



Financial Regulations and procedures

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1.0 FOREWORD

- 1.1 All Housing Associations are expected to exercise a high degree of quality financial management in all aspects of their business activities. In April 2012 the Scottish Housing Regulator published the Regulatory Standards of Governance and Financial Management. The regulatory framework was updated in February 2019.
- 1.2 The regulatory standards of Governance and Financial Management expect Associations to adhere to a robust set of financial regulations that is appropriate for the organisation and which covers all aspects of financial management. The Financial regulations must be reviewed regularly, updated and rigorously adhered to by all staff.
- 1.3 The Association currently operates under the SFHA charitable model rules (Scotland) 2020. The standing orders of the Association detail how the business of the organisation shall be run and includes responsibilities, powers and remits of each committee and sub-committee.
- 1.4 These Financial Regulations and Operating Procedures are designed to facilitate the smooth running of the Association and to protect the interests of tenants, owners, members, Committee members and staff.
- 1.5 This document details the mechanisms to be used to ensure that objectives are achieved as smoothly and as timeously as possible and details Committee and staff responsibilities together with details of generally accepted best practise.
- 1.6 Compliance with the Financial Regulations is compulsory. A breach may be the subject of a report to the Management Committee by the Finance Manager or the Chief Executive, following discussion between the relevant staff.
- 1.7 It is the responsibility of Managers to ensure that their staff are made aware of the content and existence of the Association's Financial Regulations.
- 1.8 Where a breach of the Financial Regulations could be deemed to involve fraud or corruption, staff or Committee members have the right to raise their concerns, in confidence with either the Internal or External Auditors in line with the Association's Policy on Dealing with Complaints and whistle blowers.
- 1.9 If any difficulty is encountered in practice with the operation of the regulations or circumstances arise in respect of which it is considered no provision is made then the matter should immediately be raised with the Chief Executive
- 1.10 The Financial regulations will not override instructions from or conditions imposed by the Scottish Government, Accounting Standards board, the Scottish Housing Regulator, Financial conduct Authority, and any other appropriate statutory organisation or any relevant current legislation
- 1.11 These Regulations will be subject to continual review with a fully updated version of this document being produced every three years to reflect any amendments agreed by the Management Committee in the intervening period.

2.0 RESPONSIBILITIES OF COMMITTEE AND SENIOR STAFF

Management Committee

2.1 The Management Committee has ultimate responsibility for the Association's finances.

Its financial responsibilities are:

- to ensure that the Association has an effective system of internal financial control in place to provide for the safeguarding of assets (against unauthorised use or disposition) and the maintenance of proper accounting records so that the financial information used within the Association or for publication is reliable;
- to ensure that the Association operates as economically, efficiently and effectively as possible within its overall objectives;
- to be in control of the Association's finances and ensure that expenditure is covered by income;
- to ensure that annual audited accounts are published in accordance with the Association's rules, and all statutory returns completed within the required time period;
- to ensure compliance with the code of audit practice;
- to ensure compliance with regulatory standards;
- to approve the Business Plan;
- to approve the annual budgets;
- to ensure that regular monitoring of future funding requirements is carried out;
- to recommend to the annual general meeting the appointment of external auditors;
- to approve the appointment of the Association's internal auditors.

Chief Executive

2.2 The Chief Executive is responsible for the operational management of the Association's affairs. He or she must assist the Management Committee in determining its strategies, objectives and promote the achievement of such objectives through the effective deployment of the Association's resources.

Finance Manager

2.3 The Finance Manager is responsible to the Chief Executive for the administration and control of the Finance function. Responsibilities include:-

- assisting the Chief Executive with long term planning;
- assisting the Chief Executive with the preparation of the Business Plan;
- assisting the Chief Executive in liaison with Internal Auditors throughout the year;
- assisting the Manager of Housing Services with rent setting;
- co-ordinating input into the preparation of the annual budget and reviewing and completing the preparation of the budget;
- presenting financial management reports to the Management Committee on a timely basis;
- preparing the draft annual accounts and liaising with the Association's External Auditors in respect of the year-end audit;
- ensuring the requirements of the Financial Conduct Authority or other constituting authorities are obeyed concerning the requirements for the Association to keep proper books and records;
- monitoring the day to day running of the Association's finances;
- maintaining efficient systems of financial control and reporting;
- implementing and operating the Treasury Management Policy of the Association.

