

FINANCIAL REGULATIONS

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1. Introduction

- 1.1 The main purpose of this document is to codify and inform staff of the College's financial regulations, the reasons for particular regulations and the need to comply with them in undertaking specific functions.
- 1.2 The regulations will be revised from time to time with the approval of the Finance and General Purposes Committee of the Governing Body.
- 1.3 These financial regulations are subordinate to the College's Charter and Statutes and to any restrictions contained within the College's Financial Memorandum with the funding body and the funding body's Audit *Code of Practice*.
- 1.4 These Financial Regulations are designed to ensure that the College complies with current Statements of Recommended Practice. Compliance with these Financial Regulations will assist the College in fulfilling its responsibilities for sound financial control as defined in the Financial Memorandum between the Higher Education Funding Council for England (HEFCE).
- 1.5 Interpretation
 - 1.5.1 The "College" means Heythrop College
 - 1.5.2 The "Governing Body" means the Governing Body of the College.
 - 1.5.3 "Principal" means the Principal of the College or his/her nominated representative.
 - 1.5.4 'Vice-Principal' means the Vice-Principal of the College
 - 1.5.5 "Budgetholder" means any administrative officer who is directly accountable to the Principal (The Vice-Principal, Director of Administration & Clerk to the Governing Body, Academic Registrar, Academic Heads of Department, Librarian and whoever the Principal elects).
 - 1.5.6 'The Audit Committee' means the Audit Committee established by the Governing Body.
- 1.6 The Director of Finance will support these Financial Regulations by the issue of financial procedures, which shall be approved by the Vice-Principal and Chair of the F&GP, from time to time.

2. General

- 2.1 The Charter of the College state:
 - 1) The Governing Body created by Article 2 of this Our Charter shall, subject to this Our Charter and the Statutes, have general control over the conduct of the affairs of the College.

- 2) The Governing Body shall be responsible for the management and administration of the finances and property of the College and shall have the control and use of the Common Seal.
- 3) The Governing Body shall have such other powers and duties as may be conferred upon it by the Statutes.
- 2.2 The Chair of the Finance and General Purposes Committee may exercise, on behalf of the Governing Body, any of the financial functions of its Sub-Committees as they may deem necessary in order to execute urgent and necessary business. In the event of the Chair's absence or incapacity through illness or for other good cause, such power may be exercised by the Chair of the Governing Body or, in his or her absence, by the Vice-Chair. Any action under this regulation shall be reported to the next meeting of the committee responsible.
- 2.3 The Financial Year of the College is presently 1 August to 31 July.
- 2.4 The Director of Finance is responsible to the Vice Principal for the management of the Finance Office, and for the general oversight of financial and accounting work including work carried out elsewhere in the College under the immediate responsibility of other officers. The Director of Finance shall have authority to delegate to other staff of the Finance Office the actual execution of duties laid upon him in these Regulations.
- 2.5 "The Vice-Principal is responsible to the Principal for the financial well-being of the College and all financial affairs within the College and to the Finance & General Purposes Committee (F&GPC) for ensuring these Regulations are fulfilled, relevant financial policies complied with and that budgets and accounts are prepared promptly.
- 2.6 All staff have a general responsibility for the security of the property of the College, for avoiding loss, and for due economy in the use of resources. Managers and other officers who carry out functions on behalf of the College shall be responsible for economy and efficiency in the use of resources and in the running of services, in the execution of approved plans.
- 2.7 Budgetholders" and those designated as such for financial purposes should ensure that staff for which they are responsible understand and comply with these regulations.
- 2.8 Compliance with the financial regulations is compulsory for all staff. 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 Governing Body will be notified of serious fraud cases through the Audit Committee. It is the responsibility of Budgetholders' to ensure that their staff and particularly those with financial responsibility are made aware of the existence and content of the College's financial regulations. The responsibility of the Director of Finance is to ensure that financial regulations are appropriately promulgated and that all managers are informed and trained.
- 2.9 The corporate governance and committee structures are maintained by the Director of Administration & Clerk to the Governing Body.
- 2.10 An annual reporting on the special use of the College seal will be made to the Governing Body.

3. Accounting

- 3.1 All accounting procedures and records shall be subject to the approval and control of the Director of Finance, Financial stationery such as order forms, vouchers and receipts shall be supplied by the Director of Finance.
- 3.2 Budgetholders' shall provide the Director of Finance with all the information necessary to operate the College's financial and accounting procedures, and the Director of Finance shall provide Budgetholders' with the financial and accounting data which they need for the fulfilment of their duties. As far as possible the duty of providing information, calculating and recording payments due to or from the College, shall be separated from the duty of collecting or making these payments.
- 3.3 At the year end, Budgetholders' will not normally have the authority to carry forward a balance on their budget to the following year unless the Director of Finance has approved a specific scheme for carrying forward all or part of unspent amounts. Project budgets may be carried forward with the approval of the Director of Finance or by regulation of the funder
- 3.4 The consolidated financial statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards.
- 3.5 The financial statements are prepared in accordance with the Statement of Recommended Practice Accounting for Further and Higher Education, subject to any specific requirements of the funding body.
- 3.6 New land and buildings will be recorded in the balance sheet at actual build or acquisition cost, except where they are received as gifts, where they will be recorded at depreciated replacement value. Buildings will be depreciated in equal instalments over their estimated remaining useful life. Expenditure incurred on repair, refurbishment or extension of existing buildings will not be capitalised unless it can be demonstrated that the resultant value of the building, has been increased. Expenditure incurred on the acquisition of assets other than land and buildings will be recorded in the balance sheet where the acquisition cost per item is £5000 or more. Grouped items (eg a suite of computers) with an individual value of less than £50, but a group value of £5000 or less, will not be capitalised. Capitalised assets other than land and buildings will be depreciated over a period depending on their remaining life commencing in the year of acquisition.
- 3.7 Under the terms of the Charities Act 2005, the Governing Body is required to supply any person with a copy of the College's most recent financial statements within two months of a request. The Act enables the Governing Body to levy a reasonable fee and this will be charged at the discretion of the Director of Finance.
- 3.8 The Director of Finance is responsible for advising Budgetholders', in the light of guidance issued by the appropriate bodies and relevant legislation as it applies, on all taxation issues, to the College. The Director of Finance is responsible for maintaining the College's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.
- 3.9 Assets owned or leased by the College shall not be subject to personal use without authorisation, from a member of SMT

