Compliance Issues & Procedures
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1. Financial Regulations

Compliance with the Financial Regulations is a mandatory requirement for:

- all Departments and University subsidiary companies but not Cambridge University Press or Cambridge Assessment.
- all University Income and Business.
- all University staff (and all those not directly employed by the University but who have responsibility for University funds)

They ensure the proper use of resources in a manner that satisfies our legal/financial obligations and internal control requirements. Specific direction is given on matters of:

- ethical policy,
- income and expenditure
- University assets and liabilities

Non-observance of these Regulations may result in disciplinary action.

Available from the Finance Division Web site:

http://www.admin.cam.ac.uk/offices/finance/regulations/index.shtml

1.1 Heads of Department Responsibilities

The 2008 Financial Regulations state that Heads of Department should ensure:

- Proper allocation of funds;
- Sound financial control, authorisation and separation of duties;
- That accounts are correctly maintained;
- That funds available for spending are not exceeded;
- That the Regulations are publicised and observed within their department; and
- That all information and explanations required by the University’s internal or external auditors are provided promptly.

1.2 Delegation of Duties

Heads of Department may designate in writing one or more people to execute specified tasks for, and subject to the supervision of, the Head of Department. The Head of Department remains responsible.
2. Internal Control Procedures

2.1 Definition

It is essential that effective internal controls exist throughout departments, faculties, institutions and the University to:

- safeguard University assets
- prevent and detect errors and fraud
- protect the interests of the staff
- help to ensure the accuracy of accounting records

Internal controls can be a mix of financial procedures and actions of the staff who are involved with the finances in their workplace.

Examples include

- Authorisation of purchase orders
- Safe custody of petty cash
- A register for departmental assets
- Validation of a CUFS Accounting code
- Monitoring of research grant expenditure in accordance with the terms of the grant
- Secondary approval of a purchase invoice
- Compliance with Financial Regulations.

2.2 Departmental Considerations

In order to ensure that their internal controls are appropriate and operating well each department should:

- Ensure all staff are aware of the University’s Financial Regulations.
- Understand and follow recommended procedures for using UFS.

See the UFS Training Manuals on the Finance Training Team’s website:

http://www.admin.cam.ac.uk/offices/finance/training/manuals

- Implement all of the recommendations contained within any departmental Internal Audit report.
- Write financial procedures for departmental specific areas that can be used as a point of reference and training for new finance staff.
- Seek advice from and share good practice with Finance Division staff and/or colleagues within the University.
3. Internal Audit and External Audit

The University’s internal and external auditors have unrestricted access to all records, assets, personnel and premises and the right to obtain such explanations as they consider necessary.

3.1 Internal Audit

The Internal Audit function is responsible for providing an independent appraisal of the University’s activities, both financial and non-financial. They investigate and review:

- key financial issues;
- risk management;
- value for money;
- internal controls;
- governance.

The Internal Audit function is currently outsourced to an external firm:

**Deloitte & Touche Public Sector Internal Audit Limited**

However, HEFCE guidance and good practice require that market testing is undertaken regularly.

The Internal Audit function reports to the University’s Audit Committee, which receives internal audit reports and approves the audit plan. The Audit Committee is a committee of Council.

The Internal Audit function agrees a programme of work with the Audit Committee which will be used to assess the internal controls and accounting systems in place within the University. Departmental reviews will focus on key financial issues; in addition there will be a number of topical reviews which will investigate strategic issues in greater depth and involve institutions across the whole University.

If the audit programme includes a visit to a specific department, it will include:

- The department being contacted in advance of the audit visit.
- Heads of audited institutions and Departmental Administrators attending an initial scoping meeting where the Internal Auditor will explain the purpose of the audit.
- The Internal Auditor explaining what information will be required.
- Following the audit, a draft audit report will be prepared for the department to comment upon and there will be a closing meeting.
- Heads of institutions are encouraged to attend the closing meeting and to complete and sign feedback forms for consideration by the Committee.
• The final report is then issued.

The Internal Audit function must be provided with all relevant information. Departmental staff are required to assist the Internal Auditor by responding to all reasonable requests for information and providing explanations to queries.

### 3.2 External Audit

The University is required by HEFCE and by its Statutes to appoint an external auditor to provide an independent opinion on its annual financial statements. The financial statements provide a summary of the University’s financial performance during the year by showing its income and expenditure, and its assets and liabilities.

The Council on advice of the Audit Committee appoints the external auditor. The Audit Committee will again advise Council of the key issues arising from the external audit process.

