



FINANCIAL REGULATIONS POLICY

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1 INTRODUCTION AND BACKGROUND

This document sets out Dundee and Angus College's Financial Regulations. It translates into practical guidance the College's broad policies relating to financial control.

The Financial Regulations do not in themselves set standards or provide control information. They are intended as a framework within which management can delegate authority, and as a foundation upon which the College's Financial Procedures are based.

These Financial Regulations should be read in conjunction with the Financial Memorandum with the Scottish Funding Council, the Scottish Public Finance Manual and the College's Financial Policies and Procedures

These Financial Regulations are subordinate to the College's constitution and articles of governance and statutes, and to any restrictions contained within the College's Financial Memorandum with the funding body.

2 PURPOSE

The purpose of these Financial Regulations is to provide control over the totality of the College's resources and provide management with assurances that the resources are being properly applied for the achievement of the College's strategic plan and business objectives.

Compliance with the Financial Regulations is compulsory for all staff connected with the College, including any subsidiaries. A member of staff who fails to comply with the Financial Regulations may be subject to disciplinary action under the College's disciplinary policy. The Board of Management will be notified of any such breach through the Audit & Risk Committee.

It is the responsibility of managers to ensure that their staff are made aware of the existence and content of the Financial Regulations along with the Financial Procedures detailing the processes and documentation to be followed in order to adhere to these Regulations.

For the purposes of these Regulations:

- 'the Acts' means the Further and Higher Education (Scotland) Acts (1992 and 2005) as modified by the Post-16 Education (Scotland) Act 2013.
- 'the Council' means the Scottish Funding Council.
- 'the BOM' means the Dundee and Angus College Board of Management.
- 'the VP' means the Vice Principal, Corporate Services.
- 'the HoF' means the Head of Finance.
- 'the College' means Dundee and Angus College.
- 'the FM' means the Financial Memorandum with the Scottish Funding Council.
- 'SPFM' means the Scottish Public Finance Manual which is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds.
- 'FRM' means the Government Financial Reporting Manual which is the technical accounting guide for the preparation of financial statements.

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3 MANAGEMENT RESPONSIBILITY

3.1 Responsibility of the Board of Management

In accordance with the Acts, the BOM is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The BOM is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Acts, the Statement of Recommended Practice on Accounting for Further and Higher Education, relevant parts of the FReM and other relevant accounting standards. In addition, within the terms and conditions of the FM the BOM, through its designated office holder, the Principal, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the BOM has ensured that:

- appropriate accounting policies are applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation.

The BOM has taken reasonable steps to:

- ensure that funds from the Council are used only for the purposes for which they have been given and in accordance with the FM and any other conditions which the Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and prevent and detect fraud;
- secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to Budget Holders;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and monthly reviews of financial results involving variance reporting and updates to forecast outturns;

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- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the BOM;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit & Risk Committee and Finance & Property Committee;
- appointment of Internal Auditors, whose annual programme is approved by the Audit & Risk Committee and endorsed by the BOM and who provide the BOM with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatements or loss.

3.2 Delegated Authority

Through the mechanisms of the College organisation structure, staff establishment, job descriptions, and various internal documents (including these Financial Regulations), the Principal delegates the performance of their overall responsibilities to appropriate levels.

Senior managers, within their area of responsibility, are delegated strategic management responsibilities for:

- proposing objectives, priorities, outcomes and performance indicators;
- making plans and ensuring that adequate systems are in place to achieve these objectives effectively, efficiently and economically;
- ensuring that adequate internal control and risk management systems are in place, monitored and reviewed;
- monitoring and reporting of performance to the BOM.

Those with delegated budgetary authority must:

- ensure proper financial procedures are followed and compliance with relevant guidance, in particular these Financial Regulations;
- ensure due regard to Best Value, economy, efficiency and effectiveness;
- ensure funds and assets are properly managed and safeguarded;
- ensure risks are identified and effectively managed.

The College is required by the FM to establish appropriate documented internal delegated authority arrangements consistent with the Delegated Authority section of the SPFM and the FM.

Transactions that are 'novel', 'contentious', repercussive or which have or could have significant future cost implications may not be delegated within the College and approval must be received from the Council.

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3.3 Authorised Signatories

For effective financial control, a list of authorised signatories will be maintained by Finance. These will be based on a combination of factors, including the College hierarchy, those with the appropriate knowledge of spend, appropriate levels of segregation and allocated so as to achieve an effective system of internal control.

3.4 Compliance

It is implicit in the application of the Financial Regulations that all College staff are duty bound to comply with the content of these Regulations. Failure to comply with these Regulations may result in disciplinary action being taken against staff.

4 COMPLIANCE WITH THE COUNCIL'S FINANCIAL MEMORANDUM

The FM sets out the formal relationship between the Council and fundable bodies in the college sector, and the requirements with which fundable bodies must comply as a term and condition of grant from the Council.