- 3.10 Disposal of assets must be in accordance with procedures agreed by the Director of Finance and contained in the College's detailed financial procedures.
- 3.11 Disposal of land and buildings must only take place with the authorisation of the Governing Body. Funding body consent may also be required if exchequer funds were involved in the acquisition of the asset. This currently does not affect the College.
- 3.12 Budgetholders' are responsible for establishing adequate arrangements for the custody and control of all other assets owned by the College, whether tangible or intangible. Staff bring valuable personal property to the College should ensure that they have adequate private insurance arrangements. The College does not accept liability for loss or damage to such property.

4. Estimates

General

- 4.1 The Vice Principal and Director of Finance shall in each financial year, submit to the SMT and F&GP and thence to the Governing Body estimates of income and expenditure for the College for the following financial year, and forecasts for subsequent years. Financial plans should be consistent with the strategic plans and estates strategy approved by the Governing Body.
- 4.2 The Governing Body will, from time to time, set budget objectives for the College. These will help the Vice Principal and Director of Finance in preparing more detailed financial plans for the College.

Detailed

- 4.3 Expenditure shall not be incurred unless it is provided for in the annual estimates. Where it is necessary to incur expenditure as a matter of urgency as a result of a statutory or other binding requirement of the College, which is not included in the budget/estimate, this shall be referred by the Principal or Vice-Principal to the Chair of the F&GP who may take Chair's action on behalf of the committee to authorise such expenditure. This action is limited to £100,000. Details of any expenditure so authorised shall be notified to the F&GP at their next meeting.
- 4.4 The Principal may delegate responsibility for a budget or a part of a budget to an individual Budgetholder to permit the performance of defined activities. Responsibility for overall budgetary control, however, shall remain with the Principal and delegated budget holders shall strictly observe any budgetary limits and control procedures defined by the Principal. Budgetholders' are responsible for the economic, effective and efficient use of resources allocated to them.
- 4.5 The Finance Manager shall have a responsibility to the Director of Finance to monitor the use of delegated budgets to ensure that financial control is maintained and that the College's plans and policies are implemented. The Director of Finance shall be responsible to the Vice Principal, Principal and to the Chair of the F&GP for all financial matters relating to the College's affairs.

- 4.7 The Director of Finance shall keep the Vice-Principal and the F&GP informed of changes in policy and other events and trends affecting budgets and shall advise on the financial and economic aspects of future plans and projects.
- 4.8 Should any matter arise which might give rise to a potential commitment of resources, not otherwise included in an approved budget, Budgetholders' have a duty to report this to the Director of Finance without delay.
- 4.9 The estimates can not have more than two consecutive years with a forecast deficit.

5. Authorisation of Expenditure

- 5.1 The control of expenditure within an agreed budget is the responsibility of the designated Budgetholder, who must ensure that day-to-day monitoring is undertaken effectively. Budgetholders' are responsible to the Principal for the income and expenditure appropriate to their budget. Significant departures from agreed budgetary targets must be reported immediately to the Director of Finance by the Budgetholders' concerned and, if necessary, corrective action taken.
- 5.2 The Budgetholders' are assisted in their duties by management information provided by the Finance Manager. Budgetholders' will receive 11 monthly sets of management accounts. The Director of Finance is responsible for supplying quarterly budgetary reports on all aspects of the College's finances to the F & GPC subject to any specific requirements of the funding body. Highlights of these reports are to be presented to the Governing Body, which has overall responsibility for the College's finances.
- 5.3 The Director of Finance shall maintain a file of specimen signatures of those responsible from time to time for authorising College expenditure under various heads of the estimates. It shall be the duty of those responsible to supply such specimen signatures, and only signatures currently in the file shall be accepted as authority.
- 5.4 All accounts for payment shall be completely checked by the person responsible for authorising the expenditure concerned ensuring there is adequate budget to meet the expenditure before passing to the Finance Office for payment. Each payment voucher shall bear such information or be supported by sufficient receipts, correspondence or other documents as deemed necessary by the Director of Finance. The authorising signature shall be held to certify that the Budgetholder is satisfied:
 - 5.4.1 that each account has been checked against official orders;
 - 5.4.2 that goods have been received, examined and approved as to quality and quantity or the work has been done satisfactorily;
 - 5.4.3 that prices are correct and in accordance with contracts or quotations where appropriate;
 - 5.4.4 the net amount of the account is within the estimates or is covered by special financial provision;
 - 5.4.5 that the proper entries have been made in the inventories or stores where appropriate.

