

FINANCIAL REGULATIONS

LSE ENTERPRISE LIMITED

2013

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STATUS OF FINANCIAL REGULATIONS

The School's financial regulations require that all subsidiary activities operate in accordance with the School's financial regulations. In order to ensure clarity regarding their application and ensure that there are no significant gaps or omissions the following regulations and controls have been drawn up for agreement by CFO and FGPC. For purposes of clarity all of the activities of LSE-E are subject to these regulations and the School's financial regulations. Should there be any conflict; the following order of priority will apply: Memorandum and Articles of LSE-E, Memorandum and Articles of LSE, Financial regulations of LSE and Subsidiaries, Memorandum of Understanding LSE and LSE-E, Financial regulations LSE-E.

Should any conflicts be identified between the Memorandum and Articles of LSE-E and the Financial Regulations of LSE and Subsidiaries, it is the responsibility of the Company Secretary of LSE-E to immediately raise this with the CFO, to identify how the conflict can be resolved. Any changes to Memorandum and Articles of LSE-E required in order to resolve the conflict must be approved in advance by the LSE-E Board and LSE Council.

A. LSE-E FINANCIAL REGULATIONS

A1. INTRODUCTION

These regulations set out the responsibility for financial management within LSE Enterprise Ltd (LSE-E) and its Subsidiary Companies; and activities in Joint Venture/Partnerships and other commercial initiatives that fall within its control; and the financial procedures and instructions to be followed by Directors and LSE-E staff involved with LSE-E finances.

Reference to the School refers to the London School of Economics and Political Science and all its subsidiaries, except, for the purposes of this document.

In the event of any conflict between these regulations and those of the School, the School's financial regulations have primacy over LSE-E's financial regulations.

Reference to Staff refers to the all LSE-E staff, permanent and temporary.

Reference to the Finance Department refers to the LSE-E Finance Department, which, has now been integrated with the Finance Division of the School.

The term CEO refers to the Chief Executive of LSE-E Ltd

The term LSE-E FD refers to the Finance Director of LSE-E Ltd

The term LSE-E AA refers to the Assistant Accountant of LSE-E Ltd

The term LSE-E OA refers to the Office Administrator of LSE-E Ltd

The term PD/PM refers to the Project Directors/Managers of LSE-E Ltd

The Finance Director is currently Mike Ferguson.

The CFO is currently Andrew Farrell.

The Secretary of the School is currently Susan Scholefield.

The Chief Executive Officer of LSE-E is currently Simon Flemington.

The Finance Director & Company Secretary of LSE-E is currently Martin Griffith

It is the personal responsibility of the CEO to ensure that the staff is made aware of the existence and content of the Company's financial regulations, the importance of observing their provisions and that an adequate number of copies are available for reference within the Company.

Compliance with the financial regulations and procedures is compulsory for all staff connected with the Company. A member of staff who fails to comply with the financial regulations may be subject to disciplinary action (see **Procedure PR2**).

Members of staff in the Finance Division are always willing to help staffs in the Company who have queries concerning any matter relating to Financial Regulations or Financial Procedures. If you have any concerns, or are unsure about a particular aspect of a specific regulation or procedure, please ask for advice. Similarly, if LSE-E is about to undertake a new activity which you feel is not adequately covered by existing Financial Regulations or Procedures, please contact the CFO at an early stage so that he/she can advise, and, if necessary, develop with you a new Financial Regulation or Procedure.

Except where explicitly stated otherwise, these regulations apply to all income and expenditure of the Company and its subsidiaries, from whatever source and for whatever purpose.

In wholly exceptional circumstances where it is considered essential to vary from some aspect of these regulations (e.g. for safety or some other compelling reason) the waiver must be approved in advance by the Company Chairman and CFO in writing.

A2. FINANCIAL IRREGULARITY

Whenever any matter arises which appears to involve irregularity in financial, stores or accounting transactions in any area of the Company, it should immediately be reported to the CFO and the CEO.

The CFO and the CEO shall, when an irregularity appears to involve a criminal act or a disciplinary offence, report the matter to the Chairman of the Company, the Secretary of the School & the Directors of LSE-E who in turn should report any material matters to The Finance Committee. The Internal Auditor may be asked to investigate.

The School's "Procedure to be followed in the case of a suspected fraud" is in section **Procedure PR1**.

B. CORPORATE GOVERNANCE - LSE-E

B1. INTRODUCTION

LSE-E is registered under the Companies Acts as a private company limited by shares. Its legal constitution is contained in the Memorandum and Articles of Association.

The Chief Executive Officer reports to the Board of Directors, and between Board meetings, to the Chairman. LSE-E, as a wholly owned subsidiary of the LSE, has responsibilities to report financial and commercial activities to a number of duly authorised bodies within the LSE. Without limitation the main bodies are:

- Council
- Finance Committee
- Audit Committee

The LSE-E Board consists of a Chairman and currently 9 directors: Mr Roger Mountford (Chairman), Mr Stuart Corbridge (the Nominated Officer), Mr Andrew Farrell, Mr Tim Frost, Mr Neil Gaskell, Mr Peter Miller, Mrs Gita Patel, Mr Andres Rodriguez-Pose, Ms Susan Scholefield

a) LSE-E Board is responsible for:

- i. the appointment of Directors (for approval by LSE on an annual basis at the AGM) each of whom will be appointed for a renewable fixed term of three years;
- ii. governance of the company, approval of the business plan and budgets, management of relationship with LSE, supporting and assisting the company achieve its objectives;
- iii. directing the company in a profitable and sustainable manner for the benefit of the LSE in accordance with its objectives;
- iv. supporting the business development activities of the company.
- v. Agreeing the mandate of the LSE-E Ethics subcommittee, and supplying Directors to the sub-committee.

b) The LSE-E Ethics sub-committee and its members are responsible for

Giving the company official approval to engage with individual new clients, as brought forward by the company from time to time, prior to any contractual commitments being made by the company and based on the specifications of the mandate as agreed by the LSE-E Board of Directors. In doing so, the LSE-E Ethics sub-committee will act in full accordance with the LSE Code of Ethics and relevant principles and guidance developed by its subsidiary structures

c) Role of the Company Secretary:

- i. The Company Secretary shall be appointed by the Board on the recommendation of the Director of Administration.
- ii. Ensuring the annual returns are made to Companies House;
- iii. The administration of appointment and resignation of directors;

- iv. Supplying new directors with a briefing pack which will include past statutory and management accounts, board minutes, forward rolling board agenda, audit letter, current business plan and MOU;
- v. For maintaining official documentation, memorandum and articles of association, company minute book, seal;
- vi. Ensuring the organisation and record keeping of board and AGM meetings;
- vii. Ensuring that an annual review is made by the LSE-E Board of particular items such as HEFCE compliance and LSE MOU;
- viii. Ensuring that the company complies with all laws that apply to it;
- ix. Advising the Chairman and board of LSE-E where there is a possibility that any activity to be carried out by LSE-E may conflict with School policy.

d) The CEO is responsible for:

- i. Providing management of the day to day activities of LSE-E, including business development, contract negotiation and HR;
- ii. Reporting to the LSE-E Board;
- iii. Preparing for submission to the Board an annual business plan and budget.
- iv. Undertaking compliance with regulatory requirements of LSE-E, LSE and HEFCE and other bodies where appropriate;
- v. Ensuring that the company complies at all times with LSE-E and School Financial Regulations and in instances of doubt to seek the advice of the Director of the Finance Division.
- vi. Ensuring that the employees are aware of and accord to company and statutory regulations, including the Bribery Act
- vii. The reputational management of the company including, but not limited to, actions recommended by the LSE Ethics Sub Committee.
- viii. Ensuring that LSE-E abides by all health and safety, data protection and other statutory regulations that apply to its activities.

e) Finance Director LSE-E:

The day to day financial management of LSE-E is overseen and managed by the CEO and the LSE-E FD who is located in LSE-E offices. The LSE-E FD is an employee of LSE-E and therefore reports directly to the LSE-E CEO who has contractual, HR and general managerial responsibility for the performance of the incumbent. The LSE-E FD reports to the LSE FD for the technical accuracy, clarity, timeliness and appropriateness of all the financial reporting, managerial accounting and process interaction between LSE-E and the LSE Finance Division. These arrangements reflect the oversight responsibilities for the LSE group that reside with the LSE Finance Division.

f) Role of the Nominated Officer:

One nonexecutive member of the Board, normally the Provost and Deputy Director of LSE, shall be appointed by the LSE Council as its Nominated Officer.

- i. The Nominated Officer represents the interests of LSE as shareholder and has the responsibility to report the activities and performance of the company to Council and the Court of Governors of LSE;
- ii. The Nominated Officer should be aware of and apply the HEFCE guidelines to ensure that the stipulated best practice is applied, where appropriate, when assessing the management and performance of the company, except where it has been agreed by the LSE-E Board that such guidelines are not appropriate. They will highlight to the Directors which areas of HEFCE guidelines were not considered appropriate.
- iii. LSE will give any newly appointed Nominated Officer appropriate induction, advice and guidance to ensure that he will be able to carry out his duties;
- iv. The Nominated Officer should be mindful of the need to maintain adequate professional detachment from the day to day activities of the company in order to dispassionately represent the School's interests.

Limitations of Authority

Without prior agreement of the School LSE-E cannot:

- a) Open bank accounts (refer C5.3 – requires council approval);
- b) Enter new borrowing facilities or extension to existing facilities;
- c) Change account signatures in respect of “A” level signatories (approval by the School's Finance Director);
- d) Enter into any financial investment, other than a short term deposit at an approved bank;
- e) Enter into an option, structured finance transaction, or similar;
- f) Issue guarantees, indemnities, or warranties that create risk for the LSE
- g) Issue equity to any third party;
- h) Invest in the equity of any third party;
- i) Create subsidiaries;
- j) Create joint ventures and partnerships;
- k) Make capital commitments greater than £100,000;
- l) Hire permanent employees or staff on contracts longer than 1 year, other than as contemplated in the annual business plan; approved FGPC budget; or by Board approval;
- m) Enter lease agreements for more than 3 years or £100,000 total;
- n) Make any loans to Directors;
- o) Make loans to staff members unless by prior approval of the Board of Directors or Chairman (and repeated to the Board), or unless they are through pre-approved procedures (e.g. season ticket loans or petty cash advances for business purposes).
- p) Other activities that so warrant, as defined by the Chairman of LSE-E or the LSE-E Board, such as the development of significantly new business models or arrangements or collaborations that include investment or liability outside the normal operating activities of the company
- q) Quality Assurance - LSE-E will annually review processes and service quality, utilising the feedback received from participants in custom programmes; and, where appropriate, bilateral or round table focus groups with LSE academics. Where necessary all changes and enhancements will be captured in the company's quality assurance guidelines.
- r)

B2. BUDGET CONTROLLERS

Project Directors/Managers are responsible to the CEO for the financial and general administration of the functions and/or areas within their control.

B3. BUDGET HOLDERS

Project Directors/Managers are responsible to the CEO for the income and expenditure appropriate to their budget. The CEO is the budget holder for all non-project budgets.

B4. ALL MEMBERS OF STAFF

All members of staff and directors are expected to behave in accordance with the ethics codes of LSE Enterprise, and of the LSE. Members of staff should refer to LSE-E's policy against Bribery and Corruption and the Public Interest Disclosure ('whistleblowing') Policy and Procedures.

All members of staff should be aware and have a general responsibility for the security of the Company's property, for avoiding loss and for due economy in the use of resources.

They should ensure that they are aware of the Company's financial authority limits and the values of purchases for which quotations and tenders are required.

They shall make available any relevant records or information to the CEO, LSE-E FD or CFO or his or her authorised representative in connection with the implementation of the Company's financial policies, these financial regulations and the system of financial control.

They shall provide the CEO, LSE-E FD or CFO or his or her authorised representative with such financial and other information as he or she may deem necessary, from time to time, to carry out the requirements of the Council.

They shall immediately notify the CEO, Chairman or CFO whenever any matter arises which involves, or is thought to involve, irregularities concerning, *inter alia*, cash or property of the Company. The CEO, Chairman or CFO shall take such steps as he or she considers necessary by way of investigation and report.

B5. RISK MANAGEMENT

The detailed oversight of risk management arrangements is carried out on Council's behalf by the CEO and Chairman of LSE-E reporting to the Audit Committee of the School. The Finance Committee considers financial risks. A detailed university wide risk register is maintained and is subject to regular review and updating by the Audit Committee. The company should contribute to this process through the maintenance of its own register of risks that is reviewed and approved annually by the board. The CEO and Chairman of LSE-E reports its conclusions to the Audit Committee and Council.

B6. WHISTLEBLOWING

Whistleblowing in the context of the Public Interest Disclosure Act is the disclosure by an employee (or other party) about malpractice in the workplace. A whistle-blower can 'blow the whistle' about crime, civil offences (including negligence, breach of contract, etc.), miscarriage of justice, danger to health and safety or the environment and the cover-up of any of these. It does not matter whether or not the information is confidential and the whistleblowing can extend to malpractice occurring in the UK and any other country or territory. (see **Procedure PR14**).

B7. CODE OF CONDUCT

As employees of a commercial subsidiary of the School all LSE-E staff members should be aware of and where appropriate, follow the recommendation of the Committee on Standards in Public Life – see **Appendix A**.

Senior management and Directors of LSE-E are required to disclose interests in accordance with the Companies Act 2006.

In particular, no person shall be a signatory to a Company contract where he/she also has an interest in the activities of the other party, except for routine contracts for service between the School and LSE-E.

B8. BRIBERY, CORRUPTION AND HOSPITALITY

Revised July 2012

- It is an offence under the Prevention of Corruption Act 1906 for members of staff to accept corruptly any gift or consideration as an inducement or reward for doing, or refraining from doing, anything in an official capacity or showing favour or disfavour to any person in an official capacity. The guiding principles to be followed by all members of staff must be to avoid:
- Creating suspicion of any conflict between their official duty and their private interest; and
- Giving the impression that they have been (or may have been) influenced by any benefit or reward.

Anti-corruption legislation was toughened in 2011, with the introduction of the Bribery Act 2010. This new legislation will allow for the prosecution of an individual or company with links to the United Kingdom, where it is found, on the one hand, that a person has offered, promised or given a bribe (financial or other type of advantage), directly or through a third party, to bring about improper performance, regardless of whether the recipient of the bribe is the person who brings about the improper performance, or indeed whether that performance occurs. On the other hand, an individual or company may be prosecuted if a person agrees to accept or requests a bribe with the intention of, or actually bringing about, improper performance directly or by a third party. It is also an offence under the Act if improper performance is brought about by the mere anticipation of a bribe. In some cases, the recipient of a bribe commits an offence regardless of whether s/he knows that the performance in question is improper.

Members of staff should therefore not promise, offer, give, request or accept any gifts, rewards or hospitality (or have them given from or to third parties, such as colleagues or members of their families) from any organisation or individual with whom they have contact that would cause them to reach a position in their work whereby they might be, or might be deemed by others to have been, influenced in reaching that position. Attention should be paid particularly in areas including but not limited to:

- Student recruitment
- Building contracts
- Research contracts
- Donations
- Dealings with Public Bodies
- Activities in Overseas Countries

The frequency and scale of hospitality accepted should not be significantly greater than the institution would be likely to provide in return. Departments, Divisions and other operational units of the School should ensure that any gifts or hospitality which are given or accepted by their members of staff are recorded in a locally maintained register of gifts and hospitality along with the person(s) involved, estimated value, donor or recipient and date. Any gifts or hospitality refused may also be recorded. Heads of such areas should periodically review this register and it should be available for inspection by the Director of the Finance Division, Finance Director and Internal Audit.

When it is not easy to decide between what is and what is not acceptable in terms of gifts or hospitality, the offer should be declined or advice sought from the LSE- CEO or The Chairman of LSE-E . Any suspected cases of bribery should be reported to either of these members of staff, or if appropriate, treated as a disclosure under the School's Public Interest Disclosure Procedure.

The LSE-E OA will maintain a "Gifts and Hospitality Register". (Refer procedure **PR7.3**).

Other sections of the Bribery Act cover such areas as the attempted or actual bribery of a foreign official and the prosecution of a commercial organisation that fails to take measures to prevent bribery. These sections represent a significant area of legal risk for LSE-E, as, should an accusation of bribery be made against the company under the legislation, the onus will be on LSE-E to prove that it took all reasonable steps to prevent instances of bribery taking place. The legislation applies to all LSE-E employees (both project and overhead), and all those involved in delivering LSE-E's services, including agents, contractors and consultants.

LSE-E's policy on Bribery, along with guidance on the steps that should be taken to prevent its occurrence is contained in procedure **PR13**.

It is the responsibility of LSE-E CEO and PD/PM's to ensure that all employees, agents, contractors and consultants are aware of the policy and actively agree to work within it by signing the relevant declaration. Clauses to this effect must be included in all contracts of employment, and into all sub-contractor and agency agreements.

All instances of bribery or attempted bribery by any party involved in LSE-E activity must be reported immediately to the CEO or The Chairman of LSE-E, and to the CFO.

Failure to comply with the policy will be considered an incident of misconduct and will be subject to disciplinary action.

B9. MONEY LAUNDERING

Money Laundering is the process by which criminal proceeds are sanitised to disguise their illicit origins. A person commits an offence under the Proceeds of Crime Act 2002, if s/he fails to disclose a transaction or arrangement that s/he knows or suspects involves "the acquisition, retention, use or control of criminal property by or on behalf of another person." It is in this context that members of staff should report to the CFO any transactions with the School which they suspect are being made with the proceeds of crime. The report should include a description of the type of offence that is suspected and the identity of the relevant individuals.

In a similar vein to the Proceeds of Crime Act, the Terrorism Act 2000 makes it an offence for a person not to disclose information which has caused him or her to be concerned about an arrangement that might involve money laundering or the use of money or property for the purposes of terrorism. This type of offence might include a member of staff deciding not to report information on the School's resources or facilities (e.g. meeting rooms or computer network) being used by an extremist group for the purpose of terrorism. Members of staff should report any suspicions which they might have to the CEO or the Chairman of LSE-E, and to the CFO.

C. FINANCIAL MANAGEMENT AND CONTROL

C1. FINANCIAL PLANNING

C1.1 Financial Planning

LSE-E prepares a five year business plan as part of the School's Strategic Plan process in order to:

- a) continue to build and grow a sustainable business in accordance with its objectives;
- b) identify trends in the Company's financial position;
- c) assess more fully the resource implications of adopting particular strategies;
- d) safeguard the long term financial management of LSE-E by enabling management to weigh up the probabilities and decide what action may be necessary to counteract any unfavourable factors revealed by the evidence on which the forecasts are based.

The five year business plan will be prepared in the spring, and approved by the Board of Directors at the Board Meeting held in May. This will require subsequent approval by The Finance Committee before it can be implemented.

Within the five year business plan, LSE-E must produce a capital budget for approval by the Board of Directors, which will estimate the amount of expenditure required for the forthcoming year. This will also require FGPC approval.

