.3 All money in the hands of the College shall be aggregated where possible or appropriate for the purposes of Treasury Management, except in the case of endowment funds where the provisions of the endowment policy provide otherwise.

28. CORPORATION SEAL

- 28.1 The Corporation Seal will have to be used where there is a legal requirement that a transaction be entered into by way of a Deed. This is the case where the document:
- transfers the whole freehold title;
 - or is a Lease for more than 3 years;
 - or a mortgage.

There are some situations (e.g. major construction works) where it may benefit the College to use a Deed, as the time limit for bringing a claim under a Deed will be 12 years rather than the usual 6 years for most contracts. The College will be advised by its solicitors in relation to particular transactions as to whether the use of the Deed is either mandatory or advisable.

- 28.2 The Principal has delegated authority to sign Deeds where it is considered appropriate, however, this does not negate the approval of the Corporation where the sum involved exceeds £200,000.
- 28.3 The application of the seal of the Corporation shall be authenticated by the signature of the Principal and/or Chair/Vice-Chair of the Corporation or some other member of the Corporation authorised either generally or specially by the Corporation to act for that purpose, together with that of any other member of the Corporation.
- 28.4 Every document purporting to be an instrument made or issued by or on behalf of the Corporation and to be duly executed under the seal of the Corporation or to be signed or executed by a person authorised by the Corporation to act on that behalf shall be received in evidence and be treated without further proof as being so made or issued unless the contrary is shown.
- 28.5 An entry of the sealing of every deed and other documents to which the seal shall have been affixed shall be registered by the Clerk of the Corporation in a separate book to be provided for the purpose.
- 28.6 A report shall be submitted by the Clerk of the Corporation to the Corporation advising them of the deeds and documents to which the seal has been affixed since the date of the last meeting of the Corporation.
- 28.7 Subject to legal advice to the contrary, the seal shall be applied to all contracts of £200,000 or more and all other instances as required by law or advised accordingly by the College Solicitors.

29. STATUTORY PAYMENTS

- 29.1 The Vice Principal - Finance and Vice Principal – Corporate Services as appropriate shall maintain all statutory records for the College, such as VAT, PAYE and National Insurance, and shall make all payments and receive all credits.
- 29.2 All queries regarding taxation matters shall be raised with the Vice Principal - Finance who will contact the local Her Majesty's Revenue and Customs office if appropriate.

30. DONATIONS – INCOMING (GIFTS)

30.1 GIFTS, BENEFACIONS AND DONATIONS

The Vice Principal – Finance is responsible for maintaining financial records in respect of gifts, benefactions and donations made to the College and initiating claims for recovery of tax where appropriate. Receipt of all such funds should be immediately notified to the Vice Principal – Finance who will ensure they are banked appropriately.

- 30.2 The Principal will formally accept any donation received on behalf of the College.
- 30.3 The purpose of any gifts made or received will be transparent, having regard to the Bribery Act.

30.4 TRUST FUNDS

- 30.4.1 The Corporation shall be responsible for approving the establishment of any trust fund and for approving the working of the trust deeds.
- 30.4.2 The Corporation is responsible for ensuring that all College Trust Funds are operated within any relevant legislation, including the 1961 Investment Act, and the specific requirements for each trust. They will also be responsible for investment of fund balances.

- 30.4.3 The Vice Principal – Finance is responsible for maintaining a record of the requirements for each trust fund and for advising the Finance Committee on the control and investment of fund balances.

30.5 FUND RAISING AND VOLUNTARY FUNDS

- 30.5.1 The Principal is required to inform the Corporation on the financial implications of any proposal for significant fund raising activities which the College may ask the Corporation to initiate, sponsor or approve, having regard to the relevant legislation, in particular the Charities Act 1992.

- 30.5.2 The Vice Principal – Finance shall be informed of any fund that is not an official fund of the College, which is controlled wholly or in part by a member of staff in relation to their function in the College.

- 30.5.3 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 Vice Principal – Finance shall be entitled to verify that this has been done.

31. COPYRIGHTS, PATENTS AND EXPLOITATION OF INVENTIONS

- 31.1 The Principal shall be promptly notified of all intellectual property rights invented or created by a student as a requirement of the course of study or by a member of staff of the College including Heart of England Academy and Stratcast.

- 31.2 The copyright in all records and documents made by employees in the course of their employment shall belong to the Corporation.

- 31.3 Any invention, development, process, plan, design, formula, specification, programme or other matter or work whatsoever made, developed or discovered by an employee whilst employed by the Corporation shall be disclosed to the Corporation and, subject to Section 39 of the Patents Act, shall belong to and be the absolute property of the Corporation.

- 31.4 The Corporation shall decide, in its sole discretion, whether and when to apply for patent, registered design or other protection in respect of the inventions and reserves the right to work any of the inventions as a secret process in which event the employee shall observe confidentiality.

32. LEARNER SUPPORT FUNDS

Learner Support Funds are established and operated in accordance with the rules and regulations specified by the funding body and the Higher Education Funding Council for England (HEFCE). Currently the Fund is administered by the Head of Learner Services and reported annually to the Finance Committee.

33. COMPANIES AND JOINT VENTURES

- 33.1 In certain circumstances, it may be advantageous to the College to establish a company or a joint venture to undertake services on its behalf.

- 33.2 The Corporation is responsible for approving the establishment of companies or joint ventures and the procedure to be followed in order to do so. The process involved in forming a company and arrangements for monitoring and reporting on the activities of subsidiary undertakings will be the responsibility of the Finance Committee.

- 33.3 The Corporation will undertake a thorough review of the business plan and any proposed control arrangements for a new company.

- 33.4 The establishment of and arrangements for a company will need the approval of the SFA requirements before trading commences.

- 33.5 The Corporation should ensure that, following the establishment of a separate company, a formal memorandum of understanding is established between the College and the Company, setting out the relationship between the Company and the College.
- 33.6 Before any College funds are made available to a company, the Corporation should ensure that it will receive a satisfactory return and that the College bears an acceptable level of risk.
- 33.7 SFA funds may be used to purchase goods and services from a company or joint venture, subject to the usual requirements with regard to value for money. However, SFA funds should not be used to fund or subsidise private trading ventures by the College, either through direct transfers or cash or indirect funding or subsidy arrangements, such as granting subsidiaries more favourable terms of trade than other customers and providing staff free of charge or at a rate which does not cover the full costs involved.
- 33.8 It is the responsibility of the Corporation to establish the shareholding arrangements. Directors of companies will be appointed in accordance with the articles of the company and in accordance with the guidance issued by the SFA.
- 33.9 The Financial Statements Auditors of the College will also be the Financial Statements Auditors of any companies established by the Corporation, and the financial framework within which the company operates shall be the same as that of the College. The directors of College companies must submit the annual accounts to the Corporation, via the Finance Committee. The performance of the company must be reported at least termly to the Corporation.