- 5.2 The Director of Finance shall be responsible for ensuring that the arithmetic on invoices is correct and that appropriate discounts have been deducted;
- 5.6 Budgetholders' shall indicate on each account the expenditure code to which the account is to be charged and shall certify and transmit accounts to the Finance Office as soon as possible after receiving them.
- 5.7 Wherever possible the following duties shall not be performed by the same person except with the approval of the Director of Finance
- 5.7.1 ordering of goods, works and services;
- 5.7.2 receiving of goods, works and services;
- 5.7.3 certifying the relative invoices for payment.
- 5.8 The Director of Finance is authorised to pay all salaries provided for in the estimates or by specific authority, as they become due, subject to the formal appointment of individual members of staff concerned; and to pay all invoices claims and other liabilities of the College which are duly certified for payment by the Budgetholder, insofar as such accounts appear to be in order.
- 5.9 Staff may not authorise the expense claims of themselves, their spouses, partners or close relatives; such claims must be authorised by an unrelated budget controller.
- 5.10 Imprest Accounts
- 5.10.1 The Finance Manager shall provide such imprest accounts as he/she considers appropriate for such officers of the College as may need them for the purpose of defraying minor items of expenditure, the amount of which shall be determined by the Director of Finance, and which shall be supported by a receipted voucher to the extent that he/she may require. The relevant expense code must be included.
- 5.10.2 No income received on behalf of the College may be paid into an Imprest Account, but must be banked or paid over to the Finance Office as provided elsewhere in these regulations.
- 5.10.3 An officer responsible for an imprest account shall, if so requested, give to the Finance Manager a certificate as to the state of his/her imprest account, and may be required to produce cash and vouchers under his/her control for inspection without prior notification.
- 5.10.4 On leaving the employment of the College or otherwise ceasing to be entitled to hold an imprest advance, an officer shall account to the Finance Manager for the amount advanced to him/her.

6. Capital Expenditure

- 6.1 The Principal is responsible for preparing capital programmes for approval by Governing Body. The capital programme includes all expenditure on land, buildings, equipment, furniture and associated costs whether or not they are funded from capital grants or capitalised for inclusion in the College's financial statements.

- 6.2 All major capital expenditure on land and buildings may only be incurred if it is part of the approved capital programme and reported to the Governing Body.
- 6.3 New commitments arising after the approval of the capital programme shall be submitted for supplementary approval to the Principal and, if so approved, shall form an addition to the capital programme and reported to the Governing Body.
- 6.4 The College has protocols for proposed capital expenditure, and a procurement protocol for building contracts. (These must be created) The Director of Finance will also establish procedures for the approval of variations, including the notification of large variations to the funding body, as laid down in funding body guidelines.
- 6.5 Overseas activity in planning and undertaking overseas activity, the College must have due regard to the relevant guidelines issued by the funding bodies and organisations such as QAA.
- 6.6 Any new aspect of business, or proposed establishment of a company for the Governing Body to approve or joint venture or third party, which will require an investment in buildings, resources or staff time of more than £2,000 should be presented for approval to the F & GPC. The Vice Principal and Director of Finance will establish protocols for these major developments to enable them to be considered for approval by the Governing Body. These will set out the information that is required for each proposed development as well as the financial criteria that they are required to meet.

7. Income

- 7.1 The collection of all monies due to the College shall be under the control of the Director of Finance
- debtor's invoices are raised promptly on official invoices, in respect of all income due to the College
 - invoices are prepared with care, recorded in the ledger, show the correct amount due and are credited to the appropriate income account
 - any credits granted are valid with written instructions and authorized
 - VAT is correctly charged where appropriate, and accounted for
 - monies received are posted to the correct debtors account
 - swift and effective action is taken in collecting overdue debts, in accordance with the protocols noted in the financial procedures
 - outstanding debts are monitored and reports prepared for management
- Only the Director of Finance can implement credit arrangements and indicate the periods in which different types of invoice must be paid. Regular meetings with Finance Office, Student Support Co-ordinator and Registry are to be held to ensure that reasonable steps are taken to collect outstanding debts.
- 7.2 The financial procedures for collecting tuition must be approved by the Director of Finance. He or she is responsible for ensuring that all student fees due to the College are received. Tuition fees are determinable by the F & GPC on the recommendation of the Vice Principal, advised by the Senior Management Team. Any student who has not paid an account for fees or any other item owing to the College shall not receive the certificate for any degree, diploma or other qualification awarded by the College until all outstanding debts have been cleared. Such students shall be prevented from re-enrolling at the College and from using any of the College's facilities unless appropriate arrangements have been made.