LSE-E will submit, via APB, the approved business plan to the School's Finance Committee

C1.2Preparation of Forecasts and Budgets

The establishment of the business plan, forecasts and budget relates the responsibility of the CEO to the requirement of the continuous comparison of actual with budgeted results. This is intended to secure by individual business area, the objective of the plan or to provide a basis for its revision.

Budgets for the forthcoming year are approved by the Board of Directors at its meeting in the Lent term, for final approval by the Finance Committee in May.

It is the responsibility of the CEO to advise the Board of Directors immediately of any factors likely to affect the out-turn, both over and under, of their current year's activity, and of factors likely to affect activity under the said budget category in the coming year. (Further details are given in Sections C2.1 and C2.2.) In so doing the best interests of the Company in terms of avoiding wasteful expenditure both now and/or in the future should always be borne in mind.

In preparing any budget information, the CEO should consider:

- a) the Company's requirements in respect of managing the commercial interests of the company
- b) the recorded expenditure to date in the current year;
- c) known and anticipated expenditure to the conclusion of the current year;
- d) anticipated inflation rates relating to expenditure;
- e) anticipated alterations in external factors affecting the budget which are beyond the budget holder's control;
- f) the effect of any tendering exercises carried out during the year must be disclosed.

Advice on how to set and monitor budgets is available from the Finance Division.

C1.3Capital Expenditure

Capital expenditure over and above £10,000 on furniture, equipment and associated costs should be undertaken in line with the company business plan or by resolution of the Board of Directors. Expenditure

in excess of £100K will require FGPC approval. The Financial Approval Process for major capital projects is outlined in **Procedure PR8**.

C1.4 Operating and Finance Leases

Any operating or finance lease where the total costs over the term of the lease exceed £25k needs to be approved by the Board of Directors and any exceeding £100k also require FGPC approval.

C1.5 Overseas Activity

At an early stage of development, the CEO will notify the Board of Directors of any proposed overseas activity undertaken outside a project, business development budget or auspices of an annual business plan.

In planning and undertaking overseas activity appropriate advice must be obtained and the Company must have due regard to the relevant guidelines issued by the funding body (HEFCE Circular letter number 21/2010). Activities involving third parties must also take account of the requirements in relation to Joint Ventures, etc. set out in C1.6.

C1.6 Other Major Developments

Any new aspect of business, or proposed establishment of a company, joint venture, partnership, or collaboration (other than routine commercial projects) must be presented for approval by the LSE-E Board of Directors and when they believe appropriate by Council (with prior review as requested by Council or advised by the School's officers) using **Appendix B** unless otherwise directed by the Nominated Officer and CFO.

Appendix B - contains a Subsidiary Company/Joint Venture/Collaboration evaluation checklist.

Appendix C - contains a summary of protocols for proposed major developments.

C2 FINANCIAL CONTROL

C2.1 Budgets

Within LSE-E, the project budgets are controlled by the Project Directors (PDs) and Project Managers (PMs), all non-project budgets, e.g. administrative staff salaries, general office costs, are controlled by the CEO.

- a) Project Directors/Managers are responsible to the CEO for the management of budgets within their control;
- b) The CEO is responsible to the Board of Directors for the management of all budgets.

As PD/PMs they are expected to:

- a) Work with the Lead Academic for each project to produce a budget that will produce the contracted outputs for the projects to the required standards of quality and efficacy, as specified in the client agreement.
- b) review with CEO and the Lead Academic for each project income and expenditure progress during the year;
- c) ensure the production of forecasts of expected out-turn for the current year and budgets for the following year, and that such information is produced on time
- d) the CEO will advise the Board of Directors of strategic resource requirements/ discontinuation of requirement affecting budgets under their control;
- e) advise the CFO of perceived weaknesses in the current budgetary control headings/procedures which require action;
- f) ensure that Purchasing and Tendering procedures are carried out in accordance with **Procedure PR7**;
- g) obtain appropriate advice on the financial and legal wording of contracts and goods and services above £100K;
- h) Ensure that they secure the best value for money possible; while still delivering to the standards required by the client.
- i) ensure that staffing commitments are within the project budgets or within the administrative staff budget.
- j) ensure that all staff employed on projects are done so in accordance with the relevant regulations.
- k) Ensure that the Lead Academic and others working on each project are aware of, and conform to, all relevant LSE-E regulations in respect of the activities being undertaken;

The PD/PMs will normally be personally responsible for authorising all expenditure against the project budget. The CEO will be responsible for the expenditure against all non-project budgets.

The CEO is responsible to the Board of Directors for the preparation and execution of all budgets.

The PD/PMs are also expected to:

- a) monitor expenditure and maintain records of outstanding purchase orders and known future items of unavoidable expenditure to ensure that the total budget for the project is not exceeded;

- b) PD/PMs who are responsible for income budgets are also required to monitor activity against that budget, and to notify the CEO and the Lead Academic of both actual and potential negative and positive variances as soon as information becomes available;
- c) review the balance of funds remaining on each project on a quarterly basis to ensure that they are sufficient to complete an remaining tasks; and that the LSE-E margin recognised represents a realistic view of the likely outturn position of the project
- d) on request, provide information to the CEO and/or LSE-E FD on the most likely outturn for the year (on both income and expenditure budgets) to assist the preparation of accurate Financial Forecasts;
- e) report as soon as possible to the CEO and the Lead Academic if it is foreseen that the budget for the year (either expenditure or income) will be subject to a negative variance of 10% of the total budget;
- f) seek to rectify any actual or anticipated deficit on projects at the earliest possible opportunity;
- g) ensure that Purchasing and Tendering procedures are carried out in accordance with **Procedure PR7**;
- h) monitor commitments against the Staffing Budgets and advise the Board of Directors of potential issues or substantial variances.
- i) Ensure that year end procedures are carried out in accordance with the Annual Accounts procedure sent out in July.

C2.2Carrying Forward

At the year end, for non-project budgets, there is no authority to carry forward any balance to the following year.

From time to time, Lead Academics may request that balances on their projects, where there has been an under spend, be transferred to an Outside Funds Account held by the LSE Research Division, either in their name , or in the name of their academic department; or to a “general” account in LSE-E. Provided that the client or CEO has certified that the project deliverables have been accepted by the client, these balances can be donated to the School through LSE-E via gift aid or held in LSE-E. If the balance relates to unpaid fees the Lead Academic will have to waive, in writing any rights to receive payment in the future using the agreed waiver format.

Refer to **procedure PR10** regarding “general accounts”.

C2.3Unbudgeted Expenditures

From time to time there will be requirement to undertake unbudgeted expenditures.

In the first instance, opportunity should be sought to fund such expenditures through savings elsewhere.

Unbudgeted expenditure over £10,000 will require:

- the CEO to hold a discussion with the Chairman of LSE-E and give notification to CFO;
- the CEO may additionally seek approval of the Board of Directors.

C3 ACCOUNTING

C3.1 Annual Accounts

The Accounts are produced for the Company's financial year ending 31 July. They are presented to the Board of Directors in September for discussion prior to being audited by the external auditors and then approved by the Board and certified by the Auditors

The School will set a consolidated annual accounts timetable that will be circulated to the CEO (and directors) for comment. Those identified with specific responsibility are expected to meet the agreed deadlines, for the benefit of the smooth running of the process and to ensure that the external audit cost is kept to a minimum.

LSE-E will submit an Annual Report of the activities and performance of the company to Council. The annual report will seek approval of the appointment of Directors made during the course of the year by the LSE-E Board and request the presence of a representative of LSE at the AGM of the company in order to approve the audited accounts.

C3.2 Accounting Policies

LSE-E's Accounting Policies should be consistent with the School's and are set out in the Annual Accounts. Of particular note is the revised Revenue Recognition Policy detailed in **PR11**. Revenue is recognised on the basis of completion/delivery of projects and not necessarily when the invoice is issued.

Consultancy projects are sometimes billed at various part-completion stages. The LSE-E FD will liaise with the relevant Project Director/Manager to ascertain if the deliverable at that stage has been met with client approval in order to recognise the revenue to Income Statement.

Executive Education project revenue is only recognised once the course/programme has been delivered, irrespective of advance billing. However, revenue for "design and development" fees may be recognised earlier depending on the nature of the overall contract.

Royalty revenues are accrued monthly (to Income Statement) and reconciled and actualised quarterly.

"Other" revenue/income is taken straight to Income Statement as and when it occurs.

C3.3 Financial Codes

All postings to the Company's Accounting system are given a 13 character posting code, comprising:

Entity	-	1 digit
Cost Centre 1	-	3 digits
Cost Centre 2	-	4 digits
Expense Category	-	5 digits

The PD/PMs are required to code any purchase invoices being charged to the budget codes for which they are responsible.

C3.4 Periodic Financial Reports

A monthly review of income and expenditure to date and cash flow, control accounts, bank reconciliation and aged debtors is undertaken by the LSE-E FD to allow completion of the LSE Finance "Control Activities and Practices" Compliance Report. Reporting to the Board of Directors is bi-monthly.

The CEO of LSE-E reports to the company's Board of Directors each time the board meets. There will be an end of year meeting the purpose of which will be to receive the interim end-of-year results and to review the performance of the financial year. Board papers will be circulated prior to each meeting. These

papers will include income and expenditure, balance sheet and cash flow results for the period to date and forecasts for the balance of year/full year.

The LSE-E FD LSE-E who reports directly to the company CEO and the Financial Controller LSE, has the responsibility to deliver accounting reports including forecasts to each Board meeting. To do so, detailed accounts will be maintained for each project and for the company. These accounts will highlight incomes and costs (for project expenses and to consultants etc).

All company spending must be in line with the budget and business plan approved by the LSE-E Board of Directors. Spending above 10% of the individual budgets set out annually in the business plan requires the approval of the LSE-E Board of Directors.

C3.5 Accounting Records

Accounts processing, systems support and records maintenance will be supplied by LSE Finance Division, under the supervision of the LSE-E FD.

All original accounting records must be retained for ten years beyond the end of the accounting year to which they relate.

It is a disciplinary offence, and in some cases a criminal offence, to create a false accounting record, to interfere with accounting records or knowingly or recklessly fail to record a financial transaction or liability.

C3.6 Taxation

LSE-E will be part of the LSE group VAT registration.

LSE-E is required to seek and follow guidance provided by the Finance Division on taxation issues including VAT, PAYE, National Insurance, overseas taxation and Corporation Tax. Professional advice on any of these matters should be sought where the Finance Division is unable to assist.

The Finance Division is responsible for maintaining the School's tax records, making all tax payments and submitting tax returns by their due date. The day-to-day administration of payroll is carried out by a Pay Team in the Human Resource Division.

The LSE-E FD is responsible for liaising with the external auditors for the due completion and submission of the annual corporate tax return for the Company.

The LSE-E FD is responsible for submission of the quarterly VAT workings to the Finance Division's VAT Officer by due date. The VAT Officer is responsible for reviewing these VAT workings and resolving any queries prior to submission of the quarterly VAT return.

Addition to and replacement of LSE-E's business software should be discussed with LSE-E CEO, FD and LSE IT Services. Any changes that have implications for the collection or maintenance of financial data or records require the prior approval of the Finance Director.

Refer to **procedure PR9** regarding VAT regulations.

C4 AUDIT REQUIREMENTS

C4.1 Audit - External

LSE-E, and companies in which it is the majority shareholder, will have a financial year that is consistent with that of the school. The statutory accounts will be produced in accordance with the timetable requirement for their incorporation in LSE Group Accounts.

The Boards of Directors of subsidiary companies are responsible for the appointment of external auditors. Unless LSE's Audit Committee approves otherwise the LSE-E Board will appoint the same firm of auditors as the LSE School's auditors.

The external auditor will meet the Chairman of LSE-E as part of the annual audit process and will present their audit report to the LSE-E board.

C4.2 Audit - Internal

All the activities under the Company's direct or contracted control are within the LSE's appointed Internal Auditor's remit. The Internal Auditor is required to give an annual opinion to the Council through the Audit Committee, and to the Nominated Officer, on the status and reliability of internal controls within the Company. This will cover risk management and governance, the efficient and economic use of resources, the control and safeguarding of assets and the integrity and reliability of information and data used by the Company. The Internal Auditor will also draw attention to apparently unsatisfactory results of Company decisions, practices and policies. Internal audit relating to the operations of LSE-E will be charged to LSE-E at full cost, as agreed between the Company and the internal auditor (currently BDO Stoy Hayward).

All Audit reviews, recommendations and actions will be reported to the LSE-E board.

The Nominated Officer and Chairman will have an annual meeting with the internal auditor to discuss the need and scope of any internal audit work within the company. The Audit Committee of the School will determine the Internal Audit Programme of the School and its subsidiaries.

The responsibility for the development and maintenance of internal financial controls (wherever systems are located) is that of the CEO, LSE-E FD and the CFO.

The Internal Auditor will comply with the Auditing Practices Board's auditing guideline "Guidance for Internal Auditors" and also with the HEFCE Audit Code of Practice.

The Internal Auditor will also conduct any special reviews required by the Secretary of the School, the Chairman, the Board of Directors or CEO.

The Internal Auditor has the right of access to all Company records and assets and the right to require any member of staff of the Company to supply any information which s/he considers necessary to fulfil his/her responsibilities.

All internal audit reports will be presented to Board of Directors and CFO.

C4.3 Other Auditors

The Company may, from time to time, be subject to audit by external bodies such as HEFCE, National Audit Office, European Court of Auditors, HM Revenue & Customs. They have the same rights of access as external and internal auditors.

C4.4 Value for Money

The Company should have regard to best practice in both the School and LSE-E where in the HE and commercial sector in order to secure value for money in its contractual agreements.

C5 TREASURY MANAGEMENT

C5.1 Treasury Management Policy

LSE-E currently operates two sterling bank accounts, a current account and a special interest bearing account. All sterling receipts and payments are paid into and from the current account, with the balance, either surplus or shortfall, being transferred each day to or from the special interest bearing account. The rate of interest on this account is base rate minus 0.25 bps. In addition LSE-E operates a Euro denominated current account in order to take Euro receipts from clients. Unless a special circumstance arises requiring LSE-E to hold a Euro balance to facilitate making a Euro payment, then LSE-E will transfer any received funds to the sterling account at the earliest possible opportunity.

LSE-E does not have an overdraft facility with the bank.

LSE-E has an intercompany account with the School, which is settled each month, unless, due to cash flow difficulties, LSE-E seeks agreement from the School to delay part of the payment, until such time as funds become available. In this event a commercial rate of interest on the outstanding balance will be charged. The Company should actively seek to better its interest income by reviewing various treasury market options. Refer C5.7 below.

C5.2 Appointment of Bankers and other Professional Advisers

The Council is responsible for the appointment of the Company's bankers on the recommendation of the Finance Committee. The appointment shall be for a specified period after which consideration shall be given by The Finance Committee to competitively tendering the service.

C5.3 Banking Arrangements

All arrangements with the Company's bankers concerning the Company's bank accounts, and the issue of cheques, shall be made by the CFO on behalf of the Board of Directors and The Finance Committee.

No other department or section shall be empowered to operate a bank account for activities related to the Company and no cheques or financial instruments made payable to the Company shall be endorsed and credited to any other account.

The opening of any new bank accounts for the Company or its subsidiaries will require the authorisation of Council on the recommendation of the CFO

C5.4 Bank Mandates

A central register of all Bank Mandates, including the Company's, is retained in the Finance Division.

LSE-E will have 'A' and 'B' signatories to ensure appropriate level of oversight when issuing payments. 'A' signatories will be those mandated company directors and the Chief Executive, 'B' signatories will be three project managers from LSE-E. Payments up to £10,000 require either an A and B or two 'A' signatories. Payments over £10,000 will require two 'A' signatories.

Petty cash is administered by LSE-E and is the responsibility of the LSE-FD.

C5.5 Bank Reconciliations

The CFO is responsible for ensuring that all bank accounts are subject to monthly reconciliation.

Bank reconciliations for all bank accounts for the Company and its subsidiary companies must be delivered monthly to the School Cashiers by the due date.

Bank reconciliations are performed by the LSE-E AA, reviewed by the LSE-E FD and then sent to the Finance Division each month. The LSE-E FD will keep sole control of the company cheque books. Other cheque stationery will be held in a secure location by the LSE Finance Division.

C5.6Borrowing Powers and Procedures

Notwithstanding the company's memorandum of articles of association - LSE-E has no authorised borrowing powers.

C5.7Money Market Investments

The Company should actively seek to better its interest income by reviewing various treasury market options. The Company may, with the approval of the LSE-E CEO and/or Director of the Finance of LSE place surplus funds as follows:

- (i) transfer to the School and placed together with School funds on a short term fixed deposit

C5.8Minimising Currency Exchange Risk

LSE-E does not have authority for foreign exchange hedging. Foreign currency contracts exposure should be reviewed with the Director of the Finance Division on a regular basis, at least twice per annum.

C5.9Intercompany funds

LSE-E will agree "intercompany" balances with the School and its subsidiaries on a monthly basis. Intercompany balances will be settled (paid) promptly in accordance with terms specified or, absent specified terms, within 7 days of the month end.

C6 INCOME

C6.1General

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

The CFO and CEO shall be responsible for the prompt collection, security and banking of all funds received.

Fee levels or charges for services rendered, goods supplied and rents and lettings shall be determined by the CEO acting under the commercial licence of the LSE-E/ LSE memorandum of understanding.

All proposals for new clients and projects must be approved by the LSE-E CEO in advance of any work being undertaken.

In accepting new clients The LSE-E CEO must give due consideration to whether the client conforms to the terms of reference set out by the Ethics Sub-Committee. If appropriate then approval of the new client must be sought from the Ethics Sub-Committee.

The PD/PM is responsible for ensuring that all revenue is collected by due date. The LSE-E FD and LSE-E AA will assist with debtor collections.

C6.2Maximisation of Income

It is the responsibility of the CEO to ensure that revenue to the Company is maximised by efficient application of agreed procedures for the identification, collection and banking of income.

All accounts for income due to the Company shall be rendered promptly to the debtor, by the respective PD/PM. In the case of royalty fee income the LSE-E FD will raise the invoice and submit to the debtor.

All invoices and credit notes issued in the name of LSE-E must be raised using the appropriate processes within the APTOS accounting system.

C6.3 Costing

Cross-subsidisation of business streams should be transparently reported to the Board of Directors and reviewed on a regular basis. As such, new business opportunities should be assessed on a full economic costing basis.

C6.4 Grants

Any proposal for the Company to receive grant funding directly (i.e. not as a sub-contractor of the School) should be referred to CFO for approval and investigation of any tax issues at an early stage.

C6.5 Income Collection

Most Company income is received by way of direct deposit into the Company's Sterling or Euro current accounts held by NatWest. Occasionally cheques (or cash) maybe received from customers. All cheques are collected and passed over to the LSE-E AA for deposit and adding the details to the "bank deposits received" schedule which is circulated weekly to the project teams and CEO. Detailed requirements in relation to income handling are set out in **Procedure PR3**.