The current external auditor for the University is **Price Waterhouse Cooper.**

To establish an opinion on the University's financial statements, the external auditor will undertake audit work in both departments and the central Finance Division. This audit process will involve several departmental audits each year. Any department selected will be notified in advance of the audit visit and also on the specific issues to be covered during the audit. The external auditor will be testing the operation of the financial controls in the department but will not usually issue a specific report for that department.

As with Internal Audit, the external auditor has the right to access all accounting records and information and departmental staff must support the auditor by providing information and explanations to questions.
4. Reporting Suspected Fraud & Whistle Blowing

4.1 University Council’s Policy

When financial internal controls are operating satisfactorily within a department the likelihood of theft or fraud is reduced, although it cannot be completely eliminated.

It is the responsibility of the Head of Department, and for other senior staff within the Department, to establish suitable controls to both prevent and detect fraud. However, where there is suspicion of any financial irregularity, then any member of staff aware of such an irregularity should notify the Director of Finance immediately.

The Director of Finance may then advise the Internal Audit function and, where relevant, the University’s security adviser. Departments are advised not to take action until the Director of Finance is informed and an appropriate fraud response plan prepared.

The Council is committed to maintaining an honest and open atmosphere within the University. It is therefore, committed to the elimination of fraud and to the rigorous investigation of any such cases.

The Council wishes to encourage anyone who has reasonable suspicions of fraud to report them.

4.2 Definition of Fraud and Purpose of this Procedure

For the purposes of these procedures, fraud is defined as the use of deception, or intentional misrepresentation, to obtain an unjust or illegal financial advantage or deprive the University of any value or property.

This procedure note provides guidance on the steps to be taken by a member of staff within any institution, who has reasonable grounds for suspecting a fraud.

4.3 Fraud Response Procedures for Institutions

4.3.1 Communicating Concerns

Suspicion of fraud or irregularity may be communicated through a number of channels, including the following:

- Financial Regulations: requirement to report fraud or irregularity to the Director of Finance
- Internal and external audit work
- “Whistle blowing” policy
- Routine operation of procedures in accordance with the University’s Finance Procedures Manual.
All actual or suspected incidents of fraud should be reported without delay to the Director of Finance (Financial Regulation 20.1). If the incident relates to the Director of Finance then the incident should be reported to the Registrary.

Reporting an incident can be by means of e-mail, telephone or memorandum, and can be done anonymously.

Depending on the nature of the reported incident, the Director of Finance may convene a group to decide on the action to be taken. There will normally be an investigation, assisted by the internal auditor and if necessary the University Security Adviser and police.

All information provided will be treated in absolute confidence.

4.3.2 **Prevention of further loss**
Where initial investigation confirms that there are reasonable grounds for suspecting a member or members of staff of fraud, the Director of Finance will decide how to prevent or reduce further loss. This may justify the suspension, with pay, of the suspect(s) in accordance with any legal and relevant University procedures.

4.3.3 **Establishing and Securing the Evidence**
It is essential that concerns are reported immediately to the Director of Finance so that action can be taken to secure evidence of a fraud. Members of staff, including the Head of Department, must not undertake their own internal investigation, as this may undermine any future investigation. It is important to ensure that the appropriate procedures under the Police and Criminal Evidence act are followed, that any investigation is, and is seen to be, objective and independent, and that all relevant University financial procedures and staffing policies are followed.

4.3.4 **Reporting**
The Director of Finance, when it is appropriate, will advise the Head of department of any relevant feedback, in particular of the outcome of the investigation and if there may be on-going implications for financial control within the institution.

Director of Finance

Telephone: 01223 (3) 32211,
E-mail: amr41@admin.cam.ac.uk

Heads of Department shall report to the Audit Committee and the Vice-Chancellor any fraud or irregularity which has any of the following characteristics:

- Exceeds £10,000
- Is unusual or complex
- Public interest is likely

4.4 **Whistle blowing**
Whistle blowing is a term used to describe incidents where an employee publicly discloses some alleged wrong doing within an organisation.
Any member of staff who reasonably believes that there is serious malpractice relating to any ‘protected matter’ specified in the University’s whistle blowing policies should raise such an issue using the specified procedure.
5. Retention of Financial Documents

5.1 Recommended guidelines

In determining appropriate retention periods departments need to consider the following:

- legal and related requirements
- potential demand within the organisation
- historical value
- cost of storage

The guidance below is not intended to be a comprehensive list of all the financial documents held in a department and does not imply that all other documentation can be destroyed.