- 7.3 All monies received on behalf of the College shall without delay be paid to the Finance Office or be paid into the College's Bank Account.
- 7.4 Personal cheques shall not be cashed out of money held on behalf of the College.
- 7.5 Each person responsible for goods supplied or services provided by the College shall furnish to the Director of Finance such particulars as will enable the payments due to the College to be promptly recorded and accounts to be promptly rendered.
- 7.6 Excusal of all debts to the College with the exception of students' fees shall require the authority of the Director of Finance for amounts not exceeding £1,000 and a list of all debts thus excused shall be given to the F&GP each year. Debts of more than £1000 shall only be excused with the prior authority of the F&GP.
- 7.7 The Director of Finance shall be notified of all monies due to the College under agreements (including contracts, leases, tenancy arrangements) and any arrangements which involve the receipt of money by the College. This includes new charges and variations in existing charges.
- 7.8 In preparing the annual estimates, the Director of Finance and Vice-Principal shall review the level of fees and other charges levied by the College and advise the F&GP of any new charges, or any significant changes in existing charges.
- 7.9 The Bursary Sub-committee is responsible to the F & GP for the awarding of bursaries/fee waivers. The Director of Finance and Vice-Principal are responsible for ensuring that the Bursary Sub-committee award bursaries within budget constraints. Each year, F&GP must be provided with a list of all loans outstanding and all bursaries/fee waivers granted.

8. Banking Arrangements

- 8.1 The Governing Body will approve arrangements for such Bank Accounts to be maintained as may be deemed necessary from time to time.
- 8.2 All arrangements with the College's Bankers concerning the College's banking accounts and the issue of cheques shall be made by the Director of Finance with the approval of the Vice-Principal
- 8.3 All cheques drawn on behalf of the College shall be signed by the officers designated by the F&GP from time to time to do so. One authorised signatory should sign cheques to the value of £1,000. Two authorized signatories should sign cheques to the value of £1,000 or above.
- 8.4 A College credit card can only be opened after approval by the Principal. Expenditure approval must following guidelines set in section 5 above. If this has not been followed then the expenditure must be paid personally by the cardholder. No individual purchase in excess of £1000 unless prior authorisation received by line manager.
- 8.5 No other Department, Section or Officer shall operate a bank account in the name of the College and no cheques or financial instruments made payable to the College shall be endorsed and credited to any other account.

9. Ordering of Goods or Services

- 9.1 All purchasing of Goods or Services shall be in accordance with the under-noted practices.
- 9.2 Order forms are to be generated for all purchases over £500.
- 9.3 Whenever practicable written competitive quotations shall be invited as follows:

<u>Estimated Value of Goods or Services</u>	<u>Number of Quotations</u>
Not exceeding £3,000	2 quotations desirable
Over £3,000 but not exceeding £10,000	at least 2 quotations essential and, in the case of the purchase of equipment, 3 quotations.

Quotations shall be retained for six months after the end of the financial year for which they were sought.

- 9.4 Where the estimated Value of Goods or Services exceeds £10,000, procedures shall be in accordance with formal tendering procedures as laid down in the College's Purchasing Regulations.
- 9.5 Regulations 9.3 and 9.4 need not be applied where (a) the supply is of such a specialised nature that in the view of the Budgetholder, endorsed by the written approval of the Principal or Vice-Principal normal competitive tendering is inappropriate or (b) any other exception approved by the Governing Body. Any such exceptions shall be reported annually to the F &GPC.
- 9.6 Official orders, appropriately authorised, must be despatched to the supplier for all goods and services unless other arrangements have been approved by the Budgetholder and the Director of Finance.
- 9.7 Orders must only be placed for goods or services which are for College purposes.
- 9.8 Before items of equipment are purchased, the Budgetholder should have regard to any consequential increases in recurrent costs arising from maintenance, consumables or utility requirements.
- 9.9 Tenders and contracts for building construction, repairs and improvements, and engineering works shall be in accordance with the College's Contract Standing Orders.
- 9.10 The EC Directives relating to Supplies, Works and Services must be complied with.

10. Stocks and Stores

- 10.1 Each Budgetholder having custody of stocks and stores shall be responsible for maintaining records of such stocks and stores. He/she shall, in addition, be responsible for maintaining an inventory of equipment held in his/her Department, in accordance with such directions as may be issued from time to time by the Director of Finance, Losses of stocks, stores and items covered by the inventory shall be reported as soon as possible after discovery to the Director of Finance.

- 10.2 A delivery note submitted by the supplier shall be obtained in respect of every delivery of goods and all practicable steps shall be taken to ensure that such delivery note is handed in at the time of delivery. All goods must be checked as regards quantity at the time delivery is made and inspected as regards quality and compliance with specification as soon as is practicable thereafter.
- 10.3 The Director of Finance may arrange such spot checks of stocks and stores, as he/she may deem necessary from time to time.
- 10.4 Annually, or on a continuous stocktaking basis as agreed with the Director of Finance, the stocks in hand shall be verified by a stocktaking arranged by the responsible Budgetholder. A representative of the Director of Finance may be present at any stocktaking.
- 10.5 Each Budgetholder shall sign the annual stocktaking record in respect of stores under his control, certifying that the particulars shown throughout are correct, and shall forward a certificate relating thereto to the Director of Finance.
- 10.6 Stores, furniture or equipment deemed to be surplus to requirements or obsolete shall not be disposed of by sale or destruction except upon the authorisation of the Director of Finance.

11. Insurance

- 11.1 The Director of Finance/Director of Administration & Clerk to the Governing Body shall be responsible for effecting and maintaining at the appropriate levels all insurance cover, required by law and best practice, negotiating all claims subject to the direction of the Governing Body and maintain the necessary records. Details of all insurance policies in force, the premiums and brief details of cover shall be provided each year to the F&GP by the Director of Finance
- 11.2 Each person responsible for an area of the College's property or activities shall promptly notify the Director of Finance in writing of any acquisition alteration or other circumstance affecting the College's Insurable Risks; and shall promptly notify the Director of Finance in writing of any loss, damage or liability which may lead to an insurance claim.