In some cases, customers may wish to make payment by credit or debit card. The preferred approach for customers to make these payments is using the LSE Online Payments Facility (see Procedure PR5)

C6.6 Debt Collection

Procedures for Debt Collection are outlined in **Procedure PR4**.

C7 CASUAL LABOUR AND EXPENSE ADVANCES

C7.1 Expense Advances

If funds permit, LSE-E/LSE staff members working on a project may obtain an expense advance from the LSE-E FD upon authorisation of the CEO and relevant PD/PM. All such advances must be accounted for in detail and receipts must be produced and handed in to the LSE-E FD / FA within 48 hours upon returning to the office. Further advances will not be given if an earlier advance remains unaccounted for. Advances will not be given to non-LSE staff.

Refer to **procedure PR3** for further details.

C7.2 Temporary Labour

Payments to casual labour chargeable to project accounts must not be made by the Academic Leader; claims must be authorised by the PD/PM and sent via LSE-E Finance to the Pay Team in the Human Resources Division (except in circumstances of pre-agreed HMRC approved field research activities where

cash payments are permissible).

All invoices from self-employed people will be processed through the AP department at LSE. The following information is required to be provided on all Schedule D invoices:

1. National Insurance No.
2. The name of tax district and the address to where the claimant sends their return
3. Unique tax reference number (UTR)
4. Following the completion of the HMRC questionnaire (to be completed per person per project), the 10 digit reference number given by the HMRC website. This questionnaire will determine whether or not the individual is deemed self-employed for the purposes of a particular project. If deemed to be "employed" then the individual must be paid via payroll and taxed accordingly.
5. Invoices from a limited company must be presented in the company's name, and they must contain the company's registration no., VAT number where applicable and must be addressed correctly to the Company. In these cases, cheques will only be paid to the company and not to the individual.

The LSE-E AA will keep note of the above details, particularly the 10 digit reference number before submitting invoices to AP for payment.

In addition, where the payments are being made to an individual who is registered for taxation in the United States of America (or who is requesting is made to a US bank account), then the individual must provide the details of their US Social Security number and the address at which they are registered with the IRS for the purposes of US taxation.

The above "SchD" process is subject to approval by LSE Finance Division.

C8 OTHER INCOME – GENERATING ACTIVITY

- a) Academic staff undertaking consultancy work paid for by an organisation in which they have a financial interest should, before undertaking such work, register this interest with the CEO who may refer the matter to the Chairman.
- b) The CEO is responsible for ensuring that copies of all reports submitted in connection with LSE-E consultancies must be lodged with the Company, for recording and archiving. This is a requirement to meet the possibility of litigation against the Company at a future date. Such copies will be subject to security and confidentiality control.
- c) Invoicing for consultancy work must only be done by LSE-E. Under no circumstances should an individual member of staff write directly to the purchaser of consultancy services to request payment.
- d) Where academics request that non-academic LSE staff are paid from one of their projects, there should be evidence that the work undertaken is over and above the individual's School obligations, and agreement from their line manager must be obtained prior to the work being performed. In case of doubt refer to LSE HR department for guidance. These payments must all be processed via the LSE payroll department.

Refer to **procedure PR10** for details on how to manage and account for "small consultancy contracts" and general accounts.

C9 INTELLECTUAL PROPERTY RIGHTS AND PATENTS

C9.1 Patents

The Finance Committee is responsible for deciding procedures to deal with any patent rights and copyrights accruing to the Company from inventions and discoveries made by staff in the course of their work.

C9.2 Intellectual Property Rights

- a) LSE-E will maximise the protection of its own copyrights and IP:
- b) LSE-E will advise LSE academics on an individual basis of the best way to protect and exploit their own IPR and, where legal or other technical advice is appropriate, will introduce specialist professional advisers after consultation with the Director of RPDD:
- c) The Standard Terms and Conditions for LSE-E's contracts stipulate that all intellectual property (other than background intellectual property belonging to clients) arising from work carried out for clients shall belong to and vest in LSE-E.

C10 EXPENDITURE

C10.1 Financial Authorities

LSE-E shall maintain a register of authorised signatures and associated levels of authority to commit the Company to expenditure. Refer also "Register of Signatory Authority" in **Appendix D**.

Budget holders are not authorised to commit the Company to expenditure without first ensuring that there are sufficient funds to meet the purchase cost.

Budget holders are required to observe the purchasing policies and procedures as set out in **PR7**

C10.2 Payments

The Finance Division is responsible for the payment of all invoices, expense claims, etc. Payment will only be made against invoices etc:

- a) which have been certified for payment by the appropriate budget holder; By certifying an invoice etc for payment the budget holder is stating:
 - i. that the goods have been received / services performed;
 - ii. that the goods and services comply with the details on the Company order (where appropriate);
 - iii. that the goods/services are of acceptable quality;
 - iv. that the invoice details (quantity, price, discount) are correct;
 - v. that the invoice is arithmetically correct;
 - vi. that the invoice has not previously been passed for payment (i.e. that it is not a duplicate request for payment);
 - vii. where discount is offered for prompt settlement the invoice should be passed to the Finance Division without delay.
- b) which quote an appropriate Cost Centre Code. This must be one of the Cost Centre Codes included in the budget holder's/project manager's responsibility, and must correspond with the type of goods, service etc. detailed on the invoice.

By certifying an invoice or expense claim for payment the budget holder is stating that there are sufficient funds in the relevant budget to meet the cost. In the event that a cost needs to be paid (e.g.: hotel bill for visiting clients) prior to receipt of funds from the customer, then such expenses must be approved by the CEO.

Payments should never be made against suppliers' statements.

Payments may only be made against duplicate invoices or expense claims in exceptional circumstances. The document should be certified by the relevant budget controller or the CEO / LSE-E FD confirming that the item has not previously been passed for payment and is not currently awaiting payment.

The Finance Division will be responsible for deciding on the most appropriate method of payment for each invoice. Where LSE-E's bankers are asked to arrange payment to an overseas supplier, the Cost Centre Code quoted on the invoice will be debited with the resulting charges.

Payments to UK suppliers are currently made by computerised cheque or BACs, on a monthly basis; however exceptionally the Finance Division will prepare "one-off" urgent payments.

Payments for "SchD" and foreign suppliers are currently made by the School with their own such payment runs (weekly/fortnightly) and recharged to LSE-E via the intercompany account.

Payment to project suppliers and specifically "talent" will be made in accordance with contract stipulations and specifically will not be made until LSE-E has received payment from the project client, unless in exceptional circumstances and only once approved by the CEO.

C10.3 Late Payment Rules

The Late Payment of Debts (Interest) Act 1998 was introduced to give small businesses the right to charge interest on late payments from large organisations and public authorities. Key points are:

- small businesses can charge interest on overdue invoices
- the rate of interest is currently **8%** per annum above the official daily rate of the Bank of England
- the Act also applies to overseas organisations
- the institution can be sued for non-payment.

In view of the penalties in this Act, the School requires that invoices must be passed for payment to the Finance Division promptly.

C10.4 Corporate Credit Cards

In accordance with **PR6**, the CEO/Chairman may approve the issuing of Company credit cards to senior staff of the Company. Such credit cards may be used for the payment of valid business expenses only and the misuse of such cards shall be grounds for disciplinary action.

The Company's procedure for the use Corporate Cards is outlined in **Procedure PR6**.

C11 PURCHASING

C11.1 Tenders and quotations

Purchasing of all goods and supplies must be approved by the CEO; or, in his absence in accordance with the LSE-E Financial Regulations.

Budget Holders must comply with the tendering/procurement procedures set out in **PR7**, except in the procurement of talent, and in the case where there is only one potential supplier, using the following tender limits:

- Under £8,000 – the Budget Holder shall have the discretion to decide whether or not to obtain quotations, but value for money must always be obtained;
- from £5,000 to £49,999 – the Budget Holder shall be required to obtain at least three written quotations;
- above £49,000 ex VAT – advice of the School's Purchasing Manager should be sought well ahead of the intended date to contract. The process recommended by the Purchasing Manager must be followed.

Any instances of not using the lowest price should be authorised by the CEO and the LSE-E Board of Directors should be notified at the next Board Meeting for items greater than £50,000.

C11.2 Receipt of Goods

All goods shall be received at LSE-E reception. They shall be checked for quantity and/or weight and inspected for quality and specification. A delivery note shall be obtained from the supplier at the time of delivery and signed by the person receiving the goods.

C12 SALARIES AND STAFF BENEFITS

C12.1 Appointing Staff

The CEO shall issue all letters of appointment and variations in conditions of service.

All contracts of employment must be completed prior to the commencement of work, so as to allow proper checks to be completed on the prospective employee's right to work in the UK; and to allow all relevant HR details to be collected, including a UK National Insurance number for all contracts that are to be for longer than 12 weeks in duration.

As legally required under sections 15-25 of the Immigration, Asylum and Nationality Act 2006 LSE-E has a statutory obligation to check employees' entitlement to work in the United Kingdom to prevent illegal working by overseas nationals. The Pay Team shall ensure that the School is complying with these statutory obligations.

All employees are required to produce evidence of their entitlement to work in the UK on or before the first date of employment. Employees who do not produce evidence of their entitlement to work in the UK on or before their first day of employment cannot commence employment and will not receive salary payments.

Employees employed after 29 February 2008 with limited leave to remain will need to provide evidence of their entitlement to work on an annual basis, and may be subject to termination of employment and pay where evidence is not produced

C12.2 Paying Salaries

Remuneration – After appropriate consultation with the LSE-E Board, the Chairman of LSE-E will be responsible for setting the salary and benefits and other contractual terms of the Chief Executive within the policy agreed from time to time by the board of LSE-E

Remuneration - the Chief Executive of LSE-E in consultation with the Chairman will be responsible for setting the salary and benefits of other LSE-E staff within the policy agreed from time to time by the board of LSE-E.

Any substantial changes in LSE-E's terms and conditions of employment should be considered by the LSE-E Board. Special reference to issues and sensitivities across LSE should be made by the Board.

Status at LSE

LSE-E staff work for a wholly owned subsidiary of LSE and on terms and conditions as set out by LSE-E. Staff will be able to use LSE staff cards to enable access to library, senior dining room and other facilities as may be necessary. LSE will provide all LSE-E employees with LSE staff cards that permit access to the company's premises, as well as library access. It will also entitle all LSE-E employees to have a valid email account at LSE. At the same time all employees will abide by the LSE's regulations and codes of conduct.

All Company employees shall be paid on the monthly payroll through the Human Resources Division's Pay team.

The CEO and PD/PMs shall provide the LSE-E Finance with accurate and timely information on such matters as hours worked, overtime hours, sickness and other absences. All requests for payments based on an hour or day rate must be supported by an authorised timesheet, so that the proper value of holiday pay can be identified.

All timesheets and other documents shall be in a form approved by the LSE Human Resources Division, and approved by an authorised signatory. A consolidated "academic" payroll schedule will be drawn up by the LSE-E AA and reviewed by the LSE-E FD. The LSE-E FD will draw up the LSE-E staff payroll schedule. Such schedules will be approved by the LSE-E CEO and all supporting documentation shall then be passed on to LSE Human Resources Division for processing of payroll.

PD/PMs are responsible for ensuring that academics employed have an appointment letter signed by both parties and agreed to the Company's standard Terms and Conditions.

The PD/PMs are responsible for ensuring that all individuals employed on projects have the right to work and are working within any visa restrictions that may have been imposed upon them.

If an LSE employee is under is for a third party consideration should be given to not risk creating a relationship between the staff member and a third party which might present a potential breach of their independence and objectivity where performing their duties in future. Where this additional work is undertaken for and paid for by the LSE it should not be so closely allied to their current role as to create the impression of double payment.

The Pay team shall maintain safe and efficient arrangements to pay salaries accurately and on time and to collect employee, employer deductions and other deductions as arranged and approved.

The Pay team shall pay salaries into UK bank accounts by BACS transfer. However, it has discretion to make payments by cheque request to the Finance Division in cases of urgency.

It shall issue all staff with a monthly pay advice. It is the responsibility of employees to check the accuracy of this advice and report any errors in salary payments or deductions to the Human Resource Division immediately.

The CFO shall ensure that the payroll complies with income tax and national insurance requirements.

As a general rule, the Company does not make advances other than Season Ticket Loans per **Procedure PR12**.

Offers of severance payments must be approved by the CEO or LSE-E Chairman.

C12.3 LSE-E Pension Scheme

The Company operates a Defined Contribution Group Personal Pension Scheme with Friends Life.

At 1st July 2013 The Company reached its staging date for Auto Enrolment pensions, as prescribed by the Pensions Act 2008. In accordance with the Act, from this date all eligible employees will be automatically enrolled into the scheme at the minimum contribution level specified (currently 1% of salary, excluding bonuses), with an opportunity to opt out, should they so wish.

For full time employees that choose to remain within the scheme the Company's policy is to match employee contributions up to a maximum of 6% of gross salary (excluding bonuses).

For fixed term employees that choose to remain within the scheme the Company's policy is to make the additional percentage contribution required to ensure that the total minimum contribution specified in the Act is met (currently 1% of salary excluding bonuses).

Employee deductions in respect of pension contributions (or changes thereto) are noted on the payroll schedule compiled by the LSE-E FD given to the Pay Team. The Pay Team must ensure that the correct deductions (net of any tax savings) are made to employee salaries and such additional company costs for employer contributions are recharged through the intercompany account.

On a monthly the LSE-FD will review the reports produced by Friends Life in order to ascertain which employees who have been subjected to auto-enrolment have chosen to opt out of the scheme; and instruct the LSE Pay Team to pay the deducted values as part of the next monthly payment run.

Payments to the Pension company are made online by the LSE-E FD on a monthly basis (before the 19th of the month following the month in which the contributions are deducted).

C12.4 LSE-E Life Assurance

The Company has implemented a Life Assurance Policy and the relevant Trust Deed Documents duly signed by the LSE-E Chairman are kept by the LSE-E FD. This policy is paid in full by the Company and no contribution deductions are made from employees except for any tax on taxable benefits where applicable which are processed by the Pay Team.

C12.5 Resignations and Unpaid Leave

The CEO/ LSE-E FD must notify the Human Resources Division of any resignations or requests for unpaid leave they receive from members of LSE-E staff for whom they are responsible.

C12.6 Casual Labour

The Company is required to be particularly vigilant in its approach to the use of casual labour. It is automatically assumed that all payment for services should be via the payroll team so that PAYE and National Insurance may be deducted.

Payments may be made gross under Self-Employed status ("Schedule D") must follow the procedure/details outlined in C7.2 including the completion of the HMRC questionnaire to establish whether or not an individual is deemed self-employed by HMRC. Details will then be declared to the Inland Revenue at the end of the tax year.

C13 ASSETS

C13.1 Inventories

Inventories of IT equipment are maintained by the IT Service. The Company should also keep its own Fixed Asset Register for all IT and Office Equipment on 8th Floor Tower 3 as well as any other premises where Company equipment may be regularly used (e.g. Spain). Such Register should be regularly updated and available for inspection by the Finance Department and Auditors as required. Laptops and other items of portable equipment bought from Company funds (from whatever source) and issued to individual members of staff (LSE or LSE-E) remain the property of the Company and must be accounted for on request.

Inventories of AV and other equipment are the responsibility of IT Services

Inventories must be physically checked at least annually.

Members of staff should ensure that they do not retain items for which they no longer have a regular use.

C13.2 Stores and Stores Control

All consumables and capital items other than catering consumables, IT equipment and stationery should be delivered to the LSE-E reception.

C13.3 Disposal of Furniture and Equipment

The procedure for disposal is as follows:

- a) The user should inform the CEO and Financial Controller as appropriate as soon as it is apparent that an item is not functioning or is redundant.
- b) A qualified member of School/Company staff will then assess whether:
 - i. the item can be repaired;
 - ii. if it is redundant, whether it can be deployed elsewhere;
 - iii. whether it is of no further use to the Company or the School.

In the case of (iii) a scrapping certificate is completed and signed by the CEO and the item is removed from the inventory. If the item is of no use whatsoever, it will be sold as scrap or discarded. If the item has some use, although not to the School/Company, it will be offered for sale and the best price obtained or alternatively donated to a school in a disadvantaged area. Items which may be of interest to members of the School for their private use will be advertised in the School's newsletter. Otherwise, items are sold outside. Proceeds from sales are credited to the appropriate budget account and VAT accounted for as appropriate.

- c) When staff (LSE or LSE-E) resign/leave, all Company equipment purchased using LSE-E or Project Budgets should be returned to the Company.

C13.4 Security

Members of the Company who have been allocated items of furniture and equipment for their office or personal use have a responsibility to ensure that such items are adequately cared for and are kept as secure as possible when not in use. It is the duty of each member of the Company to ensure that all confidential information is securely locked away when they are away from their office (however short the period of time), and to ensure that all windows are closed and secured. Failure to take such action will prejudice any subsequent insurance claims for loss or damage to furniture or equipment.

It is advised that high value or portable items (such as laptop computers) are locked in secure cupboards even when offices are locked, as offices may be accessed for purposes such as maintenance, cleaning, repair or by other staff.

The Company cannot accept responsibility for the loss of any personal possessions which are stolen from offices. The Company is also unable to accept responsibility for petty thefts.

Members of staff wishing to use items of Company IT equipment outside of the Company must obtain authority from the CEO and notify the LSE-E OA of the duration that such equipment will be off the premises.

The official School opening and closing hours are given in the School Calendar. Members of staff wishing to gain access to any buildings outside these times must notify the Main Lodge in advance and enter and leave via the laid down route.

Emergency doors are provided in all buildings: these must be kept closed in accordance with instructions, and they should not be used for normal exit and/or re-entry after closing hours.

The Head of Security has overall responsibility for security arrangements in the School.

C14 SCHOOL COMPANIES, JOINT VENTURES, PARTNERSHIPS AND OTHER COMMERCIAL ENTERPRISES

C14.1 Companies, Joint Ventures, and Partnerships

In certain circumstances it may be advantageous to the Company to establish a company or a joint venture or a partnership to undertake services on behalf of LSE-E. Any such proposal will in the first instance be taken to the Board of Directors for consideration who should have due regard to guidance issued by the funding body (HEFCE 00/58 Related Companies: recommended practice guidelines).

The Council is responsible for approving the establishment of all companies or joint ventures or partnerships and the procedure to be followed in order to do so. This will have regard to any guidance provided by the funding bodies.

This approval will be required for the following actions:

- a) Formation of campus companies of LSE-E
- b) Joint ventures with other academic institutions.
- c) The acquisition or disposal of strategic commercial investments

It is the responsibility of the Council to establish the shareholding arrangements and appoint directors of companies wholly or partly owned by the School or any of its subsidiaries. The directors of companies where the School is the majority shareholder must submit, via The Finance Committee, an annual report to

the Council. They will also submit business plans or budgets as requested to enable the committee to assess the risk to the School. The School's internal and external auditors shall also be appointed as auditors to such companies.

Where the School is the majority shareholder in a company, that company's financial year shall be consistent with that of the School.

Appendix B contains a Subsidiary Company/Joint Venture/Collaboration Evaluation Checklist.