The FM includes the requirements for:

- public funds to be used in accordance with relevant legislation, the FM and the purpose(s) for which they were given;
- public justification of its decisions in relation to the use of public funds;
- value-for-money and economical, efficient and effective use of public funding;
- the College to plan and manage its activities to remain sustainable and financially viable;
- a sound system of internal management and control, policy of risk management and risk management arrangements, an Audit & Risk Committee, an effective internal audit service, and adequate procedures to prevent fraud or bribery.

The Principal must notify the Council's Accountable Officer of any serious weakness, such as a significant and immediate threat to the College's financial position, significant fraud or major accounting breakdown or any material non-compliance with any requirement of the FM.

The Council's specific delegated financial limits are set out in Appendix A to the FM and the College must obtain the Council's prior written approval before entering into any undertaking to incur any expenditure that falls outwith these delegations. Appendix A also sets out the levels for certain categories of expenditure above which the College must report annually to the Council.

5 COMPLIANCE WITH THE SCOTTISH PUBLIC FINANCE MANUAL

The SPFM is issued by the Scottish Ministers to provide guidance to relevant public bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety. The FM requires that the College follows the requirements of the SPFM except where any special actions or exemptions have been agreed with

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the Scottish Ministers. The SPFM should be consulted for more detail about specific requirements referred to in these Financial Regulations and, where there is any question regarding the applicability of the SPFM or FM, the Council should be contacted.

6 FINANCIAL PLANNING AND REPORTING

6.1 Strategic Planning

This is an annual process, the scope and format of which is prescribed by the Council. The BOM delegates to the Principal the responsibility for preparing the College Regional Outcome Agreement for approval by the BOM and presentation to the Council.

6.2 Financial Planning

The Regional Outcome Agreement needs to be supported by Activity Plans and a Budget outlining costs and revenues associated with the planned activities.

The Regional Outcome Agreement and Activity Plans are part of the decision-making process for allocation of funds for the financial periods covered by the Plans.

For each Budget period it is the responsibility of the VP to ensure that appropriate arrangements are made to collate and record budget proposals supporting the Regional Outcome Agreement.

The Finance & Property Committee has responsibility for the review and approval of the draft Budget and the Financial Forecast Return (FFR) before being presented to the BOM for formal adoption. Post BOM approval, the approved FFR is submitted to the Council. As usually recognised in the FFR guidance, on occasion, due to the timing of the deadline for submission of the FFR to the Council, the Board retrospectively approves the FFR.

6.3 Procurement Planning

Financial planning and mechanisms for early resource identification will inform the planning process, together with a Contract Register recording details of all contracts awarded.

A Procurement Strategy will be prepared or reviewed annually, as required by the Procurement Reform (Scotland) Act 2014. An annual Procurement Report will also be prepared. Both the Contract Register and Annual Report will be publicly available along with the College's Procurement Strategy.

It will be the responsibility of the VP to ensure that College procurement complies with the Reform Act, EU Directives and to College policies and procedures.

The College will utilise the expertise and resources of APUC in addition to its own resources. Training and guidance will be provided to College staff to an appropriate level, and the College will utilise eProcurement systems to control requisitioning.

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The College will undergo periodic assessment by APUC under its Procurement & Commercial Improvement Programme.

6.4 Internal Reporting

Monthly management accounts, including the latest estimated forecast outturn, are reviewed by the VP and made available to the Senior Leadership Team. The most recent monthly accounts will be presented to each meeting of the Finance & Property Committee. The Chair of the Finance & Property Committee will present a verbal update to the BOM.

Monthly management reports are produced for review by Budget Holders and are available to all senior managers. (Definition - a Budget Holder is an individual who has a financial budgetary responsibility on behalf of the College).

Material variances are identified and reported by Finance staff to the VP through the production of Overview reports.

6.5 External Reporting

The VP has responsibility for the preparation of financial statements and reports required by the College or external bodies.

The Annual Report and Financial Statements are prepared and reviewed, externally audited, and presented to the BOM, following approval by Finance & Property and Audit & Risk Committees. Once the BOM has approved the Annual Report and Financial Statements these are submitted to the Council.

The Financial Statements must comply with the accounting principles and disclosure requirements of the Statement of Recommended Practice for Further and Higher Education, with specific adoptions to align to material elements within the FReM.

Where information relating to individuals' salaries and pensions is disclosed in the annual Financial Statements (showing the individual's name) the College must obtain the prior consent of the individuals concerned to comply with UK data protection legislation.

A Governance Statement must be included in the annual Financial Statements covering the governance framework and its operation, an assessment of corporate governance against relevant guidance, risk management and details of any significant lapses in data security.

6.6 Best Value

The Best Value framework for continuous improvement in public services in Scotland requires the College to:

- make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost;

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- in making those arrangements and securing that balance, have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.

Further information is available within 'Guidance for Accountable Officers on the Duty of Best Value' on the Scottish Government website.

The College may be required to undergo an economy, efficiency and effectiveness examination undertaken by or on behalf of the Auditor General for Scotland.

