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UNIVERSITY  
OF ABERDEEN

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# *FINANCIAL REGULATIONS*

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# **TERMINOLOGY**

*The following general terms have been used in this document.*

## **THE COURT**

The governing body of the University. It is charged with the administration and management of its resource and property.

## **PRINCIPAL**

The chief executive of the University responsible to the Court for maintaining and promoting the efficiency and good order of the University.

## **SENATE**

The body responsible for academic matters whose role is to direct and regulate the teaching and research work of the University.

## **HEADS OF SCHOOL/COLLEGE/DIRECTORATE**

The Vice Principal; Head of College; Director or Head of an academic or non-academic School/Section of the University who is responsible for the budget of their whole School/Section.

## **BUDGET HOLDER**

The member of staff who has been assigned their own budget (other than a Head of School/Section) and is accountable to their Head of School/Section for it.

## **DIRECTOR OF FINANCE**

The chief financial officer of the University.

## **OPERATING BOARD**

The committee with, inter alia, delegated responsibility for financial matters.

## **UNIVERSITY SECRETARY**

The chief administrative officer of the University and principal officer of the Court.

# 1 BACKGROUND

- 1.01** Aberdeen University is one of the four Scottish ‘Ancients’ (the others are St Andrews, Glasgow and Edinburgh). The Courts of the Ancient Universities derive their status and powers from Acts of Parliament, Ordinances approved by the Privy Council and Resolutions of the Court. The University is accountable for its stewardship of public funds and funds from other sources through the University Court that has ultimate responsibility for the sound operation, corporate governance and proper conduct of the University’s management and administration. The Court has delegated certain responsibilities to the Operating Board. The Audit Committee, independent of management and communicating directly with Court, has a wide remit allowing it to consider and investigate any matter pertaining to the financial management and corporate governance of the University.
- 1.02** The University is an exempt charity by virtue of the Charities Act 2006, and as determined by the Office of the Scottish Charity Regulator (OSCR).
- 1.03** A significant element of the University’s income is paid in annual grant by the Scottish Funding Council (SFC). The Financial Memorandum between the Funding Council and the University sets out the terms and conditions of the grant. Since 2012, the University has also had an Outcome Agreement with the SFC which sets out what the University plans to deliver in return for the funding it receives from the Funding Council. The Court is ultimately responsible for ensuring that the conditions of grant and obligations set out in the Outcome Agreement are met. The Principal, as designated officer, is required to satisfy Court that there is compliance with the terms of the Financial Memorandum. As part of this process the University must adhere to the Funding Council’s Code of Audit Practice which is now fully incorporated into the Financial Memorandum. The financial regulations of the University form part of this overall system of internal control.

## **2 STATUS OF FINANCIAL REGULATIONS**

- 2.01** This document sets out the University's financial regulations. It translates into practical guidance the University's broad policies relating to financial and management control. This document was approved by the Court on 15 May 2001, and is updated on a regular basis.
- 2.02** These financial regulations are subordinate to the Acts of Parliament and University Ordinances and Resolutions and to any restrictions contained within the University's financial memorandum with the Funding Council and the latter's code of audit practice embedded in the Financial Memorandum.
- 2.03** Compliance with the financial regulations is compulsory for all staff employed by the University. A member of staff who fails to comply with the financial regulations may be subject to disciplinary action under the University's disciplinary procedures. It is the responsibility of Heads of Schools/Sections to ensure that their staff are made aware of the existence and content of the University's financial regulations. Where appropriate, new members of staff will be supplied with the web link for the financial regulations at the time of their appointment.
- 2.04** The Operating Board is responsible for maintaining an ongoing review of the financial regulations and advising the Court of any additions or changes necessary.
- 2.05** The University's detailed financial procedures set out precisely how the regulations will be implemented and where applicable, and are available at:  
<http://www.abdn.ac.uk/staffnet/governance/policies-procedures-plans-and-guidelines-399.php>

## **3 CORPORATE GOVERNANCE**

### **3.1 THE COURT**

The Court is responsible for the University's mission and strategic direction, management and administrative arrangements, financial health, well-being of staff and students and, in association with the Senate, for establishing and maintaining high standards of academic conduct and probity. Its main financial responsibilities are to:

- be the principal financial and business authority of the University, ensuring its sustainability
- to act as Trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the University, which is not within the control of the University of Aberdeen Development Trust
- ensure the effective and efficient use of resources, through the monitoring and evaluation of performance
- ensure that the funds provided by the Funding Council are used in accordance with the terms and conditions specified in the University's financial memorandum with the Funding Council
- ensure that financial control systems, including risk assessment and management, are in place and are working effectively
- approve annual budgets of income and expenditure and the annual financial statements
- approve the University's strategic plan
- appoint the University's internal and external auditors.
- appoint the University's Designated Officer

### **3.2 COMMITTEE STRUCTURE**

The Court has ultimate responsibility for the University's finances, but delegates much of the detailed work to the committees below. These committees are accountable to the Court. (A diagram depicting the committee structure is included at Appendix A).

#### **3.2.1 Operating Board**

Consideration and development of the University's strategic plans and the monitoring of its financial position and financial control systems is undertaken by the Operating Board, a committee of Court. The Committee ensures that all the financial implications of such plans are taken into account; it examines annual forecasts / budgets and financial statements and recommends their approval to the Court. It determines and makes recommendations to Court on the allocation of resources and ensures that annual budgets are in line with agreed longer term plans and that they are followed. It considers any other matters relevant to the financial duties of the Court and makes recommendations accordingly. The committee also ensures that the Court has adequate information to enable it to discharge its financial responsibilities. A more detailed list of the responsibilities of the Operating Board is shown at Appendix B.

#### **3.2.2 Strategic Business Ventures Group**

The Strategic Business Ventures Group is a sub-committee of the Operating Board and oversees the creation of University spin-out companies, has responsibility of monitoring the University's investment in these companies, and making recommendations of any sale of equity.

A more detailed list of the responsibilities of the Strategic Business Venture Group is shown at the website: <http://www.abdn.ac.uk/staffnet/governance/strategic-business-ventures-group-642.php> .

### **3.2.3 Audit Committee**

The University is required by the financial memorandum with the Funding Council to appoint an Audit Committee. In order to ensure independence and objectivity, the committee is independent of management, independent of the Operating Board, and reports directly to the Court. It has the right of access to obtain all the information it considers necessary and to consult directly with the internal and external auditors. The committee is responsible for identifying and approving appropriate performance measures for internal and external audit and for monitoring auditors' performance. It must also satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness and to secure value for money in all areas.

The duties of the Audit Committee are set out at Appendix C.

The audit requirements of the University are set out in the Funding Council's Financial Memorandum with the University.

### **3.2.4 Remuneration Committee**

Consideration of senior management and professional level employee pay and conditions is the responsibility of the Remuneration Committee. It has the power to make recommendations to the University Court.

## **3.3 EXECUTIVE COMMITTEES**

### **3.3.1 University Management Group (UMG)**

The UMG comprises the Principal, Senior Vice Principal, Vice Principals, Secretary, Heads of College and Senior Officers. It advises the Principal on matters of policy and acts as an important forum for discussion of matters pertaining to the corporate and executive responsibilities of its members. It monitors the ongoing financial performance of Colleges and Professional Services against approved budgets, initiating corrective action where necessary. The UMG also oversees the management of risk, identifying key business risks, their implications and their management.

### **3.3.2 Capital Programme Monitoring Committee**

The Capital Programme Monitoring Committee monitors the progress of all major institutional capital and infrastructure projects, makes recommendations to the University Management Group and informs reports to the Operating Board and Court.

### **3.3.3 Advisory Group on Investments**

The Advisory Group on Investments oversees the management of the investments relating to the University's Endowments and Development Trust Funds. It advises the Operating Board and the Trustees of the Development Trust on investment policy including objectives for each fund and the performance of fund managers against benchmarks.

## **3.4 RESPONSIBILITIES**

### **3.4.1 The Principal and Vice Chancellor**

The Principal is the chief executive of the University responsible for advising Court on policy issues and accountable to the Court for the implementation and delivery of agreed policy and for his stewardship and management of the University. In terms of the financial memorandum with the Funding Council, the Principal must ensure that Court complies with all the terms and conditions of public funding provided by the Funding Council, and is the institutions' designated accountable officer.

As accountable officer, the Principal is responsible to the governing body for:

- ensuring regularity and propriety;
- ensuring prudent and economical administration;
- avoiding waste and extravagance;
- securing value for money through the efficient, effective and economical use of resources;
- the day-to-day organisation, staffing and management of the University.

### **3.4.2 The University Secretary**

The Secretary is the principal officer of the Court and is responsible for ensuring that it acts within its powers and follows proper procedures. The Secretary is head of the University's professional services and works closely with the Principal and other senior members of academic and professional services staff to achieve the efficient and effective management of the University.

### **3.4.3 The Director of Finance**

Day to day financial administration is controlled by the Director of Finance who is responsible for:

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

A diagram indicating the structure of the Finance Section including all sections and lines of responsibility is shown at Appendix D. Details of main contacts can be found on Staffnet on the web: <http://www.abdn.ac.uk/finance/about/finance-sections/>.

### **3.4.4 Heads of School/Directorate**

Heads of Schools/Directorate are responsible to the Heads of College/University Secretary for financial management of the area or activities they control. They are advised by the Director of Finance in executing their financial duties. The Director of Finance will also supervise and approve the financial systems and procedures operating within Schools/Directorate including the form in which accounts and financial records are kept.

Heads of Schools/Directorate are responsible for establishing and maintaining clear lines of responsibility and segregation of duties within their Schools/Directorate for all financial matters.

## **3.5 RISK MANAGEMENT/WHISTLEBLOWING/CODE OF CONDUCT**

### **3.5.1 Risk Management**

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

The Court has overall responsibility for ensuring there is a risk management strategy and a common approach to the management of risk throughout the University through a formal, structured risk management process.

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

- the adoption of common terminology in relation to the definition of risk and risk management
- the establishment of University-wide criteria for the measurement of risk, linking the threats to their potential impact and the likelihood of their occurrence together with a sensitivity analysis.
- a decision on the level of risk to be accepted, together with tolerance levels expressed in terms of measurable outcomes
- a decision on the level of risk to be covered by insurance
- detailed regular review at College/Professional Service level to identify significant risks associated with the achievement of key objectives and other relevant areas
- development of risk management and contingency plans for all significant risks, to include a designated 'risk owner' who will be responsible and accountable for managing the risk in question
- regular reporting to the Court of all risks above established tolerance levels
- an annual review of the implementation of risk management arrangements; and
- the capability for independent verification.

Court members are also charity trustees and as such are subject to obligations imposed by charity law. Their dual role may introduce potential conflicts of interest.

Additionally, members of the Court, Senior Management or those involved in procurement are required to disclose interests in the University's register of interests maintained by the University Secretary. They will also be responsible for ensuring that entries in the register relating to them are kept up to date regularly and promptly, as prescribed in the financial procedures.

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

### **3.5.2 Receiving Gifts or Hospitality**

The Bribery Act 2010 came into force on 1 July 2011. The Act introduced new offences for acts of bribery by individuals, or persons associated with relevant organisations. The penalties are severe for any employee convicted under the Act, which could mean a criminal record with ten years' imprisonment and unlimited fines. The University's anti-bribery policy statement is embedded in the Expenses and Benefits policy at:

[http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/2013\\_Expenses\\_and\\_Benefits\\_FullPolicy.pdf](http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/2013_Expenses_and_Benefits_FullPolicy.pdf)

The guiding principles to be followed by all members of staff must be:

- the conduct of individuals should not create suspicion of any conflict between their official duty and their private interest
- the action of individuals acting in an official capacity should not give the impression (to any member of the public, to any organisation with whom they deal or to their colleagues) that they have been (or may have been) influenced by a benefit to show favour or disfavour to any person or organisation.

Thus, members of staff should not accept any gifts, rewards or hospitality (or have them given to members of their families) from any organisation or individual with whom they have contact in the course of their work that would cause them to reach a position whereby they might be, or might be deemed by others to have been, influenced in making a business decision as a consequence of accepting such hospitality. The frequency and scale of hospitality accepted should not be significantly greater than the University would be likely to provide in return.

When it is not easy to decide between what is and is not acceptable in terms of gifts or hospitality, the offer should be declined or advice sought from the relevant Head of School/Directorate or the Director of Finance. For the protection of those involved, the Director of Finance will maintain an institutional register of gifts and hospitality received where the value is in excess of £50. Members of staff in receipt of such gifts or hospitality are obliged to notify the School/Directorate focal point promptly. The Heads of School will maintain local registers for annual report to the Director of Finance.

[http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/2013\\_Expenses\\_and\\_Benefits\\_FullPolicy.pdf](http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/2013_Expenses_and_Benefits_FullPolicy.pdf)

Heads of School/Directorate must ensure that any agreements negotiated within their Schools/Directorates with external bodies cover any legal liabilities to which the University may be exposed.