34. OTHER INCOME GENERATING ACTIVITY

34.1 PRIVATE CONSULTANCIES AND OTHER PAID WORK

The regulations governing private work undertaken by College staff are set out in Conditions of Service and Contracts of Employment. Unless otherwise stated in a member of staff's contract:

- a) Outside consultancies or other paid work may not be accepted without the consent of the Principal;
- b) Applications for permission to undertake work, as a purely private activity, must be submitted by the individual employee to the Principal, as appropriate, 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 College resources required (for the calculation of the full economic cost);
 - An undertaking that the work will not interfere with the teaching and normal College duties of the member(s) of staff concerned.

34.2 OUTWARD COLLABORATIVE PROVISION (FRANCHISING)

- 34.2.1 All outward collaborative provision (franchising) will be subject to appropriate controls in accordance with the latest funding body requirements.
- 34.2.2 The Strategic Plan will contain a section on franchising which will include financial projections and appropriate objectives, if applicable.
- 34.2.3 The Corporation shall determine arrangements for the approval and annual re-approval of franchises, including a generic contract to be used. The College will adopt the model form of contract published by the SFA as the basis of a generic contract. Authority to sign contracts will be formally delegated to the Principal with the provision that a contract shall not be signed unless the franchisee has cleared the approval protocol. Provision must not commence until a signed contract and suitable arrangements are in place.
- 34.2.4 Compliance audits, including checks on attendance records, will take place on a systematic and documented basis.

34.2.5 Suitable reports on franchising will be submitted to the Corporation and College management. The Corporation will consider a termly report on franchising including details on activity, key financial and operational information, and future plans.

34.3 EUROPEAN UNION (EU) AND OTHER MATCHED FUNDING

34.3.1 Any such project requires the approval of the Principal prior to any commitment being entered into. Such approval shall be dependent upon the relevant Manager being able to demonstrate that eligible matching funds are available and that the project is financially viable.

34.3.2 Approved projects shall be the subject of a report by the Principal to the Corporation which will set out, amongst other things, the potential risks generated by the project.

34.3.3 If the College sub-contracts such work to external providers, the relevant Manager shall ensure that:

- a) This is on the basis of a written contract which allows for full audit access to detailed records;
- b) Appropriate monitoring procedures are in place to ensure that the outputs are achieved and the provision is of suitable quality;
- c) Payments are only made against detailed invoices.

34.4 PROFITABILITY AND RECOVERY OF OVERHEADS

34.4.1 All other income-generating activities must be self-financing or surplus-generating.

34.4.2 Other income-generating activities organised by members of staff must be costed and agreed with the Vice Principal – Finance before any commitments are made. Provision must be made for charging both direct and indirect costs and for the recovery of overheads.

34.5 DEFICITS

Any unplanned deficits incurred on other income-generating activities will be charged to the relevant Manager's budget.

34.6 ADDITIONAL CONTRIBUTIONS TO DEPARTMENTS

Distribution of profits on other income-generating activity between central College funds and individual departments will be determined by the Principal and Vice Principal – Finance on an individual basis.

VFP Finance to maintain list of current budget holders



FINANCE COMMITTEE TERMS OF REFERENCE

The purpose of the Finance Committee is to determine and advise on all matters relating to finance and property.

The Finance Committee's responsibilities are summarised as follows:

1. Consider and advise the Corporation on all aspects, including risk, of the Corporation's finances, financial policies, controls and strategy and review these periodically.
2. Give consideration to, and recommend to, the Corporation the annual budget for revenue income and expenditure and any associated capital expenditure.
3. Review the period management accounts of the Corporation and recommend to the Corporation any in-year budget adjustments.
4. Monitor the cash flow position of the College and ensure that action is taken to maintain this at an acceptable level.
5. Monitor and keep under review new projects in which the College wishes to engage.
6. Review the annual financial statements of the Corporation and recommend them to the Corporation for approval.
7. Consider and make recommendations to the Corporation on the solvency of the Corporation and the safeguarding of its assets.
8. Periodically review the arrangements for insurance.
9. Periodically review and approve the College's investments, borrowing and treasury management policies.
10. Consider and recommend to the Corporation the establishment of any subsidiary companies and keep under review the financial position of any such companies on at least an annual basis.
11. Determine the College's tuition fee policy, subject to an annual review and having due regard to guidance issued by any appropriate funding bodies.
12. Approve those matters reserved to the Committee in the Financial Regulations and Procedures.
13. Taking account of risk, consider, recommend to the Corporation for approval, and periodically review the College's property and accommodation strategies.
14. Keep under review the capital needs of the College and ensure that appropriate financial provision is made for capital expenditure.
15. Monitor the planning, implementation and progress against plan of approved major capital expenditure projects in excess of £200,000.
16. Review the College Financial Regulations periodically and approve any amendments that become necessary from time to time.

MEMBERSHIP

1. The membership of the Committee will be the Principal of the College and up to 6 members of the Corporation. Staff and Student Members will not be eligible for appointment to this Committee.
2. Membership of the Finance Committee to be as determined from time to time by the Corporation.
3. The Committee may co-opt non-voting members on to the Committee with relevant skills and experience consistent with these Terms of Reference.
4. The Corporation may from time to time appoint among its members one or more alternate members of the Finance Committee to attend regular or special meetings of the Finance Committee in the place of absent or disqualified members thereof, the said alternate members to have the full powers of a regular member of the Finance Committee when attending any such meeting as a substitute for any absent or disqualified member.

QUORUM

1. Committees shall be quorate when 3 members are present.
2. If less than 3 members are present, the business may still take place but any decision will require ratification by the Corporation.

COMMITTEE CHAIR

1. The Committee will elect a Chair from their number in accordance with the procedure as specified in the Standing Orders of the Corporation. The term of office for the Committee Chair will normally be two years unless a vacancy occurs, when the post will be filled for the outstanding period of office of the outgoing Chair.
2. The Committee will not normally appoint a Vice-Chair.
3. If the Committee Chair is not present at the meeting, the members will elect a Chair for the meeting from amongst their number.

CLERKING ARRANGEMENTS

1. The Clerk to the Corporation will ensure that appropriate clerking arrangements are in hand for the Committee. Normally this will be the Clerk to the Corporation.
2. The Finance Committee to keep regular minutes of its transactions and shall cause the minutes to be recorded by the Clerk to the Corporation, in books kept for that purpose in the offices of the College.

FREQUENCY OF MEETINGS

The Finance Committee to meet at least 3 times per year in advance of the termly meeting of the Corporation and at such other time or place as may be determined by the Chair.

STANDING ORDERS

The Corporation Standing Orders will apply to the running of the Committee as appropriate.



