

Financial Regulations

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FINANCIAL
REGULATIONS

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Financial Regulations

A General Provisions

1. Introduction

The University was established by Royal Charter in 1966. The University's structure of governance is laid down in the instruments of incorporation, the Charter and Statutes. These can only be amended by order of the Privy Council. The University is accountable through its governing body, the University Court, which has ultimate responsibility for the University's management and administration.

The University has charitable status and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (Charity Number SC000278) under the provisions of the Charities and Trustee Investment (Scotland) Act 2005.

The University operates campuses in Dubai, Malaysia and Scotland. These financial Regulations apply to the whole of the Heriot-Watt Group.

The Financial Memorandum between The Scottish Funding Council ("SFC") and the University, dated 2014, sets out the terms and conditions on which funds are made available by the Scottish Government. The University Court is responsible for ensuring compliance with any conditions attaching to a grant of public funds. The University is obliged to adhere to SFC's Financial Memorandum - Mandatory Requirements, which requires it to take account of good practice in the management of its activities and resources including its finances, risk and internal control procedures.

This document sets out the University's Financial Regulations, translating into practical guidance, the University's policies relating to financial control. The purpose of these Financial Regulations is to provide management with assurances that there are controls in place to ensure that resources are being properly applied for the achievement of the University's strategic plan and business objectives on a sustainable basis including:

- maintaining financial sustainability
- achieving value for money
- fulfilling its responsibility for the provision of effective financial controls over the use of public funds
- ensuring that the institution complies with all relevant legislation
- safeguarding the assets of the institution

These Financial Regulations, therefore, form part of the University's overall system of accountability and control. Although supporting policies and procedures are not necessarily included in full within the Financial Regulations, references and links to relevant webpages and related documents are included.

2. Status of Financial Regulations

These Financial Regulations were approved by the University Court on X XX 2021 and supersede all previous versions of the Financial Regulations. They apply to the University and all its subsidiary undertakings and to all funds (whether public or otherwise) under the control of the University.

These Financial Regulations are subordinate to the University's Charter and Statutes and to any restrictions contained within the University's Financial Memorandum with SFC.

As within the Charter:

Article 5.1 states the Court shall be the governing body of the University with general control of the management and administration of the University and shall act in a way that promotes the University's interests

AND

Article 7 states the Court may delegate its powers to an Officer of the University or to a member of the Heriot-Watt Group

AND

Article 7.2 states that the process by and the extent to which powers may be delegated to any person or body shall be prescribed in the Ordinances

AND

Article 7.3 states that notwithstanding delegation by the Court of its power under Article 7, the Court will remain ultimately accountable for the exercise of such powers.

AND

Article 2 states that the Principal shall assume the role of the Chief Accounting Officer and Chief Executive Officer of the University

AND

Ordinance B6 states that the delegated authority by the Court may not be further delegated by the delegate unless the Charter Article, Statute, Ordinance, Regulation, decision of the Court or policy detailing the delegated authority provides that it may be further delegated or the Court has given express approval of such sub-delegation.:

These Financial Regulations are consistent with the University Court's Statement of Primary Responsibilities [<https://www.hw.ac.uk/uk/services/docs/secretariat/statement-of-primary-responsibilities.pdf>].

By approving these Financial Regulations, the Court expressly approves any and all sub-delegations contained herein.

Where the constitutional documents of any member of the Heriot-Watt Group identify delegations of powers that differ from the delegations set out herein, the delegations shall be read in accordance with constitutional documents.

The Executive Team is responsible for periodically reviewing the Financial Regulations, through the Global Chief Financial Officer ("GCFO"), and for recommending to the University Court any additions or changes necessary. In exceptional circumstances Executive Team may authorise a

departure from the detailed provisions therein, such departure to be reported to the University Court at the earliest opportunity.

3. Purpose

This document sets out the Financial Regulations of the University as approved from time to time by the Court.

The Financial Regulations provide control over the totality of the Heriot-Watt Group's resources and afford assurance to the University Court and the University Executive that resources are being properly applied for the achievement of the strategic plan; the business objectives of the Group; its financial viability; value for money; that the Group is fulfilling its responsibility for the provision of effective financial controls over the use of public funds; for ensuring that the Group complies with all relevant legislation, including that relating to the University's charitable status; and that its assets are safeguarded.

On occasions when consideration is being given to entering transactions of an ad hoc or specialist nature not explicitly covered in the Financial Regulations permission must be sought and received in written format promptly from the GCFO. This permission should always be obtained before the transaction is undertaken and the Group accepts a financial commitment. Without such prior written approval, the person undertaking the transaction may bear personal liability for the financial consequences of the transaction and may be subject to disciplinary procedures which may include dismissal from role.

No University activity must be undertaken that is in known breach of the laws and regulations of any country. Staff knowingly or recklessly disregarding this prohibition may be subject to disciplinary action, up to and including dismissal. In cases of doubt, all staff must seek advice from the University Secretary before any financial commitment is made or where there is suspicion of money laundering or other criminal activity. All staff must ensure they commit University resources in a transparent and ethical way and must always seek to uphold and enhance the standing of the University.

4. Statement of compliance

These Financial Regulations and any, approved amendments thereto issued by or on behalf of the Court, are binding on all Court members, all employees, Directors of subsidiary companies and contractors working on behalf of the University and (in cases where they are given responsibility for assets of the University or other financial matters) students.

Compliance with the Financial Regulations is compulsory for all Court members, employees and Directors of subsidiary companies of the Heriot-Watt Group. A member of staff who fails to comply with the Financial Regulations may be subject to disciplinary action under the University's Disciplinary Procedure and may, in appropriate circumstances, result in dismissal from role and criminal proceedings. The University Court will be notified of any such breach through the Audit and Risk Committee. It is the responsibility of Heads of Departments/Schools and Directors of Professional Services Directorates to ensure that their staff are made aware of the existence and content of these Financial Regulations and to ensure that there are effective controls in place to enable compliance to be monitored.

5. Definitions

For the purposes of this document, the definitions in the Charter and Statutes shall apply, unless the context requires otherwise. In addition, the following definitions will apply:

- a) 'Heriot-Watt Group' or 'Group':

unless indicated otherwise, means the University being the University's interests on its five campuses and that of its subsidiary companies.

a) 'Company':

unless indicated otherwise in this document, a company either wholly owned by the University or wholly owned by a subsidiary company that is wholly owned by the University;

b) 'Budget Officer':

the Senior Officer appointed by the Principal to have responsibility for the financial management and administration of a Business Unit;

c) 'Budget holder (or deputy)':

a member of staff to whom a Budget Officer has delegated responsibility for the management and administration of a portion of the overall budget under the control of the Budget Officer;

d) 'Employee': an individual with whom the University or a member of the Heriot-Watt Group has a contract of employment

e) 'Director': being a Director or Company Secretary of a subsidiary company of the University

f) 'Executive Team': being the University Executive

g) 'Contractor': being a person engaged by the University, to work on University projects of business, through an external body and whose employer is not the University

The term "research grant" is used to refer to research funding from the UK research councils, charities or funding bodies. Most other externally financed research projects are referred to as "research contracts".

6. Roles and Responsibilities

6.1 Court

Court is responsible for the University's mission, strategic direction, management and administrative arrangements, financial health, wellbeing of staff and students and, in association with the Senate, for establishing and maintaining high standards of academic conduct and probity.

Details of Court can be found at:

<https://www.hw.ac.uk/uk/about/profile/governance/court.htm>

Court members are also charity trustees and as such are subject to obligations imposed by charity law. Their dual role may introduce potential conflicts of interest, and as a result Court members are required to disclose interests in the University's register of interests maintained by the University Secretary. They are also responsible for ensuring that entries in the register relating to them are kept up to date regularly and promptly, as prescribed in the financial procedures.

Court has ultimate responsibility for the University's finances, but delegates much of the detailed work to its committees and sub-committees.

The University's principal committee structure can be found at:

<https://www.hw.ac.uk/uk/services/secretariat/court/court-committees.htm>

6.2 Principal and Vice-Chancellor

The Principal is the chief executive of, and the designated accountable officer for, the Heriot-Watt Group and the University and is accountable to Court for implementation and delivery of agreed policy. The Principal must ensure that Court complies with all terms and conditions of public funding from the SFC as set out per the Financial Memorandum. As the designated accountable officer, the Principal may ultimately be required to justify any of the University's financial matters to the Public Audit and Post Legislative Scrutiny Committee of the Scottish Parliament.

6.3 Provosts and Vice-Principals

Within Scotland the Provost and Vice-Principal is responsible for leading the academic Schools and chairing the Global Operations Executive and will deputise for the Principal and Vice-Chancellor as required. The Provosts in Dubai and Malaysia are responsible for leading the University's presence in country and promoting the University's wider stakeholder offering.

6.4 University Secretary

The Secretary is the principal officer of Court and is responsible for ensuring that it acts within its powers and follows proper procedures.

6.5 Global Chief Financial Officer (“GCFO”)

The role of the GCFO is to provide strategic financial input to the University, help to drive commercial aspects and engagement with stakeholders to articulate the financial positioning of the University and influence external funding sources. The GCFO works alongside the Provost and Vice-Principal to deliver the annual planning and budget round. The planning and budget process will be informed by predicative financial indicators which will be reviewed and maintained.

On a day-to-day basis the financial administration is also controlled by the GCFO who is responsible for preparing capital and revenue budgets and financial plans, and longer term strategic financial plans. Also:

- Preparing accounts, management information, monitoring and control of expenditure against budgets and financial operations
- Preparing the University's annual accounts and other financial statements including accounts which the institution is required to submit to other authorities
- Ensuring that the University maintains satisfactory financial systems and controls, including income collection, supplier and employee payments and treasury management
- Providing professional advice on all matters relating to financial policies and procedures.
- Day-to-day liaison with external auditors

Where appropriate the GCFO will delegate financial operational control to the Heads of Finance in Dubai and Malaysia within agreed limits of delegation.

The Finance section structure and main contacts are listed at:

<https://heriotwatt.sharepoint.com/sites/financehub>

6.6 Global Chief Operating Officer (“GCOO”)

The GCOO is responsible for the oversight and operations of a significant element of the Professional services offering.

6.7 University Executive Team

The [Executive Team](#) chaired by the Principal, is responsible to Court for developing the overall strategic direction of the University, taking account of the resources at its disposal and the need to ensure sustainability in all aspects of University business. It is responsible for considering policy proposals on the University Budget, on resource allocation priorities, on physical development, on employment and any other University business, for onward transmission and decision at Court.

The Executive Team is responsible for monitoring the University's financial performance against the annual budget approved by Court. It also considers other matters relevant to the financial duties of Court and makes recommendations thereon.

The Executive Team can consider and approve requests for non-recurrent items of expenditure, additional to that approved in the annual budget, up to a limit of £1 million in accordance with the Court Schedule of Delegated Authority, which can be found on the University Court webpage.

The Executive Team must ensure that enough information is made available for Court to be satisfied that it is discharging its financial responsibilities.

6.8 Global Operations Executive

The University Executive has established the Global Operations Executive (GOE) with the purpose of oversight of the operational planning and means of operational delivery of Strategy 2025 across all campuses of the University.