12. Treasury Management

- 12.1 The F & GPC is responsible for approving, subject to the recommendation of the Investment Sub-committee, a treasury management policy statement (setting out a strategy and policies for cash management, long -term investments and borrowings. This will require compliance with funding body rules regarding approval for any secured or unsecured loans that go beyond the general consent levels set out in the financial memorandum. The F & GP has a responsibility to ensure implementation, monitoring and review of such policies. All F & GP decisions concerning borrowing, investment of surplus cash or financing (within policy parameters) shall be delegated to the Investment Sub-committee and an appropriate reporting system set up. All borrowing shall be undertaken in the name of the College and shall conform to any relevant funding body requirements. Any borrowing not repayable within 35 days of draw-down or exceeding 10% of income shall be reported by the Director of Finance to HEFCE and the F & GPC. The F & GPC's sanction must be obtained, prior to draw-down, if any new borrowing facility is arranged which would cause the College's total borrowing to exceed 10% of income. The power to issue guarantees and

indemnities in the College's name to bankers or other institutions shall be exercisable by the Chair of F& GPC. Individual guarantees in excess of £5,000 but less than £25,000 shall be reported to the next available meeting of the F & GPC meeting after the event. Prior approval of the F & GPC is required for guarantees or indemnities in excess of £25,000 or if the total exposure relating to guarantees and indemnities will exceed £100,000. The Investment Sub-committee will report half yearly on the activities of the treasury management operation and on the exercise of treasury management powers delegated to the Investment Sub Committee.

13. Audit

- 13.1 The College shall comply with the HEFCE Code of Audit Practice.
- 13.2 The Governing Body shall appoint External Auditors (on the recommendation of the Audit Committee) who shall report formally annually on the accounts. Detailed comments by the External Auditor shall be submitted to the Governing Body.
- 13.3 The External Auditors have the right of access to any minutes, books, documents or any information held by the College.
- 13.4 The Director of Finance or his/her authorised representative shall have authority to:
 - 13.4.1 enter at all reasonable times on any College premises or land;
 - 13.4.2 have access to all records, documents, contracts and correspondence relating to any financial and related transactions of the College;
 - 13.4.3 require and receive such explanations as are necessary concerning any matter under examination; and
 - 13.4.4 require any employee of the College to produce cash, stores, or any other College property under his/her control.
- 13.5 The accounting practices to be followed in the annual accounts shall be determined by the Audit Committee and approved by the Governing Body of the College. No change of accounting practice will be undertaken without this being referred to the Audit Committee and approved by them.
- 13.6 The Director of Finance shall be responsible for ensuring that any returns to HEFCE shall be submitted promptly and accurately and must advise the Vice-Principal in writing, prior to the date of submission, when any such return is to be submitted late.
- 13.7 The College may, from time to time, be subject to audit or investigation by external bodies such as the funding body, National Audit Office, HEFCE, European Court of Auditors, HM Customs and Excise and the Inland Revenue. They have the same rights of access as external and internal auditors.

13.8 The Audit Committee

- 13.8.1. The Director of Finance shall be responsible for providing all such returns and information as the Audit Committee shall require and shall deem appropriate and shall be responsible for ensuring that all requirements of the Audit Committee are adhered to. In the event of any failures to comply with the requirements of the Audit Committee this shall be notified in writing to the

Chair of this committee, the Chair of the F&GP, the Principal and the Vice-Principal.

13.8.2. Terms of Reference

- 13.8.1.1. To advise the Governing Body on the appointment of the external auditors, the audit fee, the provision of any non-audit services by the external auditors and any questions of resignation or dismissal of the external auditors.
- 13.8.1.2. To discuss if necessary with the external auditors, before the audit begins, the nature and scope of the audit.
- 13.8.1.3. To discuss with the external auditors problems and reservations arising from the interim and final audits, including a review of the management letter incorporating management responses, and any other matters the external auditors may wish to discuss (in the absence of management where necessary).
- 13.8.1.4. To consider and advise the Governing Body on the appointment and terms of engagement of the internal audit service (and the head of internal audit, if applicable), the audit fee, the provision of any non-audit services by the internal auditors and any questions of resignation or dismissal of the internal auditors.
- 13.8.1.5. To review the internal auditors' audit risk assessment and strategy; to consider major findings of internal audit investigations and management's response; and to promote co-ordination between the internal and external auditors. The Committee will ensure that the resources made available for internal audit are sufficient to meet the institution's needs (or make a recommendation to the Governing Body as appropriate).
- 13.8.1.6. To keep under review the effectiveness of the risk management, control and governance arrangements, and in particular to review the external auditors' management letter, the internal auditors' annual report, and management responses.
- 13.8.1.7. To monitor the implementation of agreed audit-based recommendations, from whatever source.
- 13.8.1.8. To ensure that all significant losses have been properly investigated and that the internal and external auditors, and where appropriate the HEFCE accounting officer, have been informed.
- 13.8.1.9. To oversee the institution's policy on fraud and irregularity, including being notified of any action taken under that policy.
- 13.8.1.10. To satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.
- 13.8.1.11. To receive any relevant reports from the National Audit Office, HEFCE and other organizations.
- 13.8.1.12. To monitor annually the performance and effectiveness of external and internal auditors, including any matters affecting their objectivity, and to make recommendations to the Governing Body concerning their reappointment, where appropriate.
- 13.8.1.13. To consider elements of the annual financial statements in the presence of the external auditors, including the auditors' formal opinion, the statement of members' responsibilities and the statement of internal control, in accordance with HEFCE's Accounts Directions.
- 13.8.1.14. In the event of the merger or dissolution of the institution, to ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.