AUDIT COMMITTEE TERMS OF REFERENCE

1. To advise the governing body on the adequacy and effectiveness of the FE college's system of internal control and its arrangements for risk management, control and governance processes, and securing economy, efficiency and effectiveness (value for money).
2. To advise the governing body on the appointment, re-appointment, dismissal and remuneration of the financial statements auditor and the internal audit service.
3. To advise the governing body on the scope and objectives of the work of the financial statements auditor, funding auditor and the internal audit service.
4. To ensure effective co-ordination between the internal audit service, funding auditor and financial statements auditor, including whether there should be reliance placed on the work of the funding auditor for internal audit purposes.
5. To consider and advise the governing body on the audit strategy and annual internal audit plans for the internal audit service.
6. To advise the governing body on internal audit assignment reports and annual reports and on control issues included in the financial statements auditor's and all funding auditor's management letters, and management's responses to these.
7. To monitor, within an agreed time-scale, the implementation of agreed recommendations relating to internal audit assignment reports, internal audit annual reports, funding auditor's management letters and spot check reports and financial statements auditor's management letter.
8. To consider and advise the governing body on relevant reports by the National Audit Office, The Learning and Skills Council and other funding bodies and, where appropriate, management's response to these.
9. To establish, in conjunction with college management, relevant performance measures and indicators, and to monitor the effectiveness of the internal audit service and financial statements auditor through these measures and indicators.
10. To produce an annual report for the governing body and accounting officer which includes the Committee's advice on the effectiveness of the College's risk management, control and governance process. The report should incorporate any significant matters arising from the work of the internal audit service, the funding auditors and the financial statements auditor.
11. To ensure that all allegations of fraud and irregularity are properly followed up.
12. To receive reports on any additional services undertaken by the Internal Audit Service, the financial statements auditors, and the funding auditors.
13. To exercise its role, the Audit Committee is empowered to:
 - a) investigate any activity within its terms of reference;
 - b) seek any information it requires from the internal audit service, the external auditor, Corporation Members, Committees and College employees, plus relevant information from sub-contractors and other third parties;
 - c) obtain external professional advice.

MEMBERSHIP

The membership of the Committee will comprise a minimum of 3 persons and a maximum of 5. The Corporation may co-opt appropriate individuals with relevant experience on to the Committee. The Principal and Senior Staff of the College, Corporation Chair and members of the Finance Committee are not eligible to serve on the Committee.

QUORUM

The quorum for meetings of the Audit Committee will be two, both of whom should be Corporation Members (excluding the Principal if in attendance).

COMMITTEE CHAIR

1. The Committee will elect a Chair from their number in accordance with the procedure as specified in the Standing Orders of the Corporation. The term of office for the Committee Chair will normally be two years unless a vacancy occurs, when the post will be filled for the outstanding period of office of the outgoing Chair.
2. The Committee will not normally appoint a Vice-Chair.
3. If the Committee Chair is not present at the meeting, the members will elect a Chair for the meeting from amongst their number.
4. The head of internal audit, the financial statements auditor and the funding auditor have a right of direct access to the Chair of the Audit Committee and also the right to ask the Chair to convene a meeting, if necessary, with or without other participants.
5. If the Chair is not a member of the Corporation, the Committee will agree a member to present the minutes at Corporation meetings.

CLERKING ARRANGEMENTS

The Clerk to the Corporation will ensure that appropriate clerking arrangements are in hand for the Committee. Normally this will be the Clerk to the Corporation.

FREQUENCY OF MEETINGS

1. The Audit Committee to meet at least three times per year in advance of the termly meeting of the Corporation and at such other time or place as may be determined by the Chair.
2. The Chair of the Audit Committee is authorised to take appropriate action as necessary in accordance with these Terms of Reference and the College Standing Orders.

STANDING ORDERS

The Corporation Standing Orders will apply to the running of the Committee as appropriate.

Approved 12-02

DELEGATION OF SUPERVISION OF BUDGETS TO NOMINATED PERSONS

VP Finance to maintain current list of budget delegated and nominated persons

STAFF AUTHORISED TO HOLD OFFICIAL ORDER PADS (CONTROLLED STATIONERY)

VP Finance to maintain current list

STAFF AUTHORISED TO SIGN OFFICIAL ORDERS UP TO £10,000

VP Finance to maintain current list

COLLEGE BANK ACCOUNTS

Bank Accounts with Lloyds/TSB Bank plc:

Stratford-upon-Avon College - No 1 Account

Stratford-upon-Avon College - Access Fund Current Account

Money market or term deposit accounts, as necessary

Stratford-upon-Avon College Services Limited

Stratford-upon-Avon College personnel authorised to sign College cheques

(two signatories required on each cheque)

Principal	Martin Penny
Deputy Principal	Charles Anderson
Clerk to Corporation	David Jackson
Vice Principal – Finance	Norman MacDonald
Vice Principal	Kay Taylor
Assistant Principal, International Curriculum	Tim Astbury
Vice Principal Corporate Services	Hazel Skwirzynska

AUDIT CODE OF PRACTICE

INTRODUCTION

1. This audit code of practice is for the use of:
 - governing bodies, their subcommittees and the managers of colleges, in complying with the Council's requirements for audit;
 - internal audit services at colleges, which operate as a service to management and to the organisation by measuring and evaluating the effectiveness of the whole system of internal control. The internal audit services are required by governing bodies, under the terms of their engagement, to comply with the code;
 - external auditors at colleges, which are also required to comply with the code, under their terms of engagement;
 - those outside the sector, to help them understand the strength of the audit framework within which colleges operate.

2. The code is supplemented by four guidance notes which offer current good practice in internal and external audit and colleges' governance and management of the auditing process. They give more detailed guidance and models which the users of the code may wish to adopt.

3. The requirements of the code are given in the following sections:
 - the code in context and how colleges may self-assess their audit arrangements (paragraphs 6 to 17);
 - an overview of accountability of further education colleges (paragraphs 18 to 30);
 - the college audit committee (paragraphs 31 to 36);
 - the college internal audit service (paragraphs 37 to 48);
 - the college external auditor (paragraphs 49 to 53);
 - areas common to the college internal audit service and external auditor (paragraphs 54 to 63);
 - fraud and irregularity (paragraphs 64 to 68);
 - guidance notes and self-assessment (paragraphs 69 to 72).

4. The guidance notes cover:
 - the college audit committee (supplement A);
 - the college internal audit service (supplement B);
 - the college external auditor (supplement C);
 - areas common to the college internal audit service and external auditor (supplement D).

5. This code and the related guidance notes supersede Circular 92/07 and Circular 92/12 and will come into effect on 1 August 1998. At the time of writing there are three areas which have not been finalised, namely access to auditors' working papers, limitation of auditors' liability, and the required assurance on the system of internal control which is given by the internal audit service. Colleges and auditors should comply with the code as it stands until further guidance is issued.

CODE IN CONTEXT

Need for an Audit Code of Practice

6. The financial memorandum between the Further Education Funding Council (the Council) and the Department for Education and Employment (DfEE) requires the Council to issue an audit code of practice (the code). In turn, the Council, through its financial memorandum with colleges, has required colleges to put in place audit arrangements. These arrangements concern:
 - appointment of an internal audit service by colleges;
 - the terms of reference and scope of the internal audit service in colleges and circulation of their reports;
 - the establishment of audit committees by colleges;
 - the provision of internal and external audit in accordance with guidance from the Council, embodied in this code.

Scope

7. The code is not intended to cover:
 - the inspection of colleges by the Council;
 - those audit arrangements that are put in place to meet the objectives solely of bodies other than the Council.