The work of the GOE will be aligned to the University's strategic planning processes and it will be responsible for overseeing the development of supporting strategies and policies which accord with and enable delivery of the University's Strategic Plan; the Financial Plan; and effective performance.

6.9 Heads of School/ Directors of Professional Services

Heads of School / Directors of Professional Services are responsible for financial management of their respective areas and activities and are advised by the GCFO in the execution of all financial duties. Such overall responsibility may not be delegated. Heads of School / Directors of Professional Services must ensure that the area for which they are responsible manage their financial affairs in line with agreed centralised processes and procedures. To operate out with agreed centralised processes and procedures required specific permission of the GCFO.

Heads of School/Directors of Professional Services are responsible for establishing and maintaining clear lines of responsibility and segregation of duties within their Schools/Directorates for all financial matters.

6.10 The Board of Heriot-Watt University Malaysia Sdn. Bhd

The Board of Directors who provide the oversight of the University's activities in Malaysia and ensure that the subsidiary company is compliant with corporate governance aspects and laws applicable to the University's operations in the region.

7. Risk Management

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

The University has a comprehensive Risk Management Framework, which is applicable across the institution at all levels. The University's risk management arrangements are an integral part of its wider strategic planning function. Risk management is a key mechanism which both underpins and supports delivery of strategic objectives, both institutionally and within Schools. Identified risks will generally reflect the University's strategic objectives and areas of strategic importance.

The operation of an effective risk management system is the overall responsibility of the Accountable Officer and the University Executive. On a day-to-day basis, Risk Management is overseen by the University Secretary with further information regarding the University's Risk Management Framework and associated guidance available from:

<https://www.hw.ac.uk/uk/services/assurance-services/risk-management.htm>

8. Code of Conduct

The University is committed to the highest standards of openness, integrity and accountability. It seeks to conduct its affairs in a responsible manner, having regard to the nine key principles of public life, comprising the [seven principles](#) identified by the [Committee on Standards in Public Life](#), (selflessness, integrity, objectivity, accountability, openness, honesty & leadership); and a further two identified by the Scottish Government (duty and respect) which governing body members and members of staff at all levels are expected to observe.

9. Conflict of Interest

University employees and others with responsibility for administration and management of University funds must not use their authority or office for personal gain. Members of Court, Committee Members and Senior Management who are a member of either University Executive or GEO or those involved in procurement are required to disclose interests in the University's register of interests maintained by the University Secretary. They will also be responsible for ensuring that entries in the register relating to them are kept up to date on a regular and prompt basis. The University's code of practice on conflict of interest can be found at:

<https://www.hw.ac.uk/uk/services/docs/ethicalbusinessconflictinterestpolicy-1.pdf>

10. Fraud

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

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

All members of staff have a responsibility to protect the assets and reputation of the institution and are expected to be alert to the potential for fraud. Any person who has reason to believe that a fraudulent irregularity which may have financial implications for the University or any member of the Heriot-Watt Group (including those involving cash, stores, property or intellectual property) has or may be about to take place, is required to inform the University Secretary as soon as practical. If the University Secretary is suspected of fraud, the matter should be reported to the Principal. If the suspected fraud is thought to involve the Principal, the member of staff shall notify their concerns directly to the Chair of Audit and Risk Committee.

All reports of suspected fraud will be treated in the strictest confidence, and any ensuing investigation will be treated as an investigation under the [University's Public Interest Disclosure Policy](#).

The University Secretary / GCFO / Principal will respond to the reported fraud in accordance with the [University's Fraud Response Plan](#). The Principal and/or the Secretary may institute disciplinary and/or legal proceedings.

11. Receiving Gifts or Hospitality

The Bribery Act 2010 includes offences for acts of bribery by individuals, or persons associated with relevant organisations. The penalties are severe for any employee convicted under the Act. The University's fraud and anti-bribery policy statement can be found at:

<https://www.hw.ac.uk/documents/ethical-business-bribery-prevention-policy.pdf>

The University's Gifts and Hospitality policy can be found at:

www.hw.ac.uk/documents/ethical-business-gifts-hospitality-policy.pdf

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

- the conduct of individuals should not create suspicion of any conflict between their official duty and their private interest
- the action of individuals acting in an official capacity should not give the impression that they have (or may have) been influenced by a benefit, to show favour or disfavour to any person or organization
- Members of staff (or their family members) should not accept any gifts, rewards or hospitality from any organisation or individual during their work that would cause them to reach a position whereby they may or may be deemed to have been influenced in making a business decision because of accepting such gift.
- The frequency and scale of hospitality accepted should not be significantly greater than the University would be likely to provide in return.

Where it is unclear as to what is and is not acceptable, advice sought from the relevant Head of School/Director of Professional Services or the Director of Governance and Legal Services or otherwise the offer should be declined. Members of staff in receipt of such gifts or hospitality are obliged to notify their School/Directorate promptly. The Heads of School will maintain local registers for annual report to The Head of Assurance. The Office of the Principal, each School and each Director of Professional Service will maintain a register of gifts and hospitality received where the value is more than £50.

12. Whistleblowing (Public Interest Disclosure)

Whistleblowing is the disclosure of information which relates to suspected wrongdoing. These concerns might include but are not necessarily limited to: financial malpractice, impropriety or fraud; failure to comply with a legal obligation or with the rules and regulations of the University; danger to health and safety; damage to the environment; criminal activity or suspected criminal activity where the investigation of such would have an adverse impact on the reputation of the University; academic or professional malpractice; improper conduct or unethical behaviour or bribery; improper use of authority; miscarriage of justice; and/or suppression or concealment of any of the above.

The University hopes that in many cases Staff and Students will be able to raise any concerns with their line manager or personal tutor. However, where the matter is more serious, or it is felt that an employee's line manager or Student's personal tutor has failed to adequately address the concern, or the individual prefers not to raise it with them for any reason, disclosure should be made to the those specified in the policy, <https://www.hw.ac.uk/documents/public-interest-whistleblowing-policy.pdf>. The Secretary of the University is the designated officer to whom a formal disclosure should be made in the first instance. If it relates to the Secretary, then disclosure should be to the Principal and if it relates to the Principal to the Chair of Court.

The University does not encourage Staff or Students to make disclosures anonymously. Proper investigation may be more difficult or impossible if the University is unable to obtain further information. Therefore, only in exceptional circumstances will anonymous disclosures be considered. Wholly anonymous allegations unsupported by any evidence will not normally be pursued.

The Public Interest Disclosure Act (2013) protects workers from detrimental treatment or victimisation from their employer if, in the public interest, they blow the whistle on wrongdoing.

13. Criminal Finance Act 2017

[The Act](#) introduced a 'corporate criminal offence of failure to prevent the facilitation of tax evasion'. The legislation applies to all business (corporates and partnerships) and all taxes.

The offence is not about the University avoiding, evading or underpaying tax, but about the University failing to prevent its employees/agents/associates from facilitating the evasion of tax by another party. There are two corporate offences – a domestic tax fraud offence and an overseas fraud offence. A UK body can be prosecuted for either offence. While the overseas offence is slightly narrower in scope, it still essentially means that universities need to consider potential risks for overseas tax evasion as well as UK tax evasion.

14. Value for Money

The Financial Memorandum requires that Court is responsible for delivering value for money from public funds and should continually review its arrangements for managing all resources under its control, considering guidance on good practice issued from time to time by the funding body, Audit Scotland, Public Audit and Post Legislative Scrutiny Committee of the Scottish Parliament and the National Audit Office or other relevant bodies.

Internal audit will consider value for money in its programme of work which will enable the Audit and Risk Committee to refer to value for money in its annual report.

Money Laundering

The University has an obligation to ensure it complies with relevant anti-money laundering legislation in relation to all of its financial processes. This includes the appointment of a Money Laundering Reporting Officer and having processes in place to make the relevant required disclosures.

B FINANCIAL MANAGEMENT OF THE UNIVERSITY

15. Accounting periods

The University's Financial Year shall run from 1 August to 31 July of the following year. The Heriot-Watt Group entities shall have the same financial year.

16. Accounting Officer

The Principal is the University's Accounting Officer and has the ultimate responsibility for the financial administration of the University's affairs. As the designated officer the Principal may ultimately be required to justify any of the University's financial matters to the Public Audit and Post Legislative Scrutiny Committee of the Scottish Parliament.

17. Financial statements

The Heriot-Watt Group, the University's and the subsidiaries of the University annual Financial Statements shall comprise the:

- Consolidated and University Comprehensive Statement of Income and Expenditure;
- Consolidated and University Statement of Movement of Reserves;
- Consolidated and University Balance Sheets;
- Consolidated and University Cash Flow Statement;
- Principal Accounting Policies; and
- Related notes.

The financial statements shall be prepared in accordance with the University's governing instruments, applicable law, the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, Accounts Directions from Scottish Funding Council (SFC) and other relevant accounting standards.

The GCFO shall ensure that proper accounting records are kept that disclose, with reasonable accuracy at any time, the financial position of the University and its subsidiaries; and that enable that the Financial Statements are prepared, audited and presented to the University Executive, Finance Committee, Audit & Risk Committee and Court.

Annually, based on their consideration of the Financial Statements and on consideration of the report received from the external auditor, the Finance Committee shall have the responsibility for assuring the Court, when considering its approval of the Financial Statements, that:

- the Financial Statements have been prepared on a going concern basis in that the Court can be satisfied that the Heriot-Watt Group has adequate resources to continue in operation for the foreseeable future;
- suitable accounting policies have been selected and applied consistently;
- Judgements and estimates have been made that are reasonable and prudent.

Annually, based on their consideration of the Financial Statements and on consideration of report received from both internal and external auditors, the Audit and Risk Committee shall have the

responsibility for assuring the Court, when considering its approval of the Financial Statements, that applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the Financial Statements and that reasonable steps have been taken to:

- ensure that funds from SFC were used only for the purposes for which they have been given and in accordance with the Financial Memorandum and any other conditions which SFC may from time to time prescribe;
- ensure that there are appropriate financial and other internal controls in place to safeguard public funds and funds from other sources, and ensure value for money is achieved in the application of those funds; and that this system of internal control is continuously reviewed and developed in line with current best practice;
- safeguard the assets of the Heriot-Watt Group and prevent and detect fraud;
- secure the economical, efficient and effective management of the Heriot-Watt Group's resources and expenditure;
- ensure that the Heriot-Watt Group's Executive has an adequate system of internal control designed to manage rather than eliminate the risk of failure to achieve business objectives, providing only reasonable and not absolute assurance against material misstatement or loss and that it regularly monitors and reviews the effectiveness of that system; and
- maintain a safe and secure environment for the staff and students.

18. Planning and budgeting cycle

The annual planning and budgeting cycle shall be led by the Provost and Vice Principal and comprises a series of meetings and events that are designed to ensure that budgets are allocated in support of agreed academic, professional services plans and plans relating to the maintenance and creation of physical assets. These plans are required to take account of the University's Strategic Plan. The system shall be designed to incorporate both top-down and bottom-up contributions and to allocate resources selectively.

19. University's three-year financial plan

One of the outputs from the planning cycle shall be a University Three-Year Financial Plan, covering the current financial year and following two years, comprising:

- a) a narrative outlining the financial environment, demonstrating the alignment to the University's strategic plan and stating the major financial assumptions underpinning the plan;
- b) a rolling financial forecast, comprising forecast financial statements (including Income & Expenditure, Cash Flow and Balance Sheet);
- c) a capital programme;
- d) an outline of long-term financing/borrowing arrangements and proposals;
- e) a forecast of achievement of banking covenants.