Appendix C contains a summary of protocols for proposed major developments.

C14.2 External Funding of Activities

Any new obligations/contracts/understandings/agreements for external funding of activities at the Company will be subject to further scrutiny and will require "credit approval" by any one of the following:

Simon Flemington	CEO
Roger Mountford	LSE-E Chairman
Andrew Farrell	CFO
Mike Ferguson	Finance Director

The individual giving credit approval will minute to that effect on the file.

Where the total financial commitment exceeds £200,000, approval must be given by two of the above.

C15 MISCELLANEOUS

C15.1 Insurances

LSE-E will pay for and receive, via the LSE, the following insurances:

- I. Professional Indemnity Insurance
- II. Public Liability Insurance
- III. Employer's Insurance
- IV. Directors' and Officers' Insurance

Professional Indemnity Insurance cover will be provided for all academics that carry out commercial work for LSE-E.

All insurances of the Company will be processed through the LSE.

All insurances of the Company shall therefore, unless otherwise deemed by the Board or Directors, be under the control of the CFO.

The CFO shall take steps to insure adequately against assessed risks and obtain competitive quotations as required. The Board of LSE-E, LSE-E CEO and LSE-E FD shall regularly assess the nature of the risks faced by The Company to ensure that the cover provided is adequate.

LSE-E may independently source insurance if it is determined by the Board of LSE-E that it would be more beneficial for LSE-E to do so. LSE-E would undertake to consult with the LSE officer responsible for insurance to make sure that terms and conditions were comparable

The CEO shall give prompt notification to the CFO of all potential new risks and additional property and equipment, which require to be insured and the amount of cover required, and of any alterations affecting existing risks of insurance.

The CFO shall keep a register of all insurances affected by the School and the property and risks covered thereby.

The Foreign & Commonwealth Office updates and issues advice on travelling to 'disturbed areas' on a regular basis. Prior to travelling to disturbed areas, a Hostile Environment risk assessment should be completed by staff in conjunction with the PD/PM. Advice should be sought from the LSE Health & Safety Team, and the Head of Security. The completed risk assessment shall be filed with the project records. Advance notice shall be given to the LSE-E FD so additional insurance coverage can be obtained prior to the travel taking place.

The CEO shall advise the LSE Financial Controller immediately of any event which may give rise to an insurance claim. The LSE Financial Controller shall immediately notify the insurers and, if appropriate, prepare a claim in conjunction with the CEO for transmission to the insurers.

All reimbursements received from the insurers shall be credited to the School.

C15.2 Company Seal

Since the change in company name a new seal has not been obtained as per Companies House, company seals are now somewhat redundant.

C15.3 Signing of Official Documents

The CEO is authorised to sign all contracts and legal documents of the Company subject to the provisions of these regulations.

C15.4 Non-Standard Contracts

In case of uncertainty, particularly in the case of non-standard form contracts, the CEO must seek the advice of the Company Secretary.

No member of staff of LSE-E may enter into any contract placing actual or contingent obligations on the School other than with the appropriate prior documented approval from the School.

Officers of the company are reminded that contracts should be signed with the utmost care and caution and that acting *ultra vires* may expose the individual to personal liability, civil liability or criminal action.

C15.5 Control, Custody and Security of Documents

All original signed official and legal documents relating to LSE-E's activities should be passed to the LSE-E Company Secretary for safe keeping in the Company's fireproof safe unless specific written authority has been given by the CEO and the CFO for such items to be retained elsewhere in LSE-E. The LSE-E Company Secretary is responsible for ensuring that there is a complete list of all company documents available for inspection.

Documents will only be released to authorised members of the Company and a receipt must be signed by the borrower who will be responsible for its care and safekeeping until its return to the CEO.

Please also refer to the Revenue Recognition Policy detailed in **PR11**.

C15.6 Computer Security

Computer passwords should not be shared between staff. Named staff should have appropriate levels of access to the computer system. All access rights must be removed when staff leave the employment of the Company. Local managers are responsible for notifying IT Services/MIS of staff leaving the Company and transfers between departments.

Further details are available in the "Revised User Access Procedures" issued by the Information Systems Manager.

C15.7 Personal Possessions

The School will only accept responsibility for the loss of, or damage to, members of staff's personal possessions in cases where the Company or its officers are negligent. Accidental damage caused by members of staff's own oversight or carelessness is not the responsibility of the Company. [The responsibility of members of the Company in relation to security is detailed in Section C13.4]

If the Company accepts liability, reimbursement will be as a result of a claim on the Company's insurance, or by ex-gratia payment.

C15.8 Annual Returns to Companies House

The Company Secretary is responsible for ensuring that the Annual Return reaches Companies House by the due date.

The Company Secretary is also responsible for ensuring that the signed annual statutory accounts are submitted to Companies house by the due date.

PROCEDURE PR1 (ref A2)

PROCEDURE TO BE FOLLOWED IN THE CASE OF A SUSPECTED FRAUD

These notes are intended to amplify and/or add to the duties laid upon staff of the Company by both the Company's and the School's Financial Regulations and its Financial Memorandum with HEFCE.

PR1.1 The Company's Financial Regulation A2 states:

"Whenever any matter arises which appears to involve irregularity in financial, stores or Accounting transactions in any area of the Company the Officer responsible shall immediately report the matter to CFO and the CEO.

The CEO and CFO shall, when an irregularity appears to involve a criminal act or a disciplinary offence, report the matter to the Chairman of the Company, the Secretary of the School & the Directors of LSE-E who in turn should report any material matters to The Finance Committee. The Internal Auditor may be asked to investigate."

It is the Company's policy to prosecute where sufficient evidence of a fraud is available to elicit the support of the Crown Prosecution Service.

The Audit Code of Practice, which flows from the HEFCE Financial Memorandum, contains a mandatory requirement that any significant fraud must be reported to the HEFCE Accounting Officer.

PR1.2 In the event of a fraud being suspected, the member of staff discovering the fraud must inform the CEO, or Chairman and the CFO: failure to do so will be regarded as a serious breach of terms of employment. The LSE-E Chairman will be informed as much as possible. The CFO, after consulting the LSE-E Chairman, will instigate an appropriate initial response which may include any or all of the following (without this list being construed as exhaustive):

- initiate action to mitigate the potential loss to the Company and to inform the Company's insurers
- inform the Secretary & Director of Administration, the LSE Director and the Internal Auditor. The LSE-E Chairman of the Audit Committee, the Chairman of The Finance Committee, and the LSE-E Chairman of the Council might also be contacted if appropriate
- agree with the LSE-E Chairman, the Secretary of the School and the LSE Director the form and extent of an investigation, which would normally be undertaken by the Internal Auditor.

In the event of a suspected fraud involving the Finance Division and/or its staff, the CEO or the Secretary of the School will initiate action, and the Director of the Finance Division and the CEO will not be involved in the subsequent investigations unless specifically requested by the LSE-E Chairman and the Director of LSE.

PR1.3 In the event of a request from the CFO, the CEO or Internal Auditor to undertake action to mitigate the potential loss, it is the duty of all staff to co-operate with speed and to observe reasonable expectations of confidentiality (based upon the fact that an allegation may prove to be unfounded).

PR1.4 During an investigation, it may be necessary for the CEO to take action against any members of staff potentially implicated in the suspected fraud pending the results of the investigation e.g.

- temporary suspension from duty
- denying access to the Company and its facilities

such action to be interpreted as assisting the investigation, and not as any assumption of guilt.

PR1.5 It is the duty of the CFO, the CEO and the Internal Auditor to conduct any investigation with due alacrity (while observing the principles of natural justice), and to preserve confidentiality wherever this can be reconciled with the best interests of the School/Company.

PR1.6 In the event that an allegation is deemed to be substantiated, the action taken (or proposed to be taken) by the CEO (or if the allegation concerns the CEO, by the LSE-E Chairman and the Secretary of the School) as a consequence will be recorded in writing. Such action should be proportionate to the allegation but may include (after appropriate consultation with senior colleagues)

- temporary suspension from duty
- denying access to the Company and the School and its facilities
- summary dismissal or dismissal under notice
- notification to police
- notification to other parties likely to be affected
- restitution by the perpetrator
- other disciplinary procedures

(It is *not* intended that this list shall be construed as exhaustive).

PR1.7 Under normal circumstances, all reports of fraud will be reported to the next scheduled meeting of the Audit Committee. In instances of sufficient importance, the CFO or the Secretary of the School, in concert with the LSE-E Chairman of Audit Committee, shall convene an extraordinary meeting of Audit Committee to consider action already taken, or proposed to be taken. In such instances, the Director will normally attend. The form of report to be made to Audit Committee will normally be written, but in the event that it is not it will be recorded in the written form in due course.

PR1.8 The CFO, the CEO and the Secretary of the School shall report all instances of suspected fraud and the outcome of investigations to the LSE-E Board of Directors and The Finance Committee on an annual basis. Where there is a material financial impact or risk, the event will be reported immediately to The Finance Committee.

PROCEDURE PR2 (ref A1)

PROCEDURE TO BE FOLLOWED IN THE CASE OF A SUSPECTED BREACH OF THE FINANCIAL REGULATIONS OTHER THAN SUSPECTED FRAUD

PR2.1 All suspected breaches of the Financial Regulations, including Code of Conduct (see B7), should be reported to the CEO and CFO.

If the suspected breach involves the Finance Division and/or its staff, this should be reported to the Secretary of the School. In either case the LSE-E Chairman shall be promptly informed.

PR2.2 The CEO and the CFO (or the Secretary of the School) will take a view on the seriousness of the suspected breach and may arrange an investigation, which would normally be undertaken by the Internal Auditor.

PR2.3 In the event that an allegation is deemed to be substantiated then the matter may be referred to the Company's disciplinary procedures.

PR2.4 In cases of breaches relating to tendering procedures, the Purchasing Manager will issue a written notification to the officer involved copied to the Secretary of the School, CFO, Finance Director and CEO outlining the circumstances and nature of the breach. In the event that an allegation is deemed to be substantiated but it is determined that disciplinary action is not appropriate, the CEO in consultation with the LSE-E Chairman, or in the case of CEO breaching regulations, LSE-E Chairman in consultation with the LSE-E Board of Directors, will determine, in consultation with the Internal Auditor and the CFO, what other course of action might be appropriate. This could include training, improved communication, establishment of new procedures or other actions.

PROCEDURE PR3 (ref C6.5 and C7.1)

CASH HANDLING ARRANGEMENTS AND PETTY CASH

PR3.1 Custody of Cash and Cheques

- a) A member of staff collecting cash and cheques is personally responsible for their safe custody. Cash should be banked at the NatWest Bank located on the ground floor of Connaught House. Any cheques received payable to LSE-E should be passed directly the LSE-E FD or AA for depositing.
- b) It is essential that comprehensive records of cheques received are also kept showing the date, source and purpose of each. All cheques collected should be listed on the "bank receipts schedule" and deposited as soon as possible by the LSE-E FD/AA. Cheques over £10k must be deposited the same day as received.
- c) Cash in transit to and from the bank must not exceed the carryings warranty otherwise any insurance cover is invalid
 - i. Sums up to £2,000 must be accompanied by 1 able-bodied adult.
 - ii. Sums between £2,001 and £5,000 must be accompanied by 2 able bodied adults.
 - iii. Sums between £5,001 and £10,000 must be accompanied by 3 able bodied adults.
 - iv. Sums in excess of £10,000 must be carried by a security company.

PR3.2 Receipt Books (security, issue of, etc)

It is Company policy not to issue receipts for cheques received unless specifically requested but it is essential that a receipt is given for any cash received by any client, individual or Department on behalf of the Company.

PR3.3 Petty Cash and Cash Floats retained outside the Finance Division

- a) The float should be retained in a locked box for safe custody each evening. When this is not possible the box should be locked and placed in a locked cupboard or cabinet at night and whenever the office is left unattended. It is also essential that the office itself is locked, as Insurers will only accept a claim where there is evidence of forced entry into the premises.

The key to the box should be retained by the member of staff and should be locked away (separate from the tin) each night. Access to this key should only be known to the LSE-E AA, LSE-E FD and CEO. A duplicate key is held by the CEO.

- b) When money is handed over by one person to another, the recipient will give a proper receipt to the person from whom it is received.
- c) The LSE-E FD should arrange for general supervision of these arrangements.
- d) Members of the Finance Division and the internal and external auditors will check the cash float from time to time. They shall report any discrepancies to the float-holder's manager who shall within one month report to the Director of the Finance Division the cause of the discrepancy and the action taken to remedy it.
- e) At 31 July each year a certificate of the float should be completed by the member of staff and countersigned by the LSE-E FD or CEO and sent on to the Financial Controller, LSE

PR3.4 Petty Cash Payments

Petty cash must be kept separate from other cash sources (e.g. takings).

The Company has a Petty Cash float from which it will reimburse members of staff who have incurred items of expenditure in the course of their duties up to a maximum of £20 per claim.

- a) The petty cash controller will issue a petty cash voucher detailing the recipient's name, type of cost and relevant project/budget code. All receipts must be attached where appropriate. The recipient must sign the voucher as acknowledgement of cash received and signed by the petty cash controller as issued. This certification confirms that:
 - (i) that the money has been spent;
 - (ii) that the expenditure has been reasonably incurred given the details and responsibilities of the claimant;
 - (iii) that the type of expenditure is in accordance with the purposes for which the relevant budget was allocated the budget;
 - (iv) that a claim for the expenditure has not previously been made.

If there is any uncertainty as to the allocation of the expense to a project budget, the petty cash controller should revert to confirmation from the relevant Project Director/Manager.

On a monthly basis:

- a) a schedule detailing the payments made from the petty cash box will be prepared by the LSE-E AA and reviewed by the LSE-E FD or CEO;
- b) The payments will be posted into the accounts system;
- c) and the float will be topped up to the agreed limit.

Visa fees and per diems

Special requests for cash for items such as visa fees or staff advances must be made to the LSE-E FD or CEO at least 48 hours before the cash is required to allow sufficient time to obtain a signed cheque etc.

The PD/PM is responsible for ensuring that each individual signs a "Receipt of Cash" at the time the cash is handed over and that the individuals are made aware that the Company will not be responsible if any cash they have received is lost or stolen. Where possible the PD/PM should rather arrange for travellers cheques for individuals as this provides better security.

The security requirements for cash in transit per PR3.1 (c) above apply at all times until such time that the cash is handed to the client / individual for whom it is intended.

The above will also apply to cash per diems arranged by LSE-E on behalf of clients visiting the UK for Executive Education programmes (provided the client has paid in full). Each client participant will sign a receipt of cash received and should be made aware that once received the Company will not be held responsible for cash that is lost or stolen.

PR3.5 Large Cash Advances for Project Related Expenditure (amounts of £10 000 or more) for individuals travelling abroad for work purposes

- a) In certain, rare, circumstances it is understood that some projects may require academic staff to travel to countries where all accommodation and other expenditure during their stay will need to be paid in cash (e.g. Sudan).

- b) In these instances the PD/PM and lead academic should prepare the following risk assessment and documentation **prior to seeking such cash advances:**
- i. A project approval and client approval (if a new client) form should be completed and authorised (including the background and credit check on the client where it is a new client)
 - ii. The contract, signed by both LSE-E and the client should be presented.
 - iii. It is preferable that the client pays at least the equivalent amount of funds up front. If this is not the case, the PD/PM will need to write an explanation and take all reasonable steps to ensure some sort of guarantee that the client will make payment (e.g. contract signed) and additionally obtain written confirmation from the client when such payment will be made. (**Note**, the client will more than likely not pay without an invoice, such invoice can only be raised once steps (i) and (ii) have been completed)
 - iv. A Security Risk Assessment document is to be comprehensively completed in conjunction with the relevant communication and correspondence with the Head of Security LSE in the case of travel to high risk areas. The PD/PM should make reference to FDO advice and liaise with the Head of Security to determine the latter.
 - v. The PD/PM will, where appropriate, also arrange with LSE Security for a briefing session between LSE Security and the individual(s) with regards to the high risk area being visited. This is to ensure not only that the individual(s) is well prepared, but also to ensure that the Company has fulfilled its obligation of duty of care to its employees.
 - vi. The Company travel insurance policy only covers the carrying of £5 000 cash by individuals travelling. Where this amount is exceeded the individual will need to provide the Company with proof that they have obtained sufficient additional insurance. Where the project fees are covering such additional insurance the PD/PM will need to liaise with LSE-E FD and LSE Finance to arrange the additional insurance with the Company's insurers.
- Note: additional, separate insurance may be required if the country being visited is in the exclusions on the Company's insurance policy.
- c) The above documentation and correspondence must be given to the CEO for review and approval.
- d) Once approved, the CEO will request the LSE-E FD to arrange for the cash request from the bank. The LSE-E FD will need to present such documentation to LSE Finance when seeking signatures for the cash request letters, which are to be signed in accordance with the standing bank mandate (i.e. 2 "A" signatories).

PROCEDURE PR4 (ref C6.6)

DEBT COLLECTION

PR4.1 All requests for payment from companies or individuals for goods or services provided by the Company should be by official Company invoices generated on the accounting system.

The person responsible within each project team must issue invoices using the APTOS accounting system, which will then be automatically numbered and marked with the relevant trading area sales ledger code.

Originating PD/PMs who send invoice requests to the members of staff responsible must keep a copy or record, for audit purposes, of the invoice details sent for input and should check their budget statement (paper or electronic) to ensure that the invoice has been correctly issued.

Credit notes requests must be sent to the LSE-E OA who will review and if approved will raise the relevant credit note on the accounting system. The LSE-E FD will review the record of credit notes issued and the reasons for issue and will investigate any apparent irregularities. If any financial irregularity is suspected that the LSE-FD will immediately report this to the CEO and CFO, in accordance with procedure **PR1**. Per Appendix D, any actual refund amounts must be approved in accordance with the relevant signatory authority.

The payment instructions instruct the debtor to send all remittances direct to the Company's Bankers. Any payments received by the originating PD/PMs must be sent to the LSE-E FD /AA without delay.

LSE-E's standard payment terms are 30 days from the invoice date. These terms can only be extended by prior agreement from the LSE-E CEO or FD. The request to extend the payment terms should be indicated on the Project Approval form, prior to it being signed by the CEO.

The initial responsibility for debt collection lies with the originating PD/PMs, who should use their personal contacts in debtor organisations to secure payment of overdue invoices. The LSE-E FD/AA will assist with debtor collection in accordance with internal detailed procedure including monthly debt management meeting with the CEO, LSE-E FD/AA.

PR4.2 In the event that LSE-E is unable to get recovery then it must seek instructions from the Board and may ask the Credit Control team to seek payment.

The Credit Control team will send out three reminders and then pass the debt to the relevant collection agency. Where payment is not received, the Credit Manager will write to the originating PD/PMs so that further action can be decided. Normally this will be one of the following:

- a) The originating PD/PMs agree that the debt should be written off against their budget with the approval of the CEO.
- b) The originating PD/PMs agree that legal action should be taken, taking account of the current and potential costs involved compared with the outstanding sum.

