



Financial Regulations

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Financial Regulations

1. Management Committee

The Management Committee must:

- ensure that the Association operates as economically, efficiently and effectively as possible within the Association's overall objectives;
- ensure that there is an adequate system of internal controls to monitor and ensure that the Association's objectives are met effectively and also that policies and procedures are complied with;
- be in control of the Association's finances and ensure that the Association can discharge its liabilities as they fall due;
- ensure that annual audited accounts be published in accordance with the Association's rules and all statutory returns completed within the required time period.

2. Director

The Director co-ordinates the activities of the other Managers and reports back to the Management Committee.

3. Head of Finance & IT

The Head of Finance & IT is responsible to the Director for the administration and control of the Finance & IT Department. Responsibilities include:

- assisting in long term planning;
- assisting in the preparation of the internal management plan;
- assisting in the preparation of the business plan, for use by external bodies, as required;
- assisting in rent setting;
- co-ordinating input into the preparation of the annual budget, five year budgets and thirty year financial projections;
- presenting management accounting reports to the Finance and General Purposes Sub-Committee on a timely basis;
- liaising with the Association's internal auditors and ensuring that key policies, systems and procedures are reviewed on a rolling basis;

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- preparation of the annual accounts, liaising with the Association's external auditors in respect of the year-end audit and presenting the accounts to the Annual General Meeting;
- ensuring the requirements of the Co-operative and Community Benefit Societies Acts or other constituting authorities are adhered to concerning the requirements for the Association to keep proper books and records;
- managing the day to day running of the Association's finances;
- maintaining efficient systems of financial control and reporting;
- safeguarding the assets of the Association;
- ensuring that all the Association's development projects have the required level of funding at the time it is required and that all eligible grants, as advised by other identified officers, for such projects have been claimed and adequate loan finance has been arranged;
- implementing and operating the treasury management policy of the Association in respect of the loan portfolio and also the investment of surplus funds for the benefit of the Association. Execution will aim to minimise risk, without contravening statutory restrictions and the Association's rules.

4. Budget Preparation

The budgets are to be prepared in a form agreed by the Finance and General Purposes Sub-Committee. They are to be in line with the objectives of the Association and will form part of the internal management and business planning process.

They will have separate sections for revenue operations and the capital programme.

Preparation will commence prior to the financial year end with input from the Management Team. This process will run concurrently with, and intertwine with, the rent setting process.

Budgets are to be discussed and recommended for approval by the Finance and General Purposes Sub-Committee by the second last month of the financial year and will be approved by the Management Committee by the last month of the financial year.

Once approved, the annual budget is to be used as the basis for authority to incur expenditure and for comparison with actual quarterly results.

The Management Committee has power to delegate the authority to spend up to the approved annual budget limit. Delegation of budgetary responsibility and accountability,

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together with identified budget holders and limits of authority, are contained within the detailed financial procedures.

5. Budgetary Control

Variations in actual income and expenditure against the annual budget are to be reported to the Finance and General Purposes Sub-Committee every quarter by the Head of Finance & IT.

Where material additional expenditure is identified (in excess of £50,000), authorisation is to be sought from the Finance and General Purposes Sub-Committee for the overspend. The Chairperson and Director can authorise an overspend up to an agreed amount as specified in the detailed financial procedures, in between meetings of the Finance and General Purposes Sub-Committee, subject to subsequent reporting to that committee.

Nothing in these financial regulations will prevent an identified officer from incurring expenditure which is essential to meet any immediate needs created by an emergency, subject to such action being reported forthwith to the Finance and General Purposes Sub-Committee.

Examples include:

- expenditure to respond to situation disasters identified in the Disaster Recovery Plan;
- expenditure to address health and safety issues or concerns;
- expenditure to protect the Association's assets and housing stock;
- expenditure to accommodate tenants or owner, arising from emergencies such as fire, explosions or building collapse, etc.;
- expenditure required for service continuity

This guidance will not cover all emergencies and is not intended to prevent identified officers responding to an emergency but is intended to give guidance as to what constitutes an emergency.