An extract of the plan shall be submitted to SFC, usually by 30 June each year, to assist in SFC's financial health monitoring framework for the Higher Education sector.

The final draft of the Three-Year Financial Plan shall be reviewed by the University Executive and the Finance Committee; and approved by the University Court before the commencement of the Financial Year, and usually before 30 June each year.

20. Budgetary Process

Working with the Provost and Vice-Principal, the GCFO is responsible, as part of the annual planning process, for coordinating the annual preparation of a Group revenue budget. Court must approve the Group first year budget, with the outlying years prepared on an indicative basis only. The figures are used to prepare the Strategic Planning Forecast as required by the SFC.

Resources are allocated annually by Court on the recommendation of the Finance Committee. Budget holders are responsible for the economic, effective and efficient use of resources allocated to them and ensuring budgets are used for eligible purposes.

The GCFO ensures that detailed budgets are prepared to reflect the outcome of the budget process and that these are communicated to budget holders as soon as possible following their approval by Court. Financial plans should be consistent and enable delivery of the University Strategic Plan approved by Court.

During the year, the GCFO, following discussion with budget holders, is responsible for coordinating the submission of significant budget revisions to the Finance Committee for consideration before submission to Court for approval.

Resources for Capital Expenditure will be approved by the Court for the duration of a project or programme of works. Any project or programme of works that straddle more than one financial year will be reassessed by the Infrastructure Services Committee to ensure that the project remains on track or to recommend to Finance Committee corrective action and amended financial resources as part of the annual budget process.

If required, and agreed by Court, the budget process maybe refreshed quarterly for the budget to be reviewed and approved by Finance Committee and Court.

21. Budgetary Units and Budget Officers

For the purposes of financial management and administration, The University has an internal structure of Budgetary Units composed of Academic Schools, Professional Service Directorates, Dubai Campus and Malaysia Campus and other units.

Consistent with their management responsibilities the senior officers appointed by the Principal & Vice-Chancellor to have responsibility for the financial management and administration of a Budgetary Unit shall be Budget Officers. Budgetary Units may be broken down into sub-units which are controlled by Budget Holders. The Budget Officer remains accountable for the performance of any such sub-units.

The GCFO shall maintain a list of Budgetary Units and their associated Budget Officer.

The GCFO shall ensure that Budget Officers are informed in writing of that approval and of their constituent budget allocations; and shall require monthly phasing of their detailed budgets to facilitate in-year monitoring of financial performance across the University.

22. Budget Management

Budget Holders are responsible for the management of income and expenditure within an agreed budget and must ensure that day to day monitoring is undertaken effectively and are accountable to their line manager, being the Budget Officer. Budget Holders are assisted in day-to-day financial control by the provision of regular management information by the GCFO via the University finance system.

Any forecast of a significant departure (greater than £100K (RM500K or AED500K) or 10%

whichever is lower) from budgetary targets must be reported immediately to the Budget Officer being the Head of School or Director of Professional Service by budget holders and, if necessary, corrective action agreed and taken.

Any variances over £500K need to be referred to the GCFO who will report to the University Executive and over £1M reported to the Finance Committee.

Any expenditure out with the agreed revenue and capital budgets with a value between £1M and £5M must be approved by the Finance Committee. Any expenditure out with agreed budgets more than £5M must be approved by Court.

As delegated by Court, Finance Committee must approve additional expenditure on approved projects within a tolerance threshold of up to the lower of 10% or £1m. Approval for additional expenditure more than the tolerance threshold must be approved by Court.

The GCFO is responsible for the provision of reports on all aspect of the University's finances to the Finance Committee throughout the year.

The Financial Statements for Heriot-Watt University Malaysia, Heriot-Watt Services and Heriot-Watt Trading, all being subsidiary companies of Heriot-Watt University will be subject to review and sign-off by their respective Board of Directors.

23. Treatment of Year End Balances (Other than Discretionary Funds)

Budget holders do not have authority to carry forward a balance on their core funds budget to the following year. Exceptionally, with the written approval of the Principal on the advice of the GCFO, budget holders may be allowed to carry forward underspent core funds balances to be used for capital expenditure only.

24. Management accounts

The GCFO shall establish a process of monthly financial reporting, encompassing:

- a) production of monthly financial reports to Budget Officers to monitor income and expenditure against budgets; and
- b) production of a comprehensive monthly management accounts pack for the University Executive and other senior officers of the university setting out the financial performance of the university and its constituent parts against the approved plan, by way of Income & Expenditure Accounts, Balance Sheet, Cash Flow, capital expenditure reporting and presentation of key financial indicators.

Such reports shall be made available to:

- the University Executive and the Global Operations Executive on a monthly basis;
- the Finance Committee at each of its meetings;
- the University Court, at least quarterly.

25. Financial memorandum between SFC and Heriot-Watt University

To meet its statutory duties in relation to the Public Finance and Accountability (Scotland) Act 2000 and other legislation, SFC is required to put in place a Financial Memorandum with each of the institutions that it funds. The Financial Memorandum sets out the formal accountability relationship between SFC and institutions, and the requirements with which institutions are expected to comply in return of payment of grant by SFC.

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The most recent Financial Memorandum between SFC and Heriot-Watt University was agreed in December 2014.

C Treasury Management and Banking

26. Treasury Management Policy

The Finance Committee is responsible for approving the Treasury Management Policy setting out a strategy and policies for cash management, long-term investments, borrowings and foreign currency exposure within a management framework.

The latest approved Treasury Management Policy can be found through the following link:
<https://www.hw.ac.uk/documents/treasury-management-policy.pdf>

The GCFO will define treasury management practices that set out the manner in which the University will seek to achieve its policies and objectives and manage and control its activities.

The University will delegate responsibility for the implementation and monitoring of its treasury management policies and practices and the execution and administration of its treasury management decisions to the GCFO who will act in accordance with the treasury management policy statement and treasury management practices.

The GCFO will report to Finance Committee annually on the activities of the treasury management operation.

27. Investments

The GCFO shall be responsible for placing funds for investment in accordance with the approved treasury management policy.

All funds shall be placed in the name of the University, with those relating to endowments being segregated from the other funds of the university and its subsidiaries.

28. Borrowing

Court approval is required for the establishment of any borrowing facility. All borrowing shall be undertaken in the name of the University and shall conform to any relevant funding body requirements, including those regarding approval for any secured or unsecured loans that go beyond the general consent levels set out in the Financial Memorandum between the University and SFC.

All executive decisions concerning borrowing, investment or financing are delegated to the GCFO with the appropriate minuted approval from Finance Committee and Court.

No borrowings are permitted in the name of any of the subsidiary companies of the University, other than from the University through inter-company borrowings.

Any new long-term borrowing will only be used to invest in assets which can demonstrate a positive return on investment and allow the build-up of a fund to repay this borrowing or to refinance existing borrowing. Such to be set out in a business case to support the approval of the long-term borrowing.

To part mitigate the re-financing risk, the University will build up a sinking funds to repay a proportion of outstanding debt. The profile for the build-up of such sinking fund will be agreed annually with the Finance Committee and will consider the potential to repay some or all the outstanding debt through a refinancing, so long as the provisions of such refinancing are in accordance with the provisions of these regulations.

The University will maintain a Gearing Test which calculates the overall borrowing as a

percentage of the assets of the Group. The University will not borrow funds which exceed 40% of the Group assets of the University. The Group assets will be per the University's consolidated balance sheet. This test will be prepared on a 5-year absolute basis which will include the previous financial year, current financial year and projections for a further 3 years. These gearing tests will be performed at the financial year end and at the end of January each year and reported to Finance Committee.

The University will maintain a Debt Service Cover test to ensure there is enough operational cashflow to meet interest repayments and to build up a fund for repayment of debt. The Debt Service Cover compares the cashflow from operating activities against the amount of cash required to service the cost of debt in the period. The cost of debt will include interest payable, the capital element of any finance lease or borrowing repayable in the year. The operating cashflow will be taken from the University's consolidated cashflow statement and will include inflows or outflows from exceptional items. This test will be prepared on a 5-year rolling basis which will include the previous financial year, current financial year and projections for a further 3 years. Reflecting the effects of COVID on tuition fee income in the short term, the University will maintain a debt service cover of no less than 2020/21 of 1.5 times, 2021/22 of 2.0 times and 2022/23 onwards 2.5 times.

The tests in this section will be repeated and reported as part of the reforecasts every quarter and reported to Finance Committee.

On an annual basis, the University will prepare a Financing Report which will include the following items:

- Compliance with the SFC's financial memorandum, external lenders covenant restrictions and the University's own internal covenant requirements
- An assessment of progress against the approved repayment strategy
- Where covenants are breached, or are projected to be breached and/or if there are any shortfall in debt repayment contributions, a recovery plan will be agreed with bond holders and implemented over a maximum period of 3 years
- An assessment of risks associated with the borrowing strategy
- Any possible refinancing options which are optimal for the University

29. Minimum Cash Holding

The University, will seek, over an appropriate period, to attain a minimum cash balance of two month's total payroll and operating costs. In certain circumstances, due to the timing of capital expenditure and receipts, this may be breached, on the basis that a medium-term plan is in place to move back to this minimum level, such plan to be agreed with the Finance Committee.

The operating units in Dubai and Malaysia will similarly hold a minimum cash balance of two months of their total payroll and operating costs, unless agreed in writing with the GCFO.

30. Appointment of Bankers and Other Professional Advisers

Court is responsible for the appointment of the University's bankers and other professional financial advisers (such as investment managers) on the recommendation of the Finance Committee. Any appointment will initially be for a five-year period and reviewed annually thereafter.

The provision of banking services in Dubai are the responsibility of the Provost for Dubai under

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the terms of the Power of Authority. Within Malaysia, reflecting the separate legal status of the subsidiary, the Court has delegated responsibility for arranging the appointment of the subsidiary's bankers to the Board of Directors of Heriot-Watt University Malaysia SDN. BHD with oversight from the GCFO. The appointment of such must be within the provisions of these Financial Regulations.

31. Banking Arrangements

Arrangements for the opening and closing of University bank accounts will be made only by the GCFO.

All bank accounts shall be in the name of the institution or one of its subsidiary companies.

The GCFO is responsible, on behalf of the Finance Committee, for liaising with the University's bankers in relation to the operation of bank accounts. The GCFO will delegate such to the Heads of Finance in Dubai and Malaysia for day-to-day operations within country, whilst maintaining oversight.

The GCFO will make necessary arrangements for the regular reconciliation, at least once a month, and within 1 week of the month end, between the bank statements of the University's accounts and the University's own records.

All automated transfers made on behalf of the University must be authorised and submitted by nominated individuals within the Finance section. The process is managed online by use of a digital identity card and a pin number, unique to each authorised individual. Payments up to an agreed amount, currently £50,000, can be authorised/submitted by one individual. Payments more than this must be authorised by two individuals, in line with the Scheme of Delegation, before being processed. For the avoidance of doubt this process applies to the signing off of the payment of the monthly payroll.