Any legal action or the use of bailiffs should be authorised by the CEO who will notify the Chairman and the Board of such actions.

Any amounts which are to be written off may only be authorised by the LSE-E Board of Directors and, if in excess of £20,000, the Finance Committee.

All amounts written off (other than normal foreign exchange gains/losses) should be reported to the LSE-E Board of Directors at the earliest opportunity.

PROCEDURE PR5 (ref C6.5)

CREDIT CARD PAYMENTS – ONLINE PAYMENTS

PR5.1 Online Payments

The Company is able to provide facilities for taking payments by Credit Card.

In most cases customers wishing to attend Open Enrolment courses may want to make payment by credit card to secure their place for the course. The preferred method for receiving these payments is using the Online Credit Card Payment process provided on the LSE website pages. LSE-E no longer has direct access to a PDQ machine for receiving Credit Card payments

Refunds

In the event that a customer can no longer attend and wishes to be refunded for their credit card payment, they must make such request in writing (email is sufficient). The details should then be passed to the LSE-E FD who must get approval from the CEO before processing any credit card refunds. It should be noted that the refund can only be done back to the original card from which the payment was taken and the LSE-E FD should take relevant steps to check and ensure that such details match. Refunds to be made via the Online Payments Process will be submitted to the Cashiers Team within the LSE Finance Division for processing

PR5.2 eShop

eShop is an additional payment facility provided by the Finance Division. If an LSE-E team decides to offer a payment facility using eShop it should only be used for sales of School and its subsidiary's goods and services. Before eShop is used to offer a product or service, the authorisation of the LSE-FD, so that the details of the process can be confirmed must be obtained in advance. Any services or goods provided through the eShop must adhere to the LSE-E legal framework, copyright laws, rights clearances and the overall Financial Regulations guidelines. In case of doubt or for clarification on the above points, please contact the LSE-E CEO or FD.

PROCEDURE PR6 (ref C10.4)

CORPORATE CREDIT CARDS

PR6.1 The Company has an arrangement to provide corporate card facilities in appropriate circumstances. Corporate cards can only be issued to those individuals whose jobs necessarily involve regular and substantial expenditure on Company business which it would be inappropriate to expect them to meet (albeit temporarily) from their own resources. The most common reason for issuing a corporate card will therefore be for jobs which involve regular overseas travel.

PR6.2 Applications for the issue of new corporate cards are considered by the CEO/LSE-E Chairman who will decide whether a card should be authorised, taking account of the circumstances in each case.

PR6.3 Corporate card holders must only use the card for the purchase of goods or services in connection with Company business and against budgets for which they have authority to make commitments. Use of the card for personal expenditure is prohibited. Cash withdrawals (for taxi fares etc.) must be pre-approved by the CEO. In exceptional circumstances, such approval may be retrospective.

PR6.4 The LSE-E AA/OA will send each cardholder a copy of the monthly statement from the card company detailing the expenditure incurred during the period. The cardholder must then provide for each item of expenditure:

- a note of the reason why it was incurred; identifying the nature & purpose of the expenditure.
- supporting vouchers (i.e. invoices, hotel bills, etc.);
- the budget code to which it should be charged.
- any unspent cash advances should be returned to the LSE-E FD.

It should be noted that credit card receipts are not in themselves adequate for this purpose and they must be supported by a bona fide tax invoice, hotel bill etc. All claims must be supported by receipts or vouchers.

PR6.5 Every monthly statement must be signed by the cardholder and authorised by the CEO (or LSE-E Chairman in respect of the CEO statement). Self-certification of corporate card statements is not acceptable.

PR6.6 Statements must be returned to the LSE-E AA/OA by the date specified.

PR6.7 When a corporate card is first issued, the holder will be asked to sign a written undertaking to abide by the conditions on which the card is issued, as described above.

PR6.8 These regulations apply to all corporate cardholders and failure to keep to them will normally result in withdrawal of the facility.

PR6.9 Use of the cards will be reviewed periodically and where it is clear that the usage no longer meets the criteria set out above, the card will be withdrawn.

PR6.10 Corporate credit card holders who persistently fail to return completed statement analyses within the specified timescales may have their card withdrawn.

PR6.11 Lost or stolen cards must be reported immediately in the first instance to the issuing bank and then to the CEO/FD by the cardholder to prevent any unauthorised or fraudulent transactions.

PROCEDURE PR7 (ref C11.1)

PURCHASING

PR7.1 Purchasing Procedures

This procedure will be applied to areas of purchasing **outside the areas of talent** and project execution where specific client based preferences make purchasing procedures invalid.

The School maintains a list of all suppliers approved for use at the School, and where possible LSE-E staff should use the suppliers on this list, as they are likely to provide the best value for money.

If a Budget Holder delegates the task of sourcing items to another member of staff or another department, the ultimate responsibility for ensuring that quotations or tenders are sought rests with the budget holder.

Budget Holders must comply with the following tendering/ procurement procedures:

- a) Under £8,000 (ex. VAT) – the Budget Holder shall have the discretion to decide whether or not to obtain quotations, but value for money must always be obtained; achieving the lowest whole life cost for satisfactory quality, within an acceptable delivery period;
- b) from £8,000 to £49,999 (ex VAT) – the Budget Holder shall be required to obtain at least three written quotations;
- c) From £50,000 to £173,934 (ex VAT) – the Budget Holder shall be required to obtain at least four written quotations;
- d) Contracts over £173,934 (ex VAT) – the Budget Holder shall be required to obtain at least five written quotations. The process may also be subject to EU tendering regulations.

It is the responsibility of budget holders and controllers to ensure that these thresholds are not avoided by breaking down orders into smaller quantities. If there is a reasonable expectation that a supplier may be used regularly orders should be aggregated and alternative quotes sought. The value of a contract awarded to a supplier may not be greater than 30% of the supplier's total turnover.

Tenders must be conducted and evaluated with the tenets of the LSE Ethics code; and with consideration of the LSE-E Bribery and Corruption Policy.

There are Purchasing Managers at the School, whose advice should be sought and followed for any tenders being carried out. For contracts above £50,000(ex VAT) the advice of the School's the Purchasing Manager should be sought well ahead of the intended date to contract. The process recommended by the Purchasing Manager should be followed. The LSE Purchasing Procedures (PRs6 -8) are available on the LSE website as part of the Financial Regulations). The following points must always be observed:

- a) competitive quotations should be in written format. A reference number for each set of quotations must be marked on the invoice submitted for payment.

The prices submitted shall remain confidential and not disclosed other competing tenderers. Unless the tender was undertaken via the In-tend system, copies of all Tender Offers received together with all correspondence with those invited to tender should be retained on file by the Budget Holders for 5 years after the contract has ended. All alterations to contract specifications and/or prices must be confirmed in writing.

Budget Holders must ensure that the contractor nominated holds, and can produce evidence of, relevant insurances.

Budget Holders who have prepared the tender specification for contracts in excess of £50,000 ex VAT are not permitted to formally accept the successful bid. In such circumstances a written report on the results of the tender exercise and the recommended supplier and price should be submitted to the CEO who will formally authorise the acceptance of the winning bid.

Any instances of purchases greater than £50k not at the lowest price should be authorised by the CEO and reported to the LSE-E Board of Directors.

All contracts for the supply of goods, services, or works that will cover a period of more than two years must be authorised by the CEO, regardless of value.

Any post tender negotiations must not result in action that would distort competition or put other tenderers at a disadvantage (i.e. major changes to the specifications).

Purchases made by individuals on behalf of LSE-E, using their finances, and then claimed back from the School should be limited to small items of expenditure (e.g. rail travel), not covered by normal purchasing procedures. All IT equipment and software over a value of £90 must be purchased from LSE IT Services.

PR7.2 Confidentiality

Information of a commercial nature such as prices submitted, tender offers, and prices currently paid shall be treated as confidential under the Freedom of Information Act and not disclosed to any party outside the School/Company. Disclosing such information may lead to disciplinary action.

PR7.3 Inducements

Gifts other than items of very small intrinsic value such as business diaries, calendars, telephone pads etc. should not be accepted; neither should items for personal use.

- a) Modest hospitality is an accepted courtesy of a business relationship. Budget Holders, Budget Controllers, and members of staff who have influence in the placing of orders or the awarding of contracts, must, however, be conscious of the need to avoid a position where they might be or appear to be influenced in making a business decision by such hospitality. As a general guideline, it is suggested that staff bear in mind that the frequency and scale of hospitality should not be significantly greater than the Company would be likely to provide in return.
- b) The recipients of hospitality from potential suppliers or contractors are required to record the event with their line manager who will record this on the "Gifts and Hospitality Register" to be maintained by the LSE-E OA (ref B8).
- c) Where a situation arises when an employee is uncertain whether it would be appropriate to accept an offer of a gift or hospitality, the offer should be declined or advice should be sought from senior colleagues.
- d) Personal inducement in any form from suppliers or customers of goods and services must never be accepted. Any such offers should be reported to the CFO, CEO and LSE-E Chairman immediately.

PROCEDURE PR8 (ref C1.3)

CONSULTANCY PROJECTS

PR8.1 Assessment of Cost and other Factors

LSE-E PD/PMs are available to assist School Academic Staff with submissions for applications for commercial research funding and consultancy work. The proposal should be discussed in detail with the Academic to enable an assessment of the likely areas of cost to be made and any other relevant factors. Points considered during assessment process:

- Length of project - it is important to allow sufficient time for completion of work as most sponsors dislike requests for extensions of time;
- When assessing the costs of an application, it is essential to read carefully the sponsor's guidelines in order to establish whether the budget profile is likely to meet with the sponsor's approval.
- LSE -E ethics policy, as defined by the LSE-E Ethics sub-committee.
- Possible work permit implications;
- The rate and treatment of VAT depending on the type of supply and the location of the sponsor

Direct costs

- Number of staff/level of appointment, e.g. Research Assistant or Research Officer, etc.;
- Travel and Subsistence;
- Computer equipment, time and software;
- Printing, photocopying, post and phone;
- Books/specialist publications;
- Typing/secretarial support;
- Advertising;
- LSE-E indirect cost;

The level of funding obtainable from the sponsor also needs to be considered.
Any particular risks of the project should be identified at the outset

PR8.2 Project Costing

When the assessment process is complete, detailed costs are prepared by the PD/PM, again in collaboration with the applicant.

Staff costs are prepared including provision for employer's NIC where relevant and pension costs and annual increments where appropriate. For projects employing staff after 30th June 2013 consideration must be given to the requirements of The Workplace Pensions Reforms, requiring auto-enrolment of relevant employees into a suitable workplace pension scheme.

In certain cases (e.g. contracts with the UK Government, commerce and industry) provision is made for the anticipated costs of pay awards which may become effective during the period of the project. UK charitable foundations, Government Departments and the Research Councils generally supplement for pay awards, but it is important to take advice from the Project Manager in each case.

Travel expenses should be assessed on the basis of likely actual costs of air and train fares, with a per diem subsistence figure added where appropriate. In the absence of subsistence guidelines from the

sponsor, School UK subsistence rates should be used (refer to the Finance Division webpage "Travel at LSE" for rates and **School Policy SP2**). Overseas subsistence rates can best be assessed in discussion with the applicant, who may have previously visited the countries involved, or using past experience as a guideline. The RPDD subscribes to the H M Treasury subsistence rates tables which covers almost every eventuality.

Any applicant intending to purchase IT equipment should discuss their requirements with IT Services prior to an application being submitted. All purchases must be made through IT services in order to comply with sponsors' best value principles.

Likely commissioned printing and photocopying costs should be discussed with the Reprographic Services Office, so that full budget provision may be made.

Expense claims should be made following the procedures for travel, subsistence and hospitality.

PROCEDURE PR9 (ref C3.6)

VALUE ADDED TAX

VAT is a broadly based tax on general consumer expenditure and is charged upon the sale of goods and services made in the course of business by taxable persons. The basic feature of the tax is that organisations must charge tax at the standard rate of tax (20%) on supplies of goods and services unless they are the subject of specific reliefs contained in the law. The VAT Act 1994 provides for two forms of relief, Zero rating e.g. books, children's clothes, and Exemption.

The majority of organisations supply goods and services which are either standard rated or zero-rated; in both cases they can recover the VAT that they have suffered on their purchases, so that the result is that they are both buying and selling at prices that are net of VAT.

The majority of the supplies that the Company makes are supplies are taxable supplies, and therefore VAT is charged at the standard rate.

However, where LSE-E is making supplies of services to other EU member states, the following general rules:

- a) Supplies made to consumers will always be subject to VAT at the standard rate.
- b) Consultancy services – the place of supply for consultancy services made to a business is deemed to be where the service is received, and is therefore outside the scope of UK VAT. The recipient of the service must account for VAT on his VAT return. In order to prove that the recipient of the service is an EC business, LSE-E is required to show the customer's VAT number on the invoice and state "reverse charge VAT mechanism applies". To this end, validation of EC VAT numbers is done by the LSE-E FD/FA and once verified stored on the Aptos system under the customer account.
- c) Education Supplies – For supplies after January 2011 For the place of supply for executive education to another business is where the client is based. and is therefore outside the scope of UK VAT. The recipient of the service must account for VAT on his VAT return. In order to prove that the recipient of the service is an EC business, LSE-E is required to show the customer's VAT number on the invoice and state "reverse charge VAT mechanism applies". To this end, validation of EC VAT numbers is done by the LSE-E FD/FA and once verified stored on the Aptos system under the customer account. If the recipient of the education is an employee of a sovereign government body, and is undertaking the training as part of the non-commercial activities, then they may apply to have the invoice charged at zero-rate by providing written proof their status by their employer.

Additionally, where LSE-E makes supplies, where the place of supply is outside the UK and outside the EC, then the supply is considered to be outside the scope of UK VAT, and no VAT needs to be charged. However, local taxes may apply, so advice may need to be sought.

If any customer claims that they are not subject to VAT at the standard rate then documentary proof of their right not to be charged must be obtained prior to the commencement of the delivery of service. A copy of this evidence must be provided to the LSE-FD to support the relevant treatment in the VAT return.

For any treatment of sales invoices at rates other than the standard rate, advice should be sought from the LSE-FD or from the LSE VAT Manager, prior to the signing of the contract with that client.

When goods, e.g. computers, CD's are imported from another EU Member State, they may appear to be VAT free but under EU Legislation, the Company will have to charge itself VAT on those items.

The LSE-E FD is responsible for submitting quarterly VAT return workings to the Finance Division VAT Manager for submission to Customs and Excise. The LSE VAT Manager is responsible for reviewing the workings before submitting the quarterly return.

New business areas opening up in the Company may have VAT implications and therefore VAT advice on new areas of activity must be obtained from the Finance Department prior to commencement.

PROCEDURE PR10 (ref C2.2 and C8)

PROJECT TEAMS – SUNDRY INCOME & GENERAL ACCOUNTS

Scope

This procedure sets out the requirements and order of events that need to be followed for LSE-E to include in its revenue miscellaneous fees charged on behalf of academics to various clients relating to work such as speaker fees and smaller written reports (less than £2,000) carried out on an ad hoc basis by various academics (existing and new relationships). Up until the implementation of this procedure, such activities being billed via LSE-E have been discouraged in the past. However, it is recognised that such “points of contact” with academics can be important in order to further develop the mainstream business of LSE-E.

For this procedure to be effective it is vital that in all events triangular written correspondence between LSE-E, the academic and the client is conducted. The PD/PM and the CEO will be responsible for ensuring that such written correspondence does take place.

Additionally the Project Director/Manager will be responsible for drawing up a short-form standard contract between LSE-E and the academic (standard content as approved by the CEO). Such contracts are to be signed by both LSE-E and the academic along with their agreement to the LSE-E Terms and Conditions. Note such contracts will need to be submitted to HR if the academic is to be paid via payroll.

Further it has been agreed by the CEO and the PD/PM that individual % fees charged by the company on projects below £2,000 will be flexible. Projects valuing £2,000 and up should follow the normal full project approval, new client approval and contractual procedures.

Section 4 of this procedure also details the nature of existing “General Accounts” and the use thereof, including maximum allowable balances. Only a few of these accounts exist for a few select academics.

PR10.1 Speaker Fees

- 1.1 It is understood that sometimes academics are asked by third parties to deliver a speech, talk, panel discussions and such like. In such events some academics, after delivery of such speech, have requested that LSE-E bill the client on their behalf and for LSE-E to collect the funds for onward payment to the academic (either by way of standard payroll procedures, or if the academic is self-employed they will issue LSE-E with a “Schedule D” invoice). In some instances, certain academics may wish to waive their fee (net of any margins) and have it transferred to their General Account or an OSF account held by LSE Research Division (refer point 4 below).
- 1.2 Whilst it is understood that the academic may well receive such requests on short notice and hence will deliver such speeches before liaising with LSE-E, it is preferred that the academic notify LSE-E as soon as possible of such work.
- 1.3 The PD/PM should then contact the relevant client so that the triangulation correspondence can commence. Such correspondence should include confirmation of the fees to be paid by the client (taking care to notify the client of any VAT implications) and agreement by the client to pay LSE-E upon presentation of invoice.
- 1.4 The Project Team will then be responsible for raising the relevant sales invoice on the Aptos system and for chasing for payment thereof. A copy invoice must be given to LSE-E Finance. It is the responsibility of PD/PM to ensure that all correspondence is kept on the hardcopy project file so that

this can be viewed at any time as and when requested by the CEO and/or the internal and external auditors.

1.5 Accounting entries / processing:

- 1.5.1 One “project” account per academic will be opened under category 2-X35 (sundry) and titled “Speaker Fees – (name of academic)
- 1.5.2 One “customer” account shall be opened called “Speaker Fees. This same account shall be used in the same way as the “Regulation Course” invoices are issued (i.e. fill in the relevant company name and address for each occasion of use).
- 1.5.3 All speaker fees for that academic shall be raised on an Aptos sales invoice by the Project Team and coded to **2-X35-xxxx-20425**.
- 1.5.4 Such fees shall be recognised as “sundry income and the revenue and margin (where applicable) will be booked to the Profit and Loss account in the month the invoice is issued and will form part of the standard revenue recognition workings carried out by the LSE-E FD.
- 1.5.5 Such revenue will further be updated to the project forecast schedule as and when they arise (due to the nature of such ad hoc work, it is virtually impossible to forecast such revenue in advance).