The University Secretary's advice should be sought to ensure that this is the case.

### **3.5.3 Whistleblowing**

Whistleblowing in the context of the Public Interest Disclosure Act 1998 is the disclosure by an employee about malpractice in the workplace. A whistleblower can report issues about crime, civil offences (including negligence, breach of contract, etc.), miscarriage of justice, danger to health and safety or the environment or breach of the financial regulations and the cover-up of any of these.

Normally, any concern about a workplace matter at the University should be raised with the relevant member of staff's immediate line manager or Head of School/Directorate. However, the University recognises that because of the seriousness or sensitivity of some issues, together with the knowledge of whom the member of staff thinks may be involved, may make this difficult or impossible.

A member of staff may, therefore, make the disclosure to one of the staff designated for this purpose, for example the University Secretary. If the member of staff does not wish to raise the matter with the designated member of staff, or with the Principal or the Chair of the Court, it may be raised with the Chair of the Audit Committee. In all cases, the whistleblower can remain anonymous.

The full procedure for whistleblowing is set out in the University's separate whistleblowing policy, which is available through the Policy, Planning and Governance Directorate:

<http://www.abdn.ac.uk/staffnet/documents/policy-zone-governance-and-compliance/Whistleblowingpolicy13Aug2012.pdf>

### **3.5.4 Code of Conduct**

The University is committed to the highest standards of openness, integrity and accountability. It seeks to conduct its affairs in a responsible manner, having regard to the principles established by the Committee on Standards in Public Life (the Nolan Committee) which governing body members and

members of staff at all levels are expected to observe. The University expects that staff at all levels will observe its code of conduct, which covers:

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

## 4 FINANCIAL MANAGEMENT & CONTROL

### 4.1 FINANCIAL PLANNING

The Director of Finance is responsible for co-ordinating the preparation annually of a 3 year revenue budget, and seeking approval by Court for year 1 with the outlying years prepared on an indicative basis only on the recommendation of the Operating Board, and for preparing financial forecasts for submission to the Funding Council. The Director of Finance ensures that detailed budgets are prepared to reflect the outcome of the resource allocation process and that these are communicated to budget holders as soon as possible following their approval by the Court. Financial plans should be consistent and enable delivery of the University Strategic Plan and the estates strategy approved by Court.

During the year, the Director of Finance, following discussion with budget holders, is responsible for co-ordinating the submission of significant budget revisions to the Operating Board for consideration before submission to the Court for approval.

The Director of Finance, in conjunction with the UMG and Directors of Estates and IT, is responsible for the preparation of the 10 year capital plan which identifies and prioritises capital projects which achieve the University strategic objectives. An annual capital plan is produced on a rolling basis detailing the infrastructure projects approved for that financial year.

#### 4.1.1 Resource Allocation

Resources are allocated annually by the Court on the recommendation of the Operating Board.

Budget holders are responsible for the economic, effective and efficient use of resources allocated to them and ensuring budgets are used for eligible purposes.

#### 4.1.2 Capital Programmes

The University's accounting policies require that expenditure on items or groups of related items costing in excess of £20,000 are capitalised rather than expensed in the year of acquisition where the benefit derived from the expenditure extends beyond a single year, i.e. not revenue costs. Resources for planned capital expenditure on land, buildings, equipment, furniture and associated costs will be allocated as part of the 10 year capital programme approved by the Court. During the year the Director of Finance along with the Senior Vice Principal are responsible for submitting capital programme amendments to the Operating Board for approval.

The Project / Programme Board is responsible for managing the overall project budget and reporting to the Capital Programme Monitoring Group on progress against approved budget, along with a latest forecast.

Proposed major capital projects should be supported by:

- a statement which demonstrates the project's consistency with the strategic plans and estates /information strategies approved by the Court including:
  - (i) Option Appraisal;
  - (ii) Business Plan;  
<http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/busplan.pdf>
  - (iii) Risk Analysis  
<https://www.abdn.ac.uk/staffnet/governance/risk-management-283.php>
- an initial budget for the project for submission to the Operating Board. The budget should include a breakdown of costs including professional fees, VAT, contingency and funding sources
- a financial evaluation of the plans together with their impact on revenue plus advice on the impact of alternative plans

- an investment appraisal in an approved format which complies with Funding Council guidance on this matter
- a demonstration of compliance with approved tendering procedures and Funding Council regulations
- a cash flow forecast

Capital projects should assume VAT will not be recoverable on the project costs, unless specifically authorised to do otherwise.

Following completion of major capital projects, a final report is submitted to the Capital Programming Monitoring Group recording actual expenditure against budget and reconciling funding arrangements where a variance has occurred. In addition, a post implementation review is carried out to ensure the objectives have been achieved and highlight any areas for improvement. This is now a condition of grant from the Funding Council in relation to capital grants awarded.

### **4.1.3 Other Major Developments including Overseas Activity**

Any new aspect of business, or proposed establishment of a company or joint venture or overseas activity, which will require an investment in buildings, resources or staff time should be presented to the Operating Board. Appendix H summarises the information that is required in the proposal including a business plan covering risk and accountability issues, as well as the financial criteria required to be met.

## **4.2 FINANCIAL CONTROL**

### **4.2.1 Budgetary Control**

The control of income and expenditure within an agreed budget is the responsibility of the designated budget holder who must ensure that day to day monitoring is undertaken effectively. Budget holders are accountable to their line manager for the income and expenditure appropriate to their budget. Budget holders are assisted in day to day financial control by the provision of regular management information by the Director of Finance to help them manage resources for which they are accountable. The types of management reports available to budget holders are described in the University's detailed financial procedures.

[https://www.abdn.ac.uk/staffnet/documents/secure/finance-e5-howto/Running\\_Budget\\_Reports\\_v1.pdf](https://www.abdn.ac.uk/staffnet/documents/secure/finance-e5-howto/Running_Budget_Reports_v1.pdf)

Any forecast of a significant departure (greater than £100K or 10% whichever is lower) from budgetary targets must be reported immediately to the Head of College/University Secretary by budget holders and, if necessary, corrective action agreed and taken.

Any variances over £500K need to be referred to senior management and over £1M reported to the Operating Board.

The Director of Finance is responsible for supplying budgetary statements and reports on all aspect of the University's finances to the Operating Board throughout the year, to enable the committee to monitor ongoing financial performance.

### **4.2.2 Treatment of Year End Balances (Other than Discretionary Funds)**

At year end, budget holders will not normally have the authority to carry forward a balance on their core funds budget to the following year. Exceptionally, with the approval of the Principal on the advice of the Director of Finance, budget holders may be allowed to carry forward underspent core funds balances to be used for capital expenditure.

### **4.2.3 Discretionary Accounts**

Schools may receive funds in the form of research grant overheads, consultancy, specific fees voluntarily surrendered by members of staff etc. Such funds are held as School Discretionary Accounts and operated for the benefit of the School, consistent with University policy, by the Head of School.

Discretionary Account budgets are agreed annually at College level and it is a matter for the Head of College to decide the allocation of the College's budget between Schools. Where permission to spend is not obtained through the granting of an allocation, the money held in a Discretionary Account is not lost but is available to spend in subsequent years subject to a successful bid being made.

Trading income and income from external services rendered must not be allocated to Discretionary Accounts and Discretionary Accounts must not be used as trading accounts.

## **4.3 ACCOUNTING ARRANGEMENTS**

### **4.3.1 Financial Year**

The institution's financial year will run from 1<sup>st</sup> August until 31<sup>st</sup> July the following year.

### **4.3.2 Basis of Accounting**

The consolidated financial statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards. All accounting is on a full accrual/commitment accounting basis.

### **4.3.3 Format of the Financial Statements**

The presentation of the annual financial statements is in accordance with the requirements of the Funding Council and reflects the Statement of Recommended Practice for Further and Higher Education Institutions, Statements of Standard Accounting Practice and Financial Reporting Standards where these apply. In addition, the Director of Finance is responsible for an annual financial return to OSCR which must be submitted within 9 months of the year end.

### **4.3.4 Basis of Consolidation**

The annual financial statements consolidate the financial statements of the University and all its subsidiary undertakings for the financial year.

### **4.3.5 Accounting Records**

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

The University is required by law to retain prime documents for six years (paper or electronic format). These include:

- official purchase orders
- suppliers invoices
- sales invoices
- bank statements
- copies of receipts
- BACS files
- payroll records
- complete archive of transactions for each year from the computerised accounting system.

Additionally, for auditing and other purposes, other financial documents should be retained for three years.

### **4.3.6 Taxation**

The Director of Finance is responsible for advising, in the light of guidance issued by HM Revenue and Customs and relevant legislation as it applies, on all taxation issues which may affect the University. The Director of Finance will accordingly issue instructions to Schools/Sections on compliance with statutory requirements including those concerning VAT, PAYE, National Insurance and Corporation Tax.

The Director of Finance is responsible for maintaining the University's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

For any proposed activity outside the UK, such as an overseas staff secondment, overseas research grant or any other activity being undertaken overseas, the Director of Finance must be notified in advance to ensure appropriate advice is taken regarding any overseas taxation implications. The taxation position must be agreed prior to signing any contract or agreeing a staff secondment.

## **4.4 GENERAL**

External auditors and Internal Auditors have authority to:

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

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

Following consideration by the Audit Committee, the annual financial statements will be reviewed by the Operating Board. On the recommendation of the Audit Committee and the Operating Board they will be submitted to the Court for approval.

### **4.4.1 External Audit**

After a tendering exercise the external auditor will be appointed by the Court on the recommendation of the Audit Committee, normally for a period of up to five years subject to satisfactory performance. The statutory re-appointment of external auditors will take place annually and is the responsibility of the Court, advised by the Audit Committee.

The primary role of external audit is to report on the University's financial statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements and to report on the appropriate use of funds. Their duties will be in accordance with advice set out in the Funding Council's Financial Memorandum and the Financial Reporting Council's auditing standards.

### **4.4.2 Internal Audit**

After a tendering exercise the internal auditor is appointed by the Court on the recommendation of the Audit Committee, normally for a period of up to five years subject to satisfactory performance.

The University's financial memorandum with the Funding Council requires that it has an effective internal audit function. The Internal Audit Service is responsible for conducting an independent appraisal of all the University's activities, financial and otherwise with the exception of the academic process. Internal audit is required to provide the Court, the Principal and senior management with assurances on the adequacy of the internal control system.

The internal audit service is independent of the executive management of the University in its planning and operation and has direct access to the Court, Principal and Chair of the Audit Committee.

### **4.4.3 Fraud and Corruption**

It is the duty of all members of staff, management and the governing body to notify the Director of Finance immediately whenever any matter arises which involves, or is thought to involve, irregularity, including fraud, corruption or any other impropriety. The University's fraud policy statement is included in Appendix I. The Director of Finance shall immediately invoke the fraud response plan, which incorporates the following key elements (see Appendix I for fuller details):

- Notify the Principal and the Audit Committee (through its chair) of the suspected irregularity and shall take such steps as he or she considers necessary by way of investigation and report.

- The Principal shall inform the Police if a criminal offence is suspected of having been committed.
- Any significant cases of fraud or irregularity shall be reported to the funding body in accordance with its requirements as set out in the audit code of practice.
- The Audit Committee shall commission such investigation as may be necessary of the suspected irregularity, by the internal audit service or others, as appropriate.
- The internal audit service, or others commissioned to carry out an investigation, shall prepare a report for the Audit Committee on the suspected irregularity. Such report shall include advice on preventative measures.

If the suspected fraud is thought to involve the Director of Finance and/or the Principal, the member of staff shall notify the chair of the Audit Committee direct of his or her concerns regarding irregularities.

#### **4.4.4 Value for Money**

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

Internal audit is to have regard to value for money in its programme of work. This will be used to enable the audit committee to refer to value for money in its annual report.

#### **4.4.5 Other Auditors**

The University may, from time to time, be subject to audit or investigation by external bodies such as the Funding Council, National Audit Office, European Court of Auditors, and HMRC (HM Revenue & Customs). They have the same rights of access as external and Internal Auditors.

## **4.5 TREASURY MANAGEMENT**

### **4.5.1 Treasury Management Policy**

The Operating Board is responsible for approving the treasury management policy which sets out the strategy and policies for cash management, long term investments and borrowings ([http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/Treasury\\_Management\\_Policy\\_Aug\\_2010.pdf](http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/Treasury_Management_Policy_Aug_2010.pdf)).

This will require compliance with any funding body rules regarding approval for any secured or unsecured loans that go beyond the general consent levels set out in the financial memorandum.

All executive decisions concerning borrowing, investment or financing are delegated to the Director of Finance within the appropriate reporting to UMG, Operating Board and Court. All borrowing shall be undertaken in the name of the institution and shall conform to the funding body requirements.

The Director of Finance will report annually to the Operating Board on the activities of the treasury management operation and the power delegated.