All cheques drawn on behalf of the University must be signed in the form approved by the Finance Committee. Cheques must be signed by two authorised persons. The use of cheques is kept to a minimum.

In Malaysia, the process is:

- Between RM100k and below- 1 signatory from any 2 Groups as outlined below:
- RM100.1k to RM1m- 2 signatories, 1 from each Group as outlined below
- RM1.01m to RM2.5m- 3 signatories, 2 from Group A, 1 from Group B as outlined below
- >RM2.5m- Provost for Malaysia + 1 signatory from each group.

The Groups referred to above are:

Group A	Group B
Provost – Malaysia	Regional COO
GCFO	Regional Deputy COO and Head of Finance
University Secretary	

32. Purchase & Corporate Cards

Departmental Purchase Cards and University Traveller Corporate Cards are issued based on demonstrated need and restricted circumstances to authorised members of staff. The application for a card must be authorised by the applicant's Head of School or Director of Professional Service, and subsequently by the Head of Procurement Services and the University Secretary. A

credit limit for monthly spend is set depending on the purpose for which the card is to be used.

The policy & procedures relating to these can be found through the following link:

<https://heriotwatt.sharepoint.com/sites/gals-procurementservices/SitePages/Purchasing-Cards.aspx>

Any card incorrectly or inappropriately used may be withdrawn.

33. Receipts

All income must be paid into a University bank account promptly and be properly accounted for. All income received by cash or cheque must be recorded before being banked. Cheques and financial instruments must be made payable to the appropriate University account. No cheque or financial instrument made payable to the University may be credited to an account which does not belong to the University.

No cash receipts will be accepted from corporate debtors unless approved by the GCFO. The receipt of cash from students in payment of tuition fees should be discouraged and only accepted in circumstances where to do otherwise leaves the student in a potential position of risk or where it is the cultural norm within region. Payments through online portals or credit cards should be encouraged.

Taking payment must be done in a manner and through approved channels and any data held must comply with the University's [Data Protection Policy](#).

34. Payments

All bank payments made on behalf of the University must be authorised as set out in the detailed procedures for making bank payments. Details of authorised persons and the limits of their authority shall be set out in bank mandates, lodged with the appropriate bank, and reviewed annually with Audit Committee.

In the UK, payments of suppliers' invoices, scholarship payments and payments of salaries will generally be made by the Bankers Automated Clearing System (BACS). Outside the UK, such payments should use equivalent electronic transfer systems.

In the UK, urgent payments may be made via the Clearing House Automated Payments System (CHAPS) or by an online Same Day Value Transfer. Outside the UK, such payments may be made by equivalent electronic transfer systems or by cheque.

D ASSETS OF THE UNIVERSITY

35. General regulations and procedures

The Court, through the Principal and Vice-Chancellor, will be responsible for maintaining proper security of all buildings, furniture, equipment, plant, vehicles, stores and other assets of the University.

The Global Director of Estates & Facilities, on behalf of the Principal and Vice-Chancellor, will ensure the physical security of all buildings belonging to or leased to the University.

The Global Director of Estates & Facilities will maintain up-to-date plans of all buildings owned or leased by the University and its wholly owned subsidiary companies and will inform the Director of Governance and Legal Services of the current replacement value of all buildings for which insurance is required.

36. Land, Buildings, Plant and Equipment

The purchase, sale or lease of land or buildings, or any other transaction within the University's Capital Plan, more than £250,000, should only be undertaken with authority from Court and with reference to Funding Council requirements where exchequer funded assets or exchequer funds are involved. However, Court has delegated its authority to the Finance Committee to approve the purchase, sale or lease of land or buildings and capital expenditure out with the Capital Plan for projects costing between £1m - £5m and to University Executive for capital expenditure values of less than £1m. Court approval is required for projects more than £5m.

Budgetary Units may not alter or add to the University's buildings without the prior written approval of the Global Director of Estates & Facilities who will, as necessary, ensure that appropriate funding and approval has been obtained.

Specifically, regarding a Real Estate Transaction being any dealing in or concerning a Real Estate Asset (being land and buildings) to which the University or any member of the Heriot-Watt Group is a party, including a purchase, sale, lease, sublease, license, or other agreement relating to the occupation, use or vacation of, and affecting in whole or in part, any Real Estate Asset, or any interest in a Real Estate Asset, the following must be evidenced in all cases:

- The GCFO is satisfied that appropriate financial due diligence, including ascertaining current market values, has been undertaken and is within the University's risk appetite statement
- Appropriate (non-financial) due diligence has been undertaken and reviewed by the Secretary of the University or nominee
- The Global Director of GALS is satisfied that the lease or license contains no unusual or onerous terms
- There are no known or suspected Environmental Issue
- The proposed tenant or landlord (as applicable) poses no reputational risk to the University

A Real Estate Transaction must only take place with the authorisation of the Court. Funding body consent may also be required if exchequer funds were involved in the acquisition of the asset. Court has delegated its authority to Finance Committee to approve the disposal, sale or leasing of University Assets with a market value of between £1m and £5m and to University Executive for values of less than £1m. Above £5m specific approval of Court is required.

Where an asset is to be leased, the capital value will be calculated to be the sum of all committed receipts over the terms of the lease, including any period of permitted extension. Where such

value is greater than £1m, approval will be sought from Infrastructure Management Committee prior to transmission to Finance Committee.

The Global Director of Estates & Facilities will be responsible for maintaining a register of the University's Land & Building Assets. A report will be presented to Infrastructure Management and Finance Committees and Court on an annual basis detailing all approved real estate transactions for the previous 12 months, aligned to the annual financial reporting.

Disposal of equipment with a net book value of greater than £100,000 must be with the agreement of the GCFO.

37. Fixed asset register

The GCFO is responsible for maintaining the University's register of land, buildings, fixed plant and machinery, which form the value of Property Plant and Equipment in the Balance Sheet. The University's detailed accounting policies on capitalisation of assets can be found within the annual financial statements. In general, only items with a value more than £20,000 (AED100K, RM2K) will be capitalised.

The regulations governing the purchasing of goods and services under this heading are set out in Para 60.

Where assets are disposed, it is the responsibility of the Budget Owner to ensure that the Fixed Asset register is updated as appropriate.

Annually before the External Audit, the GCFO will arrange for a review of the Fixed Asset Register to ensure completeness and evidence of existence of assets.

Regulations governing the creation, acquisition or disposal of capital assets are contained in Para 55.

38. Shares held as part of Endowment Funds and Investments

University investments for endowments are overseen by the Endowment Committee. The Endowment Committee monitors the external management of funds, advises on performance benchmarks and targets and reports to the Finance Committee.

The Endowment Committee will ensure that these investments are managed by the investment manager under the terms of an Investment Management Agreement and in line with the University's [Investment Policy](#). The Endowment Committee will negotiate and be responsible for promoting to Finance Committee the form and terms of that Investment Management Agreement.

The University holds investments managed externally. These are overseen by the GCFO.

39. Spin-Outs

The decision surrounding the creation, investment in and disposal of spin-out companies are overseen by the Deputy Principal (Enterprise and Business). Written approval for such will be given by the University Executive and, where the investment or disposal value exceeds £1m, Finance Committee. The University's rights to monitor performance of any spin-out will be contained in an Investment Agreement and will comply with University policy. Where being considered, reference should be made to Academic Regulation 42: Formation of New Companies

40. Inventories of equipment and stock

Budget Officers are responsible for the safekeeping of any equipment, plant, furniture and stores

that are under their control. They must ensure that such property is recorded in an inventory and that, for insurance purposes, the Head of Assurance Services is informed of the current replacement value of such assets. The inventory must include items donated or held on trust.

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

Regarding stock, records must always be properly maintained and must show all receipts and issues. The records must also show the type and quantity of the items stock held and, where appropriate, the serial numbers. Inventories must be checked at least annually. At the end of each Financial Year, Budget Officers will inform the GCFO of the type, quantity and value of stock which they hold. The value applied to such stocks will be based on cost or market value, whichever is the lower.

41. Motor vehicles and Boats

All motor vehicles and boats that are the property the University must be registered in the name of the University or a member of the Heriot-Watt Group.

The Director of Governance and Legal Services will ensure that:

- a) records of vehicle registrations, road tax, MOT inspections and insurance are maintained;
- b) motor vehicles are always roadworthy and that, at all times, statutory requirements, including those concerning the carriage of goods and passengers, are complied with; and that
- c) only members of staff who hold a valid driving license and who meet the requirements of the University's motor vehicle insurers drive such vehicles.
- d) Where applicable the above also apply to the operation of the boats.

42. Patents, the exploitation of intellectual property and copyright

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

The policy regarding matters of ownership and exploitation of intellectual property accruing to the University from inventions and discoveries made by staff in the course of their work are laid out in the [University Policy on Intellectual Property](#).

43. Personal use

Assets owned or leased by the University or a member of the Heriot-Watt Group shall not be subject to personal use without proper authorisation from the Budget Officer.

E INCOME

44. General regulations governing the management of the University's income

The GCFO is responsible for ensuring that appropriate procedures are in operation to enable the institution to receive all income to which it is entitled.

All sales will be deemed to adhere to the [University's standard terms and condition of sale applicable to the local campus](#) unless alternative arrangements have been agreed in writing by the GCFO.

The GCFO is responsible for ensuring that all grants notified by SFC and other bodies are received and appropriately recorded in the University's accounts.

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

Only the GCFO can implement credit arrangements and indicate the periods in which different types of invoices must be paid. The setup of new customers, credit checks and payment terms must adhere to the University's credit policy

It is the responsibility of all staff to ensure that revenue to the institution is maximised by the efficient application of agreed procedures for the identification, collection and banking of income. This requires the prompt notification to Finance of sums due so that collection can be initiated.

45. Sales invoices

The GCFO is responsible for the University's sales invoicing, debt management and credit arrangements. In exercising these responsibilities, the GCFO will ensure that:

- a) debtor invoices are raised promptly on official invoices;
- b) invoices are prepared with care, showing the correct amount due with any applicable VAT/GST correctly charged where appropriate and are credited to the appropriate income account;
- c) any credits granted are valid, properly authorised and accurately recorded in the University's financial system;
- d) monies received are posted to the correct debtors account;
- e) swift and effective action is taken in collecting overdue debts;
- f) overdue debts are monitored and pursued.

46. Receipts

All income must be paid into a University bank account promptly and be recorded within the University's financial system either through direct input or through an appropriate interface from another university system.

All income received directly by the University by cash & cheque must be recorded before being banked.

Cheques and financial instruments must be made payable to the appropriate University account. No cheque or financial instrument made payable to the University may be credited to an account which does not belong to the University.

All payments shall be paid over gross and no payments shall be set off against receipts. Under no circumstances shall income be used to make petty cash disbursements, borrowed by staff for personal use, or used for the cashing of personal cheques.

47. Student fees

The GCFO shall ensure that there is an appropriate policy regarding the management of student fees, charges, fines and debts. Please follow this link:

<https://www.hw.ac.uk/uk/services/payment/terms-conditions.htm#terms>

The policy shall set out the payment terms and payment methods.

The policy shall include a proportionate and escalating Student Debt Collection Process to safeguard full and timely payment of all overdue outstanding sums due to the University by students, however funded. The policy should provide guidance on help and support available to students facing financial difficulties.