8. These other audit arrangements might be:
 - an audit to narrowly focused financial objectives, for example the work of the Inland Revenue, Customs and Excise or the European Court of Auditors;
 - other review or audit bodies which might be principal contractors with colleges, for example training and enterprise councils (TECs), the Higher Education Funding Council for England (HEFCE) or the Home Office.
9. The Council, in conjunction with the National Audit Office (NAO), seeks, and will continue to seek, a rationalisation of the work of these other bodies. Due to their number, variety and distance from the Council, it has to date proved impracticable to bring their arrangements within the code.
10. The code includes a brief description of the work of the comptroller and auditor general (C&AG), the head of the NAO, as this work is an important part of the accountability framework within which colleges operate.

Observance

11. The term 'must' indicates mandatory requirements, which are included in the code, which must be observed by colleges. All mandatory requirements are summarised at annex A to this code.
12. The guidance notes are intended to assist colleges and their auditors in complying with the mandatory requirements. In its appraisal of a college's audit arrangements, the Council will look for compliance with the mandatory requirements set out in annex A, as well as good practice as detailed in the guidance notes.

Applicability

13. The code is designed to be read in conjunction with the relevant standards underlying them. These are:
 - auditing standards issued by the Auditing Practices Board in relation to external audit;
 - the Government Internal Audit Manual (GIAM) in relation to internal audit;
 - guidance on internal audit issued by the Auditing Practices Board.
14. More detailed advice on any aspect of the code is available from the Council's audit service via regional offices.
15. The code is not intended to be a manual. Colleges and audit providers should develop their own management procedures and manuals appropriate for them, taking account of this code.

Updating

16. It will be necessary from time to time for the code to be updated. The Council intends to keep the operation of the code under review and will consult interested parties before making any significant amendments. Amendments will be made to the code as soon as the three unfinalised matters noted in paragraph 5 have been resolved. All amendments will be announced in circulars supplementary to the code and guidance notes. The Council's audit service welcomes comments made to the chief auditor on the code and its operation at any time.
17. A full review of the code will be undertaken by the Council following the end of the Council's current audit cycle. This cycle ends on 31 July 2001.

ACCOUNTABILITY OF FURTHER EDUCATION COLLEGES

18. Colleges within the further education sector are accountable to a wide range of bodies. In addition to the Council, most colleges are accountable to bodies such as the HEFCE, TECs, local authorities and private sector organisations. This accountability may be for a variety of reasons other than the purely financial. The code is concerned with colleges' accountability for the safeguarding and use of public funds, through the colleges' systems of internal controls.
19. Other bodies considered in the code also have a formal interest in colleges' receipt of these funds through the Council. These are parliament, the DfEE and the Council itself. Each of these bodies has made arrangements to safeguard its interest. The financial memorandum between colleges and the Council states that the governing body is responsible for ensuring that funds are used only in accordance with the *Further and Higher Education Act 1992* (the Act), that memorandum, and any other conditions which the Council may from time to time prescribe. It is also in each college's own interest, as part of its management, to have in place a sound system of internal control (defined at appendix 1 of supplement B) that delivers the college's objectives at all levels. Since colleges receive public funds, they are subject to requirements in relation to the safeguarding and use of these funds.

Parliament

20. Parliament's interest is to see that public funds are properly accounted for and used economically; efficiently and effectively by recipients. The C&AG is appointed by the Crown, and is an officer of the House of Commons. As auditor general, he carries out, on behalf of the House of Commons, the audit of the Council's accounts. He may, at his discretion, carry out examinations of the economy, efficiency and effectiveness with which the Council or colleges have used their resources in discharging their functions.
21. The C&AG has access to the accounts of colleges under section 53 of the Act. This may include all documents held by colleges that receive funding from the Council. Section 53 also refers to the examinations of economy, efficiency and effectiveness which the C&AG has powers to undertake under the *National Audit Act 1983*. The NAO carries out the audits and other examinations that discharge the responsibilities of the C&AG. The NAO is highly selective in its use of inspection rights - most of the financial audit work can be undertaken at the Council and investigations into economy, efficiency and effectiveness normally involve only a sample of colleges at any one time. Currently the NAO's visits to colleges are performed every other year

Department for Education and Employment

22. The funds distributed by the Council to colleges are first received from the DfEE. The permanent secretary of the DfEE is the principal accounting officer of the DfEE and is responsible, and accountable, to parliament for the issue of grant to the Council. Under the terms of the financial memorandum between the Council and the DfEE, the principal accounting officer has formally designated the chief executive of the Council as accounting officer of the Council.
23. As the Council's accounting officer, it is part of the chief executive's duty to satisfy himself that institutions which receive Council funds have appropriate arrangements for financial management and accounting. One means of this is by securing for the Council an (internal) audit service. The work of the Council's audit service is examined by the DfEE's internal auditors and the NAO to ensure that audit standards and coverage are being achieved. This may include, from time to time, observation by DfEE auditors of the Council's audit service at work in colleges. Through its financial memorandum with the Council, and consequently through the Council's financial memorandum with each college, to help in providing an assurance on the adequacy and effectiveness of controls within the further education sector, the DfEE's internal auditors may make unaccompanied visits to colleges, and undertake such enquiries, and review such books and records as they may reasonably require to undertake their work.

24. The DfEE has funding relationships with colleges other than funds distributed by the Council. These are primarily through TECs and the European social fund (ESF). Any of these funding relationships may be subject to audit arrangements, required by the DfEE, independently of the Council.

Council

25. Funds are paid by the Council to colleges pursuant to section 5 of the Act to meet expenditure eligible for funding under that section, and must be used in accordance with the purposes for which they are granted. The Council itself is accountable for these public funds it disburses. As detailed in the financial memorandum between the DfEE and the Council, as accounting officer for the Council, the chief executive is responsible and accountable to parliament for:
- ensuring that the uses to which the Council puts funds received from the secretary of state for education and employment are consistent with the purposes for which the funds were given and comply with the conditions attached to them;
 - the regularity and propriety of expenditure from these funds and for securing the best possible economy, efficiency and effectiveness from them.
26. In turn, colleges are accountable to the Council under the financial memorandum for the public funds they receive from the Council. The funds are subject to such terms and conditions as the Council may from time to time prescribe, subject to the provisions of the Act. These conditions are mainly given in the financial memorandum.
27. The financial memorandum with each college requires the appointment by governing bodies of an audit committee and an internal audit service ('internal audit' is defined in appendix 1 to supplement B). Colleges' instruments of government require governing bodies to appoint an external auditor. The Council's audit service assesses the adequacy and effectiveness of the system of internal control at colleges by performing reviews of colleges' governance and management arrangements. It aims to minimise duplication of audit effort by seeking to rely upon the work of colleges' internal audit services. It also evaluates the effectiveness of the operation of college audit committees. Such assessments will have regard to this code and any other guidance issued by the Council. The Council has also established an audit committee, which advises the chief executive on the work of the audit service and on the Council's control systems under the financial memorandum between the Council and the DfEE.