PR10.2 Small Ad Hoc Written Consultancy Work

- 2.1 It is understood that sometimes academics are asked by third parties to deliver a relatively small piece of written consultancy work. In the past, such work has usually been delivered before the academic has requested LSE-E to bill the client and for LSE-E to collect the funds for onward payment to the academic (either by way of standard payroll procedures, or if the academic is self-employed they will issue LSE-E with a “Schedule D” invoice). In some instances, certain academics may wish to waive their fee (net of any margins) and have it transferred to their General Account (refer point 4 below).
- 2.2 Academics are encouraged to notify LSE-E immediately of such requests of work and prior to work commencing (via email will be sufficient). Such notification should include:
 - A brief description of content of such written work and any proposed deliverables
 - Fees to be charged
 - Client contact details
- 2.3 In the event that the academic has already started the work, only the CEO has the authority to retrospectively approve that the project through the standard project approval form. The academic should refrain from delivering the final document to the client before the steps above have been completed and approved. This is to minimise the risk borne by LSE-E and indeed LSE of any potential pieces of work not conforming to the views of the School.
- 2.4 The agreed thresholds for such ad hoc work will be flexible on those projects up to £1,999. For contract amounts of £2,000 upwards full standard project approval/new client approval and contract procedures shall apply.
- 2.5 Project Teams will then be responsible for raising the relevant sales invoice on the Aptos system and for chasing for payment thereof. A copy invoice must be given to LSE-E Finance. It is the responsibility of the PD/PM to ensure that all correspondence is kept on the hardcopy project file so that this can be viewed at any time as and when requested by the CEO and/or the internal and external auditors.
- 2.6 Accounting entries / processing:
 - 2.6.1 Upon approval of the project a project account and customer account can be opened. Such project account shall be opened under category 2-X31 (consultancy) and titled as per the description given.
 - 2.6.2 All such ad hoc consultancy fees shall be raised on an Aptos sales invoice by the respective Project Team and coded to **2-X31-xxxx-11100**.

- 2.6.3 Such fees shall be recognised as “consultancy income” and the revenue and margin (where applicable) will be booked to the Profit and Loss account in the month the invoice is issued and will form part of the standard revenue recognition workings carried out by the LSE-E FD.
- 2.6.4 Such revenue will further be updated to the project forecast schedule as and when they arise (due to the nature of such ad hoc work, it is virtually impossible to forecast such revenue in advance).

PR10.3 Payment of Ad Hoc Project Fees to Academics

- 3.1 Payment of fees generated from “Speaker Fees” or “Small Ad Hoc Written Consultancy Work” shall be paid to the academic as follows once funds are received from the client. However where the client becomes a bad debt item, the academic will still get paid as the risk of the client payment remains with the Company and not the academic.

3.1.1 Self-Employed

Where the academic has self-employed status and is Schedule D registered, then the academic shall submit a fee invoice to LSEE for payment. Such invoice shall contain the following information:

Addressed to LSE Enterprise Ltd
 Houghton Street
 London
 WC2A 2AE

Dated
Unique invoice number
Brief description of what the fees relate to
Fee amount
Tax Office details (name, address)
Unique Tax Reference Number (UTR)
NI Number and Self Assessment number
Bank details (*for electronic transfer payment*)

If the academic is registered for tax in the US, or requires payment to be made to US bank account then they must also provide their US Social Security number and address at which they are registered with the IRS

NOTE: *the above SchD payment process is subject to change dependent on the new procedures that may be implemented by LSE Finance / LSE HR.*

Such invoices will be signed off by the PD/PM and passed through to LSE-E Finance to log before the invoice is passed on to LSE Finance to process for payment with the School's SchD payment run.

3.1.2 Via Payroll

Where the academic is not self-employed as detailed in 3.1.1, then payment of fees must be made via LSE Payroll Services to ensure that tax and NI (both employer and employee) is deducted at source. The signed contract should be submitted to LSE HR along with any relevant “new employee” forms where necessary.

PR10.4 Transfer of Project Surpluses to General Accounts and Research Division Outside Funds Accounts

Revised June 2012

One of the primary objectives of LSE Enterprise is to provide LSE academics with a vehicle through which to win and deliver consultancy, commercial research and customised executive education. LSE Enterprise enters into contracts with third party organisations and provides project management support through the delivery process. In return for these services LSE-E usually takes an agreed margin, the remainder of the fee then represents the budget available for the delivery of the project, including the payment of any fees due to the lead academics.

In some instances, once the delivery of the project is completed, there may be a proportion of the budget remaining. Depending on the size of the project and the level of fees agreed with the academics this surplus may vary from a few hundred, to several thousand pounds. Contractually these surpluses belong to LSE-E; however it is a recognised part of the benefits that LSE-E offers to the Lead Academics with which it works that they will often make these funds available for activities that are of mutual benefit.

It is normally expected that, where LSE-E agrees, it will transfer the surplus on a completed project to an Outside Funds Account managed by the LSE Research Division. The process for enacting these transfers is as follows:

- i. Within 6 months of the completion of the project, the PD/PM will review the project balance to ensure that all claims for fees, salaries and other costs have been received and recorded against the project budget. When they are satisfied that all liabilities due under the contract have been met then they can confirm to the Lead Academic the balance of funds remaining.
- ii. If LSE-E agrees with the Lead Academic that the balance of funds should be transferred then the PD/PM must check with the Research Division to ascertain whether the academic already has an OSF account and waiver in place. The purpose of the waiver is to confirm that the funds belong to LSE-E and that the academic cannot at any future point use these funds to pay themselves additional fees or salary. **Please note, the waiver of fees need to be made before the fee becomes payable in contract terms.** It is now part of standard project processes to ask the Lead Academic to sign a waiver form before commencing the project, and so increasingly all lead academics will already have a waiver in place. Copies of all waiver forms must be provided to the LSE-E FD.
- iii. If the Lead Academic does not already have an OSF account with the Research Division then the LSE-E FD will send a copy of the waiver form to the Research Accountant, along with a request that they set up an OSF account for the academic.
- iv. The LSE-E will instruct the LSE- E AA to release the relevant value from the project, as a reduction into the project's recognised cost of sales. The FD will accrue this value as part of LSE-E's Gift Aid donations to the School.
- v. On a monthly basis the LSE-FD will raise a manual cheque to pay the balance of funds relating to project surpluses to LSE. The back-up to the cheque will include a breakdown of the OSF accounts into which sums are to be paid, and the values due to each account.
- vi. The LSE-E must properly recognise these transfers as part of the Gift Aid donations recognised in LSE-E's Corporation Tax calculation.

With a limited number of academics with whom LSE-E co-operates regularly a practice has evolved where the project budget surplus is transferred to a "General Account" to be used on activity that is considered mutually beneficial to the academic and LSE-E. This includes the creation of networking opportunities, through attending or hosting events and conferences. It also involves conducting research for which sufficient external funding may not be in place, but which it is considered offers potential to extend the academics' knowledge and profile in areas that are likely to be of interest to organisations that may have a commercial application for the research. Working closely with academics in this way represents an efficient way for LSE-E to conduct marketing and R&D, as it is conducted by acknowledged experts in their respective fields, without having to pay additional fees for securing their services. Additionally it helps to strengthen LSE-E's relationships with the academic community within LSE, encouraging them to bring opportunities to Enterprise, and to co-operate with it on tendering for and delivering new projects.

The conditions applied to the creation and use of LSE-E General Accounts are as follows:

- The creation of any new General accounts must be approved by LSE-E CEO using the Project Approval Form. It is anticipated that the operation of General Accounts will only occur in exceptional circumstances, and so the offer to create an account must not be made to an academic until the CEO's approval has been received.

Within 6 months of the completion of the project, the PD/PM will review the project balance to ensure that all claims for fees, salaries and other costs have been received and recorded against the project budget. When they are satisfied that all liabilities due under the contract have been met then they can confirm to the Lead Academic the balance of funds remaining

If LSE-E agrees with the Lead Academic that the balance of funds should be transferred then the PD/PM must check with the Research Division to confirm that the academic already has a waiver in place.

The purpose of the waiver is to confirm that the funds belong to LSE-E and that the academic cannot at any future point use these funds to pay themselves additional fees or salary. **Please note, the waiver of fees need to be made before the fee becomes payable in contract terms.** It is now part of standard project processes to ask the Lead Academic to sign a waiver form before commencing the project, and so increasingly all lead academics will already have a waiver in place. Copies of all waiver forms must be provided to the LSE-E FD.

- Funds held in General Accounts are the property of LSE Enterprise Ltd. The named academic or group of academics will not be permitted to transfer balances to another employer or have paid to themselves or associated organisations any of the remaining funds on completion of the agreed activities for which the funds are held.

- Before incurring expenditure against a General Account approval must be received from LSE Enterprise. This approval can only be granted by the Chief Executive Officer, Finance Director or a Project Director. Approval of potential expenditure will be considered in relation to the criteria of whether the activity underlying the expenses is for the direct economic benefit of LSE Enterprise. For guidance, this will normally be activities that can be demonstrated will contribute to the generation of future income and profit for LSE-E. This would normally be expected to include activities involving:

The establishment of networks of contacts with organisations and individuals who it is identified may be likely to commission services from LSE-E.; research which is considered by LSE-E to assist in building its reputation for expertise in subject areas which offer the potential for commercialisation by direct or indirect sale to future clients.

To streamline the approval process it suggested that a simple budget identifying the anticipated costs for undertaking a particular activity is submitted, so that a single approval can be given for the relevant items.

- All claims for reimbursement must be supported by sufficiently detailed receipts and documentation so as to allow clear verification of the nature of the expense. LSE Enterprise reserve the right to refuse payment of any claim for reimbursement by an academic or a third party organisation for which it has not approved in advance.

- All IT equipment or software purchased for use on these activities must be purchased through the IT Services Department of the London School of Economics to ensure that it is properly registered for ownership and maintenance.

- All equipment and assets purchased will remain the property of LSE Enterprise Ltd and must be returned to 8th Floor, Tower 3, Houghton Street, London WC2A 2AE on the completion of the approved activities.

- All funds transferred to a General Account must be expended within 6 months of the date of the transfer. All funds held in a General Account at 31st July of each year must be identified against a

specified plan of expenditure agreed with the LSE-E CEO. Except in exceptional circumstances, and with the prior approval of the LSE-E CEO, this balance should not normally exceed £15,000

Such will be reviewed at year-end by the Finance Director of LSE as well as the auditors. Whilst the LSE-E FD regularly provides all PD/PMs with project account balances, it shall be the responsibility of PD/PMs to ensure that the relevant academics are aware of these procedures and limits and to ensure that balances do not exceed £15,000.

Requests for transfers to a "General Account" (either as a fee waiver or surpluses on projects that are due to the academic and not to LSE-E as additional margin), must be made in writing (email will suffice) by the academic to the Project Director/Manager and then forwarded by email to the LSE-E FD

A copy of the written waiver/transfer will be kept by the Finance Director for both internal and external audit purposes as supporting documentation for

A copy of the current waiver form is included below for reference

Waiver of Remuneration and Fee

To: LSE Enterprise Ltd / London School of Economics Research Division

Re:

Delete as applicable:

- I hereby agree that with effect from [*insert start date*], a proportion of my salary as determined by my service agreement with LSE Enterprise Ltd / London School of Economics dated [*insert date of service agreement*] will be waived. My salary will reduce from [*insert original pay figure*] to [*insert reduced pay figure*]. I accept that this waiver constitutes a variation of my terms and conditions of employment in this respect only.
- I accept that all payments in respect of fees, salaries and expenses in relation to any projects carried out for LSE Enterprise Ltd must be claimed within six months of the completion the final agreed deliverable for the project. I also accept that any surpluses retained in the projects will remain the property of LSE Enterprise Ltd. If LSE Enterprise decides to hold these funds in a General Account in order to fund an agreed programme of activity then the rules pertaining to the expenditure of funds held in General Accounts will apply. If it so wishes LSE Enterprise may decide to donate these funds to The London School of Economics to further the School's objectives. In this instance the funds will become the property of the School. In either instance the surplus funds should not be used to enhance individuals' normal salaries.
- Should the London School of Economics then choose to make a balance available in a Research Outside Funds Account for the purposes of legitimate School business, I accept that these funds are only available for use by the approved budget holder during the budget holder's continued employment at the School. I further accept that the budget holder will not be permitted to transfer balances to another employer or have paid to themselves or associated organisations any of the remaining funds on termination of their employment.
- I also agree that any funds deposited in the bank accounts of LSE Enterprise Ltd or London School of Economics for income generated from my own personal capacity will remain the property of those entities. Any invoice or claim for reimbursement against funds held by LSE Enterprise in fulfilment of an agreed contract must be submitted by the appropriate method, in accordance with the contract.

I understand that, once I have agreed to this change, I cannot withdraw from this arrangement.

Signed
(Staff member)

Name

Date

Signed
(On behalf of LSE Enterprise Ltd)

Name

Date

NOTE: *The above procedure regarding “fee waivers” is subject to change from time to time*

PROJECT CONTRACTS AND REVENUE RECOGNITION

PR11.1 Project Contracts and Safe Keeping

This procedure runs in conjunction with **C3.2**, **C15.5** and **PR10** of the financial regulations.

- a) All projects are required to have a written, signed contract in place, including all relevant sub-contractor contracts. (Refer **PR10** for projects under £2,000)
- b) All original signed contracts shall be kept in the Fire Safe which is to be maintained by the Company Secretary. In order to facilitate this, the following steps will apply:
 - i) At the time of engaging in a new project the PD/PM will be responsible for ensuring that a Project Approval Form and New Client Approval Form (where applicable) are completed.
 - ii) The completed forms along with the **signed contract** will be submitted to the CEO for review and approval. The CEO will refer, as appropriate, any new clients to The Ethics Sub-Committee for approval.
 - iii) The LSE-E FD will carry out any required background on new clients, particularly if these are not well known organisations.
 - iv) Once approved the CEO will give the documentation, including the signed contract to the LSE-E FD to set up the Aptos project and client accounts and to file the original contract in the fire safe. In addition the project details will be added to the "Project Forecast Schedule" (PROFS).
 - v) Copies of the Project Approval form, with the Aptos budget codes and a copy of the contract will be given back to the project team for their project files.
 - vi) Once the sub-contractor contracts have been setup the PD/PM will ensure that such originals are given to the LSE-E FD (Company Secretary) for filing in the fire safe. These will be used to check payroll and SchD fee invoices / payments, to ensure that fees are being paid in accordance with contractual agreements.
- c) No sales invoices should be raised until it is confirmed that the signed contract is in place, hence the project budget code should not be set up until the contract is received. This is to minimise the risks of bad debts and misstatement in the statutory accounts (i.e. recognition of revenue that cannot be deemed "earned" where there is no contractual obligation on the client to pay).
- d) Any deviation from the above steps as a whole set must be explicitly authorised by the CEO.
- e) The LSE-E FD (Company Secretary) will co-ordinate with the LSE-E AA and OA to check and update the fire safe on a regular basis. This will be done by way of setting up and maintaining a Fire Safe database and checked against Project Approval Forms received.
- f) The LSE-E AA or OA will also scan all signed client contracts and store these in the appropriate folder on the Company's shared server space.

PR11.2 Revenue Recognition

The LSE-E FD will perform the relevant calculations and workings to account for revenue recognition on a monthly basis. The following basic revenue recognition policies will generally apply:

- a) Executive Education projects – revenue will be recognised in the month of delivery provided the sales invoice(s) has been raised. If the sales invoice is raised in a later month, the revenue will be recognised at that time. Invoices raised in advance of delivery will be deferred until delivery.

- b) Consultancy projects – revenue will in most cases be recognised when the invoice is raised as this is usually linked to a deliverable (such as submission of draft or final reports). Exceptions may be when an invoice is raised “x% upon signature of contract”, particularly where such invoicing takes place toward the end of the financial year. The LSE-E FD will seek confirmation of work done from the project team prior to recognising invoices for “upon signature”, if there is any doubt then the invoice will be deferred to a later date (e.g. to be taken when the first draft report is submitted).
- c) Other revenue will be recognised as and when invoices are raised.
- d) As part of the monthly revenue recognition procedure the LSE-E FD will spot check to ensure that the original signed contract is in the fire safe. This is to minimise the risk of revenue being recognised where no contractual obligation stands due to an unsigned contract.
- e) Additionally, on a monthly basis, the LSE-E FD will update the “Project Forecast Schedule” (PROFS) with actual revenue recognised to date and highlight to the PD/PMs any items that have shifted to the right. This will enable the teams to pick up on any revenue items that still need to be invoiced or to advise the LSE-E FD of any issues that have caused the delay in the project work and hence the billing. The PROFS schedule is also used in conjunction with revenue forecasting.
- f) At year-end in particular, the LSE-E FD may request from the PD/PM evidence that the worked invoiced has been done in order to warrant recognising the revenue in the statutory accounts for that year. This will apply particularly to (but not limited to) consultancy invoices and invoices for fees such as “marketing and development”.
- g) Generally, invoices raised after year-end (31 July) will not be taken into account, unless the margin thereon will significantly impact on the statutory accounts. To this end, the LSE-E FD will send a reminder to all staff in advance of year end that on the 1st August (and of each month) the sales ledger is closed for the prior month in order to enable finance staff to process year-end and month-end workings and journals.
- h) The LSE-E FD is responsible for raising credit notes as requested by the project teams. Requests are sent to the LSE-E FD via email and should state which invoice is to be credit noted, the amount and the reason for the credit note request. An updated list of all credit notes issued during the year should be sent on a monthly basis to LSE Credit Control. As with invoices, credit notes issued after year-end relating to pre-year end invoices will not be taken into account unless there will be a material impact on the statutory accounts.

PROCEDURE PR12 (ref C12.2)

SEASON TICKET LOANS

Effective March 2010

CEO - Simon Flemington
LSE-E FD - Financial Controller
LSE-HR - LSE Human Resources
LSE-Fin - LSE Finance Department

The Company has agreed a procedure with LSE-Human Resources and LSE-Finance in order to facilitate applications by LSE-E full time staff members for Season Ticket Loans.

PR12.1 The following steps are to be followed for such applications:

1. The staff member should complete the relevant application form for Oyster Travelcard or Standard Travelcard as appropriate.
2. Travel card purchases will be made on behalf of the applicant via LSE-HR Team through the same mechanisms currently used by the School.
3. Please note that for "Standard Travel Cards" a Photo Card Number is required at the time of making your application and therefore you should obtain this from your rail network provider before submitting your application.
4. The completed and signed application form should be returned to the FD (or in their absence the CEO) for approval. By signing the application form, you are agreeing to the Terms & Conditions as detailed on page 2 of the application form.
5. The company retains the right to refuse loans to individuals at its discretion.
6. The FD (or CEO) will submit the approved application form directly the LSE-HR for processing, along with a copy to LSE-Fin to facilitate the relevant journal postings on the accounting system.
7. LSE-HR will notify the applicant when the travelcard is ready for collection.
8. LSE-HR will process the season ticket loan on the payroll system and ensure that the relevant monthly deductions are made from the applicant's monthly salary.
9. The FD will notify LSE-HR of any staff resignations as soon as possible, so that LSE-HR can take any relevant steps to deduct or collect any outstanding amounts due in line with the Terms & Conditions of the travelcard.
10. The FD will liaise with LSE-Fin to ensure that the relevant journals entries are affected so that such loans are debited to the LSE-E nominated balance sheet staff loan account.
11. The FD will review this staff loan account at least quarterly and reconcile such balances with the remaining balances held by LSE-HR, with particular reference to year-end reconciliations.
12. It should be noted that Season Ticket Loans are not available for short term contract or temporary staff. In addition academics and other persons paid via LSE-E payroll are also **not** entitled to apply for Season Ticket Loans. (If any of these persons are full time LSE staff members, they may apply via the LSE regulated procedures).