Continuing students will not normally be allowed to register for the new session with any outstanding tuition fee, accommodation fee or other debt. Any student who has any academic debt owing to the University shall not be allowed to graduate until all such debts have been cleared.

48. Tuition fee setting

The level of tuition fees charged to students is reviewed on an annual basis and approved by The Finance Committee on behalf of the University Court.

Details of the current level of tuition fees and associated policy are available on the University's website.

49. Consultancy

The procedures regarding consultancy undertaken by members of academic staff are laid out in the University's [Guidance and Rules Governing Consultancy](#)

49.1 University consultancy

All commercial consultancies shall be subject to the University's standard terms of sale.

<https://www.hw.ac.uk/uk/services/docs/hr/policies/RevisedCommercialPolicy240812Version2.pdf>

Close liaison with both the Research Engagement Directorate and the Finance Department is required throughout all stages of carrying out commercial activity including the initial costing of the project. At an early stage, before contracts are entered, the Finance department must be given the opportunity to carry out, and sign-off in writing, a credit check of the client.

All activity must normally be intended to generate a surplus; however, a decision may be taken by the Budget Officer to approve the activity based on other valuable non-tangible benefits. The costing of inputs and the pricing of outputs must be carried out in accordance with the University's Costing and Pricing Policy. For all contracts, costing and pricing must be agreed in writing by Research Engagement Directorate and the Budget Officer before any quotation is issued to the client.

Each contract will have a named project leader and will be assigned a unique financial code within the Budgetary Unit. Consistent with the provisions of these regulations, control of pay and non-pay expenditure may be delegated by the Budget Officer to the lead consultant but any unexpected loss on the contract will be borne by the Budgetary Unit.

It is the responsibility of the project leader approved by the Budget Officer to request that the Finance Department issue an invoice for work completed. In respect of courses and conferences run by the University, the Budget Officer should ensure that it obtains payment before the individuals can attend the Course or Conference in line with normal commercial practice.

49.2 Private consultancy

Where consultancy is undertaken in a private capacity (and this is allowed under terms and conditions of the contract of employment), employees should inform their line manager. They must also inform their client that they are acting in a private capacity and that the University, or a member of the Heriot-Watt Group, will not in any circumstances accept responsibility for their work. The University will have a right of veto if there is a probable conflict of interest and / or executing the consultancy may damage the reputation of the University.

Correspondence with the client should not bear the University name or crest or in any other way give the impression that the individual is acting as an agent, or trading on behalf of the University or a member of the Heriot-Watt Group. Staff should not use Heriot-Watt university e:mail addresses as this may imply the involvement of the University. Use of any University, or a member of the Heriot-Watt Group's, facilities or staff time should be declared and paid for by the employee at an appropriate commercial rate. Staff are responsible for any insurance or personal tax liabilities arising from this work.

No costs incurred in relation to private consultancy, including those of travel, accommodation, consumables, etc., should be charged to the University or a member of the Heriot-Watt Group at any time, even if there is an intention to repay the monies.

50. Research grants and contracts

The term "research grant" is used to refer to research funding from the UK research councils, charities or funding bodies. Most other externally financed research projects are referred to as "research contracts".

All income arising from research grants and contracts awarded to staff of the University shall be vested in the University. Except where the funder requires a more onerous application of conditions, all expenditure in respect of research grants and contracts shall be governed by these regulations.

Where a member of staff is involved in any research contract or such other arrangement in which he has an interest, pecuniary or otherwise, such interest must be disclosed to the GCFO prior to the commencement of such contract or arrangement together with any regulations or conditions set by the sponsoring body.

Research Engagement Directorate or the Directors of Research in Dubai or Malaysia are responsible for providing appropriate costing and pricing advice. In order to price a research project appropriately, the full cost of the research and other financial implications needs to be identified by the applicants and discussed and appraised by the Research Engagement Directorate.

Where required by external research funders, research projects will be costed in accordance with Transparent Approach to Costing (TRAC) principles and the University policy on Full Economic Costing (FEC). In addition, the application must be in line with the University's policy regarding

Full guidance on all research activities and policies is available at:
<https://heriotwatt.sharepoint.com/sites/red>

50.1 Grants and Contract Conditions

Funding bodies normally stipulate the terms and conditions under which funding is awarded, and these will be reviewed by Research Engagement Directorate. Terms and conditions often include procedures regarding the submission of interim or final reports or the provision of other relevant information. It is the responsibility of the Principal Investigator and/or other Co-Applicants, to obtain a full set of terms and conditions from each funding body to enable appropriate monitoring of compliance, and to ensure that conditions of funding are met.

50.2 Acceptance of a Research Project

It is the responsibility of the Research Engagement Directorate to accept awards and to negotiate and accept contracts on behalf of the University. A copy of every award or accepted contract must be maintained by the Research Engagement Directorate and be readily available for review.

50.3 Financial Management

Each research project will have a named Principal Investigator and will be allocated a specific project code with a defined budget in accordance with the award. Research Grants Office or Finance in Dubai and Malaysia will maintain all financial records relating to research projects, will provide regular expenditure reports to the Principal Investigator and shall initiate all claims for reimbursement from funding bodies on the due dates.

Management of staff and operating expenditure is the responsibility of the Head of School of the Directors of Research in Dubai and Malaysia. The Head of School may delegate day-to-day control of a budget to a grant budget holder, but any overspend or under-recovery of overheads, will be charged against school funds.

Research Grants Office will report monthly, as part of Monthly Management Reporting for the University Executive Group, monitor income against budget and ensure that any significant variances from plans are reviewed in a timely manner. The total value of research applications and awards is monitored and reviewed by the University's [Committee for Research and Innovation](#).

51. Debt write-off

Requests to write off debts must be referred to and approved by the GCFO, who shall require to be satisfied that the debt is irrecoverable or that its recovery would be uneconomic.

The following additional authority shall be required for the write-off of debts in Scotland and Dubai with the following value:

- i. Up to £15,000: the Budget Officer
- ii. £15,001 - £50,000: the Budget Officer and either the Vice Principal or the GCOO;
- iii. £50,001 - £100,000: the Budget Officer and Principal and either the Vice-Principal or GCOO
- iv. £100,001 - £250,000: the Budget Officer and the Principal and either the Vice Principal or

the COO and with the prior minuted approval of the Finance Committee (unless the Principal and Chairman of that Committee agrees to this requirement being waived in instances where urgent action is required);

- v. over £250,001: the Budget Officer and the Principal and with the prior minuted approval of the Finance Committee and Court (unless the Chairman of the Court agrees to this requirement being waived in instances where urgent action is required).

Within Malaysia any write off up to RM100K must be signed off by the Deputy COO and Head of Finance and where more than £100K also the regional COO.

Any debts written off will be charged against the Budgetary Unit to which the income had been credited.

52. Charitable donations and endowment funds

The receipt of a gift or donation by a Budgetary Unit must be referred to the Head of Development and Alumni who shall determine if it meets the requirements for treatment as an endowment. The Head of Development and Alumni will ensure that the University can abide by any restrictions and that the acceptance of any such funds complies with the policy regarding Ethical Business.

The GCFO is responsible for maintaining financial records and for ensuring that incoming funds are properly classified and designated as appropriate. Claims for recovery of tax must be completed where appropriate.

Donations and endowments with donor-imposed restrictions are recognised as income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised as income when the University is entitled to the funds. Investment income and appreciation of endowments are recorded in income for the year for which they arise and are either restricted or unrestricted income according to the terms applied to the individual endowment fund.

There are five main types of donations and endowments identified within reserves:

- Restricted donations - the donor has specified that the donation must be used for a particular objective.
- Unrestricted donations – the donor does not specify the use of the donation.
- Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
- Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
- Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

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

The GCFO is responsible for the monitoring the performance of Fund Managers and advising the Finance Committee on the control and investment of the endowment fund portfolio, via the Endowment Committee.

The Finance Committee is responsible for ensuring that all the University's endowment funds are

operated within any relevant legislation and the specific requirements for each endowment.

Reference should be made to the [Ethical Business: Charitable Gifts Acceptance Policy](#)

53. Donation of Shares or Other Assets

When shares or other assets are offered by a donor, the GCFO is responsible for the same due diligence they would normally undertake for a donation of cash. In addition, the GCFO will ensure:

- the donor is the rightful owner of the donated shares or other assets; and
- the owning of the shares or other assets complies with the University's ethical policies

At the time of the donation, the Head of Development and Alumni should obtain in writing the purpose of the donation.

F EXPENDITURE

54. General

No member of the University or a member of the Heriot-Watt Group may make a commitment on behalf of the University or a member of the Heriot-Watt Group that would knowingly cause budgets approved by the Court to become overspent.

The GCFO is responsible for ensuring that proper procedures exist for the control and monitoring of expenditure against approved budgets and for arranging for payments of all amounts due from the University.

Payments of suppliers' invoices, scholarship payments and payments of salaries will generally be made by the Bankers' Automated Clearing System (BACS) within the UK and the equivalent system in Dubai and Malaysia.

Urgent payments may be made via the Clearing House Automated Payments System (CHAPS) or by an online Same Day Value Transfer.

When purchasing, procuring or committing to capital expenditure, cognizance should be had to the University's strategy on sustainability.

55. Capital Expenditure

Expenditure on acquisition of land, property, plant, equipment or other assets, including those that are identifiable but without physical substance (for example patents, trademarks, copyrights, business methodologies, etc.), whose cost of creation or acquisition exceeds £20,000 (including professional fees and VAT/GST) and where the asset is believed to have a life of more than one year and the accounting regulations permit, shall be deemed capital expenditure.

55.1 Capital expenditure programme

The GCFO, in consultation with the Senior Officers of the University, will draw up a proposed capital expenditure programme annually, for inclusion in the financial plan, to be approved by the Court. The proposed capital expenditure programme will:

- a) identify known and likely projects for the next 5 years;
- b) be consistent with the University's Strategic Plan and its Estates Strategy;
- c) be presented to the Finance Committee for consideration, agreement and recommendation to the Court for approval; normally at the meeting of the Court that sets the budget for the years to which the proposed capital programme relates;
- d) provide the information required to fulfil the University's duty under the Procurement Reform (Scotland) Act 2014 (Para 18), to publish annually a summary of regulated procurements (including works contracts exceeding £2,000,000) expected to commence during the next 2 years.

55.2 Capital expenditure projects – approval

Although a proposed capital expenditure project may have been included in the capital expenditure programme approved by the Court or in the Estates Strategy, such inclusion does not constitute approval for its commencement. Specific written approval for the commencement of capital expenditure projects that have been included in the Court approved Capital Plan in Scotland and Dubai will be in accordance with the following schedule:

- i. £20,000 to £100,000: with the prior written approval of the GCFO and the Vice-Principal or

GCOO;

- ii. £100,000 to £1,000,000: with the prior minuted approval of the University Executive;
- iii. £1,000,000 - £5,000,000: with the prior minuted approval of the Finance Committee;
- iv. over £5,000,000: with the prior minuted approval of the Court.

Where a capital project is promoted that wasn't included in the Court Approved Capital Plan then approval will follow the limits above and will be reported for noting to Finance Committee where approved by University Executive and to Court where approved by Finance Committee.