The FM requires the College to have a strategy for reviewing systematically management's arrangements for securing value for money. The College seeks to secure value for money through activities such as rapid improvement events and its procurement arrangements. An appraisal of management's arrangements for achieving value for money is made as part of the internal audit programme and an overall opinion provided in the internal auditor's annual report to the BOM and Principal.

7 CAPITAL EXPENDITURE

7.1 Capital Expenditure Appraisal and Planning

Proposals for capital expenditure are required to be prepared and appraised. The level of information provided will depend on the size, complexity and risk of the proposal, but an appraisal should normally include the following:

- the objectives;
- a range of options;
- identify, quantify and value the costs, benefits, risks and uncertainties associated with each option (including considerations of public private partnerships and the scope for shared services arrangements with other public bodies, and optimism bias) as well as financial viability and value for money;
- an analysis of the information;
- what evaluation should be performed at a later stage;
- a recommendation.

Appraisals for larger projects should include financing, project management arrangements and plans for project monitoring and evaluation.

The SPFM sets out specific requirements for 'major investment projects' which are defined as those over £5m including fees and VAT and for the acquisition of property.

Capital expenditure proposals are developed in line with the Estates Strategy and IT Strategy as ratified by the BOM. The Finance & Property Committee shall review and approve proposals for capital expenditure relating to these strategies.

7.2 Capital Project Control and Evaluation

Management of capital projects is delegated to Project Sponsors who will be assisted where

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required by College staff and / or external consultants. It is the responsibility of the Finance Department to record project expenditure, and prepare financial reports as required. The VP is responsible for providing regular statements concerning all capital expenditure to the Finance & Property Committee for monitoring purposes.

Project evaluation should be undertaken from the outset of each project, and should normally include the following steps:

- establish exactly what is to be evaluated and measured;
- compare the actual outturn with the target outturn;
- report the findings to the Finance & Property Committee.

8 PROCUREMENT

8.1 Procurement

The procurement of goods or services on behalf of the College by those so authorised must be made in accordance with the College's Procurement Strategy, Procurement Policy and Financial Procedures, which must reflect relevant guidance issued by Advanced Procurement for Universities and Colleges and the requirements of the Procurement Reform (Scotland) Act 2014. The Scottish Procurement Policy Handbook must also be followed, and should be read in conjunction with the Procurement Journey (a toolkit providing practical guidance on procurement procedures). The Scottish Government's Construction Procurement Manual for managing or delivering construction / works projects should be followed. Scottish Government Consultancy Procedures should be taken into account as relevant good practice guidance when appointing consultants, and they state that consultants can only be justified where required knowledge and expertise is not available in-house.

Any proposal to award a contract without competition (non-competitive action) must be approved in advance (Schedule 2).

There should be clear separation of budgetary authority and procurement authority. Budget holders should have authority to commission orders by specifying their requirements and providing budgetary authority for the expenditure. The authority to purchase (Delegated Purchasing Authority) and ultimately place that order should be in separate hands.

8.2 Thresholds

The present list of thresholds and the necessary actions to ensure suitable levels of quotes / tenders / approvals are obtained are detailed in the Procurement Policy.

9 INCOME

9.1 Academic Fees and Charges

Fees and charges are reviewed annually and approved by the Finance & Property Committee, and thereafter published on the College website.

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Where applicable, the FM requires that the College must charge student tuition fees at the levels set by the Scottish Ministers.

9.2 Non-Academic Fees and Charges

Fees and charges for non-Academic services are approved by an appropriate member of the Senior Leadership Team.

9.3 Fee Setting and Commercial Service Provision Requirements

The SPFM requires that charges for commercial services are usually set on a full cost recovery basis, with charges for the disclosure of information low or waived. If there is any deliberate public subsidy, there should be a clear rationale for why it has been granted and how long it should last and this should be fully documented.

The College should be able to defend the provision of a commercial service as being an appropriate use of resources and ensure it complies with competition law. In addition, any proposals to recover less than the full cost plus an appropriate rate of return for a commercial service provided in competition with the private sector must be submitted to the Council for approval.

9.4 Grant Income

It is a term and condition of grant payment from the Council that the BOM of the College and its designated officers comply with the requirements set out in the FM. Grants may also have their own specific conditions, and clawback arrangements may apply if funds are not used or not used within the terms and conditions of the grant.

Where assets acquired or developed with the Council grant or grant in aid are disposed of, the proceeds - or an appropriate proportion of them if the grant was for less than the whole cost of acquisition or improvement - will normally be clawed back by the Council in accordance with conditions attached to the grant or grant in aid.

Where grant income is passed on to a third party to undertake work, the College must ensure effective control systems are in place to ensure the propriety and regularity of expenditure.

9.5 Invoicing and Collection

Procedures must be in place to ensure that all income due to the College is recorded and collected – these should ensure that all cash received is duly receipted, recorded and banked regularly.

Enrolment forms must place a clear contractual obligation on students to pay all sums due from them to the College as a condition of enrolment. Procedures must be in place to ensure that sponsors are invoiced for fees and charges that they have undertaken to pay.

Procedures must be in place to ensure that all fees due from students or their sponsors are:

- Accurately recorded in the Student Record System.