The Head of Finance & IT will keep the Finance and General Purposes Sub-Committee informed, each quarter, as to the state of the Association's finances and will report on the statutory accounts of each financial year, within six months of the financial year end, to the Finance and General Purposes Sub-Committee and also to the Audit & Risk SubCommittee. The Head of Financial & IT will also provide the Scottish Housing Regulator with audited year end accounts within six months of the year end.

Where an identified officer proposes a new policy, or variation of existing policy, or a variation in the means or time scale of implementing an existing policy, that has not already been dealt with in the internal management plan and budget, this should be reported to the Head of Finance & IT where the change has a material financial impact (in excess of £50,000). The Head of Finance & IT will submit a report on the subject

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matter to the Finance and General Purposes Sub-Committee, thereafter, outlining possible effects that the proposition will have on the Association's finances.

The Head of Finance & IT will have authority to approve virements up to an agreed amount as specified in the detailed financial procedures of the Association, subject to approval of the Finance and General Purposes Sub-Committee. Virement is the process whereby overruns of expenditure may be set off against underruns in other related types of expense.

6. Accounting

All accounting procedures and records of the Association will be determined by the Head of Finance & IT in accordance with requirements of statutory agencies and authorities.

Where possible, the duties of providing information about money due to or from the Association and recording these sums will be separated from the duty of collecting or paying them.

The following books and records will be kept:

- Nominal ledger
- Purchase ledger
- Sales ledger
- Rent ledger
- Cash book
- Property register
- Register of other fixed assets
- Loan register
- Capital contracts records
- Payroll records

Intervals at which books and records are updated are specified in the detailed financial procedures.

A chart of accounts will be maintained by the Head of Finance & IT, which will incorporate coding structures for all the books and records above. Only Finance Staff can insert or delete codes in the chart of accounts.

7. External Audit

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Preparation of annual accounts is to commence two to four weeks after the financial yearend and draft accounts together with audit schedules are to be prepared for the auditors by the time the audit commences, if possible.

The audit should commence within four months of the financial year end. A timetable is to be agreed with the auditors.

Draft accounts are to be submitted to the Management Committee at the meeting prior to the Annual General Meeting.

Final audited accounts are to be adopted at the Annual General Meeting. These accounts should be signed and submitted to the Scottish Housing Regulator within six months of the end of the financial year.

The external auditor will provide reports and accounts direct to the Audit & Risk SubCommittee and will also have the power to convene a meeting with the Audit & Risk Sub-Committee by notifying the Chairperson.

Whenever any matter arises which involves or is thought to involve irregularities concerning cash, stores or other property of the Association or any suspected irregularity in the exercise of the functions of the Association, the identified manager or Director concerned will forthwith notify the external auditor who will take steps as he or she considers necessary by way of investigation and report.

8. Internal Audit

Under the independent control and direction of the internal auditor, an internal audit will be arranged to review the soundness, adequacy and application of the financial and other internal controls established by the Management Committee to:

- achieve the Association's aims and objectives;
- ensure economical, efficient and effective use of resources;
- ensure compliance with established plans, policies and procedures, and also with financial and tendering systems;
- safeguard the Association's assets and interests from losses of all kinds including those arising from fraud, irregularity or corruption;
- ensure the integrity and reliability of information and data; and
- ensure the adequacy of follow-up action to internal and external audit reports.

To assist the above objects, the internal auditor is authorised to:

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- obtain access to all records, documents and correspondence relating to any financial or other relevant transaction, including documents of a confidential nature;
- obtain access at any reasonable time to any land, premises or personnel of the Association;
- require any employee of the Association to produce cash, stores or any other Association property under his or her control;
- require and receive such explanations as are necessary concerning any matter under examination; and
- provide reports directly to the Audit & Risk Sub-Committee and will also have the power to convene a meeting with the Audit & Risk Sub-Committee by notifying the Chairperson.

Whenever any matter arises which involves or is thought to involve irregularities concerning cash, stores or other property of the Association or any suspected irregularity in the exercise of the functions of the Association, the identified manager or Director concerned will forthwith notify the internal auditor who will take steps as he or she considers necessary by way of investigation and report.

9. Banking

The Head of Finance & IT:

- will be responsible for the setting up of all bank accounts;
- will be responsible for the stock of cheques and for the maintenance of a register of cheques;
- will be responsible for the investment of all temporary cash surpluses accruing to the Association keeping in mind day to day operating cash requirements;
- may authorise the keeping of petty cash floats by officers for the payment of incidental expenses and may make advances for the purpose of such accounts.