Within Malaysia all capital expenditure must be approved by the Regional COO or the Provost – Malaysia. If greater than RM50K sign-off is required from Procurement Services in Scotland.

Applications for approval will include the following information:

- a) a description of the proposed project;
- b) full estimates of all capital and other costs (including fees, VAT/GST and any other associated costs);
- c) an estimate of the monthly cash flow;
- d) an investment appraisal using HM Treasury 'Green Book' appraisal and evaluation guidance;
- e) an estimate of the revenue impact of the proposed project on the current and future years' budgets
- f) assessment and quantification of risk and details of the critical path analysis.
- g) advice from the University's professional advisers, for example, solicitors, tax advisors, valuers, etc.; along with an indication of whether the University requires further professional advice relating to the proposed project
- h) full information concerning how the proposed project is to be funded and the sources of that funding, including borrowing/financing arrangements and any impacts on University's funding covenants
- i) confirmation of alignment with the University's strategic plan, the estates strategy and the financial plan and confirmation that the proposed project conforms with these;
- j) information concerning any approval which have been obtained or may be required for the proposed project, for example, building consent or approval from SFC.
- k) where relevant, full information concerning the proposed terms and conditions of the contract;
- l) the procurement process and sourcing strategy, and the extent to which the proposed project falls within Scottish Government tendering requirements;
- m) confirmation that appropriate support and guidance has been sought from Assurance Services and acted upon;
- n) a timetable for further progress, including significant milestones and Gateway Reviews throughout the proposed projects' lifecycle.

55.3 Capital Disposals

Where a capital item on the Fixed Asset Register is scrapped or disposed prior written approval must be sought from the GCFO where the original capital value was greater than £250K.

Dispose, transferring of an asset outside of the University or scrapping of an asset on the Fixed Asset Register with a net book value of less than £50K can be made by the budget owner. Over £50K written approval must be sought from the Vice Principal or GCOO or Provosts in Dubai and Malaysia.

55.4 Capital grants

Capital funds granted for the purchase or construction of an asset must be used for the specific purpose that the grant was made.

55.5 Lease of land, property, plant or equipment

Where the university leases assets that would otherwise have met the definition of a capital expenditure, in preference to creating or purchasing them, the same provisions for programming, approving and monitoring shall apply as if this was a capital expenditure. The capital value will be calculated to be the sum of all committed payments over the terms of the lease, including any period of permitted extension.

Where such value is greater than £1m, approval will be sought from Infrastructure Management Committee prior to transmission to Finance Committee.

Such transaction will be classed as a Real Estate Transaction and must follow the same process for seeking approval as outline in para 36 above.

56. Revenue Expenditure

Expenditure that does not meet the definition of capital expenditure shall be deemed revenue expenditure. Subject to the provisions relating to the authorisation of purchase orders, Budget Officers may incur expenditure in a Financial Year within their approved pay or non-pay budgets.

57. Revenue Expenditure – Pay

57.1 Remuneration policy

All University staff will be appointed to the salary scales approved by the Court and in accordance with appropriate conditions of service. The Human Resources Directorate shall issue all letters of appointment.

The Remuneration Committee with delegated authority from the Court will determine salaries and other benefits for senior management.

57.2 Appointment of staff

Budget Officers must apply to the University's Vacancy Management Group, via the HR System for approval to recruit staff to fill existing or new positions or to extend contract terms for fixed term staff, in line with the terms of reference of that group.

The University will employ a member of staff only where a financial provision has been made within the approved budget.

All contracts of service shall be concluded in accordance with the institution's approved HR practices and procedures. Offers of employment of casual hourly-paid temporary or part-time staff must secure appropriate prior written approval, with such offers being made in accordance with the procedures in force from time to time.

Budget holders or the local colleague from HR in Malaysia shall ensure that the Human Resources Department and the Finance Department are provided promptly with all information they may require in connection with the appointment, resignation or dismissal of employees.

Where an offer of employment is dependent on holding a work visa, it is the responsibility of the Human Resources Department to monitor compliance and ensure that the work visa remains current.

Where an appointment relates to a person who will work for a period of greater than 90 days in a

country other than that relating to their contract of employment must be approved in writing by the Tax Manager in Scotland given the potential for issues relating to taxation. In Dubai and Malaysia such approval will be with through the Regional Head of Finance.

57.3 Salaries

The Global Director of Human Resources shall be responsible for the calculation of all salaries and all appropriate deductions therefrom and shall account for all such payments and deductions to the appropriate authorities or agencies. Within Dubai and Malaysia such has been delegated to the local COO who are responsible for ensuring compliance with local regulations.

The GCFO shall be responsible for the payment of salaries which shall be made monthly in arrears through BACS, in line with BACS authorisation limits. Within Malaysia, such responsibility is delegated to the Deputy COO and Head of Finance. Salaries for colleagues in Dubai are paid via the UK until systems permit when responsibility for the payment will be delegated to the local Head of Finance.

All timesheets and other pay documents, including those relating to fees payable to external examiners, visiting lecturers or researchers, will be in a form prescribed or approved by the Global Director of Human Resources. Within Malaysia approval is with the Budget Owner.

Budget Officers are responsible for ensuring that all episodes of sick leave and other absences are recorded in a timely fashion on the HR System, so that, where necessary, payroll records can be adjusted accordingly.

All payments must be made in accordance with the University's detailed financial procedures and comply with HM Revenue & Customs regulations, or other national taxation authority.

The Global Director of Human Resources shall be responsible for keeping all records relating to payroll, including those of a statutory nature. In Malaysia such responsibility is delegated the local COO and Registrar.

57.4 Superannuation schemes

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

The Global Director of Human Resources is authorised by members of staff who participate in the University approved schemes to deduct, from their monthly salary payments, the appropriate percentage of income due to the Scheme.

The University contributes for each participating member of staff at the rate laid down by the Scheme from time to time.

The Global Director of Human Resources is responsible for the management of pension arrangements, including:

- a) paying contributions to various authorised superannuation schemes
- b) preparing the annual return to various superannuation schemes
- c) administering eligibility to pension arrangements.

For members of staff seconded to work in Dubai and Malaysia, it is the responsibility of the Global Director of Human Resources to determine whether that person may remain in their current employer pension scheme. In which case it is the responsibility of the Global Director of Human Resources to ensure appropriate deductions are made from the local payroll and administers as above.

57.5 Severance payments

Severance payments shall be governed by a University's policy that shall be approved by Court on the recommendation of the Remuneration Committee. In addition to being consistent with the university's policy, severance payments must consider contractual entitlements, for example, salary and period of notice, and any applicable statutory employment entitlements and, unless otherwise approved, must conform to the terms of the Financial Memorandum between the University and SFC and any guidance issued by Audit Scotland.

For staff employed in Dubai, there is a requirement for the University to make provision for a [gratuity payment](#) made to the member of staff on leaving the employ of the University. It is the responsibility of the GCFO to ensure that appropriate provision, in line with legal requirements as may be in force at any time, is made.

Internal audit shall undertake a regular review of systems for the determination and payment of severance settlements in their strategic audit plan.

The view of the external auditor shall be sought in relation to any severance payments that may be considered novel or potentially contentious, including those that exceed the maximum threshold agreed by the Court.

The external auditor must review severance settlements. Such a review will normally take place after settlements have been agreed, normally as part of the annual audit of the financial statements. Where the external auditor considers that settlements do not materially conform to the terms of the Financial Memorandum between the University and SFC, this should be reported to Court and included in the management letter.

57.6 Salary Advances

No salary advances or loans to staff or students, in receipt of salary payments, shall be made apart from those, approved by the Global Director of Human Resources, to avoid an employee suffering undue financial hardship in cases where material processing errors or omissions have been made. Where the Global Director of Human Resources authorises such a payment it will be conditional on the amount requested being equal to or less than the following month's salary; and the amount of the advance being recovered in full from the following month's salary. In Dubai and Malaysia such responsibilities are delegated to the local COO.

The only other advances that are permitted, as described in para 58.3, relate to advance of expenses.

57.7 Salary Overpayments

If an employee's salary is overpaid, the Global Director of Human Resources shall seek recovery of the entire amount through deduction of salary or otherwise. The period of repayment should be set to avoid the employee suffering undue financial hardship but shall not extend beyond the termination of their employment. In Malaysia such responsibility is delegated to the local COO.

57.8 Loans to employees

Neither the University nor any of its wholly owned subsidiary companies will make loans to employees.

58. Revenue Expenditure - Travel and Subsistence

The University's purchasing and payment procedures are in place to enable most goods and

services to be procured without staff having to incur any personal expense. All non-travel and subsistence costs must be incurred via normal purchasing procedures and not claimed as travel and subsistence.

However, on occasion staff may incur expenses in relation to travel for which they are entitled to reimbursement. Where this is the case, the University's financial procedures on Travel and Subsistence Expenses must be adhered to. Members of staff and other persons authorised to travel on official University business shall do so in accordance with these procedures.

<https://www.hw.ac.uk/documents/travel-expenses-policy.pdf>

All arrangements for travel must be approved by the budget holder in advance of committing the University to those arrangements or confirmation of any travel bookings. Where spouses, partners or other persons unconnected with the institution intend to participate in a trip, this must be clearly identified in advance and agreement to the reimbursement to the University of the expected costs shall be obtained in advance of travel.

Where members of staff are regular travellers, a University Traveller Corporate Card may be issued to provide an efficient means of allowing University staff to incur legitimate expenses on University business, in accordance with the University's Travel & Expenses Policy, but which would otherwise have been incurred by a different method of payment, such as an expense claim. University Traveller Corporate Cards allow only for specific types of travel-related expenditure to be incurred and are distinct from Departmental Purchasing Cards.

University Traveller Corporate Cards are issued under a separate [Traveller Corporate Card Policy](#). Full details can be found on the [Procurement Sharepoint Hub](#).

Personal subscriptions and personal professional memberships will not be reimbursed to Staff, unless such is required for the University to gain external accreditation.

Reimbursement of expenses shall be by BACS transfer, a local variant in Dubai and Malaysia, on a bi-monthly basis.

58.1 Claims for Reimbursement

Claims for reimbursement of travel and subsistence will only be met where:

- expenses were wholly, necessarily and exclusively incurred on the University's business;
- have been incurred with due regard to economy;
- claims are submitted in the prescribed form;
- claims are received within three months of the claimants return to the university; and
- claims are supported by receipts or other supporting documentation.

Claims can only be approved by the appropriate line manager/budget holder in accordance with the established delegated authorities. In approving claims, the approvers are attesting that the claim is compliant with the University's Travel & Expenses Policy. All claims must be submitted through iEXpenses.

58.2 Overseas travel

Claimants travelling overseas on University business must receive authorization in writing to travel from the budget holder in advance of making any bookings or taking a journey. Budget holders travelling should seek authorisation in writing from the next higher level of authority.

58.3 Advance of Expenses

An application for an advance of expenses may be made. All advances will be paid by bank transfer into the employee/student bank account. On returning to their normal place of work, colleagues should account fully for the cash advanced as soon as possible and in any event within 15 days.

59. Revenue Expenditure - Other Non-Pay Expenditure

Budget Officers may approve in writing non-pay expenditure, including travel and expenses, up to a value of £15,000 (AED 70,000, MYR 80,000) other than their own. Authorisation for their own expenses should be given in writing by an officer with higher levels of delegated approval authority.