2.4 The Finance Manager shall keep the Management Committee informed, each quarter, as to the state of the Association's finances and shall ensure that Scottish Housing Regulator are provided with audited accounts and management letter within six months of the year end.

2.5 The Finance Manager shall be responsible for the completion and submission of annual returns to the following bodies after presentation and approval to Management Committee:

Scottish Housing Regulator	5-year financial plan Loan Portfolio return Audited Financial Statement
FCA	Annual return
OSCR	Annual return
SHAPS	Annual return
Pension Regulator	Every three years

Property Services Manager

- 2.6 The Property Services Manager is responsible to the Chief Executive for financial management within the maintenance section. he/she is advised by the Finance manager in executing the financial duties.
- 2.7 The Property Services Manager is responsible to the Chief Executive for the monitoring of reactive, cyclical, major repairs and Capital spend budgets to outcomes and for presentation of budget outcomes to Services Sub Committee on a quarterly basis.
- 2.8 The Property Services Manager is responsible for establishing and maintaining clear lines of responsibility within the section for all financial matters.
- 2.9 Where resources are devolved to other budget holders within the section, the budget holder is accountable to the Chief Executive for his/her own budget.

Deputy Chief Executive Officer

- 2.10 The Deputy Chief Executive Officer is responsible to the Chief Executive for financial management within the Housing Management Section. He/she is advised by the Finance Manager in executing his financial duties.
- 2.11 The Deputy Chief Executive Officer is responsible to the Chief Executive for the monitoring of rents, voids, service costs and income and for presentation of budget outcomes to Services Sub Committee on a quarterly basis.
- 2.12 The Deputy Chief Executive Officer is responsible for establishing and maintaining clear lines of responsibility within the section for all financial matters.
- 2.13 Where resources are devolved to other budget holders within the section, the budget holder is accountable to the Chief Executive.
- 2.14 The Deputy Chief Executive Officer is responsible to the Chief Executive for the preparation of all policies and procedures including those that have financial implications and affect procurement.
- 2.15 The Deputy Chief Executive Officer will act in an advisory capacity with all Managers in relation to ensuring compliance matters.

Factoring Manager

- 2.16 The Factoring Manager is responsible to the Chief Executive for financial management within the factoring section. They are advised by the Finance Manager in executing their financial duties.
- 2.17 The Factoring Manager is responsible for allocation of common repairs to be charged to owners on a bi-annual basis.
- 2.18 The Factoring Manager is responsible for establishing and maintaining clear lines of responsibility within the section for all financial matters including Management fees.
- 2.18 The Factoring Manager will prepare a report annually to review Management fees.

3.0 BUDGETING AND FINANCIAL PLANNING

Budget Preparation

- 3.1 The draft budget will be prepared in December each year and will be presented to the Management Committee for approval. Any updates or revisions required by the Management Committee should be made by the Finance Manager.

The final budget which will incorporate any further revisions and updates and will be presented to Management Committee for approval in March, prior to the start of the new financial year.

A budget review will be conducted in November and the revised budget will be presented to Management Committee for approval. Appendix 11 shows Budget timetable.

- 3.2 The annual budget will comprise of:

- A clear statement of the main assumptions and sources of information underlying the budget.
- Projected Statement of Comprehensive Income.
- Projected Statement of Financial Position.
- Projected Cash Flow Statement.
- Detailed Capital budgets including anticipated component costs.
- Planned procurement of office and computer equipment.
- Monthly Cash-flow projections.
- Monthly income details including rental and service income less voids and bad debts.
- Monthly expenditure details including management expenses, overheads and direct costs.
- Anticipated levels of investment income and interest payments.
- Loan covenant Compliance performance against proposed budget.
- Any summary commentary narrative necessary for a clear understanding of the budget.

- 3.3 Each senior staff member will prepare estimates of expenditure and income in the format and by the date required by the Finance Manager. Both the format and date should be agreed by the Senior Staff Team.

- 3.4 The Chief Executive will prepare the annual staffing plan for the forthcoming year for costing by the Finance Manager.