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- Imported accurately and completely into the Finance System.

The Finance System must hold a separate account for each student or sponsor recording fees charged and receipts for fees.

Goods and services provided to external bodies by the College must be the subject of binding and clearly worded legally contractual agreements. Such contracts must include payment terms to be adhered to by the external body. Records must be kept as evidence of amounts invoiced.

Where invoiced claims are made with respect to project sponsorships or grants appropriate procedures must be put into operation to ensure compliance with sponsor's conditions relating to each claim.

There are many and varied sources of income in addition to those from education services. In all cases appropriate procedures must be established in order to ensure that all amounts due are properly recorded and accounted for, and that amounts due are collected in accordance with agreed terms.

Overdue receivables must be pursued through progressive stages culminating in legal action for recovery – if it is of value to do so. Commencement of legal proceedings must be authorised by the HoF

Schedule 2 identifies the authority thresholds for writing off irrecoverable debts.

10 BANKING

10.1 Appointment of Bankers

The SPFM requires the College to have its core bank accounts with the Government Banking Service (GBS), except where the Scottish Government's Treasury and Banking Branch can be persuaded that the holding of such an account would not be cost effective.

The College will be allocated bankers from the Scottish Government Framework Agreement for the Provision of Banking Services.

A commercial bank account, including accounts such as PayPal or WorldPay should only be opened where there is a distinctive business need that cannot be met by the GBS bank account or where there is a separate contractual reason for doing so. As delegated by the Principal, authority to open or close bank accounts rests with the VP. All accounts will be in the name of the College, although special purpose accounts may bear an additional title.

Balances in commercial bank accounts should be kept to the minimum consistent with the principles of not providing funding in advance of need and avoiding accounts being overdrawn.

Before issuing any indemnity to a commercial bank the College should consult the Scottish Government's Treasury and Banking Branch which will consider in consultation with legal advisers as to whether the terms proposed are acceptable.

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Subject to the above, the BOM, through the Finance & Property Committee, is responsible for appointing bankers to the College outwith the GBS.

Banking operations should be regularly reviewed and bodies which are part of the Scottish Government banking contract should undertake such reviews in consultation with the Scottish Government's Treasury and Banking branch. A review should include an assessment of whether the existing arrangements meet the College's needs in the most economical, efficient and effective manner.

10.2 Treasury Function

As delegated by the Principal, the VP has responsibility to manage the financial assets and liabilities of the College.

Balances in bank accounts should be minimised. The College does not have the authority to place any balances into an interest bearing account outwith Scottish Government Banking arrangements so is limited in its ability to earn interest.

10.3 Borrowing, Lending and Investment

All borrowing requires the approval of the Scottish Ministers and this must be submitted to the Council initially. Overdrafts should only be used for differences between the timing of income and expenditure, and not to increase expenditure.

Lending should normally be subject to the existence of specific statutory authority, and if to a non-public body should undergo proportionate due diligence.

No investments of a speculative nature may be entered into.

10.4 Signatories

All banking documents, cheques, and other instructions to bankers must bear two authorised signatures. Addition or removal of authorised signatories require approval by the VP. The approved list of signatories need not be the same for all bank accounts.

Electronic banking is the preferred means by which payments are made/received. Where electronic banking is used, electronic authorisation by a method approved by the bank will be carried out by one or two authorised signatories. Electronic transfers made by third parties (e.g. BACS) will be duly authorised.

10.5 Controls

Appropriate controls will operate over all banking transactions. These include monthly reconciliations between bank statements and College ledgers with these being reviewed by Senior Finance Staff not involved with their preparation.

All cash income should have a receipt provided and cash takings reconciled to receipts or cash register end of period slips.

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10.6 Trust Funds

All trust funds will be administered in accordance with their respective trust deeds and with relevant statutory regulations. Adequate control will be exercised over the actions of trustees, and proper security maintained for the related trust documents and assets.

11 CAPITAL ASSETS

Section 11 must be read in conjunction with the College's Procurement Strategy.

11.1 Acquisitions

The purchase, lease or rent of land, buildings or plant can only be undertaken with the authority of the VP, subject to thresholds set out in Schedule 1, and with reference to funding body requirements where exchequer-funded assets or exchequer funds are involved.

Capital expenditure is planned for as part of the Strategic Planning process referred to in Section 6: Financial Planning and Reporting.

11.2 Leasing

When leasing, a distinction between operating leases and finance leases is required. Both operating and finance leases must be authorised and recorded as given under Contracts 10.2.

An operating lease is one whereby the lessee uses the equipment in exchange for a periodic charge but has no rights of ownership, nor is able to acquire such rights other than for a fair market consideration. Maintenance costs are usually borne by the lessor.

A finance lease is one whereby the lessee may acquire the right of ownership at the end of the lease period for a nil or nominal consideration. Maintenance costs are usually borne by the lessee.

Any new lease or renewal of an existing lease should be approved in advance by the VP.