Colleges

28. Within each college, the responsibilities set out in the financial memorandum are with the governing body and the principal. The governing body of each college must ensure that there is a sound system of internal control within the college. It is responsible for:
- ensuring that the financial, planning and other management controls, including controls against fraud and theft, applied by the college are appropriate and sufficient to safeguard public funds;
 - securing the economical, efficient and effective management of all of the college's resources and expenditure, capital assets and equipment, and personnel so that risk to public funds invested in the college by the Council is minimised.
29. The public nature of the governing body's role, its financial accountability through the Council to parliament, its stewardship of public funds, and not least the good name of the college and the interests of its students, all demand high standards of conduct in the exercise of its functions. The existence of a rigorous framework of audit and internal controls can assist governors in this process.
30. The principal is personally responsible for ensuring the proper and effective operation of these controls and may be required to appear before the Committee of Public Accounts of the House of Commons (PAC), alongside the chief executive of the Council, on matters relating to the funds paid by the Council to the college.

COLLEGE AUDIT COMMITTEE

31. The college's governing body must ensure that its responsibilities for proper financial management, for the effectiveness of the whole system of internal control and management systems and for the economy, efficiency and effectiveness of the college's activities have been properly discharged. To enable its responsibilities to be met, the financial memorandum between the college and the Council requires that the governing body of each college must establish an audit committee. An effective audit committee with sufficient authority and expertise can provide the governing body with authoritative advice on matters related to audit and internal control. Objectivity and independence is essential for the successful operation of the audit committee. The audit committee must adopt an

advisory role and examine the college's systems of internal control through the work of the college's internal audit service and its external auditor.

32. The audit committee must be properly constituted by the governing body and given sufficient authority in its relationships with the governing body, college governors and management. It must have the right of access to obtain all the information it considers necessary from members of the college staff and governors, and to consult the internal audit service and external auditor directly.
33. Good practice and further guidance is included in supplement A, the guidance note on the college audit committee.

Role

34. To establish the role of the audit committee, the governing body must set terms of reference for the audit committee. Model terms of reference are detailed in paragraph 2 of supplement A. The governing body must not add to these terms of reference responsibilities that require the audit committee to adopt an executive role, or its members to offer professional advice to the governing body outside their role as governors.

Membership

35. The audit committee must consist of at least three members. It must also include at least one person, whether a governor or not, with relevant financial/audit expertise. In order to ensure independence and objectivity, members of the audit committee must not have executive authority in the college, nor be members of the college's finance committee or equivalent. Further guidance on membership of the audit committee is included at paragraphs 13 to 17 of supplement A.
36. The governing body must determine the membership of the audit committee and the terms on which they are to hold and vacate office.

INTERNAL AUDIT SERVICE

37. Colleges receive substantial public funds and it is a condition of funding that a sound system of internal control over the use of these funds is in place and maintained at each college. Each governing body must, in accordance with the financial memorandum with the Council, appoint an internal audit service in accordance with guidance from the Council. It must be distinct from the external auditor and separate from college management, even if provided in-house, and without any executive, management or operational responsibilities outside internal audit. It will not be permissible for colleges to appoint the same firm to undertake both internal and external audit services for audits, commencing with audits in respect of the college financial year starting 1 August 2000.

Role

38. Internal audit is defined in GIAM as being an independent appraisal function within an organisation which operates as a service to management and to the organisation by measuring and evaluating the effectiveness of the whole system of internal control. The primary responsibility of the college internal audit service is to provide assurance ('assurance' is defined at appendix 1 to supplement B) on the adequacy and effectiveness of the whole system of internal control at the college.

The introduction and maintenance of internal control procedures and techniques in colleges is a management function.

39. Parts of the code are common to internal audit services and external auditors at colleges. These parts are dealt with at paragraphs 54 to 68 of this code. Good practice and further guidance is included in supplement B.

Standards

40. The operation and conduct of the college internal audit service must comply with the standards of internal audit which have been promulgated by HM Treasury and included in GIAM. These standards are attached at annex B, and the major requirements are detailed below in paragraphs 41 to 45.

Scope

41. The work of the college internal audit service must include the whole system of internal control of the college including all its operations, resources, personnel, services and responsibilities to other

bodies. It must cover all activities associated with the college, including activities delivered by college companies or joint ventures or through collaborative provision, and be extended to those that are not funded by the Council.

Planning

42. The college must receive from its internal audit service timely strategic and annual plans formulated according to the service's own priorities. The plans must be approved by the governing body on the recommendation of the audit committee, at the start of the year to which they relate, and in any event, before commencement of work.
43. Each college must devote sufficient resources to internal audit, having regard to the advice given by the head of internal audit. Where existing resources are inadequate to meet the need identified, the college internal audit service must draw this fact to the attention of college management and the governing body through the audit committee. Where agreement cannot be reached on the level of internal audit resources, the college must report this to the Council's chief auditor.

Reporting

44. The internal audit service must produce an annual report on the adequacy and effectiveness of operation of the whole system of internal control of the college. *The level of assurance required of internal auditors is still unresolved.*
45. Each college's internal audit annual report must be received and be available to the governing body before the responsibility statement, contained within the college's annual financial statements, is signed.

Access

46. The head of internal audit must have direct access to the principal and to the governing body, normally through the chairman of the audit committee.
47. The internal audit service must have unrestricted access to all documents, records, assets, personnel and premises of the college, its companies and to relevant documents of outward collaborators, and be authorised to obtain such information and explanations as considered necessary by the college internal audit service.

Council Access

48. Colleges must, through their contract with the internal audit provider, allow the Council unrestricted access to all records, information and assets which the Council considers necessary to fulfill its responsibilities, including internal audit working papers which should be the property of the college, and key internal audit service personnel. *The arrangements relating to access to working papers have not yet been finalised.*

COLLEGE EXTERNAL AUDITOR

Role

49. The basic objective of the college external auditor is to report on the truth and fairness of the income and expenditure for the year, and the financial position of the college and any subsidiary companies shown in the financial statements. The *Companies Act 1985* also requires the external auditor of limited companies to form an opinion as to whether proper accounting records have been kept, whether the accounts are in agreement with those records, and to state that the accounts comply with the disclosure requirements of the *Companies Act 1985*. The external auditor must also be concerned with the requirements of the Council to report on:
- the regularity of transactions, that is, that any terms and conditions attached to the funds provided to colleges have been complied with;
 - the accuracy of certain statistical returns.
50. The college external auditor must promptly send a copy of its finalised management letters, including those arising from any interim audit, audit of final funding unit claim and other reports of audit findings to the Council's chief auditor, at the same time as the original goes to the college.
51. The Council may from time to time require external audit reports on other returns by colleges, for example on cash flow forecasts or recovery plans. Also, the role of the college external auditor may in future be extended to reporting on the results of audit of certain performance indicators.