<table>
<thead>
<tr>
<th>Accounting Document</th>
<th>Length of time to be retained</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7 years</td>
</tr>
<tr>
<td>Purchase Invoices</td>
<td>✓</td>
</tr>
<tr>
<td>Sales invoices</td>
<td>✓</td>
</tr>
<tr>
<td>VAT returns – supporting documentation</td>
<td>✓</td>
</tr>
<tr>
<td>External grants</td>
<td></td>
</tr>
<tr>
<td>- original contracts</td>
<td></td>
</tr>
<tr>
<td>- timesheets and other internal documents</td>
<td></td>
</tr>
<tr>
<td>Banking daily balancing sheets</td>
<td></td>
</tr>
<tr>
<td>Paying in counterfoils</td>
<td></td>
</tr>
<tr>
<td>Payments to Staff – CUFS Payroll information</td>
<td>✓</td>
</tr>
<tr>
<td>Fixed Asset disposal notes</td>
<td></td>
</tr>
<tr>
<td>Credit/Debit Card receipts and details</td>
<td></td>
</tr>
</tbody>
</table>

5.2 Purchase invoices

All original paid invoices should be retained by departments for seven years (6 years plus the current year). Any photocopies of invoices are only for reference purposes and can be disposed of as appropriate.

Supporting requisitions, purchase orders and goods received notes should be kept for three years or, in the case of research grant contracts for the duration of the award if longer (see 5.5).

5.3 Sales

Copies of all sales VAT documents, which include sales invoices and daily till rolls from shops, must be held for seven years, i.e. six years plus the current year. If a department has particular difficulty in keeping six years of till rolls, it is possible to apply to HM Revenue & Customs, via the Taxation Section of the Finance Division, to request a shorter period of retention.
5.4 VAT returns

The Finance Division keeps copies of all VAT returns including the Intrastat and EC returns. However, as only the actual returns are held by the Finance Division, all supporting documentation used to compile the return, including invoices, must be retained by departments for a period of seven years, i.e. six years plus the current year.

5.5 Outside grants

The University Research Office (URO) holds the original contracts/agreements, related correspondence and financial documents for at least six years after expiry of the grant. Should a department hold any further relevant original documentation then this should be held for a similar period. Any detailed records supporting charges against the grant, e.g. time sheets, should also be retained for a period of six years after the expiry of the grant. However, any specific terms within a particular contract relating to the retention of records will take precedence. If in doubt consult URO.

5.6 Banking

The Finance Division keeps copies of all receipt records and as the daily banking sheets are not prime documents supporting individual sales transactions there is no need to keep these sheets beyond three years. Bank paying-in counterfoils should be kept for six years.

5.7 Payments to Staff

All documents relating to payments to staff should be kept for at least seven years, i.e. six years plus the current year. Any supporting documentation held in the departments and not copied to the centre should be retained for a similar period.

5.8 Fixed Asset Register

Fixed Asset registers should be kept indefinitely. Copies of asset disposal notes should be kept for three years.

5.9 CUFS/Payroll Information

The Finance Division retains copies of the general ledger (via CUFS) and all payroll records for at least seven years.
5.10 Credit/Debit card receipts

Original retailer copies of transactions must be retained in a secure and accessible place for a minimum period of 18 months. Stored documents should be reviewed quarterly and securely destroyed/deleted if no longer required.

The security requirements for card and customer data are mandatory and there is certain information that must NOT be stored at any time.

For further details see Chapter 7, Cash & Banking.
6. Payment Card Industry Data Security Standard Compliance

Payment Card Industry Data Security Standard (PCI DSS) is an auditable set of standards designed to ensure certain card data is stored securely by us and any third party which stores, transmits or processes such card data on our behalf.

The University must be PCI DSS compliant at all times to remain a member of the card scheme. An annual audit is carried out based on our Merchant Level which is dependent on the number of card transactions processed per year.

Departments must restrict access to Cardholder Data by business need-to-know and assign a unique ID to each person with computer access. All staff involved with such transactions should receive training annually.

When considering purchasing new payment software, departments must speak to the Finance Division in the first instance to ensure full compliance with the regulations.

The Finance Division and MISD are responsible for ensuring the University is PCI DSS compliant. If a Department breaches or suspects there has been a breach in cardholder data security, they must contact the University PCI Compliance Office.

University PCI Compliance Officer: Chris Patten
(Head of Financial Transaction Processing & Control)
Tel: 01223 766733

For further details, see Chapter 7, Cash and Banking.