LSE-E BRIBERY AND CORRUPTION POLICY

Effective July 2012

Introduction to the Bribery Act 2010

UK anti-corruption legislation was toughened in 2011, with the Implementation of the Bribery Act 2010.

Section 1 of the legislation allows for the prosecution of an individual or company with links to the United Kingdom, where it is found, on the one hand, that a person has offered, promised or given a bribe (financial or other type of advantage), directly or through a third party, to bring about improper performance, regardless of whether the recipient of the bribe is the person who brings about the improper performance, or indeed whether that performance occurs. Improper performance is defined as performance which "amounts to a breach of an expectation that a person will act in good faith, impartially or accordance with a position of trust"

An individual or company may also be prosecuted if a person agrees to accept or requests a bribe with the intention of, or actually bringing about, improper performance directly or by a third party. It is also an offence under the Act if improper performance is brought about by the mere anticipation of a bribe. In some cases, the recipient of a bribe commits an offence regardless of whether he or she knows that the performance in question is improper.

Section 6 of the act creates a standalone offence of bribery of a **foreign public official**. The offence is committed where a person offers, promises or gives a financial or other advantage to a foreign public official with the intention of influencing the official in the performance of his or her official functions; with the intention of obtaining or retaining business, or gaining an advantage in the conduct of business. The definition of 'foreign public official' includes all those elected or appointed to a legislative, administrative or judicial position of any kind in a territory outside the UK. This extends to any person performing public functions in any branch of the national, local or municipal government; any public agency or enterprise of a country or territory, and of public international organisations such as the UN or World Bank.

Sections 1 & 6 also prohibit '**facilitation payments**' (small bribes paid to facilitate routine Government action) unless the payments are made under duress in order to protect against loss of life, limb or liberty.

Excluded from Section 6 is activity which is proportionate and incidental to the maintenance of an effective relationship or where the expenditure would otherwise been borne by the government to whom the official is responsible, rather than by the official themselves

Also exclude are instances where the official may be required or permitted to be influenced by the **written** law applicable to the foreign official (e.g. where local law permits an offer of community investment or free training as part of the prospective contractor's offer of services).

Section 7 of the Act creates an additional offence of the failure of a commercial organisation to prevent persons associated with them from committing bribery on their behalf. However it is a full defence for an organisation to prove that, despite a particular case of bribery, it nevertheless had adequate procedures in place to prevent persons associated with it from bribing. In order to provide a defence the procedures must be proportionate and effective, and prepared in the light of a full risk assessment of the circumstances in which the commercial organisation operates.

An 'associated person' is defined as a person who performs services for or behalf of the organisation. This will include directors, employees and agents of the organisation. It can also include contractors and suppliers, to the extent that they can be said to performing services for a commercial organisation, rather than simply providing it with goods.

LSE Enterprise Policy

LSE Enterprise does not permit acts of bribery by any individual or organisation associated with it; whether carried out in the UK or in a foreign territory

All instances of bribery or attempted bribery by any party involved in LSE-E activity must be reported immediately to the CEO or The Chairman of LSE-E, and to the CFO or the Secretary of the School.

All potential conflicts of interest involving employees, contractors or agents involved in activities on behalf of LSE Enterprise should be immediately reported in accordance with the 'whistle-blowing guidance provided above.

All costs incurred directly or indirectly on behalf of LSE Enterprise must be fully described so as to clearly identify the purpose of the transactions and all those benefiting from the expenditure.

Failure to comply with the policy will be considered an incident of misconduct and will be subject to disciplinary action.

Further to this policy LSE Enterprise makes the following commitments:

1 Our overall policy

1.1 As employees in LSE Enterprise we:

- Behave honestly, are trustworthy and set a good example
- Make sure that our behaviour complies with the policies and rules of LSE Enterprise
- Use the resources of our company in the best interest of the company, and do not misuse these resources
- Do not pay or accept bribes
- Make a clear distinction between the interests of our company and our private interests, and avoid possible conflicts of interest; we do not accept gifts, invitations or other advantages which could contradict this principle
- Ensure that we comply with the national legislation of all the countries in which we operate; and any additional regulations established by our clients.
- Report incidents, risks and issues which deviate from our policies
- Are continuously conscious about and aim to maintain our integrity

1.2 As the directors of LSE Enterprise we:

- Commit ourselves to this policy, and to an on-going effort to maintain our integrity
- Make sure that LSE Enterprise complies with national regulation and commit LSE Enterprise to an open and transparent management approach
- Expect our partners and other business associates to respect this policy

2 Definition of Corruption and Bribery

Corruption is the misuse of entrusted power for private gains.

Bribery is to offer, receive, promise or give any undue pecuniary or other advantage, whether directly or through intermediaries, to a foreign public official, for that official or for a third party, in order that the official act or refrain from acting in relation to the performance of official duties, in order to obtain or retain business or other improper advantage. (Definition from the OECD-Convention on Combating Bribery of Foreign Public Officials in International Business Transactions)

3 Political and Charitable Contributions and Sponsorships

LSE Enterprise does not grant financial or other support to political parties or political campaign efforts, as this can be perceived as an attempt to gain an improper business advantage. We encourage our employees to use their personal right to participate in political and democratic processes.

Community support and donations are acceptable, be it in-kind services, knowledge, services exchange, or direct financial contributions. However, managers and employees must be careful to ensure that charitable contributions and sponsorships are not used as a subterfuge for and do not constitute bribery. In relation to donations and community support, LSE Enterprise should consult local stakeholders to unveil relevant needs.

4 Facilitation Payments

Facilitation payments are a form of bribery made with the purpose of expediting or facilitating the performance by a public official for a routine governmental action and not to obtain or retain business or any other improper advantage. The facilitation payment is typically demanded by low level and low income officials to obtain levels of service, one under normal conditions would be entitled to. Facilitation payments are prohibited in most countries.

LSE Enterprise has a zero tolerance policy regarding facilitation payments. Facilitation payments should only be made if the employee is under duress and believes the payment is necessary to protect against loss of life, limb or liberty.

Faced with a demand for a facilitation payment, the following steps must be taken by the person faced with the demand:

1. Ask to see the enabling legislation
2. Refuse if enabling legislation is not showed.
3. Say no again and refer to the prohibition for facilitation payments in anti-bribery legislation and your company policy.
4. Inform your manager before making the payment or as soon as possible
5. Keep the amount to a minimum and ask for a receipt
6. Record the payment in the book keeping system and identify it as a 'facilitation payment'
7. Report to the Compliance Manager

All facilitation payments must be reported to the CEO and the FD. The FD will maintain a record of all such incidences and the detailed circumstances surrounding the occurrence. This record will be used for an on-going evaluation of potential business risk, and in developing a strategy and setting achievable targets in order to achieve the zero tolerance policy.

5 Gifts, Hospitality and Expenses

You must not give or receive courtesies which could be evaluated as illegal or improper exchanges. You must refrain from offering courtesies which violates the recipient's standards. In addition government or public servants may be under strict guidelines preventing them from receiving courtesies. Offering courtesies to government or public servants may be considered as a legal offense in certain countries.

You are not allowed to accept or give courtesies which involve cash or cash equivalents. You may offer or receive gifts, hospitality and expenses provided they will not motivate favouritism and or create any obligation. All courtesies must be reasonable and may not be frequent suggesting a pattern.

Courtesies in the form of travel, meals, receptions, sightseeing, gifts or other expenses may only be offered or given to persons with a professional interest in the relationship but not to any spouses and relatives.

Courtesies whenever accepted or given must be documented and recorded, stating the nature and purpose of the expenditure. The LSE Hospitality Register is held by the Office Administrator.

6 Protection money

In some instances protection money may be solicited. This is a kind of extortion which might involve physical threats. We will not engage in such affairs. It is our obligation to protect any employee or partner, and such incidents should be reported to the management immediately. In certain situations such threats might lead to a cessation of business.

7 Implementation

7.1 Roles and Responsibilities

This code of conduct has been developed to secure and detect actions which do not comply with guidelines herein. It is every employee's responsibility to prevent bribery and corruption in LSE Enterprise and to comply with the code of conduct, and any other relevant legislation or provisions within our field of business.

Every manager and employee has an independent obligation to secure that any interaction with public officials complies with all relevant laws and regulations, as well as this code.

It is the responsibility of every manager to communicate this code and ensure that all relevant employees and external parties working on behalf of LSE Enterprise, within their area of responsibility, understand and comply with the procedure.

The responsibility for the program implementation, monitoring and questions regarding policy and principles rests with The CEO, The FD and The Chairman of LSE Enterprise.

In sections 2 to 5 of this code minimum requirements in relation to political contributions, charitable contributions and sponsorships, facilitation payments, gifts, hospitality and expenses, have been established. They do not supersede national law and it is imperative at any time always to comply with relevant laws and regulations.

7.2 Business Relationships

7.2.1 Subsidiaries and Business Partners

We act with due care before engaging with a business partner and ensure that subsidiaries and business partners know and respect our code of conduct. [See Guidance]

7.2.1.1 Distributors and Agents

Compensation paid to distributors and agents must be appropriate and justifiable remuneration for legitimate services rendered. The relationship must be documented and the agent or distributor must contractually agree to comply with our code of conduct. We will follow the conduct of our agents and distributors and reserve the right to termination in the event that they pay or solicit bribes or in any other ways violate this code of conduct.

7.2.1.2 Contractors and Suppliers

We conduct our procurement practices in a fair and transparent manner and we act with due care when evaluating major prospective contractors and suppliers. We will make our anti-bribery policies known to our contractors and suppliers. We will follow the conduct of major contractors and suppliers and have a right of termination in the event that they pay or solicit bribes. We will avoid dealing with prospective contractors and suppliers known to be paying bribes.

7.3 Communication and Training

LSE Enterprise is responsible for ensuring that all employees are informed about and understand this code of conduct. All new employees will be briefed as a part of the welcome orientation. Each employee will receive relevant training, as required. It is the responsibility of the Project Directors and Project Managers to ensure that, as a result of the risk assessments carried out prior to commencing new projects, any additional information or training requirement is identified to the CEO and FD.

7.4 Procedures

LSE Enterprise has a set of procedures that underpins this code of conduct. This includes procedures for Risk Assessment, Due Diligence of Third Parties and Communication. These procedures will continue to be developed, as information concerning the application of the policy is received.

7.5 Sanctions

No employee will be penalised or be subject to other adverse consequences for refusing to pay bribes, even if it may result in LSE Enterprise losing business.

Failure to observe this code is a cause for disciplinary action, which by default may involve dismissal.

Guidance:

In order to ensure that LSE Enterprise adheres to the principles and policy stated above before commencing every project then a risk assessment should be undertaken. It will be the responsibility of the LSE Enterprise Project Directors to ensure that an appropriate risk assessment is undertaken for every project. A record must be kept of the assessment carried out and the conclusions reached. The assessment should consider the following factors:

- **The countries and business sectors in which the project activities are to take place:** An assessment should be made of the type and degree of the bribery risks that may be experienced in those countries. A profile of countries considered by the Department of Business Innovation & Skills to be high risk is available at <http://www.business-anti-corruption.com/?L=0>. This should be used to identify any particular areas of risk that are prevalent in the countries concerned, so that appropriate guidance can be given to the staff, agents or consultants who will be operating in, or dealing with those countries. Information is also available on this site concerning the laws and regulations relating to the governance of corruption in many of the listed countries. Further information is available at the UKTI Overseas Business Risk site <http://www.ukti.gov.uk/export/howwehelp/overseasbusinessrisk.html>. For clarity it should be assumed that all forms of bribery are illegal in all countries, regardless of whether it appears to be culturally acceptable.
- **Clients:** LSE Enterprise Board of Directors has an Ethics Sub-Committee whose role it is to consider the appropriateness of contracting with clients. All applications for the acceptance of new clients need to be authorised by the CEO, who will determine whether clearance is required from the Ethics Sub-Committee. If any information is received which might cast doubt the integrity of an existing client organisation, this should be immediately notified to the CEO or the Chairman, so that they can assess what action should be taken.

In addition, it is important to understand what clients expect LSE Enterprise to do to counter corruption; and ascertain what guidelines their employees are expected to follow in terms of accepting gifts and hospitality (e.g. are they forbidden from accepting paid travel or hospitality, even in the course of delivering their normal duties).

- **Contracts with agents, suppliers and other business partners (including consultants acting on behalf of LSE-E):** Check to make sure that the payment terms being entered into are clear and appropriate for the services being provided. If payment for a service appears to be excessive it may be being used to conceal the payment of bribes. If in doubt quotations should be sought from other suppliers, in order to verify the reasonableness of the charges.
- Toolkits for aiding in the selection of agents, consultants and contractors can be found at: <http://www.business-anti-corruption.com/tools/due-diligence-tools/>. When selecting agents, consultants or contractors to work with in high risk countries or sectors then appropriate information should be obtained concerning their qualifications to perform the role, legal status within the country and financial circumstances. Wherever possible these should be verified against secondary independent data sources (for example qualifications should be checked with the issuing institutions. If the supplier is operating through a company, then a copy of the most recent published financial statements should be sought). The extent of the verification required should be considered in the context of the risk assessment made of the country, sector and circumstances in which the service is to be provided. The information obtained should be used to assess the likelihood that the supplier may become involved in corruption (for example a supplier operating through a loss making company in a high risk country or business sector should be considered at higher risk of becoming involved in corruption and further verification sought).

Agreements with all suppliers should include the right for LSE Enterprise to terminate the contract if any evidence is found of current or historic involvement in giving or receiving of bribes of any kind. This would include the facilitation of bribes paid by any third party on behalf of the supplier. Failure to immediately notify LSE Enterprise of any incident of bribery undertaken by the supplier or any other party involved in the execution of LS-E's activities will also result in the termination of the agreement.

All charitable contributions or sponsorships must be authorised by the CEO in advance. Care must be taken that the money paid is not dependent on or intended to assist in securing a business deal. All payments must be made to an organisation and not an individual, and an appropriate confirmation of receipt obtained.

Any contributions or sponsorships paid to political parties must be authorised in advance the LSE Enterprise Board of Directors and duly minuted.

All offers of valuable gifts or hospitality should be politely refused. As a personal refusal may sometimes be viewed as impolite, it may be easier to the LSE Enterprise Rules on Gifts and Entertainment, published on the LSE website.

LSE ENTERPRISE RULES ON GIFTS AND ENTERTAINMENT

Business Commitment:

Our business has committed to not giving or receiving bribes. As gifts and entertainment could sometimes disguise bribes, or be misinterpreted as bribes, we have set out these rules which clearly define what we consider to be genuine and acceptable and what is not.

Gifts

We may accept gifts of small items of limited value. We may not accept items with a value equivalent to £30 or more.

We may accept a gift now and then; we may not accept gifts which are given regularly or often.

Valuable items received as gifts will be returned, or disposed of as agreed by management.

Our business rule is that gifts we give must be of moderate value, legal under all local laws and regulations, and agreed in advance management.

Entertainment

We may give and accept reasonable hosted entertainment which is in the legitimate interests of the business.

We will not give or accept lavish or frequent entertainment, or entertainment which is not hosted.

PROCEDURE PR14 (ref B6)

LSE Enterprise Policy and Procedure on Public Interest Disclosure ('Whistle-blowing' Policy)

Effective October 2013

A. Statement of principles

1. The Public Interest Disclosure Act, which mainly takes the form of amendments to the Employment Rights Act 1996, gives legal protection to employees against being dismissed or penalised by their employers as a result of disclosing information which is considered to be in the public interest. The LSE procedure, as for other UK universities, is intended to follow the Act, but extends its protection to students, and other members of the School as described in section 4.1 below.
2. The principle, which LSE Enterprise endorses, is that where an individual discovers information which s/he believes to show malpractice or impropriety within the organisation, this information should be disclosed without fear of reprisal. This should be facilitated by an internal procedure for Public Interest Disclosures in order that the person making the Disclosure (the "Discloser") be afforded proper protection and that the information may be acted upon quickly and matters resolved internally or, in accordance with Part IVA of the Employment Rights Act 1996, by an external body in line with paragraph 10 below.

B. LSE Enterprise's approach to Public Interest Disclosure

3. LSE-E is committed to the highest standards of integrity, openness and accountability and to the provision of a procedure to facilitate disclosures within the terms of the Public Interest Disclosure Act 1998.

C. Remit and principles

4. This Policy is open to use by all staff (permanent and temporary) ("staff") and contractors, who believe that they have discovered malpractice or impropriety.
5. This Policy is directed specifically at the disclosure of information which is in the public interest, encompassing those concerns specified in the Public Interest Disclosure Act 1998, called "qualifying disclosures", and which, in the reasonable belief of the person making the Disclosure, tends to show malpractice involving one or more of the following:
 - 5.1 criminal activity, including fraud or financial irregularity, corruption, bribery, or blackmail;
 - 5.2 failure to comply with legal obligations;
 - 5.3 danger to health and safety;
 - 5.4 damage to the environment;
 - 5.5 professional malpractice;
 - 5.6 a miscarriage of justice;
 - 5.7 failure to comply with the statutes, regulations and codes of practice of LSE-E;
 - 5.8 abuse of authority for illegal or unethical purposes;
 - 5.9 wilful failure to declare relevant interests at the appropriate time;
 - 5.10 attempts to conceal any of the above.

6. This Policy is not intended to address the following:
- 6.1 To question financial or business decisions taken by LSE-E;
 - 6.2 Disagreements about the substance of policy;
 - 6.3 To reconsider any matters which have already been addressed under grievance or disciplinary procedures;
 - 6.4 Matters of individual discipline;
 - 6.5 Staff grievances;
 - 6.6 Complaints about poor standards of service or mismanagement;
 - 6.7 Bullying or harassment, including when on grounds of age, gender, race, religion, sex and sexual orientation;
 - 6.8 Equal opportunity complaints;
- Issues concerning these points should be raised with an employee's line manager, or the LSE-E CEO.
- 6.9 Concerns about unethical behaviour which does not constitute malpractice (these should be referred to the LSE-E Ethics Sub-committee).
7. A person making a Disclosure under this Procedure is described as a "Discloser" for the purposes of this Policy. A Discloser may make a Disclosure under this Policy whether or not s/he is personally affected by the alleged malpractice.
8. Employees of subsidiary companies of LSE may make public interest disclosures about malpractice anywhere in the School but should make public interest disclosures about malpractice in their own subsidiary company through the public interest disclosure procedure approved by that company's board of directors or in accordance with Part IVA of the Employment Rights Act 1996.
9. A Discloser will be protected from any type of punitive action for making a Disclosure, provided that it is made in good faith.
10. In the event of malicious or vexatious allegations, disciplinary action may be taken against the Discloser. If, in the course of investigating the information, the Discloser is found to have behaved wrongly, this will be dealt with as a separate case according to relevant policies and procedures.
11. The LSE-E will process personal data in accordance with the Data Protection Act 1998. It will disclose personal data outside the School only if it is legally obliged or if it considers it appropriate to do so. Such circumstances may include disclosure to the police.
12. Action will not normally be taken in response to anonymous complaints. Anonymity makes it difficult to investigate the complaint adequately and impossible to liaise with the Discloser for clarifications. However, a Disclosure made anonymously may be considered at the discretion of the Designated Person if s/he believes that anonymity is warranted. Factors taken into account will include:
- (a) the gravity of the issues raised; or
 - (b) the credibility of the concern; or

(c) the likelihood of confirming the Disclosure from attributable sources.