- 3.5 After checking and querying the budgets prepared by senior staff, the Finance Manager will collate the estimates and report to the Chief Executive and then to the Management Committee.

Budgetary Control

- 3.6 The Management Committee will monitor and regulate the Association's performance.
- 3.7 Each senior staff member will ensure that approved budgets are not exceeded and that, where possible, economies are made and that all expenditure has been properly incurred in terms of these Financial Regulations. Any proposals which may result in a budget being subject to material variance must be agreed in advance with the Management Committee.
- 3.8 Senior staff should maintain their own records to ensure that they are aware of forward commitments which have not yet been paid for. The Finance Manager will provide training on request to other senior staff members on how to obtain the information they require on actual income and expenditure to date from the General Ledger to assist with budgetary control.
- 3.9 The Finance Manager will submit quarterly financial management accounts to the Governance and Finance Sub Committee comparing actual with budgeted income and expenditure for the year to date highlighting any significant variances. In addition, the effect of likely future events on the financial position should be contained within the quarterly management accounts together with details of the currently projected financial position of the Association at the year end.

The Management Accounts should include the following information with a narrative summary:

- A summary narrative of Statement of Comprehensive Income and Statement of Financial Position
- A comparison of management expenses with variance analysis reporting for significant variances
- An analysis of income and expenditure and variance analysis between letting and non-letting activities
- A summary Statement of Comprehensive Income
- A summary Statement of Financial Position
- A summary Statement of Cash-flow
- Details of Interest payments and receipts
- An analysis of Bank Balances
- An analysis of receivables
- An analysis of payables
- An analysis of long-term payables
- Forecast of income and expenditure against budget

Expenditure Control

- 3.10 Inclusion of an item in the budget constitutes authority to the budget holder or authorised staff member to incur such expenditure up to the level of the provision, subject to the following:-

- (i) Where provision for additional staff, annual increments, pay awards and re-grading's has been made in the budget, final approval of the Management Committee is required before implementation.
 - (ii) Non-recurring items (e.g. repairs to individual properties, office equipment) the cost of which exceeds £5,000 (including VAT) provided for in the budget will require final approval by the Management Committee. Authorisation limits for staff members is the subject of a separate note (see Appendix 1).
- 3.11 The individual budget headings for which each member of staff is responsible are detailed in Appendix 2.
- 3.12 Virement (i.e. transfer of agreed estimates from one budget heading to another) will be permitted, subject to the prior written approval of the Chief Executive, provided that the additional expenditure does not exceed £5,000 and the total approved budget will not be exceeded. A copy of any memos/e-mails should be passed to the Finance Manager.
- 3.13 When virement is proposed for sums more than £5,000 this will require the prior approval of the Management Committee.
- 3.14 In circumstances of emergency, expenditure may be incurred by obtaining the prior approval of the most senior member of staff on duty and the Chairperson of the Association, who will consult the Finance Manager, if possible, before agreeing to any request. Any expenditure so incurred must be reported by the Chief Executive to the next meeting of the Management Committee detailing how this expenditure will be financed.
- 3.15 Officers should ensure that when reports are submitted to the Management Committee the financial implications of any course of action should be fully detailed. The Finance Manager should be consulted prior to a report which has financial implications going to the Committee.

Income Control

- 3.16 The Finance Manager will ensure that proper financial and accounting arrangements are made for the collection and recording of all monies due to the Association.
- 3.17 The Deputy Chief Executive Officer, in consultation with the Finance Manager, should review the level of rents, service charges and factoring management fee each December and a report of the reviews will be submitted to the Management Committee as part of the annual budget considerations. Consultation should also take place with Yorkhill Tenants/~~Owners~~ prior to final approval by Committee of changes to the levels of these charges.

Financial Forecasting

- 3.18 The Finance Manager is responsible for preparing the long-term planning for the Association. A Finance Consultant will review and verify the validity of the long-term plans.