### **4.5.2 Appointment of Bankers and Other Professional Advisers**

The Court is responsible for the appointment of the University's bankers and other professional financial advisers (such as investment managers) on the recommendation of the Operating Board. The appointment will initially be for a 5 year period, and reviewed annually thereafter.

### **4.5.3 Banking Arrangements**

The Director of Finance is responsible, on behalf of the Operating Board, for liaising with the University's bankers in relation to the operation of bank accounts.

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

All cheques drawn on behalf of the University must be signed in the form approved by the Operating Board. Cheques up to an agreed amount, specified in the University's detailed financial procedures shall require one pre-printed signature. Cheques over the agreed amount must be signed by two authorised persons.

All automated transfers on behalf of the University, such as BACS or CHAPS must be authorised and submitted by nominated individuals within the finance section. The process is controlled by use of a digital identity card and a pin number, unique to each authorised individual. Payments up to an agreed amount, specified in the University's detailed financial procedures, can be authorised / submitted by one person. Payments over this amount require two authorisations before they can be sent.

[http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/Treasury\\_Management\\_Policy\\_Aug\\_2010.pdf](http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/Treasury_Management_Policy_Aug_2010.pdf)

Corporate credit cards are issued to authorised members of staff. The application for a card must be authorised by the applicant's line manager, and subsequently by the financial controller or Director or Finance. A credit limit for monthly spend is set. The limit varies, depending on the purpose for which the card is to be used. The University has issued documentation which sets out the procedures to be followed on the use of corporate credit cards. The Corporate Cards procedure is accessible at: <http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/University-corporate-cards.pdf>.

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

## **4.6 INCOME**

### **4.6.1 General**

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

Levels of charges for contract research, tuition fees, goods supplied and rents (including residence fees) are determined by procedures approved by the Operating Board. In relation to external research grants and contracts, where possible, all pricing will be on full economic costing basis.

The Director of Finance is responsible for the prompt collection, security and banking of all income. With respect to tuition and accommodation fees the University will only accept up to £1,000 in cash. All payments over this must be made by cheque, credit card, or via the online system. Any refunds are only made to the bank account or credit card that made the initial payment.

The Director of Finance is responsible for ensuring that all grants notified by the Funding Council and other bodies are received and appropriately recorded in the University's accounts.

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

All new customers with an expected income of over £25,000 are credit checked by Financial Accounting or Research Financial Services. The Credit Policy is accessible from the [Policy Zone](#) in StaffNet.

It is the responsibility of all staff to ensure that revenue to the University is maximised by the efficient application of agreed procedures for the identification, collection and banking of income.

### **4.6.2 Receipt of Cash, Cheques and Other Negotiable Instruments**

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

All monies received by Schools/Directorates from whatever source must be recorded on a daily basis and transferred to the cash office promptly as set out in the detailed financial procedures. The custody and transit of all monies received must comply with the requirements of the University's insurers. With regard to segregation of duties, the invoice originator should not process the income/cash but pass to an alternate within the school/section.

All sums received must be paid in and accounted for in full, and must not be used to meet miscellaneous school/section expenses or paid into the petty cash.

The University can receive payments by debit or credit card over the telephone or at the cash office/Infohub using merchant terminals provided by the University's bankers. These terminals ensure the card number is partially obscured on the customer receipt. A copy of the receipt shall be retained to support evidence of payment. In operating this facility, the institution is bound to the Payment Card Industry Data Security Standard (PCIDSS) which is designed to ensure cardholder information is stored, processed and transmitted securely.

### **4.6.3 Internet Receipts**

The University offers an online payment facility to students for secure payment of tuition fees / other costs associated with their studies and to the general public for other types of service e.g. conference fees.

Access is via secure login through the University website. Once a successful payment has been made, a receipt will be generated electronically to the e-mail address specified when lodging the cardholder

details. In operating this facility the University is subject to continuous risk assessment and annual review by the external service provider.

#### 4.6.4 Collection of Debts

The Director of Finance is responsible for the co-ordination of credit control and debt collection and will ensure that effective procedures are in place so that:

- debtors invoices are raised promptly on official invoices in respect of income due to the University
- invoices are prepared with care, recorded in the ledger, show the correct amount due and are credited to the appropriate income account.
- monthly electronic statements on all outstanding debts are issued
- VAT is correctly charged where appropriate, and accounted for
- swift and effective action is taken to collect overdue debts, in accordance with the University's financial procedures
- outstanding debts are monitored and reports are prepared for management

Credit arrangements will be approved by the Operating Board. The Director of Finance is responsible for implementing agreed credit arrangements.

Requests to write-off debts in excess of £20,000 must be referred in writing to the Director of Finance for submission to the Operating Board for consideration. Debts below this level may be written off with the permission of the Director of Finance, and authorised by the Financial Controller.

#### 4.6.5 Student Fees

The procedures for collecting tuition and residence fees must be approved by the Director of Finance.

Any student who has not paid an account for fees owing to the University shall be prevented from registering at the University and from using any of the University facilities unless appropriate arrangements have been made. Any student on completion of their studies who has not paid an account for tuition fees will not be awarded a degree, or any diploma, certificate and qualification until the outstanding debt has been cleared.

The University policy documents below give more detail of current procedures regarding academic and non-academic student fees, tuition fee refunds, collection of debt procedures and implications for non-payment:

- Tuition fees policy for undergraduate students:  
[http://www.abdn.ac.uk/infohub/documents/TUITION\\_FEES\\_POLICY\\_FOR\\_UNDERGRADUATE\\_STUDENTS\\_2014.15\(1\).pdf](http://www.abdn.ac.uk/infohub/documents/TUITION_FEES_POLICY_FOR_UNDERGRADUATE_STUDENTS_2014.15(1).pdf)
- Tuition fees policy for postgraduate students:  
[http://www.abdn.ac.uk/infohub/documents/TUITION\\_FEES\\_POLICY\\_FOR\\_POSTGRADUATE\\_STUDENTS\\_2014.15\(1\).pdf](http://www.abdn.ac.uk/infohub/documents/TUITION_FEES_POLICY_FOR_POSTGRADUATE_STUDENTS_2014.15(1).pdf)
- Tuition fees refund policy: [http://www.abdn.ac.uk/infohub/documents/Refund\\_Policy\(1\).pdf](http://www.abdn.ac.uk/infohub/documents/Refund_Policy(1).pdf)
- Payment of fees <http://www.abdn.ac.uk/infohub/finance/paying.php>

#### 4.6.6 Refunds

The University seeks to minimise the opportunities for money laundering in accordance with the Money Laundering Regulations, 2007. Where refunds are required, they will be made to the original payer and always follow the method by which the money was received.

## **4.7 RESEARCH GRANTS AND CONTRACTS**

### **4.7.1 Definition**

Research can be defined as original investigation, undertaken to gain new knowledge and understanding, which may be directed towards a specific aim or objective. There are many different funders of research projects including Research Councils UK, the NHS, the European Commission, the higher education councils and industry.

The term 'research grant' is restricted to research projects funded by the Research Council UK, charities and the higher education Funding Councils. All other externally financed research projects are classified as 'research contracts'.

### **4.7.2 Applications**

All applications for research projects must be forwarded by the Principal Investigator to the Research & Innovation Directorate for submission to the funder. All applications will be on behalf of and in the name of the University.

### **4.7.3 Costing and Pricing**

Research and Innovation (section Research Financial Services – RFS) is responsible for providing appropriate costing and pricing advice. In order to price a research project appropriately, the full cost of the research and other financial implications needs to be identified by the Principal Investigator and discussed and appraised by Research and Innovation .

It is University policy that all external funded research projects will be costed in accordance with Transparent Approach to Costing (TRAC) principles and the University policy on Full Economic Costing (FEC). In addition the research agreement must be in line with the University's policy with regard to indirect costs and other expenses. Full guidance on the costing and pricing of research activities is available on staffnet: <https://www.abdn.ac.uk/staffnet/secure/finance-and-procurement-1807.php>

### **4.7.4 Grants and Contract Conditions**

Funding bodies usually stipulate the conditions under which funding is awarded and these will be reviewed by Research and Innovation. There are often procedures to be followed regarding the submission of interim or final reports or the provision of other relevant information. It is the responsibility of the principal investigator to obtain a full set of terms and conditions from each funding body to enable appropriate monitoring of compliance, and ensure that conditions of funding are met.

### **4.7.5 Acceptance of a Research Project**

Once proposals for a research grant or contract have been successful, it is the responsibility of the Research & Innovation Directorate to accept awards, negotiate and accept contracts on behalf of the University.

### **4.7.6 Financial Management**

Each research project will be allocated a specific project code and budget and will have a named Principal Investigator. Research Financial Services will maintain all financial records relating to research projects and shall initiate all claims for reimbursement from funding bodies on the due dates.

Control of staff and operating expenditure shall be the responsibility of the Head of School. The Head of School may delegate day-to-day control of a budget to a grant budget holder but any overspend or under-recovery of overheads, will be charged against school funds.

On a monthly basis, Research Financial Services will run exception reports to ensure any significant variances from plans are reviewed in a timely manner.

## **4.8 OTHER INCOME GENERATING ACTIVITY**

### **4.8.1 Consultancies and other Paid Work**

Guidelines have been agreed for the undertaking of consultancies and other paid work. These have been approved by the Court and staff must comply with them. The guidelines are set out in Appendix E.

Unless otherwise stated in a member of staff's contract of employment private consultancies or other paid work may not be accepted without the consent of the Head of School (and in the case of the Head of the School, the Head of College) or Head of Section.

- Applications for permission to undertake consultancy or other work as a purely private activity must be submitted to the Head of School or College, as appropriate, and include the following information:
- the name of the member(s) of staff concerned
- 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 University resources required (for the calculation and re-charge of the full economic cost) and the price to be charged to the client
- an undertaking that the work will not interfere with the teaching and normal duties of the member(s) of staff concerned.

Research and Innovation have the delegated approval to approve and negotiate terms for all consultancy arrangements.

### **4.8.2 Non-credit Bearing Courses and Other Services**

In this context a 'non-credit bearing course' is any course which does not form part of the award bearing teaching load of a School. Staff wishing to run a non-credit bearing course must have the prior approval of their Head of School. The course organiser will be responsible to the Head of School for day to day management of the course.

Some non-credit bearing courses will meet the SFC's definition of Continuing Professional Development (CPD), i.e. established on a self-financing basis to develop work-related skills or knowledge. The University has charged Research and Innovation to advise on the co-ordination of all CPD provision and to provide advice to staff wishing to run CPD courses. The CPD Business Development Officer in Research and Innovation should be informed of all potential and on-going CPD provision.

All courses or conferences organised by members of staff with the approval of the Head of School must be costed and the financial arrangements agreed with Finance and Research and Innovation as appropriate before any commitments are made. Provision must be made for recovering both direct and indirect costs in accordance with the University's policy. All courses must be self-financing or surplus generating unless it is intended that a new course is to be launched as a loss leader. If that is the case, the reason for it must be specified and agreed by the Head of School and informed by staff in Finance and Research and Innovation.

The term 'other services' includes testing and analysis of materials, components, processes and other laboratory services carried out for external third parties or the use of University facilities in order to provide information or support services. The costing, pricing and financial arrangements for such services must be in accordance with the University's costing and pricing procedures and agreed with the Director of Finance before any commitments are made. All Other Services should break-even as a minimum and be reviewed on an annual basis.

Any deficits on non-credit bearing courses or other services accounts will have to be accommodated within available school core budgets.

### **4.8.3 European Union and Other ‘Match Funding’**

Any such project requires the involvement of the College Accountant prior to any commitment being entered into. Such approval shall be dependent on the Head of School / College being able to demonstrate that eligible matching funds are available and that the project is financially viable by the application of the University’s costing and pricing policy.

## **4.9 INTELLECTUAL PROPERTY RIGHTS AND PATENTS**

### **4.9.1 General**

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

### **4.9.2 Intellectual Property Rights**

The Operating Board is responsible for approving the policy governing intellectual property accruing to the University from inventions and discoveries made by staff in the course of their work.

In the event of the University deciding to become involved in the commercial exploitation of inventions and research, the matter should then proceed in accordance with the policy on intellectual property and spin-outs issued by the University and contained in the University's detailed procedures.

<https://www.abdn.ac.uk/staffnet/secure/ip-and-spin-out-policy-2492.php>

Research and Innovation has the delegated authority to negotiate and accept contracts involving the commercialisation of intellectual property (including material transfer, licencing and assignment agreements).