11.3 Valuation

The FReM requires the College to value its property, plant and equipment using the most appropriate valuation process. Such processes might include:

- a quinquennial valuation supplemented by either annual indexation or regular desktop valuation update;
- a quinquennial valuation supplemented by an interim professional valuation in year 3;
- annual valuations; or
- a rolling programme of valuations.

It is for valuers, using the Royal Institution of Chartered Surveyors (RICS) 'Red Book' (RICS Valuation - Professional Standards), and following discussions with the College, to determine

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the most appropriate methodology for obtaining either a current value in existing use or a fair value.

The College may elect to adopt a depreciated historical cost basis as a proxy for current value in existing use or fair value for assets that have short useful lives or low values (or both).

11.4 Depreciation

The cost of a capital asset is amortised over a period not exceeding its estimated useful life, having due regard to its individual components where appropriate.

The limit of asset value above which depreciation must be applied need not be the same as that for capitalisation for the purposes of the Council.

11.5 Disposals

Any surplus property should be reviewed and, where considered no longer necessary for the College's operations as part of the strategic plan, should be disposed of after notifying the Council. The disposal of assets at less than market value should only be done to achieve wider public benefits consistent with the principles of Best Value and be approved by the Council. The SPFM should be referred to for specific disposal requirements.

Plant and equipment assets which are surplus to requirements should normally be sold by public auction or tender.

Procedures and levels of authority for disposals vary according to the type and value of asset. Levels of authority are provided in Schedule 2.

11.6 Recording and Control

Each capitalised item of property and equipment shall be clearly identified and recorded in a Fixed Asset Register that will show gross book value, cumulative depreciation and net book value. The HoF is responsible for maintaining the college's register of land, buildings, fixed plant and machinery. College managers will provide the VP with any information required to maintain the Fixed Asset Register.

11.7 Stocks and Stores

Consumables and other items purchased and stored should be controlled and accounted for where the costs of controls are justified by the value of the items.

Methods of achieving adequate control will vary with the type and value of the items concerned. Physical security should be commensurate with the risk of loss.

Budget Holders are held responsible for maintaining adequate records, controls, and security over stocks. Losses and shortages, less any insurance recoveries, may be charged to operating Budgets. Losses over a threshold must be reported annually to the Council (see Schedule 2).

Periodic physical counts and valuations must be carried out to ensure that reported operating

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costs and residual values of stock on hand are correctly reported.

Stocks and stores of a hazardous nature should be subject to appropriate security checks.

11.8 Portable Equipment

Where management is of the opinion that the nature and value of portable non- capitalised equipment requires records to establish physical and financial control, the Budget Holder responsible for the custody of the equipment shall be required to maintain appropriate control records.

12 EXPENDITURE AND CONTRACTS

Section 12 must be read in conjunction with section 8 and the College's Procurement Policy.

12.1 Tendering

Guidance on tendering is provided within the SPFM, which should be followed wherever practicable. In exceptional circumstances, the BOM may permit exemption from tendering procedures. In emergency situations, the Principal or their delegate may allow contracts without following the guidelines, and such action must be reported to the BOM or its delegated committee at the first possible opportunity. Limits determining whether a tender should be issued are provided in the Procurement Policy.

12.2 Contracts

See Schedule 2 for contract authorisation thresholds.

It is the responsibility of the VP to ensure that original contract documents are stored in an appropriately secure place on behalf of the College. The College Budget Holder(s) having responsibilities in relation to the subject matter of a contract must be aware of the terms of the contract and any related documents.

Variations to contracts, appropriately authorised and in compliance with delegated authority, must be raised and documented according to established procedures.

12.3 Progress Payments

These should be made against official certificates and / or invoices and authorised by the overseeing Budget Holder(s).

12.4 Claims/Disputes

These must be actively pursued and resolved within a reasonable time in the circumstances. Overseeing Budget Holder(s) should exercise judgement and consult with the VP or HoF on issues which may require legal advice.

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12.5 Expenditure and Payments

Expenditure should represent value for money, taking into account potential risks to regularity and propriety. Expenditure should be authorised in the operational area which entered into the commitment, with due consideration to separation of duties and in line with the College's Financial Procedures for approving and processing transactions. Payments should be made within contractual terms of invoices.

In accordance with the SPFM, in order to statutorily incur expenditure there must be legal authority, budget (and a usable cash balance), and delegated authority (where applicable). Where these criteria are not met or unclear for planned or necessary expenditure the Council should be contacted.

12.6 Contractor / Supplier Bankruptcy or Liquidation

If a payee is identified as being in bankruptcy, sequestration or liquidation, all payments should be suspended pending confirmation of this and, once confirmed, payment should only be made to the proper person, and any claim must be properly lodged. The College should also consider, in consultation with its legal advisers, whether any contract should be terminated.

12.7 EU Funded and Successor Projects

The current FM stipulates that the Council must be informed of any existing or planned EU funding applications and schemes and must follow its ESF guidance when in receipt of funding. No further applications are envisaged post Brexit and the College awaits information and guidance on successor programmes to European structural funds.

12.8 Losses and Special Payments

Losses should only be written off or special payments authorised after careful appraisal of the facts and all reasonable action must have been taken to try to recover losses.