13. Through this Policy, LSE-E encourages Disclosures to be made internally, but recognises that a Discloser may safely and properly contact an appropriate external body, such as the LSE, the Higher Education Funding Council for England (HEFCE) or the police.
14. In cases where an employee or associated person is uncertain about whether or how to raise a concern, they may wish to call an independent helpline which can discuss the matter confidentially. Public Concern at Work is an independent charity which provides confidential advice on whistle-blowing. Their advice line is 020 7404 6609 and their website is www.pcaw.org.uk. Union members may also consider calling their union's legal advice line.

D. Procedure

15. Public interest disclosures should be submitted in writing to the CEO (the "Designated Person") or, in case of sudden absence, the FD, as deputy. If the Disclosure concerns the CEO, then the Disclosure should be made to the Chairman. If the Disclosure concerns both the CEO and the Chairman, the Disclosure should be made to the LSE School Secretary.
16. The written Disclosure should contain the nature of the Disclosure; evidence to substantiate the Disclosure; the name(s) or anyone alleged to be involved in malpractice.
17. The Designated Person will consider the information made available in the Disclosure and decide on the form of investigation. This may be:
 - (a) to investigate the matter internally or arrange for the matter to be investigated independently of LSE-E
 - (b) to refer the matter to the LSE School Secretary
 - (c) to refer the matter to the police;
18. The Designated Person may decide that more than one of these actions is necessary. S/he may also decide that the matter should be investigated under another LSE-E policy or procedure.
19. Where the matter is to be the subject of an internal investigation or where the matter is to be investigated independently of LSE-E, the Designated Person will:
 - 20.1 appoint a senior manager, or an appropriate person or persons, independent of LSE-E to undertake the investigation;
 - 20.2 determine the terms of reference of the investigation;
 - 20.3 determine any other parameters or procedures to be followed, including timescale, which may be necessary to the investigation.
20. Investigations should not be carried out by the person who will have to reach a decision on the matter either under this Procedure or any subsequent procedures which may be invoked.
21. The School will seek to conduct the investigation as speedily as is consistent with thoroughness and fairness.
22. As part of the investigation, the person(s) against whom the Disclosure is made will be told of it, the evidence supporting it and will be allowed to comment.
23. The person(s) conducting the investigation will submit a written report of their findings and (where appropriate) recommendations to the Designated Person.

24. Following consideration of the report of the investigation, the Designated Person may:
- (a) invoke the appropriate disciplinary procedure;
 - (b) refer the matter to the police;
 - (c) refer the matter to an interested external body (e.g. the LSE);
 - (d) review and modify relevant LSE-E Procedures, taking account of any recommendations made in the report of the investigation;
 - (e) make a recommendation or instruction to a manager;
 - (f) take no action.
25. The action taken, including the outcome of any investigation, shall be reported to the Discloser in writing. In the event that no action is taken, the Discloser shall be given a written explanation.
26. A written record of all Disclosures will be kept by the Designated Person and, upon resolution, reported to the LSE Audit Committee

E. Contact details

- The CEO (the Designated Person) – email: s.flemington@lse.ac.uk or write to The CEO, LSE Enterprise Ltd, Houghton Street, London WC2A 2AE.
- The FD (deputy to the Designated Person) – email m.r.griffith@lse.ac.uk or write to The Finance Director, LSE Enterprise Ltd, Houghton Street, London WC2A 2AE.
- The LSE-E Chairman - email: mountford.roger@btinternet.com or write to The Chairman, LSE Enterprise Ltd, Houghton Street, London WC2A 2AE.
- The Nominated Officer / Provost – email: S.E.Corbridge@lse.ac.uk or write to The Provost, London School of Economics and Political Science, Houghton Street, London WC2A 2AE
- The School Secretary – email s.m.scholefield@lse.ac.uk or write to The School Secretary, London School of Economics and Political Science, Houghton Street, London WC2A 2AE.
- Public Concern at Work – confidential helpline: 020 7404 6609; website: www.pcaw.org.uk

SCHOOL POLICY SP2 (ref PR8.2)

TRAVEL, SUBSISTENCE, HOSPITALITY AND TAXATION ISSUES

General

Claims for reimbursement of expenses incurred in the course of Company business need to be submitted within 6 months of the date that the expenditure was incurred and describe its purpose. Claims older than 6 months will not be accepted or paid.

It should be noted that credit card receipts are not in themselves adequate for this purpose and they must be supported by a bona fide tax invoice, hotel bill etc. All claims must be supported by receipts or vouchers.

The Accounts Payable user guide, available at the LSE Finance Division website, provides further guidance.

Travel

Travel is recognised as a necessary and beneficial element of operating a subsidiary of a Social Science institution with global reach. However, travel also consumes resources (staff time and money) and has harmful effects on the environment. Therefore it is appropriate that each request to travel is fully considered to ensure that the benefits for the Company and the School outweigh the costs. Alternatives, such as telephone or video conferences, might be appropriate in some circumstances. Similarly, it is appropriate that consideration is given to the number of people that travel to any event.

Staff holding season tickets should use these wherever possible when travelling on Company business. Claims will only be allowed for journeys not covered by season tickets. The cheapest possible method of travel, consistent with efficient working practices, should be used. This will usually be second class rail or economy airfare and applies to all Company staff regardless of status and source of funds. Travel other than second class or economy air is permissible, with the agreement of the CEO where to do so is more efficient and, in the case of air travel, where the travel involves more than 6 ½ hours continuous flying time. Justification for travel other than second class/ economy must always be given and separately authorised where indicated.

The Company will not reimburse the cost of home to work travel.

In accordance with HEFCE guidelines, where staff members undertake sufficient regular travel on Company business to enable subsequent Company flights to be obtained using any air miles (or similar benefits) thereby accruing, staff are expected to use those air miles for Company business. Where staff members travel on a one off or irregular basis, there is no efficient or economic means of using or transferring any accrued air miles for Company business, or where air miles would expire before a necessary Company trip arises, then there is no Company restriction on use of such air miles.

Details of car mileage allowances are available on the Finance Division website.

Subsistence

Receipts and vouchers must support all claims. The general principles of reasonableness and economy combined with efficient working practices should be borne in mind particularly in relation to hotel and meal costs. Claims should not exceed the maximum outlined on the Finance Division's website.

Entertaining and Hospitality

Reasonable amounts of expenditure for hospitality and entertaining, where necessarily incurred in the course of the Company's business may be charged to the Company's business development budget.

Hospitality for visitors will normally be provided in the Senior Common Room and recharged internally.

Where this is not practicable entertaining on the scale of a normal business lunch is permissible.

Unless reasonable numbers of the attendees at business lunches/dinners are non-LSE-E staff, then these will be treated as taxable benefits.

All claims for reimbursement of such expenses must contain the following information:

- The purpose of the hospitality/entertainment.
- The names of those present and the organisations they represent.

Claims not including this information will be returned unpaid.

Authorisation of Expense Claims

- The claimant may not authorise his/her own claim.
- The CEO or in his absence the LSE-E FD, or LSE-E Chairman should authorise all claims.
- Where the claimant is the CEO:
 - o claims <£100 can be authorised by the LSE-E FD
 - o claims >£100 or overseas travel can be authorised by the LSE-E Chairman
- All claims relating to LSE-E projects should also be authorised by the relevant PD/PM.

Broadband:

Where an employee has broadband internet access at home, some of the cost of which they claim back on their business expenses, and where the contract is in the name of the employee, for tax purposes, this is assessed as a benefit in kind and so the Inland Revenue require a P11D to be completed annually.

Broadband Internet Connection at Employee's Home for Business Use

Revenue and Customs rules are that where an employee is the subscriber for Internet access to their home, and the employer reimburses the employee for these costs, then this is a taxable benefit.

Internet packages, especially for Broadband access, usually provide unlimited access and no separate billing procedure to separate business use from private use. Therefore, it is up to the individual department to decide whether they will incur the income tax and national insurance contributions on this expenditure or instruct the Finance Division to complete a P11D for the employee concerned.

Further information can be obtained from the Finance Division.

Home Telephone Usage:

Where an employee uses their home telephone for business purposes, and where the contract is in the name of the employee, the Inland Revenue have assessed reimbursement of 100% of the line rental as taxable earnings. In order for business calls to be excluded from this assessment, they must be clearly identified on the invoice.

TAXATION ISSUES

Taxation legislation will take precedence over these regulations in case of challenge or conflict.

The School has a dispensation from Revenue & Customs that allows the re-imbursement of legitimate business expenses relating to travel/subsistence/telephone calls/entertaining of business contacts.

Reimbursement of other expenditure in the name of the individual rather than the Company will be returned to the Inland Revenue on form P11D's, and may be subject to tax. This includes incentives such as vouchers given to staff (as approved by the CEO). Each tax year the LSE-E FD will review such related expenditure and submit a schedule to Finance Division for review of any tax implications. In the case of incentives, any PAYE normally payable by the individual will be borne by the Company.

Christmas Parties

The Company may allocate modest funds to Staff Christmas parties or other similar functions. It is a Revenue & Customs requirement that tax will be paid by employees on the cost of such events except where they are open to staff generally in a department and are not limited to particular grades or categories of staff.

Other Staff Entertaining

The cost of other hospitality for staff for social reasons should not be charged to company budgets, or consultancy projects. A recent Revenue & Customs Inspection has raised a tax assessment on the following examples of expenditures: staff breakfasts, staff lunches, staff parties, birthday cakes, alcohol, birthday gifts and leaving gifts.

Expenditure of a trivial sum per head connected to events such as a retirement party may be charged.

Taxis for late Night Working

The Inland Revenue will allow cost of transport (for up to 60 journeys in a year) which an employer provides or reimburses to take an employee home if either –

- The employee is occasionally required to work late (9pm or later) but those occasions are not regular, or
- By the time the employee can go home, either public transport between the employee's place of work and home has ceased, or it would not be reasonable in the circumstances for the employer to expect the employee to use it.

Accommodation

Revenue & Customs will allow the re-imbursement of reasonable cost of overnight accommodation due to late night working, meetings etc.

The cost being limited to the following –

- Cost of the room, evening meal and drink, plus incidental expenses up to £5 per night (£10 overseas).

APPENDIX A (ref B7)

THE SEVEN PRINCIPLES OF PUBLIC LIFE FROM THE REPORT OF THE COMMITTEE FOR STANDARDS IN PUBLIC LIFE (THE NOLAN REPORT)

Selflessness

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their families or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that may influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all their decisions and the actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

APPENDIX B (ref C1.6 and C14.1)

SUBSIDIARY COMPANY/JOINT VENTURE/COLLABORATION EVALUATION CHECKLIST

Preamble. This template is intended to cover all significant issues relating to new company subsidiary companies/joint ventures/collaborations or significant changes in existing subsidiary companies/joint venture with which it is proposed that LSE-E should engage. The intention is that before being asked to approve such initiatives, the LSE-E Board, and where necessary, Council should be assured that all relevant matters have been considered and resolved. It is desirable that this template should be attached as an appendix to the formal paper to Council proposing that a new venture should be approved. For any other form of collaboration, advice and clarification must be sought on an individual basis, from the Secretary and Director of Administration. Council must approve all such ventures and collaborations and, depending on the nature of the proposal, may require FGPC or another body to review the proposal before submission to Council.

HEFCE 00/58 related companies: recommended practice guidelines provide a useful set of checklists that should be considered covering Preliminary considerations/Company formation/Management/Review/Exit.

1. BACKGROUND

- 1.1. Name of proposed venture
- 1.2. Basic purpose of venture Proposed partner(s)
- 1.3. Proposed starting date of venture

2. ACADEMIC MATTERS

- 2.1. Have the relevant School committees and officers been satisfied that there are suitable measures in place to ensure that School inputs to the venture are of the highest quality? Describe those measures briefly.
- 2.2. Have the relevant School committees and officers been satisfied that appropriate measures are in place to ensure the high quality of academic inputs to the venture by the other partner(s)? Describe those measures briefly.
- 2.3. If the venture results in the award of a formal degree or other form of accreditation have the assessment methods and criteria been examined and approved by the relevant School committees?
- 2.4. Have the relevant senior officers confirmed that the proposed arrangement is not in conflict with the requirements of national bodies such as the QAA?

3. CONTRACTUAL MATTERS

- 3.1. Has the proposed contract for this venture been reviewed by experts to ensure that the School's interests are appropriately represented and protected?
- 3.2. Does the contract adequately cover such topics as intellectual property rights, the basis of each partner's inputs to the project, the basis on which any financial surpluses will be shared, the arrangements on the winding up of the project, etc?
- 3.3. Does the contract impose any limitations on the School's ability to engage in other similar undertakings? If so, please specify.

- 3.4. After the project has been approved by the LSE-E Board of Directors and Council and the formal contract signed, what procedures are proposed for the subsequent alteration of terms of the contract and withdrawal?
- 3.5. Has a Memorandum of Understanding been drafted to ensure that all parties fully understand and agree on the purpose and control framework of the company? (HEFCE 00/58 related companies: recommended practice guidelines Appendix D(ii) and Appendix E provide examples of matters to be considered.
- 3.6. Does the contract provide for payments to staff that are additional to their Company or School salaries, or any deviation from standard terms and conditions of employment? If so have these payments been approved by the LSE-E Board for LSE-E staff or the LSE HR Manager for academic staff?
- 3.7. Are those involved in negotiating the terms of the contract due to receive additional direct or indirect payments for services rendered and if so, how has the negotiation process been organised in order to remove this potential conflict of interest?
- 3.8. Set out in an attached schedule, all payments to existing staff (both Company and School) and any recruited as a result of the contract that are to be paid in addition to their standard salary. Narrative explaining the purpose, justification and level of these payments should also be included.

4. BUSINESS AND FINANCIAL MATTERS

- 4.1. Is the venture within the powers of the School's and the Company's constitution i.e. it cannot be considered to be *ultra vires*?
- 4.2. What is the most suitable legal framework for the venture? Subsidiary company joint venture or partnership?
- 4.3. Has a business plan been developed to the satisfaction of the representatives of the proposed partners and reviewed by the LSE-E Board of Directors and the relevant School committee? Please attach a copy.
- 4.4. What effect is the venture envisaged to have on promotion of the LSE brand?
- 4.5. Have financial projections been produced and assessed based on alternative future scenarios? Describe briefly the model on which it is proposed that detailed planning should proceed.
- 4.6. What arrangements are proposed for the setting and approval of annual budgets?
- 4.7. Will the financial management of the project be subject to the Company's financial regulations? If not, what regulations will apply?
- 4.8. Have taxation, insurance, VAT and other technical aspects of the venture been reviewed and approved by the Finance Division (taking professional advice as appropriate)?
- 4.9. Has the accounting treatment of the venture been reviewed by the Finance Division (and agreed with the external auditors, if necessary)?
- 4.10. What arrangements are proposed in relation to audit?
- 4.11. Which designated officer will be the 'Nominated Officer'? The Nominated Officer will be responsible for reporting to the LSE-E Board of Directors and to the School in Extraordinary and Annual General Meetings.
- 4.12. What arrangements have been put in place to review on a regular basis the performance of the

company/joint venture/partnership?

4.13. What is the anticipated lifespan of the venture and is there an exit/realisation strategy?

5. RESOURCE ISSUES

- 5.1. Has the relevant officer or committee confirmed that the academic resource necessary to participate in the venture from among existing staff will be available?
- 5.2. Where the venture involved existing LSE staff, will it form a part of their normal expected duties, or create a conflict with the delivery of their existing substantive duties?
- 5.3. Where it involves additional payment to an existing member of Company or School staff, has it been discussed and agreed with the LSE-E Board (for LSE-E staff) or the LSE HR Manager (for School staff) and approved by the appropriate unit Head, in advance of adequate budget approved or explicitly included in the plans?
- 5.4. Will it be necessary to engage new staff to work on the venture? If so, specify by whom they will be employed and for what term.
- 5.5. Which School unit (if any) will administer the venture? Has it been confirmed that adequate resource exists for this extra task to be taken on? If additional resource is required, please quantify it and indicate how it is to be funded.
- 5.6. Have the needs of the venture for access to any of the School's general resources such as space, Library, IT facilities, etc. been assessed and provided for? Please specify any requirements and confirm they have been approved by the relevant body within the School.

6. RISK

- 6.1. Indicate the main risks of the project failing and the steps that can be taken to minimise the likelihood of that occurring.
- 6.2. If the venture was not given approval to proceed, what opportunities would be foregone?

APPENDIX C (ref C1.6 and C14.1)

SUMMARY OF PROTOCOLS FOR PROPOSED MAJOR DEVELOPMENTS

This checklist is to be used to support proposals for major developments that the Board of Directors may be asked to consider

The proposal should be supported by a business plan for three years which sets out:

- a demonstration of the proposal's consistency with the strategic plans approved by the LSE-E Board of Directors and with the School's powers under current legislation;
- details of the market need and the assumptions (based on reference data) of the level of business available;
- details of the business and what product or service will be delivered;
- an outline plan for promoting the business to the identified market and achieving planned levels of business;
- details of the staff required to deliver, promote and manage the business, together with any re-skilling or recruitment issues;
- details of any premises and other resources required;
- a financial evaluation of the proposal together with its impact on revenue and surplus, plus advice on the impact of possible alternative plans and sensitivity analyses in respect of key assumptions;
- contingency plans for managing adverse sensitivities;
- consideration of taxation and other legislative or regulatory issues;
- a three-year financial forecast for the proposal including a monthly cash flow forecast and details of the impact on the institution cash flow forecast for the financial years in question.

APPENDIX D (ref C10.1)

REGISTER OF SIGNATORY AUTHORITY

The office holders below are authorised to sign documents as follows –

LSE-E Board of Directors

- Annual Accounts and Representation Letter
- Auditors Engagement Letters, Trust Deed Documents (e.g. Life Assurance)

Chief Financial Officer

- Write off of Bad debts up to £20,000
- Lease contracts greater than one year
- Refunds greater than £10,000

Finance Director

- Instruct Solicitors
- Money market deposits
- Refunds greater than £10,000

Budget Controllers

- Purchase contracts (following a tender)

Project Directors/Managers

- Purchase orders
- Purchase invoices
- Expense Claims
- Academic engagement contracts

LSE-E CEO

- LSE-E Client contracts
- Proposals
- Instruct Solicitors
- Issue of Company Credit Cards
- Staff employment contracts

LSE-E Company Secretary

- Companies House Returns/Forms
- Annual Tax Return (in conjunction with approved tax computation submitted by the external auditors)
- “Fact” confirmations (e.g.: letter confirming that the CEO is authorised to sign contracts, bank details and such like as required by various tender applications).