Below that level, Budget Officers may approve a scheme of delegation. It is the responsibility of Budget Officers to record such a scheme on the form created for that purpose which shall set out:

- the names of the individuals designated as deputies or designated nominees
- the limits of the authority delegated to or to be exercised; together with
- specimen signatures.

The form shall be lodged with the GCFO or Heads of Finance in Dubai and Malaysia via the local Accounts Payable team. It is the responsibility of Budget Officers to update the information where changes in roles, responsibility or employment of any of the individuals named on the form.

The GCFO will ensure that the delegated authorities are affected in the e-Procurement system; and that reference is made to that scheme of delegation when invoices or expense claims are passed for payment.

Authorisation may be given by an officer at a higher level if this is not inconsistent with the requirements set out elsewhere in these regulations or does not constitute a failure or circumvention of control.

No transaction may be broken down into smaller elements to circumvent or facilitate the evasion of these regulations.

The regulations governing the purchasing of goods and services under this heading are set out in Paras 60.

59.1 Heriot-Watt Students Union / Association grant

Scotland

The University Secretary shall ensure that a Financial Memorandum of Agreement is established and maintained between Heriot-Watt University and the Heriot-Watt University Students Union. Such agreement must lay out the requirements of the University that must be met to allow annual payment of the grant, together with the formula for its calculation.

The grant will be paid in instalments. The first payment in each academic cycle, covering the first quarter, will be made in August; thereafter monthly instalments will be paid from November for the remainder of that cycle. Following confirmation of student numbers for the year, the GCFO shall issue a payment schedule each December reflecting actual numbers for that year and indicating reduced or increased monthly payments for the remainder of that year.

Dubai

As Unions are illegal in the UAE the Dubai Student Council is part of the University rather than operating as a truly independent body. As such they do not have their own bank account. The

relationship is maintained through Registry and annually there is an annual budget allocated for student related event with expenditure being approved by the Student President.

Malaysia

At the beginning of each academic year, the new HWUMSA council members will submit an annual plan to Head of Registry and Academic Support detailing major activities with estimated costs. The plan may subject to change. Annually there will be an allocated of funding for HWUMSA events for each financial year based on student population.

In Malaysia, the opening of a bank account for HWUMSA is not feasible, hence HWUMSA may request cash advances and submit claims for the expenses as approved by Head of Registry & Academic Support.

60. PURCHASE OF GOODS AND SERVICES

60.1 General regulations and procedures

The Director of Governance and Legal Services is responsible for ensuring that procedures are in place so that the University complies with all procurement legislation and specifically legislation governing public procurement in Scotland. Mandatory Scottish procedures are to be used for all procurement of goods and services or hire thereof with a total value exceeding a threshold value (which is revised every two years). A breach of the legislation is actionable by a supplier or a potential supplier.

60.2 Procurement and Tendering

The University is committed to obtaining value for money in all its transactions, irrespective of the source of funds. As such, the University requires all budget holders to obtain goods and services at the most economically advantageous cost, consistent with quality, delivery requirements and sustainability, and always in accordance with sound business practice and integrity.

Procurement Services is responsible for putting in place mechanisms to ensure that Academic Schools, Research Institutes and Professional Services are able to conform to all legal, ethical and institutional requirements, and are able to obtain the best value for money when purchasing on behalf of the University.

Although procurement legislation and regulations differ within the three campus countries, the ethos and principles of fairness, transparency, openness, economy and competition must be evident and consistent throughout the University's procurement activities.

The procurement policies, procedures and guidelines for each of the three campus countries in relation to tendering and purchasing can be found the [Procurement SharePoint Hub](#).

It is essential that all staff who commit expenditure are aware of the obligations placed upon them and comply with the procurement requirements at their campus. Guidance, training and awareness of procurement at the University is made available from [Procurement Services](#).

It is the responsibility of the Head of School/Director of Professional Service to ensure that their members of staff comply with the respective procurement policy, procedures and guidelines.

60.3 Terms and conditions applying to the purchase of goods and services

The University has standard terms and conditions relating to the purchase of goods and services.

These terms and conditions will apply to each transaction, unless otherwise agreed in writing by a regional Procurement Manager (purchases under £20K) or the Head of Procurement Services (Purchases £20K or over)". For Malaysia, these are under review.

60.4 Purchase Orders

Purchase Orders fulfil the role of acceptance of a supplier's offer and bind a contract on the University's terms and conditions. The use of purchase orders provides protection for the individual buyers and the University.

A purchase order must be raised on the University's financial system for the purchase of all goods and services before the purchase is made, except in the case of:

- A Departmental Purchase Card is used for one-off, small value items (refer to Section 60.8);
- a University Traveller Corporate Card is used (refer to Section 58); or
- for a small number of spend categories where pre-arranged contracts exist and it is impractical to raise a purchase order (eg energy contracts).

The University applies a 'No PO, No Pay' policy. Suppliers who have not received a purchase order number or who do not quote the purchase order number on their invoice will not be paid unless an exception is agreed in writing with the Finance Operations Manager or the local Heads of Finance in Dubai and Malaysia.

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

At the year-end, Budget Owners must review all open POs. Where applicable, if a PO has been completed, the PO must be closed.

60.5 Authorisation of purchase orders and contracts

No order is to be placed unless it and/or its supporting documents bear the appropriate signatures or sign-off through the Oracle system.

Up to £5,000 (AED 24,000, MYR 27,000)	The Budget Officer or, with due regard to any lower limit set, those approved within a scheme of delegation;
£5,001 - £20,000 (AED 24,001 – AED 100,000) (MYR – 27,001 – MYR 110,000)	The Budget Officer and the Director of Professional Service/Head of School
£20,001 - £50,000 (AED 100,001 – AED 240,00) (MYR 110,001 – MYR 270,000)	The Budget Officer the Director of Professional Service/Head of School and the Head of Procurement Service or the Regional Procurement Manager and the Deputy Director of Finance in the UK or the regional Head of Finance;
£50,001 - £150,000 (AED 240,001 – AED 720,000) (MYR 270,001 – MYR 810,000)	The Budget Officer and the Director of Professional Service/Head of School and the Head of Procurement Services and the GCFO

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£150,001 - £500,000 (AED 720,001 – AED 2.5M) (MYR 810,001 – MYR 2.5M)	The Budget Officer and the Director of Professional Service/Head of School and the Head of Procurement Services and the GCFO and one of the Provosts, Vice-Principal, or the Principal;
£500,001 - £5,000,000 (AED 2.5M – AED 25M) (MYR 2.5M – MYR 25M)	The Budget Officer and the Director of Professional Service/Head of School and the Head of Procurement Services and the GCFO and one of the Provosts, Vice-Principal or the Principal and with the prior minuted approval of the Finance Committee (unless the Chairman of that Committee agrees to this requirement being waived in instances where urgent action is required);
over £5,000,000 (AED 25M, MYR 25M)	The Budget Officer and the Director of Professional Service/Head of School and the Head of Procurement Services and the GCFO and the Principal and with the prior minuted approval of the Finance Committee and with the prior minuted approval of the Court (unless the Chairman of the Court agrees to this requirement being waived in instances where urgent action is required).

In Malaysia, the routes for authorisation are under review.

Where expenditure commitments are established that commit beyond the Financial Year in which they are entered, the value of the commitment across financial years shall be aggregated when applying these limits.

60.6 Receipt of goods and services

Budget Holders must ensure that goods are delivered to an establishment of the University and that services are provided in accordance with the terms of the relevant purchase order.

When the Budget Holder is satisfied that the goods or services are what was ordered, are of appropriate quality and, if relevant, in good working order, an appropriate member of staff must receipt the goods in the University's Finance System.

If the goods are deemed to be unsatisfactory, the record are to be marked accordingly and the supplier immediately notified so that they can be collected for return as soon as possible. Where goods are short on delivery, the record should be marked accordingly, and the supplier immediately notified.

Where possible, individuals receiving goods on behalf of the University should be independent of those who tendered the contract and placed the purchase order.

60.7 Payment of Invoices

Unless special terms are agreed in writing with the GCFO or the regional Head of Finance, all invoices will be paid at the end of the month following the month in which the invoice is dated.

The GCFO or the regional Heads Directors of Finance are responsible for deciding the most appropriate method for payment of invoices. Invoices will only be paid for amounts authorised by an appropriate authoriser with a sufficient delegated limit as in the Delegated Authority Schedule.

Payments will only be made on invoices where the goods or services have been satisfactorily received. However, in circumstances where advance payment (partial or full) is required as a

condition of contract, and the University can be satisfied that it will ultimately receive the goods and services, such payments may be made. Evidence of due diligence as to the supplier's credit standing must be attached to the advance payment request.

60.8 Department Purchase Cards

The purpose of a Departmental Purchase Card is to provide an efficient and effective route to market for particular departmental expenditure on goods and services. The use of a Departmental Purchase Card would typically be appropriate where:

- the supplier cannot accept University orders raised through the University's Finance System or is 'online only' (e.g. training/conference bookings);
- the transaction is of a low value;
- the use of that supplier is a one-off or low volume; or
- an immediate purchase of is required due to unforeseen circumstances.

The use of a card does not alter the underlying rationales of purchasing - transparency, fairness, competition and value for money - and must not be used as a means of circumventing procurement procedures and guidelines. However, their use does alter some of the traditional accounting mechanisms, such as separation of signatories.

Departmental Purchase Cards are issued under a separate [Departmental Purchase Card Policy](#). Purchase Card details must not be shared for others to use. Monthly the cardholder must reconcile the spend, attach invoices and receipts, and have that spend approved retrospectively by the appropriate Finance Manager or Management Accountant. Full details can be found on the [Procurement SharePoint Hub](#).

60.9 Lease of goods

Arrangements to lease or hire goods or equipment, or any such arrangement which creates an ongoing financial encumbrance on the University up to £100K (AED 480K, MYR 530K), require the prior written approval of the Deputy Director of Finance or Heads of Finance in Dubai or Malaysia. Over £100K (AED 480K, MYR 530K) it requires the prior written approval of the GCFO.

60.10 Conflicts of interest

Members of the University who may benefit either materially, personally, financially or otherwise from any transaction between the University and a third party must disclose to the University Secretary the nature and extent of their interest immediately they are aware that a conflict of interest may arise.

Thereafter that person must not take part in negotiations related to, or work connected with, the matter in which they have declared an interest.

Any business interest in any intended and actual transaction with related parties such as family, relatives, close business colleagues and organisations with which the designated budget holder, his/her deputy, or any authoriser of purchase orders and invoices for payment could be considered to hold a pecuniary interest, must be disclosed before any influenceable business is committed, to that person's line manager, using the University's Conflict of Interest Form.

Full details can be found within the University's [Conflict of Interest Policy](#).

61. TAXATION

61.1 UK status for tax purposes

The University is an exempt charity and, accordingly, is potentially exempt from UK Corporation Tax, UK Income Tax and UK Capital Gains Tax on any of its activities which fall within the terms of its charitable status, to the extent that such income or gains are applied to exclusively charitable purposes.

The University's wholly owned subsidiary companies may operate as commercial organisations and as such may be liable to corporation tax.

The University's UK subsidiary companies transfer their annual profits to the University by gift aid.