Eligibility

52. The criteria required for eligibility as external auditors of further education corporations are set out in schedule 8 of the Act. The external audit of a college may be undertaken by:
- a. those accountants who are both members of one of the following professional accountancy bodies:
 - i. Institute of Chartered Accountants in England and Wales (ICAEW);
 - ii. Institute of Chartered Accountants of Scotland;
 - iii. Institute of Chartered Accountants in Ireland;
 - iv. Chartered Association of Certified Accountants;
 - v. Association of Authorised Public Accountants.and who are registered to audit limited companies in accordance with part II of the *Companies Act 1989*;
 - or
 - b. partners in public practice who are members of the Chartered Institute of Public Finance and Accountancy.

External audit may also be carried out by the Audit Commission for Local Authorities and the National Health Service in England and Wales.

Council Access

53. On occasion, the Council's audit service and the NAO may wish to meet with the college's external auditor. Access should not be limited in any way by the college, but the college's management will be notified in advance. The Council's audit service and the NAO must have access to all records, information and assets which it considers necessary to fulfill its responsibilities, including external auditors' working papers and personnel. The college external auditor must comply with any requests from the Council's audit service and the NAO for access to any such information, obtained or prepared during the course of its audit. The Council has begun to review the work performed by external auditors in auditing final funding unit claims and a programme of reviews, based on a sample of colleges each year, is being introduced. *As previously noted at paragraph 48, the requirements relating to access to the working papers of the external auditor are not yet finalised.*

AREAS COMMON TO THE COLLEGE INTERNAL AUDIT SERVICE AND EXTERNAL AUDITOR

Selection Criteria and Procedures

54. On joining the further education sector, or when mergers occur, colleges must have in place an internal audit service and external auditor with effect from the first day of operation of their financial memorandum with the Council. Colleges already in the sector have in place both sets of auditors, and will periodically seek to confirm or change their service providers. If the provider is changed, the contract with the incoming provider must start on the day after expiry of the contract with the outgoing provider to ensure continuity of provision. Where continuity is not possible, for example, due to the immediate resignation of the incumbent auditors, the college should institute interim arrangements before commencing the formal appointment process. One means of this might be by contracting with the college's external auditor to provide also an internal audit service in the short term. Such a period should not normally exceed three months. If the college believes that a gap is unavoidable, they should contact the Council's chief auditor.
55. The selection of the internal audit service at a college is subject to the same procedures as the selection of an external auditor. Colleges must hold a competition for both quality and price at least every five years or when the internal audit service provider or external auditor undergoes a significant change which affects the provision of the service. This may occur when there is a merger; demerger; takeover or other significant re-organisation. A new competition must also be held where the college undergoes a merger. The form of competition will depend on the college's own financial regulations for placing contracts. These regulations may require full tendering or a more limited competition, depending on the value of the contract. If colleges are in any doubt as to what constitutes a significant change in audit provision, they should contact the Council's audit service.
56. The college must consult the Council's audit service on its short list of providers tendering for either, or both, the internal audit service and external audit. The college must send copies of the audit proposals to the Council, to assist in the consultation process.
57. Further guidance on the selection of an internal audit service and external auditor is given at the appendix to supplement D, the guidance note on areas common to the college internal audit service and external auditor

Auditors' Liability

58. Colleges must not appoint an external auditor whose letter of engagement includes any limitation of liability in respect of external audit 'certification' work. This includes the work performed on the final funding unit claim. The limitation might be through an explicit clause or by other limitation of liability. *As previously noted at paragraph 5, the requirements relating to the limitation of liability of auditors are not yet finalised.*
59. For categories of work other than external audit work, colleges are not prevented from negotiating with firms over any proposal by them to restrict or cap their liability as long as the eventual outcome represents the best value for money and takes into account the wider interests of the college, the Council, the DfEE and taxpayers. It should also take into account the risks and likely consequences of any loss suffered as a result of negligence, the effect of the terms of any restriction of liability (for example, are there overall financial limits or are certain risks excluded altogether irrespective of the degree of financial loss?); and the level of professional indemnity held. Value for money will probably mean a substantially lower price, but a firm may offer other benefits such as greater use of more experienced staff. The governing body must specifically consider and approve any request for a liability restriction. Further guidance is given in supplement D.

Due Professional Care

60. Auditors must exercise both due care and professional care in their work, but the concepts can be explained separately. 'Due care' means working with competence and diligence, not infallibility or extraordinary performance.

Auditors are not expected to give absolute assurance. 'Professional care' means using audit skills and judgement based upon appropriate experience, training, ability, integrity and objectivity. 'Professional care' should be appropriate to the objectives, complexity' and materiality of the audit being performed.

Access

61. Each college must grant both the head of internal audit and the external auditor the right of access to the chairman of the audit committee and also the right to ask the chairman to convene a meeting, if necessary with, or without, other participants.

Removal or Resignation of Auditors

62. The college must inform the Council's chief auditor, without delay, of the removal or resignation of the internal audit service or the external auditor, and the circumstances surrounding this. Where the internal audit service or the external auditor cease to hold office for any reason, they must provide the governing body with either a statement of any circumstances connected with the removal or resignation, which they consider should be brought to the governing body's attention, or a statement that there are no such circumstances.

Additional Services

63. Whether the college internal audit service and external auditor provide additional services beyond the scope of their audits is for the governing body to determine, although this responsibility may be delegated. If the college internal audit service or external auditor are called upon to carry out specific investigations and additional work, whether audit or otherwise, the governors and the auditors must ensure that such reviews do not compromise the auditors' objectivity, independence or achievement of audit plans.

FRAUD AND IRREGULARITY

64. The financial memorandum between the college and the Council states that the governing body is responsible for ensuring (that is, must) that the financial, planning and other management controls, including controls against fraud and theft, applied by the college, are appropriate and sufficient to safeguard public funds. The college external auditor has a duty to plan and conduct the audit so that there is a reasonable expectation of detecting material mis-statements in the accounts arising from irregularities, including fraud, or breaches of regulations. The college external auditor does not have a duty to search specifically for irregularities and fraud and their audit should not be relied upon to disclose them. Where the external auditor identifies a serious weakness or an accounting or other control breakdown it must be reported to the principal, the chairman of the governing body and the chairman of the audit committee without delay.

65. Colleges must have a written policy on the process to be followed when evidence of potential irregularity, including fraud, corruption, or any impropriety, is discovered. The policy should include referral to the audit committee and the commissioning by the audit committee of special investigations by the internal audit service or others. This may be set out in the college's financial regulations or specified separately in a 'fraud policy statement' (paragraph 26 of supplement A).

66. The head of internal audit must issue written procedures to auditors on the action to be taken if they suspect or discover fraud or irregularity and should make appropriate arrangements to be informed by the college, as soon as possible, of all suspected or discovered fraud, whether internal or external. The principal and chairman of the audit committee should also be informed.