A record of all losses (including stock losses) and special payments should be maintained centrally by Finance. Further details on losses and special payments and the different categories that must be used for annual accounts disclosure, where required, are set out in the SPFM. Appendix A to the FM sets out the limits for losses and special payments. Any proposed payment above these limits requires Council approval.

12.9 Maladministration

The College is required to set clear service performance standards and have a clear accessible complaints procedure with appropriate redress for users in the event of something going wrong. Payments of financial redress qualify as ex gratia payments and are therefore subject to the SPFM guidance on Losses and Special Payments. Where the complainant has suffered actual financial loss as a result of financial maladministration, or faced costs which would otherwise not have been incurred (and which are reasonable in the circumstances), the general approach should be to restore the complainant to the position they would have been in had the issue not

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occurred. Payment on grounds other than actual financial loss or costs should only arise in exceptional circumstances.

12.10 Overpayments

Any overpayments made by the College should be pursued unless the cost outweighs the amount. Any material overpayments to a group of individuals or organisations should be informed to the Council. The SPFM contains more guidance on how to act regarding overpayments.

12.11 Suspense Accounts

Each suspense account, whether for expenditure or income, must be reconciled and reviewed at least every three months, with responsibility for this allocated to an appropriate Finance staff member.

13 STAFF COSTS

Staff costs are the most significant single category of College expenditure. Therefore, it is essential that there is effective control over staff planning, recruitment, selection, and payment, and regular monitoring of costs. Adequate controls and procedures must exist to ensure the integrity of payroll systems, thus ensuring that only bona fide employees are paid. Payments should also be at the correct rates, with the correct deductions made, and absences must be properly accounted for. The FM requires that the College must have regard to public pay policy set by the Scottish Ministers, alongside any agreements resulting from national bargaining.

13.1 Appointments

All contracts of service shall be concluded in accordance with the College's approved Human Resources procedures and all offers of employment with the College will be actioned by the People Team.

Budget managers shall ensure that the VP and the Vice Principal People and Performance are provided promptly with all information they may require in connection with the appointment, resignation or dismissal of employees.

13.2 Temporary Staff

Budgets at Curriculum and Support levels shall include approved planned expenditure on temporary staff. This includes staffing of Part-Time posts by additional working by permanent staff under 'minor contracts', and hiring of staff over and above the full-time establishment. Such appointments are controlled and administered by Human Resources. As additional hours have a longer term impact on any Transfer to Permanency contracts the financial and sustainability of employment impacts should be considered, both in year and borne in mind for future years.

13.3 Resignations and Dismissals

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In addition to compliance with HR procedures, controls must exist to ensure that correct termination payments are made, and that no payment is made in respect of periods after cessation of employment.

13.4 Severance, Early Retirement and Redundancy Terms

Terms for settlement agreements, severance, early retirement or redundancy packages must fully take into account regularity, propriety and value for money. Any questions relating to the terms or value for money of any proposed agreement must be referred to the Council prior to making any written or verbal offer. Compensation is not normally payable when someone resigns voluntarily.

Where appropriate, packages should be based on the terms and conditions of employment, be transparent and be negotiated in a way which avoids conflicts of interest. Any undertakings about confidentiality should leave transactions open to proper public scrutiny. Offers of subsequent work to those who received severance should be exceptional.

Any severance will be undertaken in accordance with SFC guidance.

13.5 Pension Schemes

The BOM is responsible for undertaking the role of employer in relation to appropriate pension arrangements for employees and day-to-day administration is delegated to the Finance and People teams.

13.6 Non-salary Rewards

If non-salary awards (such as gifts, vouchers, subscriptions to clubs / gyms, charity donations, and cars) are offered, the College must be open and transparent about these, with clear policies on disclosure of information about the awards made and the procedures adopted for making those awards. The tax implications of schemes should be considered and no bias given towards the use of services of any organisation(s). Although the Public Sector Pay Policy does not apply to non-salary awards, the College is expected to have regard to it and ensure any non-salary rewards are affordable.

The Council should be consulted prior to the implementation of any non-salary reward scheme.

14 INSURANCE

Normally public bodies should self-insure except in certain circumstances. However, the Scottish Government has allowed colleges to extend their current commercial insurance arrangements until 31 July 2024.

The BOM will be responsible for insurance arrangements to meet the statutory and legal obligations of the College. It will make judgement as to the scope and level of insurance cover it deems appropriate, having regard to the perceived risks and costs.

As delegated by the Principal, responsibility for insurance matters is managed by the HoF.

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The range and complexity of the activities of the College are reflected in the complexity of its insurance needs. Where commercial insurance is purchased, professional advice should be considered. These services could include advice on risk management, self-insurance and deductibles, security and safety. Procedures for notification and management of claims must be maintained in order that claims are settled satisfactorily and timeously. Professional advice should be considered when managing large or potentially large claims.

15 RISK MANAGEMENT

The College's internal control systems should include embedded arrangements for identifying, assessing and managing risks, and risk management should be closely linked to the business planning process.