In certain circumstances, Value Added Tax is recoverable, but where this is not possible, the cost is included in the relevant expenditure.

Overseas operations are liable to taxation in the country that they operate. This may include the tuition fee income earned by the University from the online offerings.

61.2 Taxation arrangements

The GCFO is responsible for advising the Global University on all taxation issues, considering guidance issued by the appropriate bodies and relevant legislation as it applies to the University. The GCFO will liaise with the finance functions in Dubai and Malaysia and with the HWOnline team and either directly or through the Regional Offices engage professional advice to support technical issues as required. He or she will issue instructions to Schools, Directorates or Regional Offices on compliance with statutory requirements including those concerning Value Added Tax or other goods and services taxes, employment taxes, national Insurance, corporation tax and import duty. The GCFO will arrange appropriate training for appropriate colleagues within the University.

The GCFO will make proper arrangements in respect of the University, its wholly owned subsidiary companies and the Regional Offices; for maintaining tax records, making all tax payments, receiving tax credits, submitting tax returns by their due date and making appropriate reclaims for tax deducted on donations made under Deeds of Covenant and Gift Aid.

The GCFO will endeavor to ensure that neither the University nor its wholly owned subsidiary companies incur penalties for the incorrect treatment of taxes. Any matter which may have tax implications for the University must be referred to the GCFO.

Corporation Tax computations shall be completed by the Finance Department or the Regional Office and passed for external review to suitably qualified professional advisors before being filed with UK HM Revenue & Customs or other national taxation authority.

The University's business is expanding globally through online provision of tuition. The extension into further geographic regions potentially expose the University to compliance with foreign tax laws. The GCFO is responsible for assessing, and where appropriate engaging with these foreign tax authorities.

61.3 Employee's tax

The University in the UK is obliged to apply the tax code supplied by HM Revenue and Customs to calculate the amount of Income Tax to deduct from UK based employees' salary payments. The code is supplied to the University by HM Revenue and Customs and cannot be varied by the University. Employees who want to question the calculation of a tax code must do so directly with HM Revenue and Customs. When doing so you may be asked for the appropriate employer's

Heriot-Watt University:	961/380192
Heriot-Watt University	475/GB27158
Student Union:	
Heriot Watt Services Ltd. (Oriam):	120/KB28661

The University will provide, annually, a summary of income tax deducted from employment with the University.

It shall be the personal responsibility of employees to meet any obligation to submit a tax return to HM Revenue and Customs, or any other taxation authority.

In Malaysia:

All employees are responsible for and shall pay any and all tax liabilities which may arise on account of all remuneration, perquisites and benefits-in-kind and provided by the terms and conditions of employment contract as per the Malaysia Income Tax regulation.

A new employee joining HWUM is required to complete Form TP3 to disclose his / her remuneration from his previous employer(s) to enable HWUM to correctly calculate the monthly tax deductions. This applies only to new employees.

For international employees, to qualify to be taxed as a resident of Malaysia, the employee must meet the conditions specified under Section 7 of the Income Tax Act 1967. If the international employee did not meet the said conditions, the employee shall be treated as a non-resident and deduction of tax shall be according to the income tax rate of a non-resident.

Within Dubai there is no provision for taxation on employees pay. Should such provision be implemented then this para will be updated.

Where a member of staff is to work continually out with the country of employment for greater than 90 days, prior written approval must be received from the Tax Manager to ensure that the potential impact on taxation and social security are appropriately budgeted.

62. INSURANCE

62.1 General

The Head of Assurance Services, as directed by the Global Director of Governance & Legal Services will:

- a) effect such insurances as are necessary to cover any risks to which the University might be exposed;
- b) negotiate and recover claims;
- c) review insurance strategy and all insurances annually and make a report to the Audit and Risk Committee and Infrastructure Services Committee, confirming that adequate cover has been obtained. (This report will include information about risks that the University intends to bear itself if required.)

All staff have a responsibility to notify the Head of Assurance Services immediately of:

- a) any circumstances which may materially affect the University's overall exposure or risk, or put the University's insurance cover at risk and;
- b) information concerning property, vehicles, plant or other assets of the University which

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may materially affect the University's overall exposure or risk, (and additions, disposals and alterations to property, vehicles or other assets of the University which might affect existing insurances);

- c) any potential loss, liability, damage or any event likely to give rise to a claim against the University.

62.2 Report of theft

Where it is suspected that University property has been stolen, the Budgetary Unit must report the loss immediately to SafeGuarding Services. A safeguarding officer will attend at the incident and take statements from those involved. It may be that Police Scotland are required to attend and if so, the Duty Supervisor will initiate this unless advised differently.

The event should also be reported to the Head of Assurance Services.

62.3 Settlement of insurance claims

The Head of Assurance Services will negotiate claims for compensation and will pursue strategies to obtain the maximum compensation or claim available on behalf of the University. If the claim relates to a particular University campus, the Head of Assurance Services will liaise with the relevant Provost and/or Chief Operating Officer for that Campus, as required, in relation to the resolution of that claim.

In situations where the University comes to an agreement with an insurer or third-party for a compromise arrangement for compensation, beyond the standard insurance excess in place, this will require approval consistent with expenditure limits in place within these regulations.

62.4 Personal property

The University does not accept liability for loss or damage to personal property howsoever it is caused. Members of the University or persons visiting the University who bring personal property must ensure that they have made adequate insurance arrangements.

63. AUDITING OF THE UNIVERSITY'S ACCOUNTS AND SYSTEMS

63.1 General regulations and procedures

The University's audit arrangements will be in accordance with Scottish Funding Council's (SFC's) Financial Memorandum and the Auditing Practices Board's Financial Reporting Council's auditing standards. These set out the SFC's minimum requirement for external and internal audit arrangements within the University, the broad framework within which these arrangements should operate and gives general guidance on good practice.

The University's records and procedures are subject to audit. The Court will ensure that the University has adequate and effective management controls and will appoint an Audit & Risk Committee and secure an internal audit service for the University.

Auditors are authorised to visit all University premises and to have access to any assets, minutes, books, documents or any information kept by the University. Governors, the Principal and Vice-Chancellor and other employees will provide whatever information, explanations and access may be required by those engaged in audit functions.

63.2 Internal Audit

The Financial Memorandum with the SFC requires that the University maintains an effective Internal Audit service. Internal audit is an independent function; the work carried out by the internal audit service is determined largely by the University's policy and strategy on managing risks. Internal audit is responsible to the Audit & Risk Committee for providing independent and objective evaluation of the systems of internal control.

The Head of Assurance Services is accountable to the University Secretary, who is the Officer within the University with management responsibility for internal audit services and to the Court, through the Audit & Risk Committee, for the performance of the service.

Internal Audit has responsibility for examining the adequacy, efficiency and effectiveness of systems, people and processes to identify potential risks and areas for improvement. The system of internal control is based on an ongoing process designed to identify and prioritise the risks, including information risks, to achieving strategic and operational aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The coverage of Internal Audit's work includes the whole of the Heriot-Watt Group comprising all relevant subsidiaries and campuses to the scope of their review.

The scope of Internal Audit's work excludes the assessment of the quality of the University's academic endeavours. The quality of the University's academic work is assessed via Quality Assurance Agency for Higher Education (QAA) and Enhancement-Led Institutional Review (ELIR) reviews in the UK, and via Knowledge and Human Development Authority (KHDA) reviews in Dubai, and Malaysian Qualifications Agency (MQA) reviews in Malaysia.

The prime purpose of this function is to reassure the Court, the Principal and Vice-Chancellor, and the University Executive of the adequacy and effectiveness of the internal control system, risk management and governance processes.

63.3 External Audit

The Audit & Risk Committee shall keep under review its external audit arrangements and conduct a formal review at least every three years consistent with prevailing procurement arrangements. Court shall be invited by the Audit & Risk Committee to formally reappoint the External Auditor each year. The services of the External Auditor are set out in an engagement letter.

The GCFO will liaise with the External Auditor and is responsible for ensuring that the External Auditor receives all relevant and requested information.

The primary function of the external auditor is to verify that the financial statements of the University and its subsidiary companies and to carry out such examinations of those statements and underlying records and control systems as is necessary to reach their opinion on the statements, which should give assurance, at least that, that the financial statements:

- give a true and fair view of the Group, the University and the subsidiaries of the University as at the accounting date and for each its income and expenditure, movement on reserves and cash flows for the year then ended;
- have been properly prepared in accordance with UK generally accepted accounting practice or Malaysian Financial Reporting Standards (MFRS) framework as appropriate, current charity legislation and with any specific direction of SFC; and that
- funds administered by the university for specific purposes have been applied for the purposes for which they were intended and, if relevant, managed in accordance with any terms or conditions attached to them
- for the Group and University, have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

- Take into the account any relevant guidance from the Office of the Scottish Charity Regulator and other relevant regulatory bodies on best practice in relation to preparation of charity financial statements.

In addition, the External Auditor is required to report, by exception if, in their opinion

- the information in the narrative that accompanies the financial statements is inconsistent, in any material respect with the financial statements;
- there is any inadequacy in the accounting records;
- there is any disagreement between the financial statements and the accounting records; and
- they have not received all the information and explanations required to conduct their audit.

The External Auditor will report annually, in a Management Letter, on any significant accounting and control issues arising from the audit.

Where judged appropriate, the External Auditor has the right to report directly to the Principal and/or to the Audit & Risk Committee and/or to the Court on matters of concern. Other reports will be provided by the External Auditor in accordance with the requirements of the Code of Practice.

The operations in Dubai are treated as a branch operation. The senior management in Dubai are responsible for applying annually for a local trading license. It is a requirement of such license that the University has available an attested version of the branch accounts on an annual basis. The GCFO is responsible for working with the Finance Director – Dubai, and the External Auditor to arrange for an external annual attestation of the Dubai Campus branch accounts as set out in a separate letter of engagement.

The External Auditor will agree a separate engagement letter and will carry out their work to allow the HWUM Board to meet the financial reporting requirements of the Malaysia Companies Act 2016.

63.4 External Auditor - non-audit services

Non-audit services (other than taxation advice, which is subject to a regular tendering process) should normally only be commissioned from the External Auditor with the prior consent of the Audit & Risk Committee and in accordance with the regulations governing the purchasing of services. In the event of an urgent requirement for non-audit services, they may be commissioned with the written approval of the Chair of the Audit & Risk Committee and the matter reported to the next meeting of the Committee.

63.5 Audit by other external bodies

Some external bodies and agencies, including SFC, have rights of access to records in connection with financial matters. Similarly, other agencies, such as those to which the University is contracted to provide services, including UK Research Councils and the European Commission, may also have powers of inspection. UK HM Revenue and Customs has powers of inspection in connection with the administration of VAT and the deduction of Income Tax. Other Government departments and agencies may also have inspection powers, for example, in relation to National Insurance. The GCFO shall make available such access, explanations, documents or information that these bodies, agencies or inspectors may require.

64. Version control, key contact information

Heriot-Watt University - Financial Regulations

Version No	Date of Approval	Approving Authority	Brief Description of Amendment
V. 01.2021	xx.xx.xxxx	e.g. UE	(include a broad summary of changes and detail any policies that have been superseded by the
V.02.2021			Incorporating changes from UE, Audit and Risk Committee and Finance Committee.