67. Where the audit committee feels there is evidence of irregularity; fraud, corruption, or any impropriety, the chairman of the committee must notify the principal and the chairman of the governing body who should raise the matter at the next meeting of the governing body. Where the matter is considered significant, the governors should consider holding a special meeting.
68. The college, its internal audit service and, where appropriate, its external auditor must report to the Council's chief executive, copied to the chief auditor, without delay, serious weaknesses, significant frauds, major accounting and other control breakdowns of which they are aware. A serious weakness would be one which may result in a significant fraud or irregularity and may include cases of irregularities in expenditure which could lead to suspicions of fraud. Significant fraud is usually where one or more of the following factors are involved:
- the sums of money are in excess of £10,000;
 - the particulars of the fraud are novel, unusual or complex;
 - there is likely to be great public interest because of the nature of the fraud or the people involved.

There may be circumstances that do not fit this definition. In these cases or any others, colleges can seek advice or clarification from the Council's chief auditor

GUIDANCE NOTES AND SELF-ASSESSMENT

69. The guidance notes contain elements of good practice identified by the Council's audit service during its work with colleges to date. They are intended to assist colleges in complying with the mandatory requirements, and to enable them to review and enhance their own system of internal control.
70. The guidance notes contain three checklists which governors and college management may wish to use in reviewing audit arrangements at their college. The checklists reflect both those parts of the code and the guidance notes which the Council considers to be essential to successful audit arrangements at colleges, and those the Council views as good practice. A checklist for the self-assessment of internal audit arrangements at colleges is at appendix 8 to supplement B, that for external audit arrangements is at appendix 2 to supplement C and that for the college audit committee is at appendix 4 to supplement A.
71. Many colleges will already have taken steps to review their arrangements for internal and external audit, when they re-tender the service. The checklists are intended to assist colleges in further reviews of their audit arrangements.
72. Circular 97/22 *Joint Working: Audit and Inspection* informed colleges of the new arrangements for closer working between the Council's audit service and the inspectorate from September 1997. It also provided guidance to colleges undertaking self-assessment, additional to that provided in Circular 97/12. The checklists published here do not form part of the inspection framework, although colleges preparing for inspection may wish to take account of these checklists when carrying out self-assessment.

ANNEX A MANDATORY AUDIT REQUIREMENTS

1. The following requirements within this code are mandatory for:
 - governing bodies of colleges receiving funds from the Council under their financial memorandum with the Council;
 - the internal audit service and external auditors of colleges, which are obliged to comply with the requirements, by the governing bodies of the colleges.

Responsibility for Internal Control

2. The governing body of each college must ensure that there is a sound system of internal control within the college (code, paragraph 28).
3. The college's governing body must ensure that its responsibilities for proper financial management, for the effectiveness of the whole system of internal control and management systems for the economy, efficiency and effectiveness of the college's activities have been properly discharged (code, paragraph 31).
4. Funds are paid by the Council pursuant to section 5 of the Act to meet expenditure eligible for funding under that section, and must be used in accordance with the purposes for which they are granted (code, paragraph 25).

College Audit Committee

5. The governing body of each college must establish an audit committee. The audit committee must adopt an advisory role and examine the college's systems of internal control through the work of the college's internal audit service and the external auditor (code, paragraph 31).
6. The audit committee must be properly constituted by the governing body and given sufficient authority in its relationships with the governing body, governors and management. The audit committee of each college must have the right of access to obtain all the information it considers necessary from members of the college's staff and governors, and to consult with the internal audit service and the external auditor directly (code, paragraph 32).
7. The governing body must set terms of reference for the audit committee. The governing body of each college must not add to these terms of reference responsibilities that require the audit committee to adopt an executive role, or its members to offer professional advice to the governing body, outside their role as governors (code, paragraph 34).
8. The audit committee must consist of at least three members, with at least one having relevant skills and experience. Members of the audit committee must not have executive authority in the college, or be members of the finance committee or equivalent (code, paragraph 35).
9. The governing body must determine the membership of the audit committee and the terms on which they are to hold and vacate office (code, paragraph 36).

Appointment of Internal Audit Service and External Auditor

10. On joining the further education sector, or when mergers occur, colleges must have in place an internal audit service and external auditor with effect from the first day of operation of their financial memorandum with the Council. If the provider is changed, the contract with the incoming provider must start on the day after expiry of the contract with the outgoing provider to ensure continuity of provision (code, paragraph 54).
11. Colleges must hold a competition for both quality and price at least every five years, or when the internal audit service provider or external auditor undergoes a significant change which affects the provision of the service. A new competition must also be held where the college undergoes a merger (code, paragraph 55).

12. The college must consult the Council's audit service on its short list of providers tendering for either, or both, the internal audit service and external audit. The college must send copies of the audit proposals to the Council, to assist in the consultation process (code, paragraph 56).
13. Colleges must not appoint an external auditor whose letter of engagement includes any limitation of liability in respect of external audit 'certification' work. Auditors may negotiate a limit on liability for work other than external audit certification work. The governing body must specifically consider and approve any request for a liability restriction. *The requirements relating to the limitation of liability of auditors are not yet finalised* (code, paragraphs 58 and 59).
14. The college must inform the Council's chief auditor; without delay, of the removal or resignation of the internal audit service or the external auditor and the circumstances surrounding this (code, paragraph 62).
15. Where the internal audit service or the external auditor cease to hold office for any reason, they must provide the governing body with either a statement of any circumstances connected with the removal or resignation which they consider should be brought to the governing body's attention or a statement that there are no such circumstances (code, paragraph 62).

Independence of Audit

16. Each governing body must, in accordance with the financial memorandum with the Council, appoint an internal audit service in accordance with guidance from the Council. It must be distinct from the external auditor and from college management even if provided in-house, and without any executive, management or operational responsibilities outside internal audit (code, paragraph 37).
17. The head of internal audit must have direct access to the principal and to the governing body, normally through the chairman of the audit committee (code, paragraph 46).
18. Each college must grant both the head of internal audit and the external auditor the right of access to the chairman of the audit committee and also the right to ask the chairman to convene a meeting, if necessary with, or without, other participants as appropriate (code, paragraph 61).
19. The internal audit service must have unrestricted access to all documents, records, assets, personnel and premises of the college, its companies and to relevant documents of outward collaborators, and be authorised to obtain such information and explanations as considered necessary by the college internal audit service (code, paragraph 47).
20. The operation and conduct of the college internal audit service must comply with the standards of internal audit which have been promulgated by HM Treasury standards and included in GIAM (code, paragraph 40).
21. If the college internal audit service or external auditor are called upon to carry out specific investigations and additional work, whether audit or otherwise, the governors and the auditors must ensure that such reviews do not compromise their objectivity, independence or achievement of the audit plans when forming their audit opinions (code, paragraph 63).
22. The work of the college internal audit service must include the whole system of internal control of the college including all its operations, resources, personnel, services and responsibilities for other bodies. It must cover all activities associated with the college, including activities delivered by college companies or joint ventures or through collaborative provision, and be extended to those that are not funded by the Council (code, paragraph 41).

