

University of Manchester

Summary of Changes to the Financial Regulations and Procedures

May 2018

Introduction

The changes to the Financial Regulations and Procedures were approved by Finance Committee on 2 May and the Board of Governors on 23 May 2018. (As per University Ordinance VIII, section 4).

Approved Changes

A full list of the proposed changes to the Financial Regulations and Financial Procedures is attached in the Appendix below. The more significant include:

Office for Students: The OfS has now replaced HEFCE as the regulatory body for the Higher Education section. Both documents have been amended to reflect this change.

Criminal Finances Act: A new law that is intended to prevent tax evasion - acting dishonestly to reduce a tax liability. The act creates two new offences under which a corporation (including a university) may be prosecuted for:

- Failure to prevent facilitation of UK tax evasion – aimed at catching corporations facilitating the evasion of UK taxes
- Failure to prevent facilitation of foreign tax evasion – covering the evasion of foreign taxes facilitated by an entity

The Financial Regulations and Procedures have been amended to include an explicit requirement that the University, its subsidiaries, its staff and other associated bodies and persons must not knowingly engage in or facilitate tax evasion by a third party.

Procurement and Segregation of Duties: The Financial Regulations and Procedures embed the principle that no one individual can ever both create and authorise a single transaction as a fundamental principle of financial control and accountability. Hence in the Oracle Procurement system one person raises a requisition (requesting the purchase of goods or services), and a second person – the budget holder - approves it and authorises the issuing of a Purchase Order.

To prevent any “self-approval”, where the same person fulfils both roles, the Financial Procedures have been amended to require that a budget holder must never raise a requisition on their own activity codes, but must seek another requisitioner to do this on their behalf. Alternatively, the budget holder may nominate a suitable replacement to take on the approver role on their accounts. An exception to this rule relates to purchases for Stores areas.

Any exceptions need approval by the Head of Faculty Finance (or equivalent). Purchase to Payment activity is monitored on a regular basis for appropriate segregation of duties.

Payments in Advance: The University's general practice is not to pay in advance for goods and services, in view of the risks of non-delivery or liquidation of a supplier. However, such payments are sometimes essential – for example, orders for one-off, bespoke items of scientific equipment may require a significant pre-payment. In other cases, grants from outside bodies may require payment by a particular date even if goods have not been received.

The rules in the Financial Procedures on such payments have been updated. In addition to the usual procurement processes and controls, all advance payments between £5K and £50K must be approved by the Head of School and Head of Faculty Finance, while any over £50K must also be authorised by the Director of Finance.

Expenses: The University has previously clarified its policies to make clear that staff travelling on University business may claim one alcoholic drink per person each day. A further amendment has been made to comply with the HMRC rule that such drinks must be taken with a meal.

Travel expenses: Amended to state that, to comply with HMRC rules, an itinerary must be available for each trip showing what activities were involved. HMRC may require evidence to demonstrate that the employee's duties could not be performed without it.

Register of Interests: Confirms that this policy applies to both full and part time staff on Grade 6 and above (and any staff on other grades with possible conflicts of interest).

University Companies: Amended to refer specifically to companies operating overseas. References were added to taxation in overseas jurisdictions.

Appendix: Amended Financial Regulations and Procedures 2018

General Changes

References to HEFCE have been updated throughout to refer to the Office for Students (OfS).

Financial Regulations

1.1: Added a brief summary of the role of the Office for Students.

6.10 – 6.11: Amended the section on procurement and segregation of duties to ensure compatibility with the revised Financial Procedure 6.26 (see below) regarding segregation of duties.

10.8: Amended section on taxation to refer to the Criminal Finances Act (see above) and to state that the University, its subsidiaries, its staff and other associated bodies and persons must not knowingly engage in or facilitate tax evasion.

Financial Procedures

1.4: Added a short paragraph to give the background to the Office for Students.

2.26: Capital Expenditure: updated references to VAT on the advice of the Corporate Accounts team.

4.50: Money Laundering: updated to include a reference to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations (20017).

6.25 – 6.26: Procurement: Amended text to ensure segregation of duties (see above). A budget holder must never raise a requisition on their own activity codes - they must either seek another requisitioner to raise the order on their behalf or nominate a suitable replacement to take on the approver role on their accounts. The Procure to Payment process is monitored on a regular basis for appropriate segregation of duties.

6.34: Payments in Advance: Updated the procedures for authorisation of such transactions (see above).

7.2: Employment taxes: Added a reference to the Criminal Finances Act.

7.4: General rules for staff expenses: Updated to require compliance with HMRC rule that expenses must be “wholly, necessarily and exclusively” incurred by staff whilst fulfilling the duties of their employment within the University, except where HMRC provide otherwise.

7.43: Travel expenses: Amended text to ensure travel expenses comply with HMRC’s rules on staff travel. To comply with HMRC’s rules, an itinerary must be available for the trip showing precisely what activities were involved. HMRC may require the University to demonstrate that the employee’s duties could not be performed without it.

7.67: Alcoholic drinks: Amended to comply with HMRC rules. The University will pay for one alcoholic drink with a meal per person each day when staff are on University business, a “drink” being no more than a single glass of wine or pint of beer.

10.6, 10.8 and 10.17: Companies: Updated rules for forming a University owned company, to confirm that these encompass overseas companies.

10.11 to 10.13: Amended rules on VAT and other taxation, and added an additional paragraph (10.14) on overseas taxation.

10.30: Taxation: added a reference to the Criminal Finances Act (see above).

10.59: Register of Interests: Amended to make clear that part-time staff (on Grade 6 and above) must complete the Register.