## 4.10 EXPENDITURE

### 4.10.1 General

The Director of Finance is responsible for making payment to suppliers for goods and services provided to the University

### 4.10.2 Scheme of Delegation / Financial Authorities

Purchasing authority is designated to the Principal and senior officers by the Operating Board. Expenditure on a single item in excess of £250,000 shall require the approval of the Principal, Senior Vice Principal, Head of College or Secretary on advice from the Director of Finance. All purchases over £100,000 must be endorsed by the Director of Finance. The Head of School/Directorate is responsible for purchases within his/her School/Directorate. Purchasing authority may be delegated to named individuals (or budget holders) within the School/Directorate, in line with the following levels:

Principal/SVP/University Secretary	>£250,000
Head of College/VP/Director of Finance	£100,000 - £250,000
Head of School/Director	£50,000 - £100,000
Budget Holder	£3,000 - £50,000
School Finance Person (SFP)	<£3,000

The above levels include capital expenditure.

Under procedures agreed by the Director of Finance, central control shall be exercised over the creation of requisitioners and authorisers and their respective financial limits.

Heads of School/Directorate and budget holders are not authorised to commit the University to expenditure without first reserving sufficient funds to meet the purchase cost. In practice this means that purchase orders cannot be placed beyond the budget allocations approved by the Operating Board.

The authorised member of staff (or budget holder) certifying the purchase order for payment within the Finance System, must be different to the member of staff responsible for receiving the goods.

When the Head of School/Directorate or Director of Finance is on annual or other long term leave, a scheme of delegated approval must be agreed with the Director of Finance. If the post is the Director of Finance, authorisation is delegated to a member of the Finance Management Team.

### 4.10.3 Procurement

The University requires all budget holders, irrespective of the source of funds, to obtain supplies, equipment and services at the lowest possible cost consistent with quality, delivery requirements and sustainability and equality legislation, and in accordance with sound business practice, taking into account framework agreements as appropriate. Factors to be considered in determining lowest cost are noted in the financial procedures.

The procurement function is the responsibility of the Director of Finance. It will:

- ensure that the University's procurement policy is known and observed by all involved in procurement for the University
- provide advice on matters of University procurement policy and practice
- provide advice to and assist Schools/Directorates, where required on specific purchases e.g. > £50,000
- develop appropriate standing supply arrangements on behalf of the University to assist budget holders in meeting their value for money obligations
- vet all orders above £100,000 before they leave the University
- draft and negotiate all large-scale contracts (generally in excess of £100,000) undertaken by the University, in collaboration with the responsible School/Directorate
- ensure that the University complies with national procurement legislation in accordance with European Union procurement directives.

#### **4.10.4 Purchase Orders**

The ordering of goods and services shall be in accordance with the University's detailed procurement policies. A purchase order must be placed prior to the purchase of all goods or services, except those made using petty cash. In exceptional circumstances, urgent orders may be given orally but must be confirmed by an official purchase order endorsed 'confirmation order only' not later than the following working day.

Suppliers should be instructed by the purchase order to submit invoices for goods or services to Accounts Payable, quoting the University purchase order number. Invoices received without a purchase order number will be returned to the supplier.

Heads of School/Section are responsible for ensuring that expenditure within their School does not exceed the approved budget allocation.

Invoice payments will only be made by Accounts Payable against orders which have been authorised for payment by the appropriate budget holder or where orders have been goods receipted and match the invoice in the Finance System.

When transferring goods or services between Schools/Directorates, internal orders must be used via the Finance System.

It is the responsibility of the Director of Finance to ensure that all purchase orders refer to the University's conditions of contract (see Appendix F).

#### **4.10.5 Credit Cards**

The operation and control of the University's credit cards is the responsibility of the Director of Finance. There will be appropriate oversight of the distribution of such cards and the associated card limits.

Holders of cards must use them only for the purposes for which they have been issued and within the authorised purchase limits. Such cards shall be used for the payment of valid business expenses only, and the misuse of such cards shall be grounds for disciplinary action. Cards must not be loaned to another person, nor should they be used for personal or private purchases. Cardholders should obtain approval to purchase from the relevant budget holder and should ensure that there is sufficient budget available to meet the costs. Cardholders will review and reconcile expenditure, and the appropriate line manager / budget holder will approve in line with Section 4.11.3.

Details of the operation of the scheme are set out in the financial procedures at the website: <http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/University-corporate-cards.pdf>

#### **4.10.6 Tenders and Quotations**

Heads of School/Directorates and delegated budget holders must comply with the University's tendering procedures contained in the University procurement policy: <http://www.abdn.ac.uk/staffnet/documents/Procurement-policy.pdf>.

Only partnership arrangements for the supply of goods or services specifically approved by the Operating Board or Court will fall outside these arrangements for tenders and quotations.

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

#### **4.10.7 Contracts**

Building and commercial property contracts are the responsibility of the Operating Board and are administered by the Director of Estates.

Proposals for inclusion in the annual capital programme will normally be initiated by the Director of Estates or Director of IT or Heads of College, in respect of planned replacements, general improvement schemes, space planning or in response to requests from Schools.

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

Major project proposals shall be presented in the form of costings or business plans as appropriate for consideration by the Operating Board.

Contract payments shall be made only on an authorised certificate signed by the Director of Estates (or other duly authorised officer).

Conditions of contract for the purchase of goods and services will be as described in the University's detailed financial procedures. The main points are described at Appendix F.

Colleges, Schools or members of staff who wish to enter into contracts with third parties on behalf of the University must comply with the University policy and practice:  
<http://www.abdn.ac.uk/procurement/>

#### **4.10.8 EU Regulations**

The Director of Finance is responsible for ensuring that appropriate procedures are in place so that the University complies with national legislation relating to the European procurement directives. Mandatory EU processes are to be used for all forms of procurement of goods and services or hire (whether or not hire purchase) with a total value exceeding a threshold value (which is revised every two years). Current thresholds are £172K for supplies and services procurements and £4.3M for works. A breach of the legislation is actionable by a supplier or a potential supplier.

It is the responsibility of the Head of School/Section to ensure that their members of staff comply with EU Regulations by notifying the Head of Procurement of any purchases likely to exceed the thresholds noted above. This will need to be done well in advance in order to permit advertisements in official journals, such as OJEU.

#### **4.10.9 Receipt of Goods**

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

All goods received shall be entered onto the Finance System on the day of receipt. If the goods are deemed to be unsatisfactory the record shall be marked accordingly and the supplier immediately notified so that they can be collected for return as soon as possible. Where goods are short on delivery the record should be marked accordingly and the supplier immediately notified.

All persons receiving goods on behalf of the University must be independent of those who negotiated prices and terms and approved the official order.

#### **4.10.10 Payment of Invoices**

The procedures for making all payments shall be in a form specified by the Director of Finance.

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

Suppliers should be instructed by the purchase order to submit invoices for goods or services to Accounts Payable, quoting the University purchase order number. Invoices received without a purchase order number will be returned to the supplier.

Heads of School/Section are responsible for ensuring that expenditure within their School does not exceed the approved budget allocation.

Invoice payments will only be made by Accounts Payable against orders which have been authorised for payment by the appropriate budget holder or where orders have been goods receipted and match the invoice in the Finance System. Payment will be made if:

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

#### **4.10.11 Petty Cash**

Where a single item costs less than £40 it can be paid from School petty cash. Such expenditure must be supported by receipts or vouchers where available.

The Director of Finance shall make available to Schools/Sections such imprests as are considered necessary for the disbursement of petty cash expenses.

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

The petty cash box must be kept locked in a secure place when not in use in compliance with the requirements of the University's insurers, and will be subject to periodic checks by the Head of School/Section or another person nominated by him or her.

On an annual basis, the Director of Finance will make arrangements for an audit of all expenditure from petty cash.

A detailed financial procedure is available at:

<http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/Petty-Cash-2010.pdf>

#### **4.10.12 Other Payments**

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

Individual payments under 'outward collaborative provision' contracts shall be authorised by the Director of Finance. This authority shall be on the basis that the payment represents a bona fide element of the contract which has been approved e.g. collaborative EU research project.

#### **4.10.13 Late Payment Rules**

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

- small business can charge interest on overdue invoices

- interest is chargeable on sales made after 1 November 1998
- the rate of interest is currently 8% per annum above the official daily rate of the Bank of England
- the Act also applies to overseas organisations
- the institution can be sued for non-payment

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

#### **4.10.14 Project Advances**

The Director of Finance and the relevant Head of School may jointly approve cash advances in GBP only for projects carried out away from the University where cash expenditure may be unavoidable. Other forms of payment will be expected to be used wherever possible, such as an official purchase order and subsequent payment or a University credit card.

Receipts or paid invoices will be retained for all sums expended in this way. Upon completion of the project to which the advance relates, within one month a final account must be prepared to demonstrate how the advance was disbursed and any unspent balance repaid. Under no circumstances will a second advance be approved when the final accounting for an earlier advance to a project or individual is still outstanding.

#### **4.10.15 Hospitality**

The University will reimburse reasonable expenditure on hospitality and entertaining only where it is within approved budgets or where specific prior approval has been granted. Staff entertaining guests from outside bodies should normally use the University's residential and catering facilities. Where this is not the case reasons must be stated when submitting a claim for reimbursement. A detailed expenses and benefits policy is available at: [http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/2013\\_Expenses\\_and\\_Benefits\\_FullPolicy.pdf](http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/2013_Expenses_and_Benefits_FullPolicy.pdf)

Staff offered hospitality or gifts by a third party should inform their line manager, and if greater than £50 be registered with the Head of School/Section, or College/Administration. Under no circumstances must the gift or hospitality influence the choice of supplier. If in doubt, gifts and hospitality shall be refused or returned.

#### **4.10.16 Payment to Volunteers**

It is the responsibility of the Head of School/Directorate to ensure that payments made to volunteers (individuals who volunteer for clinical trials etc) are correctly administered. The University allows two types of payment from an approved budget:

- (i) reimbursement of actual staff costs when fully supported by receipts;
- (ii) a small gift or thank you payment as long as it is clearly a token of appreciation, not compensation, and there is no sense that these goods, vouchers or cash are expected in advance.

## **4.11 PAY EXPENDITURE**

### **4.11.1 Pay**

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

[http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/Payments\\_to\\_Individuals\\_Guidance\\_Jun\\_2012.docx](http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/Payments_to_Individuals_Guidance_Jun_2012.docx)

All payments to University staff will be into a UK Bank or Building Society account only.

All University staff will be appointed to the salary scales approved by the Court and in accordance with appropriate conditions of service. All letters of appointment must be issued by the Director of Human Resources. The Director of Human Resources will be responsible for keeping the Director of Finance informed of all matters relating to staff for payroll purposes.

In particular these include:

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

The Director of Finance is responsible for payments to casual and temporary part-time employees and for informing the appropriate authorities of such payments. All casual and temporary part-time employees will be included on the payroll ([http://www.abdn.ac.uk/staffnet/documents/policy-zone-employment/Temporary\\_Services\\_Apr13.pdf](http://www.abdn.ac.uk/staffnet/documents/policy-zone-employment/Temporary_Services_Apr13.pdf)).

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

The Director of Finance shall be responsible for ensuring that an up to date financial planning model of staffing costs, as approved from time to time for each category of staff, is maintained.

All payments must be made in accordance with University's detailed payroll financial procedures and comply with Her Majesty's Revenue & Customs (HMRC) regulations. Comprehensive procedures are retained in the Payroll Office.

The University has dispensation from HMRC to make payments to staff for certain specified items without deduction of income tax. Reimbursement by the University of expenditure not included in the dispensation is subject to the deduction of income tax before payment.

### **4.11.2 Pensions**

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

The Director of Finance is responsible for day to day pension matters including:

- paying contributions to various authorised pension schemes
- preparing the annual return to various pension schemes
- financial administration of the University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS).

### **4.11.3 Travel, Subsistence and Other Allowances**

All claims for the payment of subsistence allowances, travelling and incidental expenses must be completed on the Finance System. Claims by members of staff must be authorised by the Budget Holder or their line manager. The certification shall be taken to mean that:

- the journey was authorised;
- the expenses were properly and necessarily incurred
- the allowances are properly payable by the University
- consideration has been given to the value for money in choosing the mode of travel

Travel and subsistence costs in respect of staff undertaking travel etc on University business are reimbursed in accordance with the rates approved from time to time. The University will reimburse reasonable out-of-pocket expenses incurred wholly, exclusively and necessarily in the performance of duties relating to employment. All claims for payment of subsistence allowances, travelling and incidental expenses must be completed using the approved form and supported by expenditure vouchers where necessary.

A detailed Expenses & Benefits policy is available at:  
[http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/2013\\_Expenses\\_and\\_Benefits\\_FullPolicy.pdf](http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/2013_Expenses_and_Benefits_FullPolicy.pdf)

Claims for members of the Court will be authorised by the University Secretary. Claims for meeting attendance will be based on out-of-pocket expenses but only reasonable expenses can be reimbursed.

In certain circumstances, a University credit card will be supplied to key individuals for business purposes. The credit card must not be used to purchase goods and a monthly expense claim must be submitted, duly authorised, to clear the statement in a timely manner.