23. The college must receive from its internal audit service timely strategic and annual plans formulated according to the service's own priorities. These plans must be approved by the governing body on the recommendation of the audit committee at the start of the year to which they relate, and in any event, before the commencement of work (code, paragraph 42).
24. Each college must devote sufficient resources to internal audit, having regard to the advice given by the head of internal audit. Where existing resources are inadequate to meet the need identified, the internal audit service must draw this fact to the attention of the college management and governing body through the audit committee. Where agreement cannot be reached on the level of internal audit resources, the college must report this to the Council's chief auditor (code, paragraph 43).

Audit Reporting

25. The internal audit services must produce an annual report on the adequacy and effectiveness of operation of the whole system of internal control of the college. *The level of assurance required of internal auditors is still unresolved (code, paragraph 44).*
26. Each college's internal audit annual report must be received and be available to the governing body before the responsibility statement, contained within the college's annual financial statements, is signed (code, paragraph 45).
27. The external auditor must be concerned with the requirements of the Council to report on:
 - the regularity of transactions, that is, that any terms and conditions attached to the funds provided to colleges have been complied with (code, paragraph 49);
 - the accuracy of certain statistical returns (code, paragraph 49).

Due Professional Care

28. Auditors must exercise both due care and professional care in their work (code, paragraph 60).

The Council's Audit Service

29. Colleges must, through their contract with the internal audit provider, allow the Council unrestricted access to all records, information and assets which the Council considers necessary to fulfill its responsibilities, including internal audit working papers which should be the property of the college, and key internal audit service personnel. *The arrangements relating to access to working papers have not yet been finalised (code, paragraph 48).*
30. The Council's audit service and the NAO must have unrestricted access to all records, information and assets and be able to require any staff or governor to give any explanation which it considers necessary to fulfill its responsibilities, including internal and external auditors' working papers and personnel (code, paragraph 53).
31. The college external auditor must comply with any requests from the Council's audit service and the NAO for access to any information, which it considers necessary to fulfill its responsibilities, obtained or prepared during the course of its audit (code, paragraph 53).
32. The Council's audit service assesses the adequacy and effectiveness of the system of internal control at colleges by performing reviews of colleges' governance and management arrangements. It aims to minimise duplication of audit effort by seeking to rely upon the work of colleges' internal audit services. It also evaluates the effectiveness of the operation of college audit committees. Such assessments will have regard to this code and any other guidance issued by the Council (code, paragraph 27).

Fraud and Irregularity

33. The financial memorandum between the college and the Council states that the governing body is responsible for ensuring (that is, must) that the financial, planning and other management controls, including controls against fraud and theft, applied by the college are appropriate and sufficient to safeguard public funds (code, paragraph 64).
34. Where the external auditor identifies a serious weakness or an accounting or other control breakdown it must be reported to the principal, the chairman of the governing body and the chairman of the audit committee without delay (code, paragraph 64).
35. Where the audit committee feels there is evidence of irregularity, fraud, corruption, or any impropriety, the chairman of the committee must notify the principal and the chairman of the governing body (code, paragraph 67).
36. Colleges must have a written policy on the process to be followed when evidence of potential irregularity, including fraud, corruption, or any impropriety, is discovered (code, paragraph 65).
37. The head of internal audit must issue written procedures to auditors on the action to be taken if they discover fraud or irregularity (code, paragraph 66).
38. The college, its internal audit service and, where appropriate, its external auditor must report to the Council's chief executive, copied to the chief auditor, without delay, serious weaknesses, significant frauds or major accounting and other control breakdowns (code, paragraph 68).

ANNEX B

HM TREASURY INTERNAL AUDIT STANDARDS

The operation and conduct of internal audit must comply with the mandatory standards set out in HM Treasury's *Government Internal Audit Manual 1996 (GIAM)*.

Modifications used to tailor their applicability to colleges are shown in square brackets [thus].

1. **Scope**
Internal audit embraces the whole internal control system of the [college] including all its operations, resources, services and responsibilities for other bodies.
2. **Independence**
Internal audit must be sufficiently independent to enable auditors to perform their duties in a manner which will allow professional judgements and recommendations to be effective and impartial. Internal auditors should be independent of the activities they audit.
3. **Planning**
Internal audit work should be planned at all levels of operation in order to establish priorities, achieve objectives and ensure the efficient and effective use of audit resources.
4. **Audit Approach**
The [internal audit service] should ensure that audit objectives and methods enable them to discharge their responsibility to evaluate the internal control system. Internal auditors should obtain and record relevant, reliable and sufficient audit evidence to support audit findings and recommendations.
5. **Controlling**
Internal audit work must be controlled at all levels of operation to achieve objectives and ensure the economic and efficient use of resources.
6. **Reporting**
The findings and recommendations arising from each audit must be promptly reported to management and followed up to ascertain action arising therefrom. A summary of audit activities must be submitted to the [governing body].
7. **Due Professional Care**
In carrying out their duties internal auditors must exercise due professional care.
8. **Relationships**
Relationships with management, staff, external auditors and other review agencies must be centred on the need for mutual confidence, understanding of role and co-operation.
9. **Staffing and Training**
Internal audit should be appropriately staffed in terms of numbers, grades and experience, having regard to its objectives and standards. Internal auditors must be properly trained to fulfill their responsibilities.

STRATFORD-UPON-AVON COLLEGE
FINANCIAL REGULATIONS CIRCULATION LIST
 (This list may be varied from time to time by the Principal)

1.	Chief Executive Officer and Principal
2.	Deputy Principal
3.	Vice Principal – Corporate Services
4.	Vice Principal - Finance
5.	Vice Principal – Business Development
6.	Assistant Principal, International Curriculum
7.	Study Skills Centre Manager (from Business LRC Manager)
8.	CAM - Academic
9.	CAM - Employer Responsive
10.	CAM – Foundation Learning
11.	Director of International Academy
12.	CAM - Creative Vocational and Professional
13.	CAM – Performing Arts and Music
14.	Catering Senior Stores Technician
15.	CIS Manager
16.	Compliance Manager
17.	Business Development Manager
18.	Creative & Cultural Partnership Manager
19.	Head of Learner Services
20.	Director of Computing Services
21.	E-Learning Leader
22.	Exams & Accreditation Officer - Senior
23.	Finance Assistant
24.	Finance Systems Officer
25.	Human Resources Advisor
26.	Learner Services Manager
27.	Librarian
28.	Marketing Manager
29.	PAM A2
30.	PAM Access/GCSE
31.	PAM AS
32.	PAM Craft/Engineering & Construction
33.	PAM Creative, Vocational and Professional
34.	PAM Entry/Pre-Entry
35.	PAM FdA Hospitality
36.	PAM Functional Skills
37.	PAM HEFP
38.	PAM Hospitality & Catering
39.	PAM Creative, Vocational and Professional
40.	PAM Skills for Life
41.	PAM Creative, Vocational and Professional
42.	Payroll Officer
43.	Performing Arts - Senior Technician/Instructor
44.	Procurement and Central Purchasing Officer
45.	Reprographics Technician
46.	Rugby Catering: Programme Area Co-ordinator: Hospitality and Catering
47.	Site Services Manager
48.	Director - Year Out Drama

+ Governors in Governor Handbook

Other staff will find the Financial Regulations on the College Intranet