13.8.1.15. For full details relating to the Audit Committee refer to the College Committee Handbook.

14. Heythrop Student Union

Heythrop Student Union is an independent body with its own constitution, and as such is responsible for its own day to day financial management. The College will however provide accounting services, and will issue petty cash against signed vouchers, and will draw cheques on the Heythrop Student Union bank account, provided cheque requests have been authorised by responsible officers. Petty cash will be maintained by the College Finance Office on an imprest system and bank accounts reconciled on a regular basis. This section will be updated once the full impact of the new charities act is known.

15. Heythrop College Library

Heythrop College Library collection is the property of the Trustees for Roman Catholic Purposes. It is on loan to the College and this loan is regulated by the terms of a loan agreement. For this loan the College pays an annual consideration which the Trustees undertake to reinvest by way of a grant to the College to assist the Governors in undertaking their duties with regard to the Library.

The Trustees also provide an annual sum to the College for the purchase of books, periodicals etc. All other expenses of the Library are the responsibility of the College, eg. staffing, accommodation, maintenance. All paid staff are employed by the College. The operation of the Library is overseen by the Library Committee which is a committee of the Governing Body of the College.

16. Fidelity Matters

- 16.1 Whenever any matter arises which appears to involve irregularity in financial, stores or accounting transactions in any part of the College, the Budgetholder shall report the matter forthwith to the Principal
- 16.2 The Principal shall, when an irregularity appears to involve any criminal act or disciplinary events, report the matter to the Chair of Audit Committee?
- 16.3 If any member of the College becomes aware of any pecuniary or other interest he/she may have in any financial arrangement relating to the College, he/she must disclose the fact and state the nature of his/her interest at the earliest opportunity to the Principal. A register of interest is kept for the Governing Body members by the Director of Administration & Clerk to the Governing Body.

17. Establishment

- 17.1 The Director of Finance shall, in liaison with the Human Resources Manager, maintain an up-to-date record of the establishment of the College's staff.
- 17.2 All letters of appointment of staff shall be signed by the Principal or such persons as may be designated by him or her to do so.

- 17.3 Loans to staff from Heythrop funds must not be made without the written permission of the Vice Principal and Director of Finance. Arrangements for the repayments of such loans must be put in place and documented in writing before the funds are advanced.
- 17.4 Salaried employees whose contracts have at least twelve months to run are entitled to interest-free loans on the purchase of season tickets. The repayment of outstanding loan amounts are payable on leaving the College before expiry of the loan.

18. Payment of Salaries and Pensions

- 18.1 All remunerative arrangements shall be determined by the F&GP or the Remuneration Committee of the College as may be appropriate, acting on behalf of the Governing Body.
- 18.2 No officer may engage or hire agency staff, except under procedures authorised by the Principal.
- 18.3 Any re-grading of staff shall be carried out in compliance with the Staffing Committee.
- 18.4 Each employee shall be issued with a contract by the Human Resources Manager, which shall comply with current employment legislation and be in a form approved by the College,
- 18.5 Each Budgetholder shall notify the Vice-Principal and Director of Finance immediately and in the form prescribed by him/her, of all matters affecting payments to staff, including appointments, resignations, dismissals, suspensions, secondments transfers, absences from duty such as sickness, unpaid leave or other reason, but not normal leave.
- 18.6 Payment of all salaries, wages, pensions, compensation and other emoluments to all employees or former employees of the College shall be made by the Director of Finance by cheque or bank transfer.
- 18.7 All time records or other pay documents shall be in a form prescribed or approved by the Director of Finance and shall be certified by the Budgetholder. The names of officers authorised to sign such records shall be sent to the Director of Finance together with specimen signatures and shall be amended on the occasion of any change.

19. Retention of Documents

Financial and related documents shall be retained in a secure and accessible manner for a minimum period of six years.

20. Security

- 20.1 All Budgetholders' are responsible for the proper application of funds at the disposal of their areas of control. In exercising their responsibilities, they shall have regard to the care and safe-custody of all College assets under their control and shall review the adequacy of safeguards against loss, misuse or misappropriation

20.2. The Director of Finance is responsible for ensuring that adequate back up records of all financial information is available and that this is regularly stored outside the College's premises in accordance with the College's Disaster Management procedures.

21. Private Work

21.1 Members of staff wishing to enter into an obligation to undertake private work including consultancy, shall advise the Principal in writing of the project(s), and shall await his/her approval before committing themselves to the Client/Employer.

21.2 This requirement does not apply to:

21.2.1 external examining;

21.2.2 acting as an assessor or moderator;

21.2.3 the production of scholarly works such as books, articles, papers or CD or video materials for educational use;

21.2.4 lecturing on academic or related matters;

21.3 A condition of any approval under 21.1 above shall be that the undertaking of the private work shall not impair the performance of College duties.