Cheques on all the Association's main bank accounts will bear the signature of the Head of Finance & IT and/or other identified officers or Committee Members as authorised by the Management Committee.

All cheques must be signed by two authorised persons.

Payments by BACS must be authorised on-line by two out of five members of the Senior Management Team after one of the Office Bearers of the Committee of Management has approved the related list of payments.

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Details of the monetary limits set for authorised persons can be found in the Association's detailed financial procedures.

Details of authorised persons can be found in the Association's detailed financial procedures.

Bank accounts held by the Association are specified in the detailed financial procedures of the Association.

All bank accounts are reconciled to their respective cash books on a monthly basis.

Petty cash floats kept by the Association are specified in the Association's detailed financial procedures and reconciled regularly and at least once a month.

10. Contracts

Where contracts provide for payment to be made by instalments, the Head of Finance & IT will arrange for the keeping of contract records, which will show:

- the state of accounts on each contract between the Association and the contractor together with other related payments e.g. professional fees;
- the sources of funding for each contract and the amount of funding drawn down to date.

Payments to contractors on account of contracts will be made only on a certificate issued by the supervising officer (or architect, engineer or consultant).

Any variation to a contract above £50,000 will be reported to the Finance and General Purposes Sub-Committee as soon as practicable. The Chairperson and Director can authorise a variation between meetings of the Finance and General Purposes SubCommittee, subject to subsequent reporting to that Committee.

The final certificate of completion of any contract will not be issued until the appropriate identified officer (or external consultant) has produced to the Head of Finance & IT a detailed statement of account and all relevant documents.

The Head of Finance & IT to the extent he or she considers necessary, can examine final accounts for contracts, and he or she will be entitled to make all such enquiries and receive such information and explanations as he or she may require in order to satisfy him or herself as to the accuracy of the accounts.

Claims from contractors and professional consultants in respect of matters not clearly within the terms of any existing contract will be referred to the Solicitor for consideration of the Association's legal liability and, where necessary, to the Director and Head of Finance & IT for consideration before any recommendation on settlement is made.

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Where completion of a contract is delayed beyond the contract period, it will be the duty of the identified officers concerned to consider, and where appropriate, to take action in respect of any claim of liquidated damages.

The Association should maintain comprehensive files for every contract that has been or is being undertaken, or is being planned. Such files should contain all relevant documents and correspondence.

All officers and consultants will have regard to the requirements of funding bodies and the Scottish Housing Regulator in respect of matters relating to contracts.

11. Property Register

A property register will be maintained by the Housing Services Manager recording an adequate description of the physical characteristics of each house owned.

For each house owned, the property register will include the following financial data:

- current rent being charged;
- current services being charged;
- review dates.

Shared ownership houses will also state the current tranching position, and accordingly, items listed above will be adjusted in proportion to tranche levels.

The form in which the property register is to be kept by the Housing Services Manager will be determined by the Head of Finance & IT.

12. Assets (other than property)

An inventory of assets will be maintained by the Finance Team recording an adequate description of equipment and fittings owned by the Association.

Rates of depreciation for the different categories of fixed assets are set out in the Association's accounting policies as stated in the annual financial statements.

Each identified officer will be responsible to the Head of Finance & IT for maintaining an annual check of all items on the fixed asset register and for taking action in relation to surpluses or deficiencies and noting this accordingly.

Each identified officer will ensure that property and equipment is maintained in good working order.

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The Association's property will not be removed other than in the ordinary course of the Association's business or used other than for the Association's purposes.

13. Income

The collection of all money due to the Association will be under the supervision of identified officers.

All employees will furnish the Head of Finance & IT with such particulars in connection with work done, goods supplied or services rendered and of all other amounts due as may be required by him or her to record correctly all sums due to the Association. Procedures on the issuing of invoices for the recovery of income are outlined in the Association's procedures.

All money received by an employee on behalf of the Association will without delay be transferred to the Finance Team which will arrange for it to be banked as soon as possible.

Transfers of money between employees will be recorded and signed by the signature of the receiving officer.