The risk management process involves:

- initial and ongoing risk identification;
- specific actions to address the risks identified: all risks, once identified, should be assigned to an owner who has responsibility for ensuring that the risk is managed and monitored over time;
- likelihood and impact are considered for each risk and that the assessment of risk is recorded in a way that facilitates monitoring and prioritisation;
- risks are reviewed regularly, via the Senior Leadership Team, Audit & Risk Committee and the BOM, to monitor for changes in risk profile, gain assurance that risk management is effective, and identify if further action is necessary;
- The highest priority risks should be given regular attention at BOM level.

The concept of 'risk appetite' (the level of exposure which is considered tolerable and justifiable) is key to achieving effective risk management and it is essential to consider it before determining how risks can be addressed.

16 DUNDEE AND ANGUS ARM'S LENGTH FOUNDATION

The Dundee and Angus Foundation is independent of the public sector, including the College. Any surplus over full cost recovery on the College's commercial activities can be transferred to the Foundation by way of donation at the year end. Commercial activity fees and charges should at least cover commercial activity costs in line with the requirements on costing and pricing contained in the SPFM. Council capital grant and student support funds cannot be transferred.

17 ACCOUNTING AND AUDIT

17.1 Accounts

The BOM is responsible for ensuring that the College keeps proper accounting records and prepares Financial Statements which give a true and fair view and are properly prepared in accordance with:

- the Act;
- the Statement of Recommended Practice for Further and Higher Education, with specific

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- adoptions to align to material elements within the FReM;
- other relevant accounting standards;
 - the FM;
 - Accounts Directions issued by the Council.

The Principal, as Accounting Officer appointed by the BOM, has a duty to ensure:

- accounting records and Financial Statements are in compliance with the above;
- the College maintains appropriate accounting and information systems, and an effective system of internal control.

17.2 External Audit

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

The primary role of external audit is to report on the College's Financial Statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements and to report on the appropriate use of funds.

The external auditors address their report and opinion jointly to the Auditor General and the members of the BOM. Their duties will be in accordance with advice set out in the Audit Scotland Code of Audit Practice and the Financial Reporting Council's International Standards on Auditing (UK and Ireland).

External auditors should only in exceptional circumstances undertake non-external audit work.

17.3 Internal Audit

The BOM is required by the FM to secure the provision of an effective internal audit service. Internal audit should provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It should provide an appraisal of the College's internal control system and take the action needed to provide the College with a continuing assurance that the organisation's risk management, control and governance arrangements are adequate and effective. The Principal has overall responsibility for ensuring that prompt and effective action is taken on internal audit recommendations, and that the risks resulting from inaction are recognised and accepted.

Although internal audit provides assurance over the control environment the primary responsibility for monitoring and compliance rests with operational areas and their line management, up to and including the Principal.

The internal audit service must comply with the Public Sector Internal Audit Standards.

The FM requires the College to inform the Council when an internal auditor is appointed and immediately if the internal auditor is removed or departs before the end of their term of office.

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17.4 Financial Directives and Guidelines

The College must comply with the terms of the FM and financial policies and procedures issued by the Council.

Significant modifications or dispensations appropriate for the College must be agreed in writing between the BOM and the Council.

17.5 Fraud, Bribery and Corruption

It is the duty of all members of staff and management to notify the VP immediately whenever any matter arises which involves, or is thought to involve, irregularity, including fraud, bribery, corruption or any other impropriety. The prime responsibility for designing, operating and reviewing control systems rests with the managers involved.

If the suspected irregularity is thought to involve the VP and / or the Principal, the member of staff shall notify directly the Chair of the Audit & Risk Committee or the Chair of the BOM of their concerns regarding irregularities.

In broad terms, managing the risk of fraud involves:

- assessing the College's overall vulnerability to fraud;
- identifying the areas most vulnerable to fraud risk;
- evaluating the scale of fraud risk;
- responding to the fraud risk;
- measuring the effectiveness of the fraud risk strategy.

Refer to the Fraud, Bribery & Corruption Policy and Response Plan and the Public Interest Disclosure (Whistleblowing) Policy for the College's approach to fraud, which includes supervisory checks by managers, adequate separation of duties, and avenues for reporting suspicions of fraud.

Six principles should be adopted to prevent bribery and corruption being committed:

- i) Proportionate Procedures;
- ii) Top Level Commitment;
- iii) Risk Assessment;
- iv) Due Diligence;
- v) Communication;
- vi) Monitoring and Review.

All discovered cases of actual or attempted fraud, bribery, corruption or any other impropriety will be notified to the Audit & Risk Committee and external auditors. Fraud losses over a threshold must be reported to the Council annually (see Schedule 2). Any significant frauds should be reported to the Council's Accountable Officer without delay.

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17.6 Gifts and Hospitality

All gifts made or received must be informed to the Secretary to the BOM and acceptance of gifts must be in line with the College's guidance, with the guiding principles being: conduct should not foster the suspicion of any conflict between official duties and private interests; actions should not give the impression of having been influenced by a gift to show favour or disfavour to any person or organisation; and, if an individual is in doubt about the propriety of accepting a gift, the VP should be consulted. The College's Gifts and Hospitality Policy provides further guidance.