### **4.11.4 Severance and other Non-recurring Payments**

Severance payments shall only be made in accordance with relevant legislation and funding body guidance and under a scheme approved by the Court through the Operating Board and where appropriate, the Remuneration Committee. Professional advice should be obtained where necessary. All such payments shall be authorised by the Principal and calculations checked by the Director of Human Resources or the Director of Finance. Any individual amounts which do not fall within the parameters above or are in excess of £100,000 require approval by the Operating Board. In exceptional circumstances this approval may be given by the chair of the Remuneration Committee and the chair of the Operating Board in consultation with the Principal, to be reported to the next meeting of the relevant committee. Amounts paid should be declared in the financial statements.

## **4.12 ASSETS**

### **4.12.1 Land, Buildings, Fixed Plant and Machinery**

The purchase, sale or lease of land or buildings in excess of £250K (or per Procurement 4.10.2) can only be undertaken with authority from the Court and with reference to Funding Council requirements where exchequer funded assets or exchequer funds are involved.

The Director of Finance is responsible for maintaining the University's fixed asset register of land, buildings, equipment, fixtures and fittings (greater than £20,000).

### **4.12.2 Inventories**

In addition to the fixed asset register, Heads of Schools/Directorates are responsible for maintaining inventories for all plant, equipment and furniture and stores in their Schools/Directorates with a value in excess of £5000. The inventory must include items donated or held in trust.

Inventories must be checked at least annually and retained in the form prescribed by the Director of Finance as described in the University's detailed financial procedures.

<http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/invent-disposals.pdf>

### **4.12.3 Stocks and Stores**

Heads of Schools/Directorates are responsible for establishing adequate arrangements for the custody and control of stocks and stores within their schools/directorates. The systems used for stores accounting in schools/directorates must have the approval of the Director of Finance, and not replicate data held in the University finance system

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

Those Heads of Schools/Directorates whose stocks require valuation in the balance sheet must ensure that the stock-taking procedures in place have the approval of the Director of Finance and that instructions to appropriate staff within their schools/sections are issued in accordance with advice contained in the University's detailed financial procedures.

<http://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/invent-disposals.pdf>

### **4.12.4 Safeguarding Assets**

Heads of School/Directorate are responsible for the care, custody and security of the assets and intellectual property under their control. Assets owned by the University shall, so far as is practical, be effectively marked to identify them as University property.

### **4.12.5 Asset Disposal**

Disposal of equipment must be in accordance with procedures agreed by the Operating Board and contained in the University's detailed financial procedures.

<https://www.abdn.ac.uk/staffnet/documents/policy-zone-finance/invent-disposals.pdf>

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

## **4.13 FUNDS HELD ON TRUST**

### **4.13.1 General**

The Director of Finance is responsible for ensuring that incoming funds are properly classified and designated as appropriate.

### **4.13.2 Gifts, Benefactions and Donations**

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

### **4.13.3 Student Welfare and Access Funds**

The Director of Finance will prescribe the format for recording the use of student welfare funds.

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

### **4.13.4 Endowment Funds**

The Director of Finance is responsible for maintaining a record of the terms for each endowment fund and for ensuring that funds are appropriately accounted for and disbursed.

The Director of Finance is responsible for the monitoring the performance of Fund Managers and advising the Operating Board on the control and investment of the endowment fund portfolio, via the Advisory Group on Investment.

The Operating Board is responsible for ensuring that all the University's endowment funds are operated within any relevant legislation and the specific requirements for each endowment.

### **4.13.5 Voluntary Funds**

The Director of Finance shall be informed of any fund, not being an official fund of the University which is controlled wholly or in part by a member of staff in relation to their function in the University.

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

### **4.13.6 Donation of Equity Shares**

When shares are offered by a donor, the Director of Finance is responsible for the same due diligence they would normally undertake for a donation of cash. This includes, if necessary, approval by the Governance and Nominations Committee and the University. In addition the Director of Finance will ensure:

- the donor is the rightful owner of the donated shares
- the company holding the shares complies with the University's ethical policies

At the time of the donation, the Director of Finance should obtain in writing the purpose of the donation.

All share certificates should be held in the safe.

## **4.14 OTHER**

### **4.14.1 Insurance**

The Director of Finance is responsible for effecting insurance cover as determined by the Operating Board. The Director of Finance is responsible for obtaining quotations, negotiating claims and maintaining the necessary records. The Director of Finance will also deal with the University's insurers and brokers about specific insurance problems.

Heads of Schools/Directorates must ensure that any agreements negotiated within their School/Section, with external bodies cover any legal liabilities to which the University may be exposed. The Director of Finance's advice should be sought to ensure that this is the case. Heads of Schools/Directorates must give prompt notification to the Director of Finance of any potential new risks, additional property and equipment which may require insurance and any alterations affecting existing risks.

Heads of Schools/Directorates must advise the Director of Finance, immediately, of any event which may give rise to an insurance claim. The Director of Finance will notify the University's insurers and, if appropriate, prepare a claim in conjunction with the Head of School/Directorate for transmission to the insurers.

The Director of Finance will keep a register of all insurances affected by the University and the property and risks covered.

The Director of Estates is responsible for keeping suitable records of plant which is subject to inspection by an insurance company and for ensuring that inspection is carried out in the periods prescribed.

All staff using their own vehicles on behalf of the University shall maintain appropriate insurance cover for business use.

The University is not responsible for the insurance of personal libraries or personal effects held within staff rooms and staff will therefore require to effect personal insurance where appropriate. Similarly the University is not responsible for damage to staff vehicles whilst they are parked in University grounds unless the damage is as a result of a negligent act by the University.

### **4.14.2 Security**

The Director of Finance is responsible for the safekeeping of official and legal documents relating to the University. All such documents shall be held in an appropriately secure, fireproof location and copies held at a separate location. Heads of Schools/Directorates are responsible for maintaining proper security at all times for all buildings, stock, stores, furniture, cash, etc. under their control. They shall consult the Director of Estates in any case where physical security is thought to be defective or where it is considered that special security arrangements may be needed.

Keys to safes or other similar containers must be secured by the person responsible. The loss of such keys must be reported to the Director of Estates immediately.

The Director of IT shall be responsible for advising on arrangements for maintaining proper security and privacy of information held on the University computer network and for ensuring that, where data is to be shared with other bodies, a Data Sharing Agreement (DSA) is put in place. Appropriate levels of security will be provided, such as passwords for networked PCs, together with restricted physical access to network shares. Information relating to individuals held on computer will be subject to the provisions of the Data Protection Act. A University Data Protection Officer (DPO) has been nominated to ensure compliance with the Act. The DPO maintains a register of DSAs.

### **4.14.3 Students' Association**

The Students' Association is a separate legal entity from the University, but it is recognised to fulfil a valuable role in relation to students.

Subject to any constraints imposed by the Funding Council, the Court shall determine the level of Disbursement Grant to be made available each year to the Students' Association and its constituent bodies. The Court requires the Students' Association to provide details of its proposed budget to assist in determining the appropriate level of grant.

The Students' Association is responsible for maintaining its own bank accounts, insurance, financial records and for preparing its own annual financial statements.

The mutual responsibilities of the University and the Students' Association to each other are reflected in the Relationship Agreement. In addition, the University issues a letter on an annual basis setting out the conditions associated with the Disbursement Grant.

In accordance with an agreement between the University and the Students' Association, the University's internal auditor shall have the right to request access to records and assets by liaising with Students' Association staff.

### **4.14.4 Use of the University's Seal**

Where a deed, instrument or document has to be executed on behalf of the Court and sealed with the University's Seal, it is signed by one member of Court together with the Secretary or the Finance Director.

The Secretary is responsible for submitting a periodic report to the Operating Board detailing the use of the University's Seal.

### **4.14.5 Companies, Joint-ventures and Consortium Arrangements**

In certain circumstances it may be advantageous to the University to form a Company or joint venture to undertake services or commercialisation of intellectual property on behalf of the University.

The Court has approved a policy for the creation and governance of companies. The policy can be found at <https://www.abdn.ac.uk/staffnet/secure/ip-and-spin-out-policy-2492.php>. The Strategic Business Ventures Group has the delegated authority from Court to approve the formation of new companies, and the subsequent arrangements for monitoring and reporting on its activities including any decision by the Court to dispose of its investment or wind up a company.

It is the responsibility of the Strategic Business Ventures Group to approve the constitution and shareholding arrangements and, if considered appropriate, appoint University representative directors of companies wholly or partly owned by the University. Research and Innovation have the delegated authority to negotiate and accept the contractual relationship surrounding company spin-outs.

The formal link between a company and the University will be undertaken by a nominated Director appointed to the company board by the Strategic Business Ventures Group. The nominated Director will be responsible for attending company Board meetings and reporting to the University on the performance and activities of the company and will represent the University's shareholder interest. Where no Director is appointed, the University will receive periodic reports via a reporting requirement in the shareholders agreement.

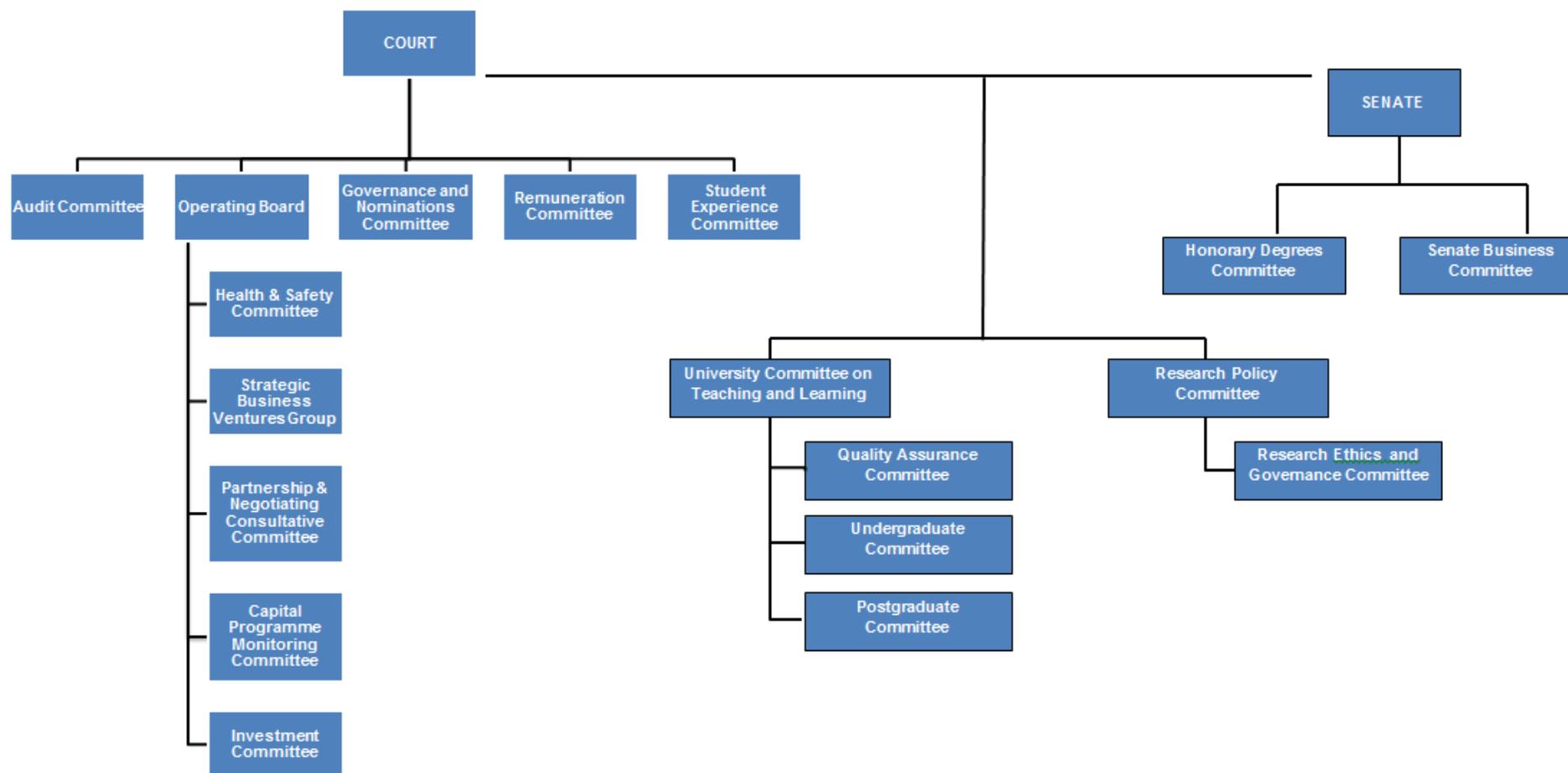
The directors of companies where the University is the majority shareholder are required to submit, via the Strategic Business Ventures Group, a report to the Court. The Strategic Business Ventures Group formally reports to the Operating Board on all companies, where the University has a shareholding, on a six monthly basis.