No income due will be written off as a bad debt without the authorisation of the Finance and General Purposes Sub-Committee.

14. Insurances

The Head of Finance & IT together with the Management Team will ensure the Association has adequate insurance policies in place.

The Managers and other identified officers will effect all insurance cover and negotiate all claims in consultation with other officers where necessary.

Officers will give prompt notification to the Head of Finance & IT of all new risks or properties which require to be insured and of any alterations affecting existing insurance policies.

All officers will notify the Head of Corporate Services & HR or other identified officer in writing, of any loss, liability or damage or any event likely to lead to a claim.

All employees of the Association will be included in a suitable fidelity guarantee insurance policy.

The Management Team will annually review all insurances and the Head of Finance & IT will provide a report to the Finance and General Purposes Sub-Committee.

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15. Treasury Management

In order to achieve the proper management of the Association's investments, the Association may employ the services of investment managers (authorised under the requirements of the Financial Services Act.

The Head of Finance & IT will monitor the performance of the above and be responsible for other investment of short term cash deposits on the best possible terms.

The Head of Finance & IT will maintain records of all borrowings of money by the Association.

All funds and borrowings will be effected in the name of the Association.

16. Orders

Official orders will be issued for all work, goods or services to be supplied to the Association except for suppliers of public utility services, for sundry payments, or for periodic payments such as rent or rates.

Official orders are to be approved and signed only by designated budget holders.

Works, goods or services in excess of amounts stated in the Association's procedures must receive quotations or be tendered before any order and appropriate procedures for tender returns must be observed.

17. Expenditure

Only designated budget holders have authority to incur expenditure.

Designated budget holders are appointed by the Management Committee.

Designated budget holders can only incur expenditure for which they are responsible as outlined in the detailed financial procedures.

No expenditure, capital or revenue, will be incurred without adequate provision in the budget.

Decisions to incur expenditure must also take into account the actual and anticipated level of income.

Payments will only be made on the authority of an authorised cheque signatory as outlined in the detailed financial procedures.

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The designated budget holder responsible for issuing orders must examine, verify and certify related invoices, contract certification, and any other payment vouchers arising from his or her department.

Before any payment is made the designated budget holder will have satisfied him or herself that:

- the work, goods or services to which the original order related has been received, carried out, examined and approved;
- the price is correct;
- the account has not been previously passed for payment;
- whereupon the budget holder will sign or initial the relevant invoice/payment voucher and pass to the Finance Section for payment.

All salary and wage rates must be approved by the Finance and General Purposes SubCommittee.

Staff are paid on a set day each month.

Where expenditure has not been provided for in the budget, as distinct from an overspend, this will require approval at the Finance and General Purposes SubCommittee and by the Management Committee.

18. Irrecoverable Income

The writing off of irrecoverable income must be approved by the Finance and General Purposes Sub-Committee.

19. Fixed Asset Investments

Fixed assets investments, through contractual commitment to capital expenditure, will require the approval of the Finance and General Purposes Sub-Committee.

Investment proposals will contain the following:

- a statement indicating how the objectives of the Association are met and a ranking of the degree of priority of the proposed investment in comparison with alternative possible investments;
- a statement of value for money as provided in the Association's detailed financial procedures;

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- a statement of risk management as provided in the Association's detailed financial procedures;
- the impact of the investment on the Association's finances and the sources of funding.

20. Liabilities

Contractual commitment to liabilities or expenditure will require the approval of the Finance and General Purposes Sub-Committee if the contracts are material (above £50,000) or will be material in the long term (contracts that are likely to exceed one year).

Contracts will contain the following:

- a statement indicating how the objectives of the Association are met;
- a statement of value added as provided in the Association's detailed financial procedures;
- a statement of risk management as provided in the Association's detailed financial procedures;
- the impact of the contract on the Association's finances and the sources of funding.

21. Contractors and Consultants

Contractors and consultants will be selected and appointed as specified in the Association's procedures.

Payments to contractors and consultants will be approved by designated budget holders.

Identified officers will be responsible for ensuring contractors and consultants have adequate insurance cover for professional indemnity and public liability, that valid certificates are held for tax purposes and the requirements of tax authorities are adhered to in terms of returns and compliance procedures.