17.7 Retention of Records

Financial records, including papers supporting and justifying financial transactions, are to be retained in line with the Retention and Disposal Schedule for Accounting Records available on the website of the UK National Archives (currently either 6 years or 2 years, depending on the type of record, following the end of the financial year in question) and any other specific legislation.

Extended retention of financial records may be necessary to enable the handling of late claims or the settling of disputes. Records relating to VAT should be kept for at least 6 years. EU related payments are covered by specific provisions in EC law, with retention required for a number of years following the last payment in respect of any operation.

17.8 Transaction Checks

Appropriate checks for the propriety, regularity and accuracy of financial transactions at operational area level will be undertaken. This includes checks such as to the arithmetical accuracy of invoices / claims, ensuring fulfilment of contract terms, physical checking of goods invoiced against items received and ordered. Checking should be undertaken by staff independent of the person originating the transaction.

17.9 Contingent Commitments

All contingent commitments such as guarantees, letters of comfort and indemnities require appraisal and the Council's prior written consent before accepting, except for such arrangements where the indemnity is of a standard type contained in contracts and agreements for 'day-to-day' procurement of goods and services in the normal course of business. Contingent liabilities are normally expected to be met from College resources and must be within the College's legal powers

17.10 Tax Planning and Tax Avoidance

All individuals who would qualify as employees for tax purposes will be paid through the College's payroll with tax deducted at source.

The SPFM requires the College to avoid tax avoidance arrangements and the Council should be contacted before using tax advisors or implementing tax schemes. Particular care should be taken with transactions involving bodies with tax residence in offshore financial centres.

FINANCIAL REGULATIONS POLICY – FIN02



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Transfer of property or assets that are likely to appreciate in value can often give rise to specific tax issues, in particular the liability to capital gains tax, and the Council should be informed in these situations.

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SCHEDULE 1 – SCHEME OF DELEGATED BUDGET AUTHORITY THRESHOLDS

These thresholds apply to all non-pay expenditure, including capital and revenue. They are intended to operate sequentially until the appropriate approval threshold is reached.

Authority up to £5,000

Team Leaders/Heads of Curriculum & Quality

Authority up to £10,000

Heads of Sector and Support Team Managers

Authority up to £25,000

Relevant member of Senior Leadership Team

Authority up to £50,000

Relevant Vice Principal

Authority up to £100,000

Principal

Authority up to £250,000

Chair of the Board of Management and Chair of Finance & Property Committee

Authority up to £500,000

Finance & Property Committee

Authority over £500,000

Board of Management

It is the responsibility of the Head of Finance to ensure that a current list of expenditure levels of authority by named post holders is published on the College intranet. This will reflect the hierarchical approval workflows which will also be maintained within the College's e-Procurement systems.

The College's Financial Regulations require alternative or supplementary arrangements for other exceptional or extraordinary circumstances. These include, but are not limited to, capital additions, contractual commitments and non-competitive actions.

Compliance with the College's Procurement policy and procedures is mandatory. This will include specific guidance on the procurement journey and prescribed competitive thresholds for quotations and tendering.

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SCHEDULE 2 – OTHER AUTHORITY THRESHOLDS

Disposals

The levels of authority for the disposal of capital assets are:

Market Value of Asset	Authority
>£50,000	BOM
£25,001- £50,000	FPC
£15,001 - £25,000	Principal or VP
£3,001 - £15,000	Member of Senior Leadership Team
£1 - £3,000	Head of Sector and Support Team Managers

In order to ensure that fair market values are realised, any individual item which can be reasonably expected to realise £10,000 or more should be publicly advertised or sold by public auction. In particular, it must be ensured that no member of College staff is given undue preference of availability or price on the disposal of an asset.

Procurement

Any proposal to award a contract without competition (non-competitive action) must be approved in advance by the BOM prior to submission to the Council if it is over £25,000 and by the VP if it is under £25,000.

Leases

Any lease with a life cost in excess of £50,000 must have the approval of FPC. The Financial Memorandum with the Council has delegated authority to enter into non-property operating leases under £250,000 to the BOM.

Contracts

Contractual commitments which exceed three months in duration or bind the College to a commitment exceeding £15,000 must be approved by the Principal or VP. Any external consultancy contracts with a value of more than £100,000 must be approved in advance by the Council.

Bad debts, Losses and Special Payments

Individual irrecoverable debts up to £3,000 may be written off on the authority of the HoF. Individual irrecoverable debts exceeding £3,000 must be referred to the Finance & Property Committee for write off approval. Details of write offs of £3,000 or more must be reported to the Council annually (£6,000 for overseas student irrecoverable losses).

Losses or special payments exceeding £250,000 should be disclosed in notes to the annual accounts. Fraud losses over £5,000 must be reported to the Council annually. Other losses of £3,000 or more must be reported annually to the Council.