All shareholders and directors (where they are employed by the university) are required to submit a conflict of interest declaration form as required by the Code of Practice on Conflicts

[https://www.abdn.ac.uk/staffnet/documents/policy-zone-governance-and-compliance/conflict\\_of\\_interest\\_policy\\_amended.pdf](https://www.abdn.ac.uk/staffnet/documents/policy-zone-governance-and-compliance/conflict_of_interest_policy_amended.pdf)).

Where the University is involved in a joint venture arrangement, a formal Joint Venture Agreement and Operating Agreement will be put in place with Operating Board approval. This will include the reporting requirements to the Operating Board on an annual basis.

PRINCIPAL COMMITTEES STRUCTURE (Revised 2015)



## OPERATING BOARD

(Committee of Court)

(November 2014)

### 1. COMMITTEE TITLE

OPERATING BOARD

### 2. DATE OF ESTABLISHMENT

September 2008

### 3. CONVENOR AND ADMINISTRATIVE SUPPORT AREA

Convenor: Court Member

Clerk: Policy, Planning and Governance

### 4. PURPOSE

To integrate academic, financial, estate and human resource planning and policy making, advising Court and Senate on long-term strategic objectives; and to oversee the operational performance of the University.

### 5. REMIT: (*To be reviewed annually at first meeting of committee cycle*)

Responsible for:

#### *Strategic Objectives*

- monitoring the implementation of strategies agreed by Court, including reviewing all Business Plans associated with strategic projects
- monitoring the University's Health and Safety performance

#### *Resource Planning*

- making recommendations to Court on the University's Annual Budgets and Financial Forecasts
- making recommendations to the Court regarding the University's Capital Plan and its implementation
- monitoring the University's financial performance and approving additional expenditure on approved projects within a tolerance threshold of up to the lesser of 10% or £1m, or a level agreed by Court at the inception of a project
- monitoring performance of the implementation of University's capital projects and receiving reports from the Capital Programme Monitoring Committee
- overseeing cash management, borrowing policies and compliance with banking covenants and ensuring compliance with the Financial Memorandum
- overseeing the management and performance of the University's investments
- reviewing the performance of the University's spin-out/joint venture companies
- overseeing the creation, dissolution or sale of University subsidiary companies

#### *Policy Making*

- approving University staffing and development policies and staff terms and conditions of employment
- approving the strategy for the setting of University tuition fees

***Operational Performance***

- monitoring the University's performance on student recruitment and admissions
- overseeing institutional equality and diversity issues

**6. COMPOSITION AND QUORUM:**

Convenor: Court Member

*Composition:* Four independent members of the Court, appointed by Court on the recommendation of the Governance Committee (*independent being defined as external to, and not employed or remunerated by, the University*).

The Convenor of the Board to be an independent member of Court and appointed by Court on the recommendation of the Governance Committee but not being the Vice-Chair of Court (or Chair, should the position of the Rector as Chair be changed).

Three Senate Assessors to Court, one from each College, to be agreed by the Senate Assessors on Court

*Ex officio:* The Principal, Senior Vice-Principal and the University Secretary  
President of the Students' Association

*In attendance:* Vice-Principals, Heads of College and Senior Administrative Officers to be in attendance as required.

Quorum: 50% of formal membership (including Convenor)

***ACCOUNT TO BE TAKEN OF EQUALITY AND DIVERSITY IN MEMBERSHIP***

**7. REPORTING LINE/PARENT COMMITTEE AND INTERFACE WITH OTHER COMMITTEES**

Formal reporting line: Court

Interface with other committees: Audit Committee; Capital Programme Monitoring Committee; Health & Safety Committee

**8. FREQUENCY AND TIMING OF MEETINGS**

Seven meetings per session

Meetings between 10-4 in accordance with University Policy.

**9. PUBLICATION OF PAPERS**

Cognisance will be taken of the University's Publication Scheme and Agenda papers will be made available on web pages/staffNet where possible.

**10. DATE ESTABLISHMENT OF COMMITTEE APPROVED/RECORDED BY UMG: 23 March 2015**

## AUDIT COMMITTEE DUTIES

UNIVERSITY OF ABERDEEN

**AUDIT COMMITTEE**  
*(A Committee of Court)*  
*(October 2014)*

### 1. Committee Title

AUDIT COMMITTEE

### 2. Date of Establishment

Remit revised and approved by Court in December 2013

### 3. Convener and Administrative Support Area

Convener: Court Member  
Clerk: Policy, Planning & Governance.

### 4. Purpose

A formal standing committee established by Court which is fundamental to the University's governance and required for statutory and regulatory purposes.

### 5. Remit *(To be reviewed annually at first meeting of committee cycle)*

The Audit Committee is a committee of Court. It provides advice to the Court on the effectiveness of the University's procedures for external and internal audit, financial control, governance and risk management, and provides assurances in these key areas through its annual report to the Scottish Funding Council, which is approved by Court. Its remit is regularly reviewed to ensure compliance with governance codes and guidance.

More specifically, the Committee will:

#### 5.1 External Audit

5.1.1 Make recommendations to Court on the appointment (and, if necessary, termination of the appointment) of external auditors, their terms of engagement and remuneration.

5.1.2 Oversee external audit services, including:

- promoting coordination with internal audit services;
- providing input to, and approving, an annual external audit strategy and plan;
- reviewing reports and recommendations from the external auditors;
- reviewing the adequacy and implementation of the management response;
- reviewing the effectiveness, independence and objectivity of the external auditors;
- reviewing the objectives and scope of any non-statutory audit work undertaken by the external auditors and advising Court on any potential conflict of interest;
- reviewing the draft annual financial statements with the external auditors and recommend their adoption by Court following satisfactory resolution of matters raised;
- reviewing the external auditor's Management Letter and monitor management's action on the implementation of the agreed recommendations

## **5.2 Internal Audit**

- 5.2.1 Make recommendations to Court on the appointment (and, if necessary, termination of the appointment) of internal auditors, their terms of engagement and remuneration.
- 5.2.2 Oversee internal audit services, including:
- promoting coordination with external audit services;
  - providing input to, and approving, a 3-year Internal Audit Strategy and an Annual Internal Audit Plan;
  - approving the criteria for grading recommendations in assignment reports as proposed by the Head of the internal audit service
  - reviewing reports and recommendations from the internal auditors;
  - reviewing the adequacy and implementation of the management response; and
  - reviewing the effectiveness, independence and objectivity of the internal auditors;

## **5.3 Financial Control**

- 5.3.1 Review the effectiveness of the University's systems for:
- financial control;
  - obtaining value for money; and
  - responding to alleged financial irregularities.
- 5.3.2 In relation to Value for Money:
- advise the Court on Value for Money (VFM) matters arising from internal and external audit reports and relevant external VFM studies of best practice for promoting economy, efficiency and effectiveness.
- 5.3.3 In relation to alleged financial irregularities:
- receive regular reports from the internal auditors and management on reports received, investigations conducted and action taken; and
  - obtain assurances that any significant losses have been appropriately disclosed and (where appropriate) reported to SFC and other external bodies.

## **5.4 Risk Management**

- 5.4.1 Review the effectiveness of mechanisms operated by the University for identifying, assessing and managing risks.
- 5.4.2 Regularly consider the current status of core risks to the University's strategy, through the review of documents presented by management and derived from the Corporate Risk Register.
- 5.4.3 Receive regular reports from management on the operation of the University's Risk Management arrangements.
- 5.4.5 Oversee the University's Public Interest Disclosure [whistle-blowing] policy and receive reports from management on cases.

## **5.5 Governance**

- 5.5.1 To advise the Court on its compliance with corporate governance requirements, good practice guidance and the SFC Accounts Direction, and to review the University's Statement of Corporate Governance in advance of Court approving the audited financial statements.

The Committee will ensure that the Annual Report presents a fair, balanced and understandable assessment of the University's position and prospects. This will include a report on key areas looked at in the year.

## 6 Composition and Quorum

The Committee must have an independent\* member majority and at least one of its members must have recent and relevant financial expertise. Members are appointed for terms of three years.

Convener - Independent Member of Court

One other Independent Member of the University Court

Two external members appointed by Court on the advice of the Governance and Nominations Committee in consultation with the two lay members.

Co-opted: As deemed required

The Committee may co-opt additional members who have relevant expertise and are in no way connected with the provision of financial services to the University. Where deemed appropriate, one co-opted member may be drawn from academic staff of the University not directly involved in its management.

In attendance: University Secretary  
Director of Finance  
Director of Policy Planning and Governance  
Internal Auditor  
External Auditor

Quorum: 50% of formal membership

ACCOUNT TO BE TAKEN OF EQUALITY AND DIVERSITY IN MEMBERSHIP

## 7 Reporting Line and Interface with Other Committees

Formal reporting line: University Court  
Sub-committee: none  
Interface with other committees: **University Management Group** on risk management and Governance & Nominations Committee on governance matters

The Committee will prepare an annual report covering the institution's financial year and any significant issues up to the date of preparing the report. The report will be addressed to Court, summarising the activity for the year, and providing an opinion on the adequacy and effectiveness of the institution's risk management, control and governance arrangements. and arrangements for promoting economy, efficiency and effectiveness (VFM) as required by the Scottish Funding Council and Scottish Code of Good Higher Education Governance (2013).

The Committee reports to the next meeting of Court following each of its meetings in the form of an executive summary of its minutes.

## 8 Frequency and Timing of Meetings

Five meetings per session (October, November, February, April, June). One meeting per year is reserved for the consideration of annual reports. At least once a year, the Committee will meet privately with both the internal and external auditors

Meetings between 10-4 in accordance with University Policy.

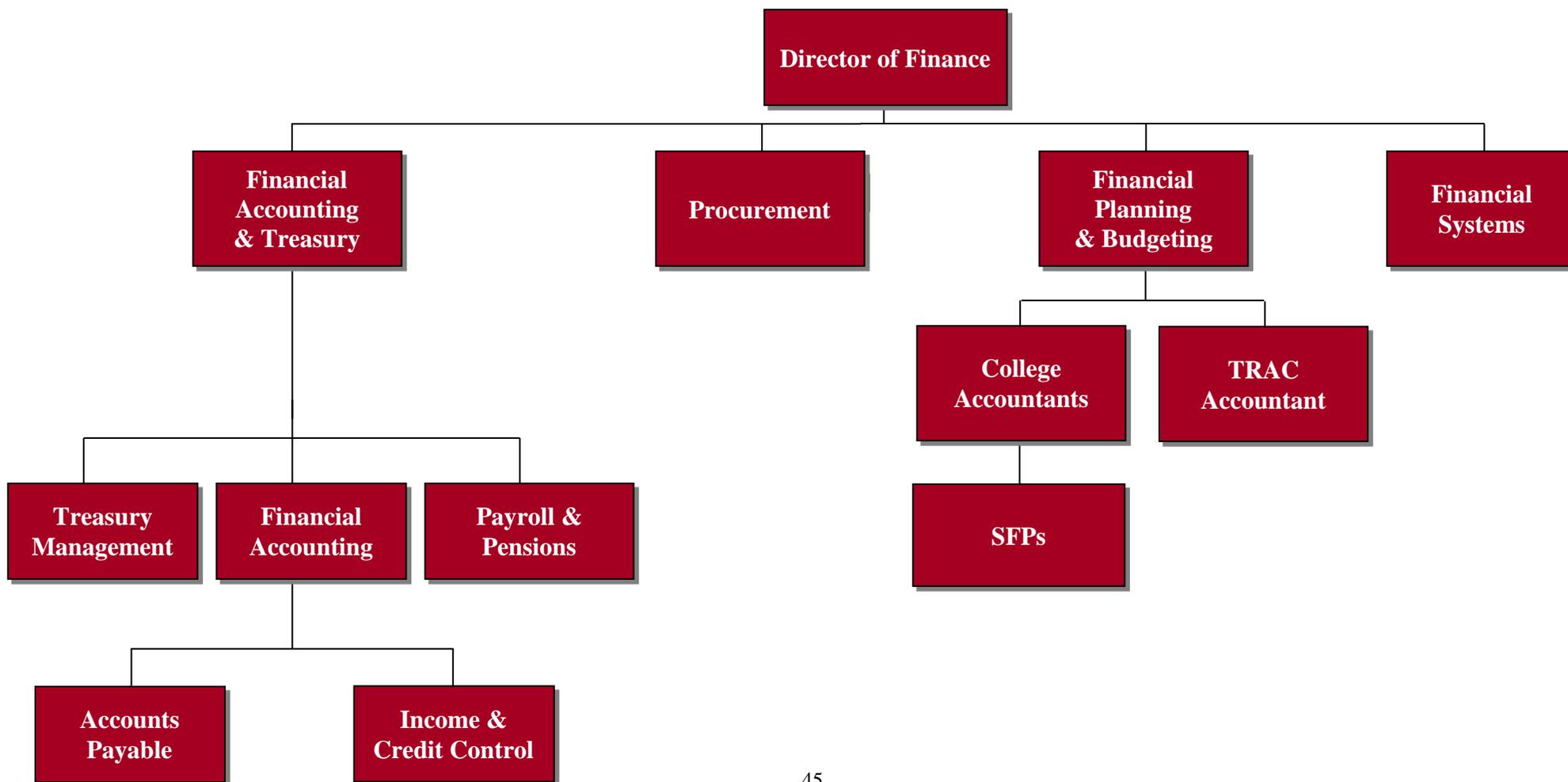
## 9 Publication of Papers

Cognisance will be taken of the University's Publication Scheme and Agenda papers will be made available on web pages/staffNet where possible.