21.4 An economic charge shall be levied if use of College resources is made.

22. Research Grants and Contracts

Research can be defined as original investigation, undertaken to gain new knowledge and understanding, which may be directed towards a specific aim or objective. It can use existing knowledge in experimental development to produce new or substantially improved materials, devices, products and processes including design and construction. It excludes routine testing and analysis of materials, components and processes. The term 'research grant' is commonly restricted to research projects funded by the UK research Governing Bodies, charities and the higher education funding bodies. All other externally financed research projects are classified as 'research contracts'

22.1 Research Grants and Contracts may only be accepted on behalf of the College by the Principal. This requirement includes the Institutes and the Centres.

22.2 All consumables or items of equipment purchased out of income arising from research grant or other external sponsorship shall remain the property of the College unless otherwise specified under the terms of the agreement.

22.3 It is the responsibility of the named supervisor or grant holder to ensure that conditions of funder/sponsor are met. Any loss to the College resulting from a failure to meet conditions of funding is the responsibility of the Budgetholder, and will be charged against funds. The detailed policy on research grants and contracts is maintained by the Director of Finance

22.4 The College has adopted the principles on costing and pricing recommended by the Joint Costing and Pricing Steering Group (JCPSPG).

23. Companies, Institutes, Centres and Commercial Activities

- 23.1 No company, institute, centre or other organisation shall be set up to exploit any College activity to which the College has rights or which uses or is linked to the College's name without the specific approval of the Governing Body. The Governing Body shall approve procedures to encourage and assist staff to maximise the commercial exploitation of inventions and procedures resulting from research within the College.
- 23.2 The financial records of any Centre or Institute established by the College shall be maintained by the Finance Office and no separate bank account shall be maintained for such enterprises without the specific prior approval of the F&GP. The accounts of any such enterprises shall be consolidated with that of the College. All income from such enterprises must be paid into the College bank account and any expenditure must be authorised under the systems set out in these regulations. Any Centre or Institute must adhere to section 22 above.

24 Risk Management

- 24.1 The College has a Risk Register. The College acknowledges the risks inherent in its business, and is committed to managing those risks that pose a significant threat to the achievement of its business objectives and financial health. Detailed guidance on the level of risk considered to be acceptable/unacceptable by the College will be set out in a separate risk management strategy.
- 24.2 The Governing Body has overall responsibility for ensuring there is a risk management strategy and a common approach to the management of risk throughout the College through the development, implementation and embedment within the organisation of a formal, structured risk management process.
- 24.3 In line with this policy, the Governing Body requires that the risk management strategy and supporting procedures include:
- 24.3.1 The adoption of common terminology in relation to the definition of risk and risk management.
 - 24.3.2 The establishment of College-wide criteria for the measurement of risk, linking the threats to their potential impact and the likelihood of their occurrence together with a sensitivity analysis.
 - 24.3.3 A decision on the level of risk to be accepted, together with tolerance levels expressed in terms of measurable outcomes .
 - 24.3.4 A decision on the level of risk to be covered by insurance.
 - 24.3.5 Detailed regular review at department or support function level to identify significant risks associated with the achievement of key objectives and other relevant areas.
 - 24.3.6 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
 - 24.3.7 Regular reporting to the Governing Body of all risks above established tolerance levels
 - 24.3.8 An annual review of the implementation of risk management arrangements
 - 24.3.9 The strategy and procedures must be capable of independent verification.

24.4 Budgetholders' must ensure that any agreements negotiated within their departments with external bodies cover any legal liabilities to which the College may be exposed. The Director of Finance's or Director of Administration & Clerk to the Governing Body's advice should be sought to ensure that this is the case.

25 Other

- 25.1 Value for Money - It is a requirement of the financial memorandum that the Governing Body of the College is responsible for delivering value for money from public funds. It should keep under review its arrangements for managing all the resources under its control, taking into account guidance on good practice issued from time to time by the funding body, the National Audit Office, 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. The F & GPC are responsible for approving the College Value for Money strategy.
- 25.2 Money laundering – The Proceeds of Crime Act 2002 (PoCA) requires all to be aware of Money Laundering and requires institutions to have procedures in place. The College Money Laundering Strategy and Policy are approved by the F & GPC.
- 25.3 Whistle blowing – It is a legislative requirement for the College to have a whistle blowing procedure. The whistle blowing procedure is approved by College Audit Committee.
- 25.4 Fraud response plan – It is a legislative requirement for the College to have a fraud response plan. The fraud response plan is approved by the College Audit Committee.
- 25.5 Freedom of Information Act requirements – the College has appointed the Assistant Registrar as the officer responsible for the implementation of requirements.
- 25.6 The Nolan report's seven principals will be fostered by the College were possible. The seven points are:
 - 25.6.1 Selflessness - Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.
 - 25.6.2 Integrity - Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
 - 25.6.3 Objectivity - In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
 - 25.6.4 Accountability - Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
 - 25.6.5 Openness - Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
 - 25.6.6 Honesty - Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
 - 25.6.7 Leadership - Holders of public office should promote and support these principles by leadership and example.

APPENDIX A

1. The role of internal audit is to provide management with an objective assessment of whether systems and controls are working properly. It is a key part of the College's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:
 - a) the Governing Body and senior management can know the extent to which they can rely on the whole control system; and
 - b) individual managers can know how reliable the systems and controls for which they are responsible are.