- 3.19 While the overall responsibility for this information lies with Finance it is essential that an appropriate level of input from all senior staff is accounted for within the long-term financial plans. In particular, the areas of rent levels, rent increases, maintenance costs, staffing levels and all other relevant costs.
- 3.20 The Association prepares and submits 5-year financial projections to the Scottish Housing Regulator in the prescribed format and within the relevant timescales, which have been presented and approved by the Management Committee, all in accordance with the existing guidance from SHR. A copy of this information shall be submitted to the lenders and external auditors.
- 3.21 The Association shall undertake a review of its long-term projections on an annual basis to ensure that the projected annual position remains on target with the 30 year income and expenditure cash flow projections. Appropriate sensitivity analysis and scenario planning must be applied to the long-term forecast.
- 3.22 The content of the 30-year financial forecasts shall include the following information as advised by the Associations internal auditors:
- Details of main assumptions employed and sources of information
 - Statement of Cash flow for 30 years
 - Schedules for all income and cost information and assumptions
 - Appropriate sensitivity analysis and scenario planning
 - Supporting narrative to confirm an overview of the projected outturns, any areas for further consideration, any areas of concern
- 3.23 The Association shall take account of the SHR document on recommended practise-business planning produced in December 2015.

4.0 BANK ACCOUNTS, CASH HANDLING AND TREASURY MANAGEMENT

Banking and Receipt of Monies

- 4.1 The Finance Manager will make any arrangements with the Association's bankers concerning the operation of bank accounts.
- 4.2 All monies received by the Association will be kept locked in fireproof filing cabinet within locked cupboard at finance section. No more than £3,500 in cash will be held in the office overnight.
- 4.3 Receipts will be issued to all persons paying by cash or cheque at the Association's offices. There is a separate procedure note on Receipt of Monies (see Appendix 3).
- 4.4 The Senior Finance Assistant should review bank reconciliations monthly. This is checked by the Finance Manager.

Cheques, Transfers and Computerised Banking

- 4.5 Ordering of cheque books will be controlled by the Finance Assistant.
- 4.6 Cheque signatories will be agreed by the Association's Management Committee (see Appendix 8). All cheques require two authorised signatories. The Chief Executive will sign cheques where no committee members are available.

Petty Cash

- 4.7 A petty cash float (£300) will be held by Finance to be used for payment for sundry items of expenditure.
- 4.8 The operation of the float is the subject of a separate procedure note (see Appendix 4).

Treasury Management

- 4.9 The Treasury Management Policy sets out the Association's strategy and procedures. The implementation and monitoring of the policy statement is the responsibility of the Management Committee.

5.0 GENERAL MATTERS

Stocks

- 5.1 The care and custody of general stationery is the responsibility of the Customer Services Assistant. He/she will ensure that adequate stocks are maintained.

Inventories

- 5.2 An equipment register will be held containing information on all office equipment and furniture fittings up to the value of £500 and will be kept up to date by the Finance Manager or designated member of staff.
- 5.3 A Fixed asset register will be kept by the Finance Manager for all items valued £501 and over and this will be checked by the external auditor during the course of the annual audit.
- 5.4 No inventory item shall be disposed of without prior approval of the Chief Executive.
- 5.5 A separate inventory of all books and publications purchased by the Association will also be maintained by a designated member of the Administration team who will carry out an annual check and report any discrepancies to the Chief Executive.
- 5.6 All items that have been disposed should be removed from the Association fixed asset register and details of the disposal should include value, reason for disposal, way the items were disposed and any other relevant information.

Orders and Payment of Accounts

- 5.7 An official written order must be issued for all goods to be supplied to the Association or for any work to be carried out for the Association with the exception of public utility services and other periodic payments such as non-domestic rates. Other exclusions may include bookings of training events, seminars and conferences, travel arrangements, and engagement of consultants.
- 5.8 If the cost of an order exceeds the expenditure limit of the staff member placing that order, then it must be countersigned in accordance with the expenditure Authorisation Limits previously agreed by Management Committee. (See appendix 1 for summary of authorisation limits).
- 5.9 Where the estimated cost of works or goods to be ordered by the Association exceeds £3,000 (including VAT) 3 written quotations or tenders must be sought prior to an order being placed. The only exception to this regulation is maintenance work which is covered by the Association's procurement policy.
- 5.10 Prices of goods to be supplied or work to be carried out must be obtained from the supplier prior to the placing of an order where the cost of individual items is estimated to be over £150. If this is impossible, an estimate must be obtained. Such prices or estimates must be clearly stated on the order sent to the supplier. This paragraph does not apply to the ordering of routine maintenance work to properties where costs are based on hourly rates previously agreed with the Sub-contractor as per the Association's procurement policy. See Appendix 10.