## 10 Date Establishment of Committee Approved/Recorded by UMG:

December 2013

FINANCE & PROCUREMENT SECTION



## CONSULTANCY POLICY DOCUMENT

### 1.1 Definition of Consultancy

Consultancy is defined as the contracting of staff for a fixed short length of time, to carry out a task, other than research & development, specified by a client.

Consultancy contracts differ from research contracts in that they involve the application of existing knowledge or techniques and there is no academic output, such as publications in refereed journals.

The following related activities follow the same procedure as consultancies:

Ownership of company  
Partnership in a business  
Board membership of a company (excluding University companies)  
Editorial work  
Expert witness appearances

Please note the following areas which are not considered as consultancy:

**Teaching or training under contract** is classified as vocational training and should be handled through CPD Services (formerly the Vocational Training Unit). Training activities handled through University companies are excluded from this commitment; however, permission should be sought from the line manager if the commitment is greater than one day.

**Academic activities** e.g. lecturing; teaching; refereeing papers; reviewing books; Research Excellence Framework panel member; SFC Teaching Quality Assessors and external examining do not fall within the consultancy rules.

**Public services** is not considered to be consultancy, though members of staff undertaking public services should keep their line managers informed of the time commitments involved.

### 1.2 University and Private Consultancy

#### Definitions:

**University** – a member of staff carries out consultancy work within his/her University contract of employment. This is the usual consultancy route and permission will be granted where:

- The work will benefit the member of staff and/or directorate; school and university
- The line manager is satisfied that the consultancy work undertaken will not be to the detriment of the member of staff's University duties

**Private** – a member of staff is acting in a private capacity and is not acting on behalf of the University. A private consultancy exists where;

- The line manager is satisfied the consultancy may be carried out without detriment to the member of staff's University duties and
- The consultancy is not within the member of staff's area of employment and
- There is no competition with any existing consultancy service provided by the University and
- The consultancy does not conflict with University policy and
- There is no use of University facilities
- If permission is given for private consultancy, the member of staff must advise the client.

### 1.2.1 Consultancy Permission

**All full time members of staff must gain institutional permission for every consultancy assignment before it can be undertaken.**

Part-time members of staff performing such work outside their contract of employment need not seek permission. For avoidance of ambiguity, no University facilities can be used for such activity.

Permission to undertake consultancy is obtained by completing an “Application for permission to undertake consultancy” form which is signed by the Head of School. Where a Head of School undertakes consultancy, approval must be gained from the Head of College. This form contains details regarding scope of work; daily rate; days required and any additional costs to be incurred. These forms are available from departmental secretariat or from R&I (telephone: 01224 274368; e-mail l.critchley@abdn.ac.uk).

In circumstances where there is a requirement to fulfil numerous small consultancies (up to half a day per consultancy) e.g. giving legal opinion, a blanket permission will be given for a period of up to one year. The member of staff must liaise with R&I each month to confirm the amount of work completed.

### 1.2.2 University Consultancy

R&I will provide a comprehensive service which will include marketing, customer liaison, project management, administration and financial control.

The contractual arrangements, including the setting of fees and recovery of direct and indirect costs, are the responsibility of R&I. R&I will liaise with both the member of staff and the client.

R&I will actively promote consultancy and will seek opportunities for members of staff. There is no obligation on members of staff to undertake such work. R&I will keep the member of staff fully informed of all conditions associated with the consultancy prior to their decision whether or not to accept a consultancy.

All members of staff who undertake University consultancy work are covered by the University’s professional indemnity insurance.

**The minimum daily rate** calculation is as detailed below, however, it should be noted that R&I will always endeavour to achieve the appropriate market level rate beyond the “minimum daily rate”. All other costs e.g. travel: VAT are added to the consultancy fee.

Gross Annual Salary Cost + 130%  
219 days

#### **Consultancy Income**

Consultancy income is the sum of the consultancy fee plus any direct costs. The consultancy fee is allocated as follows:

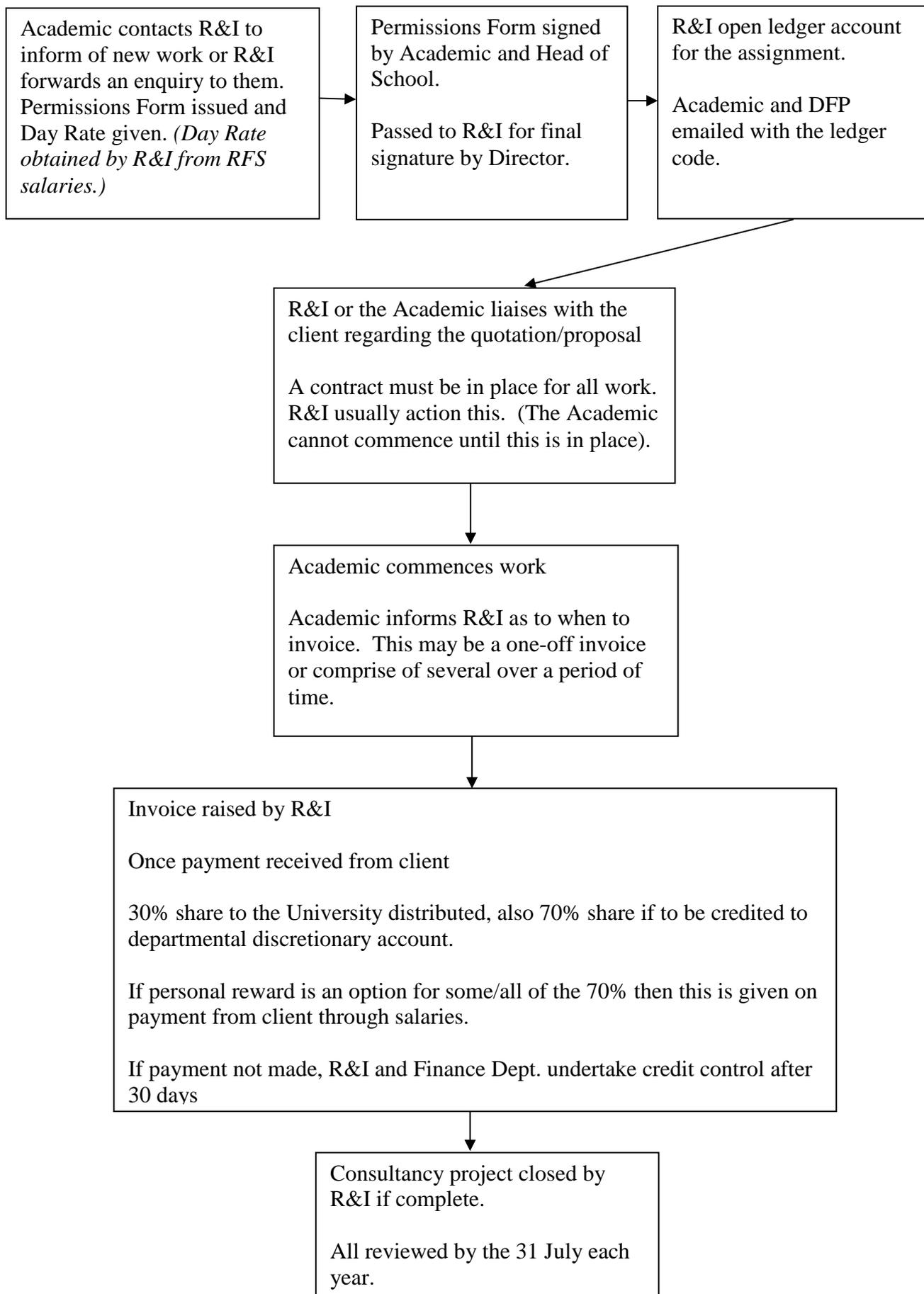
10% - Research and Innovation  
20% - University General Funds  
70% - Department/Academic

The division of consultancy income within an individual department is at the discretion of the Head of School. The individual member of staff and their Head of School must agree on the division of the income with the provision that at least 50% must be made available to the academic. The member of staff’s share can be deposited into a discretionary account; taken as a personal reward or divided between the two.

In the case of personal reward, this would be made via payroll and is subject to National Insurance and income tax deduction. Members of staff who have authorisation from the Inland Revenue for their consultancy work to be assessed for income tax under schedule D should send documentary evidence to the Director of Finance who will arrange for payment to be made gross, after confirming the arrangement.

### **1.2.3 Consultancy Reporting**

Senior Management regularly review consultancy activity of departments and faculties. Individuals are requested to verify that the full extent of their consultancy activity is accurately recorded in such reports.



## **APPENDIX F**

### ***CONTENTS OF "CONDITIONS OF CONTRACT FOR THE PURCHASE OF GOODS"***

#### LIST OF HEADINGS

- Definitions
- Contract Definition
- Price & Payment
- Payment of Accounts
- Delivery
- Packaging
- Instructions
- Quality & Description
- Safety & Hazardous Goods
- Warranty
- Ownership of Results
- Infringement of Patents
- Title & Risk
- Acceptance
- Indemnity & Insurance
- Waste Electrical and Electronic Regulations
- Matters Beyond Control
- Insolvency
- Cancellation
- Transfer & Sub-contracting
- Bribery Act 2010
- Freedom of Information
- Non-Observance of Conditions
- Law

### ***CODE OF TENDERING PRACTICE:***

(Procurement Policy and Guide to Procedures: <http://www.abdn.ac.uk/procurement>)

- University staff must comply with the Code.
- University staff must comply with the Public Contracts Regulations (EU directives).
- The University's competitive tendering procedure will:
  - ensure fairness of competition;
  - ensure that companies invited to tender are financially and technically able to meet the University's requirements;
  - indicate the terms of the contract;
  - outline the appropriate UK and/or international standards to be complied with.
- The University's procurement procedures will indicate:
  - the minimum number of firms that should be expected to provide quotations;
  - lists of those firms which have been approved by the University and which might undertake the work specified;
  - the terms by which the contractors will be paid;
  - the national requirements concerning good practice which must be followed.
- The proper submission of tenders (eg time, date, etc).
- Receipt and safe custody of tenders and records.
- Admissibility and acceptance of tenders.
- Acceptance of tenders/quotations.
- Justification of acceptance of tenders not at the lowest price.

### *SUMMARY OF PROTOCOLS FOR PROPOSED MAJOR DEVELOPMENTS*

The proposal should be supported by a three-year business plan which sets out:

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

### *FRAUD POLICY STATEMENT*

This University has a duty to its stakeholders to take all responsible steps to prevent fraud occurring, whether perpetrated by staff, students, contractors and suppliers, other organisations or members of the public.

The University will maintain robust control mechanisms to both prevent and detect fraud. All line managers have a responsibility for maintaining documented control systems and must be seen to be setting an example by complying fully with procedures and controls. The effectiveness of controls will be subject to cyclical review by the University's Internal Auditors.

All members of staff have a responsibility to protect the assets and reputation of the institution and are expected to be alert to the potential for fraud. Line managers should brief staff on the common types of fraud perpetrated in their areas of responsibility.

Confidential mechanisms have been established to allow staff to report suspected frauds to management. All reported suspicions will initially be investigated by the Fraud Investigation Group. The members of such a group may include:

- University Secretary (Chair)
- Director of Human Resources
- Head of Internal Audit
- Director of Finance

Further information for staff on reporting fraud and their role in the prevention and detection of fraud is provided in the University's policy for fraud prevention, detection and investigation.

# Procedure for Fraud Prevention, Detection and Investigation

## 1. Introduction

The University's procedure for fraud prevention, detection and investigation is set out below.

The objectives of the procedure are to:

- encourage staff to be aware of fraud;
- bring suspected fraud to notice;
- provide a framework response plan for investigating and reporting fraud; and
- ensure both alleged and proven fraud are dealt with in a consistent and timely manner.

The University has a unique role to play in the community and any instances of fraud or corruption may be damaging to public confidence and support. Losses due to fraud, theft or corrupt practices can have a direct effect on jobs and the level and quality of service provision. Vigilance is essential since all staff are responsible for ensuring that the best possible service is provided to the University's students and that value for money is secured from public funds.

Successful fraud prevention involves creating an environment which inhibits fraud. Taking immediate and vigorous action if fraud is detected is not only necessary to prevent future losses, but also helps deter frauds. A manager who is alert to the possibility of fraud and who acts accordingly on a day-to-day basis is a powerful deterrent against fraud.