Scope

2. The work of the internal audit service shall embrace the whole internal control system of the College including all its services, funded from whatever source. The internal audit service will consider the adequacy of systems and controls necessary to secure propriety, economy and effectiveness in all areas, the adequacy of risk management processes and procedures, and overall governance arrangements. It will also need to confirm that management have taken the necessary steps to implement all agreed audit recommendations.
3. It is not within the remit of the internal audit service to question the appropriateness of policy decisions. However, the internal audit service is required to examine the management arrangements of the College by which such decisions are made, monitored and reviewed.

The internal audit service may also conduct any special reviews requested by the Governing Body, Audit Committee or Principal provided such reviews do not compromise their objectivity, independence or achievement of their plan to audit the internal control system.

Responsibilities

4. The person leading the internal audit service is required to file an annual opinion to the Governing Body, through the Audit Committee, on the adequacy and effectiveness of the Colleges internal systems of control, including those for the achievement of value for money, and the extent to which they can rely on it.
5. In order to provide the required opinion the internal audit service will undertake a programme of work over a cycle authorised by the Audit Committee, to achieve the following objectives:
 - a) to review and appraise the soundness, adequacy and application of accounting, financial and other controls;
 - b) to ascertain the extent to which systems of control ensure compliance with established policies and procedures, including those for risk management and governance;
 - c) to ascertain the extent to which the assets and interests entrusted to or funded by the College are properly controlled and safeguarded from losses of all kinds;

- d) to ascertain that accounting and other information is reliable as a basis for the production of accounts and other returns;
- e) to ascertain the integrity and reliability of financial and other information provided to management including that used in decision-making; and
- f) to ascertain that systems of control are laid down and operate to achieve the most economic, efficient and effective use of resources.

Standards And Approach

- 6. The internal audit service's work shall be performed in accordance with the requirements of the HEFCE under "Accountability and Audit – HEFCE Code of Practice", the standards for internal audit promulgated by HM Treasury and have regard to the Government Internal Audit Standards (GIAS) and the Auditing Guideline "Guidance for Internal Auditors".
- 7. In achieving its objectives the internal audit service should:
 - a) identify all systems and controls on which management proposes to rely and plan to review them over a cycle;
 - b) evaluate such systems and controls, identify insufficiency of controls and non-compliance, and recommend improvements in procedures or practices;
 - c) ascertain that systems and controls have been adequately designed and are working to achieve the most economic, efficient and effective use of resources;
 - d) draw attention to any apparently uneconomical or otherwise unsatisfactory results flowing from management's decisions, practices or policies; and
 - e) liaise with external auditors, and with the HEFCE Assurance Service.

Independence

- 8. The internal audit service has no executive role, nor does any responsibility for the development, implementation or operation of systems. It may provide advice, however, on control and related matters, subject to the need to maintain objectivity and to resource constraints.
- 9. The Audit Committee will advise the Governing Body on all matters concerning internal control. Within the College, responsibility for internal control rests fully with management who should ensure that appropriate and adequate arrangements exist without reliance on the College's internal audit service. In order to preserve the objectivity and impartiality of the internal auditor's professional judgement, responsibility for implementing audit recommendations rests with management.

Access

- 10. The internal audit service has rights of access to all the College's documents, records, information and assets which it considers necessary to fulfil its responsibilities.

Reporting

11. The person leading the internal audit service has a direct right of access to the Chair of the Audit Committee and the Principal. He/she should submit an audit needs assessment, a strategic internal audit plan, an operational/ annual internal audit plan and an annual internal audit report to the Governing Body for approval following consultation with the Director of Finance (or equivalent), the Principal and consideration by the Audit Committee.
12. The person leading the internal audit service is accountable to the Governing Body through the Audit Committee for the performance of the service. The internal audit service also reports audit results to the heads of department within the College, in accordance with agreed Terms of Reference for specific assignments. The person leading internal audit service will keep the Principal informed of audit results and draw the attention of the Audit Committee to significant findings or recommendations.
13. The internal audit service will produce its reports, usually within one month of completion of each audit, giving an opinion on the area reviewed and making recommendations where appropriate. All reports should be provided to the Audit Committee and copied to the Principal. Head of department/services will be required to respond to each audit report, usually within one month of issue, stating their proposed action with a time plan for implementing agreed recommendations. Material recommendations will usually be followed up some six to twelve months later. In addition the Audit Committee will monitor the implementation of all agreed audit recommendations by management.
14. The internal audit service's annual report to the Governing Body shall:
 - a) include internal audit's assessment of the adequacy and effectiveness of the internal control system and the extent to which the governors can rely on it. In providing this assurance the scope of the work performed, any limitations placed on internal audit and any other factors affecting the quality of the assurance given should be clearly indicated;
 - b) report on achieved coverage against the audit plans and explain any variation from previously approved plans;
 - c) report on the extent to which the audit need of the College have been met; and
 - d) draw attention to any audit recommendations which internal audit considers have not received adequate management attention.
15. A copy of the annual report should be forwarded to the Head of Assurance of the HEFCE Assurance Service by the College, after it has been considered by the College's Audit Committee. Copies of other audit reports and responses to them should not be sent to the HEFCE on a routine basis but they may be requested by the HEFCE Assurance Service from time to time.

Liaison

16. The internal audit service shall liaise with the external auditors and the HEFCE Assurance Service to enhance the level of service it provides to the management of the College.