- 5.11 Prior to signing an invoice and passing it to Finance for payment, the budget holder or nominated officer must authorise the expenditure after satisfying himself/herself as to the correctness of the charge by ensuring that:-
- (i) the goods have been received, examined and approved with regard to quality and quantity, or that services rendered or work done is satisfactory;
 - (ii) where appropriate, the invoice has been matched to the order;
 - (iii) the invoice details, (quantity, price discount) are correct;
 - (iv) the invoice is arithmetically correct;
 - (v) the invoice has not previously been passed for payment;
 - (vi) if appropriate, the VAT registration number is shown on the invoice and the correct VAT rate applied;
 - (vii) where appropriate, an entry has been made on inventory records;
 - (viii) an appropriate nominal code is quoted (this must be one of the cost centre codes included in the budget holder's area of responsibility and must correspond with the types of goods or service described on the invoice).
- 5.12 The Finance Manager will carry out sufficient checks to ensure, in relation to invoices for payment, that all expenditure represented has been properly authorised in accordance with the decisions of the Management Committee and these Financial Regulations. In this regard, the Finance Manager is entitled to request all relevant information from officials initiating and authorising the transactions.

Contracts for Supplies and Services

- 5.13 Contracts or agreements with suppliers for items of a recurring or related nature for which expenditure in any one year will exceed £1,000 must be reviewed at regular intervals agreed by the Management Committee to ensure that the Association is receiving value for money.
- 5.14 Supplies and services covered by this regulation will include:-

<u>Responsibility of</u>		
Stationery Supplies)	
Maintenance of Office Equipment)	
Photocopying)	
Maintenance of Computer Hardware)	
and Software)	Finance Manager
Audit, Accountancy and Tax Services)	
Banking Services)	
Insurance Services)	Director of Property Services
Print, Art and Design Work)	
Subscriptions)	Chief Executive
Legal Services)	
Reactive Repairs)	
Maintenance of Gas Heating Systems)	Property Services Manager
Other Cyclical Maintenance Work)	
Maintenance Materials)	
Major Repairs)	

Stair Cleaning

)

Deputy CEO

- 5.15 Where external consultants (other than development consultants, who are covered by a separate policy) are to be engaged in all cases at least 3 appropriately qualified firms should be asked to tender with the decision on who should be appointed being made only after a detailed report to the Management Committee.
- 5.16 While the Association is not obliged to accept the lowest tender for goods or Services to be supplied, the Committee must be satisfied when not accepting the lowest tender that the successful tenderer offers best value.
- 5.17 Further guidance for staff is contained within the Association's Policy on Repairs

Insurance

- 5.18 The Factoring Manager, in consultation with the Chief Executive will effect and maintain appropriate insurance on all assets and in respect of all legal liabilities of the Association.
- 5.19 Senior staff will give prompt notification to the Factoring Manager of all new risks, properties /office equipment which require to be insured and of any alterations affecting existing insurance policies.
- 5.20 The Factoring Manager shall annually review all insurances. They will also be responsible for negotiations with the Association's Insurers and for tendering of the Association's insurances at appropriate intervals.
- 5.21 The following members of staff are responsible for overseeing the claims procedure in the respective areas:
- | | | |
|-------------------|---|-------------------|
| Buildings Cover | - | Factoring Manager |
| Public Liability | - | Chief Executive |
| Motor Vehicle | - | N/A |
| Employee Disputes | - | Chief Executive |
| Cyber Cover | - | Finance Manager |
| All Other Claims | - | Chief Executive |
- 5.22 Senior staff should ensure, as far as possible, that all businesses with whom the Association has contracts have themselves appropriate, adequate and current insurance cover.
- 5.23 All staff using their own vehicles on behalf of the Association shall maintain comprehensive insurance cover for business use. A copy of the documentation will be held within staff files and reviewed on an annual basis.