## 2. Fraud Prevention

Fraud can be defined as 'any act of wilful dishonesty to gain individual or collective advantage'. It is taken to include theft, misuse of property, corruption, the alteration of financial or other records or any unauthorised act which results directly or indirectly in financial gain to the perpetrator or a third party. Fraud can be perpetrated against staff, students, suppliers, Government Agencies or Departments, or the public.

Staff should be aware that gifts, including hospitality, offered by contractors, suppliers and service providers may place employees in a vulnerable position.

## 3. Management Responsibility and Risk Management

The prime responsibility for preventing fraud lies with management through:

- identifying risks to which systems and procedures are exposed;
- designing, implementing, documenting and operating of internal controls;
- establishing an environment that promotes compliance with internal controls;
- promoting fraud awareness amongst staff; and
- fostering an 'anti-fraud' culture.

However, while managers are responsible for assessing and controlling the level of risk within their areas of authority, it is the responsibility of all staff to be aware of fraud and to take the necessary steps to minimise the risk to the University.

Managing the risk of fraud is the same in principle as managing any other business risk. It is best approached systematically both at organisational and operational level. Managers should identify risk areas, assess the scale of risk, allocate responsibility for managing specific risks and implement and test controls to minimise the risks.

Management also have a responsibility to familiarise themselves with common fraud techniques in areas for which they have control. Managers should also ensure that staff in their areas of operation are familiar with common types of fraud.

#### **4. Internal Controls**

Internal controls are the key element in preventing fraud. They include both financial and non-financial controls, for example annual leave records, and those that are in place to safeguard the misuse of University assets, including computer systems. The financial regulations are one example of these controls. The University's financial and other non-financial procedures are the definitive guide and are available to all staff. It is the responsibility of management to ensure that controls in their area of responsibility have been documented and communicated.

In order to set a good example, managers should be seen to be complying with all controls. The emphasis should be on creating a culture of honesty and fraud detection, not increasing the volume of detailed operational and supervisory checks and controls, unnecessarily.

#### **5. Management Checks**

The prevention and detection of fraud and impropriety is only possible where strong internal controls are present and constantly applied. Routine checks and monitoring by management to ensure that procedures are being followed are, therefore, essential. The benefits of implementing a culture of strong management controls:

- a deterrent effect when it is known that management is actively involved in ensuring that procedures are followed, and
- the results of the checks will allow management to identify any operational areas where controls are not being uniformly applied and investigate whether systems have been exploited.

Management should periodically monitor compliance with controls and may also ask the Internal Auditors to test compliance. It should be emphasised that the prime function of internal audit is to evaluate the effectiveness of the overall framework of internal control, with management ensuring implementation and monitoring of the framework.

Common excuses for non-compliance with controls are that they are no longer applicable, insufficient time is available or they are not appropriate. It is important that such comments are reported to management so that the need for the controls can be re-evaluated.

#### **6. Staff/Training**

Staff provide the best protection against fraud and corruption. It is important, therefore, that the University policy on fraud prevention and investigation is fully communicated to all staff. The lack of clear guidance and ignorance of procedures will often be the first excuse used by offenders.

The recruitment of suitable staff is the University's first defence in preventing fraud. Best practice recruitment policies such as detailed application forms including a statement on criminal records, communication with referees and past employers and verification of educational and professional qualifications will assist in this approach.

Staff awareness of policy and procedures is fundamental to the effective operation of systems. The University will comply with best practice, including:

- publication of University policy on fraud, corruption and impropriety including easy access to it for all staff;
- instruction in and discussion of control and probity issues as part of staff induction;
- formal staff training on operational procedures;
- desktop instructions for specific tasks; and
- regular staff notices regarding changes to Financial Regulations and financial procedures.

#### **7. Fraud Detection**

The primary responsibility for detecting fraud lies with management through the implementation, documentation and operation of effective systems of internal control. The University's Internal

Auditors through their evaluation of the control framework also have a role to play in preventing and detecting fraud.

All staff have a responsibility to be aware of the potential for fraud and take the necessary steps to minimise the risk to the University.

Properly and consistently applied procedures for reporting and investigating fraud play an important part in preventing further fraud. The University expects that reported suspicions will be investigated. The University's fraud response plan set out in the next section must be implemented where fraud is suspected.

# Fraud Response Plan

## 1. Introduction

Management and staff are likely to have little experience in dealing with fraud and when suspected cases arise, may be unsure of the appropriate action to take. The objectives of this response plan are:

- to provide a documented framework to which the University can refer in the event that fraud is suspected or reported; and
- to ensure that in the event of fraud, timely and effective action is taken to prevent further losses, identify fraudsters, safeguard evidence, minimise publicity, reduce adverse effects on the business and to learn lessons.

Fraud investigation checklists for line managers and the Fraud Investigation Group are attached.

## 2. Reporting Fraud

All actual or suspected incidents of fraud should be reported without delay to the Director of Finance or other member of the Fraud Investigation Group. The members are:

- University Secretary
- Director of Human Resources
- Head of Internal Audit
- Director of Finance

When staff report suspected fraud it is important that their suspicions are treated seriously and that all details provided by the reporting employee are recorded accurately and in a timely manner. They should be repeated to the reporting employee to confirm understanding.

It is essential that staff are put at ease, since the decision to report the suspected fraud may be traumatic for the individual concerned. Staff (or others) reporting fraud should be assured that all information will be dealt with in the strictest confidence and that their anonymity will be preserved if requested, unless that is incompatible with a full and fair investigation.

Regardless of the direction any future internal or Police investigation may take, the anonymity of any 'whistleblower' must be guaranteed during the initial investigation.

Having recorded the details of the individual case, the Director of Finance should, within 24 hours, hold a meeting of the Fraud Investigation Group to decide on the initial response.

At this stage the management should also take whatever steps are necessary to prevent further losses e.g. by changing procedures or suspending payments – without compromising the quality of evidence or alerting the fraudsters.

## 3. Initial Enquiry

On receiving the details of the suspected fraud, the Fraud Investigation Group should undertake as limited review as necessary to establish whether further action needs to be taken. This may be an investigation, led by Internal Audit. The decision by the group to initiate a special investigation shall constitute authority to internal audit to use time provided in the internal audit plan for special investigations, or contingency time, or to switch internal audit resources from planned audits.

If this initial investigation suggests that suspicions are confirmed, the group will decide which body is best placed to undertake further investigative work and will inform the Principal, the Chair of the Audit Committee, the Chair of the Court, auditors, the funding body and the Police as appropriate. The circumstances in which the institution must inform the funding body of actual or suspected fraud are set out in the funding body's audit code of practice. The Principal is responsible for informing the funding body of any such incidents.

## **4. Prevention of Further Loss**

Where the initial investigation provides reasonable grounds for suspecting a member or members of staff of fraud, the Fraud Investigation Group will need to decide how to prevent further loss. Fraudulent or corrupt activity is regarded as a breach of contract and where there are reasonable grounds for suspicion then suspension, with or without pay, of the suspects is likely, pending the outcome of enquiries. The rights of staff on suspension must be acknowledged, for example their right to union representation and to be informed of the reason for their suspension.

It may be necessary to plan the timing of suspension to prevent the suspects from destroying or removing evidence that may be needed to support disciplinary or criminal action. Suspect(s) should be supervised at all times before leaving the University's premises. They should be allowed to collect personal property under supervision, but should not be able to remove any property belonging to the institution. Any security passes and keys to premises, offices and furniture should be returned.

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

Internal audit should consider whether it is necessary to investigate systems other than that which has given rise to suspicion, through which the suspect may have had opportunities to misappropriate the University's assets.

At this stage, the University should decide if external parties including the funding body and the Police are to be involved. Delays in contacting the Police may prejudice future enquiries and alerting them immediately is important since they will be able to advise the University on how best to proceed and the most effective methods to gather evidence.

## **5. Conducting a Fraud Enquiry**

Once it is agreed that there is sufficient evidence to justify a fuller investigation, the Fraud Investigation Group should meet with the Police, where appropriate, to decide who is best placed to undertake the further investigation. Should it be decided that an internal investigation is appropriate, either in tandem with a Police investigation, or on its own, it is important that it is undertaken by individuals with experience in fraud investigations. This is most likely to be the Internal Auditors, supported as necessary by University staff who may have the specialist knowledge required.

Where fraud and corruption are suspected, contact by the Director of Finance and the internal audit manager with the local fraud squad should be considered in order to agree an appropriate course of action.

For internal investigations, the Fraud Investigation Group should agree the following:

- detailed remit and scope for the investigation; for example, is it to confirm that there is sufficient evidence to support the allegations, to gather evidence for the Police, or does the University wish to quantify the total potential loss?
- who should undertake the investigation
- reporting procedures and deadlines
- a programme of regular meetings.

There is a clear requirement to record all details fully, accurately and in a manner that is accessible. The Police should be able to advise on an appropriate recording format. Developing a simple form to log all events and contacts made will provide a quick summary, ease the recording process and provide documented support for any future enquiries or possible prosecution.

## **6. Recovery of Losses**

It is important that any losses incurred by the University are fully and accurately recorded and that costs are correctly apportioned. In addition to the direct cost of losses attributable to fraud, all costs

associated with enquiries should be recorded. These will be required under loss reporting procedures and may also be required by the courts if the decision to prosecute is taken and in determining any assessment of costs or compensation and insurance recoveries.

Where the loss is substantial, legal advice should be obtained without delay about the need to freeze the suspect's assets through the court, pending conclusion of the investigation. Legal advice should also be obtained about prospects for recovering losses through the civil court, where the perpetrator refuses repayment.

## **7. Staffing Issues**

A member of Human Resources is on the Fraud Investigation Group as further investigations may have employee rights and disciplinary repercussions. Human Resources have a role to play in ensuring confidentiality and protecting individuals who report fraud, and any operational and policy developments should include input from Human Resources.

Of crucial importance in any fraud investigation is the need to conduct enquiries within the parameters of relevant laws and regulations. Employees have statutory rights and, if infringed, the likely success of disciplinary action or prosecution is diminished. It is vital therefore that any interviews with members of staff who are alleged to have acted fraudulently are undertaken strictly in accordance with established procedures.

For significant cases, no interviews should progress without first seeking advice from Human Resources on the relevant procedures and rules to be followed. In particular, those involved in interviewing should have knowledge of current employment legislation and where appropriate seek advice on criminal legislation.

## **8. Reporting During the Investigation**

The Fraud Investigation Group should provide a confidential report to the Chair of the Court, the Chair of the Audit Committee, the Principal and the external audit partner at least monthly, unless the report recipients request a lesser frequency. The scope of the report should include:

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

Any variation from the approved fraud response plan, together with reasons for the variation, should be reported promptly to the chairs of both the Court and the Audit Committee.

## **9. Concluding an Investigation**

At the end of a case, irrespective of the outcome, it is important that the progress of the investigation is reviewed to see what lessons can be learned and to assess the effectiveness of the action taken. Such reviews will help identify any weaknesses in internal control that initially led to the fraud and should highlight any deficiencies in these systems for reporting and investigating, enable more effective future enquiries and precipitate changes to internal procedures designed to prevent reoccurrence.

On completion of a special investigation, a written report should be submitted to the Audit Committee for consideration and discussion containing:

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

This report will normally be prepared by the Fraud Investigation Group or Internal Audit.

## **10. References for Employees Disciplined or Prosecuted for Fraud**

Any request for a reference for a member of staff who has been disciplined or prosecuted for fraud should be referred to the Director of Human Resources. The Director of Human Resources should prepare any answer to a request for a reference having regard to employment law.

### **Checklist for Line Managers**

The following is a checklist of points for consideration following the reporting of an alleged fraud to management:

- Do not rush in – consider all options and plan the approach.
- Establish the facts without alerting anyone.
- Maintain confidentiality.
- Make an immediate note of everything reported. Confirm accuracy of the notes with whoever is reporting the details to ensure clear understanding.
- Take steps to minimise any immediate further losses.
- Secure any evidence.
- Inform Director of Finance or member of the Fraud Investigation Group.

### **Checklist for the Fraud Investigation Group**

The following is a checklist of points for consideration following the reporting of an alleged fraud by line management to a member of the Fraud Investigation Group:

- Convene a meeting of the Group to consider the allegation.
- Conduct an initial investigation to establish the substance of the allegation.
- Consider legal implications.
- If substantiated, inform the Principal etc.
- Agree if further investigation is required and who will undertake it.
- Agree a remit, and establish scope and reporting deadlines for the investigation.
- Ensure the investigating team has adequate resources, including secure storage.
- Prepare for interviews thoroughly.
- Ensure existing staff disciplinary procedures are followed.
- Secure any evidence.
- Assume the worst-case scenario in terms of losses and staff involved.
- If not already requested to undertake the investigation, inform the Police and the funding body as appropriate.
- Hold regular progress meetings at which progress and agreed action are documented.
- Identify all internal and external sources of information and evidence.