Salaries, Expenses, and Pensions

- 5.24 The Association has a payroll policy which should be reviewed every three years.
- 5.25 All salary/wage rates increases are approved in accordance with EVH guidelines following a consultation period. Salary and wage increases arising from staff

promotions and accelerated increases should be approved by the Chief Executive who has delegated authority up to and including Grade 7 as per the EVH Payment scale. Salary and wage increases arising from staff promotions should be approved by the Management Committee from Grade 8 and above as per the EVH Payment scale.

- 5.26 The Chief Executive is responsible for keeping the Finance Section informed of Matters relating to personnel for payroll purposes, including appointments, resignations, dismissals and re-grading. All such changes to the payroll must be confirmed in writing.
- 5.27 Any request for overtime must be authorised in line with the Association's policy. Overtime claims should be made on the appropriate form and authorised by Chief Executive/Senior staff member before being passing to Finance.
- 5.28 Staff expense claims will be authorised by senior staff. Senior staff's claims will be authorised by the Chief Executive or other senior staff members. The Chief Executive's claims will be authorised by two office bearers.
- 5.29 The levels of subsistence and travelling allowances paid will be as agreed by Employers in Voluntary Housing. The levels of the union fees will be agreed by Unite.
- 5.30 Committee expense claims will be paid in line with the Association's policy. Other expenses will be paid in line with HMRC guidance.
- 5.31 The Association offers membership of the SFHA Pension Scheme to all its employees. The Finance Manager is responsible for the day-to-day administration of pension matters including ensuring that payments to the Scheme are made timeously.

Bad Debts

- 5.32 The Chief Executive shall have authority to agree the write-off of any debt under £500.
- 5.33 Any request for a write-off of over £500 must be the subject of a specific report to the Management Committee detailing the reasons why the debt is considered irrecoverable.
- 5.34 There is a separate Procedure Note on the operation of this policy (see Appendix 5).
- 5.35 Prior to formal write-off adequate provision should be made within the Association's accounts for bad and doubtful debts. Provisions are to be made on the basis of age as explained in Appendix 6.

Accounting Policies

- 5.36 The Association's accounting policies are set out in the notes to the annual financial statements. These are subject to continual review by the Association's external auditors and any changes are approved by the Management Committee.
- 5.37 The financial statements are prepared on the historical costs basis of accounting and in accordance with applicable accounting standards.
- 5.38 The accounts are prepared for the financial year ending 31 March, in the format United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and comply with the requirements of the Determination of Housing Requirement 2019 as issued by the Scottish Housing Regulator and the Statement of Recommended Practise for Social Housing Providers issued in 2018.

Accounting Records

- 5.39 The Finance Manager is responsible for the retention of financial documents. These should be kept in a form acceptable to the relevant authorities for a period of seven years. All financial documents are scanned and held within the Association's business system.
- 5.40 The Association is required by law to retain prime documents. These include:
- accounts raised (seven years)
 - copies of receipts (seven years)
 - payroll records (seven years)
 - VAT records (seven years)
- 5.41 For auditing and other purposes, the Association should retain other financial documents for three years.

Taxation

- 5.42 The Finance Manager is responsible for advising staff and Committee on all taxation issues. The Finance Manager will, in turn, seek advice from the Association's external auditors on taxation matters.
- 5.43 The Finance Manager is responsible for maintaining the Association's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

Donations

- 5.44 The annual budget will contain a provision to allow the Association to donate money to an appropriate organisation or charity.

All donations should be approved by the Management Committee in advance of payment and the external auditor will be provided with evidence. A note may be included with the annual accounts as to the total amount of donations within the financial year.

6.0 AUDIT

Governance and Finance Sub-Committee

- 6.1 The Management Committee has responsibility for ensuring that the systems of internal financial control are appropriate for the nature of the Association. To assist the Committee the Governance and Finance sub-committee meet on a quarterly basis.
- 6.2 The Governance and Finance Sub-Committee will produce an Annual Report for the Management Committee on the adequacy and effectiveness of the Association's internal control systems.
- 6.3 The Governance and Finance Sub-Committee's duties in relation to external and internal audit are detailed in a separate document.

External Audit

- 6.4 Part (6) of the Housing (Scotland) Act 2010 – Section 69 places a duty on registered social landlords to comply with the regulator's accounting requirements. The auditor's report on a registered social landlord must state if, in the auditor's opinion, its accounts comply with the requirements. Under section 70, the RSL must provide the regulator with a copy of its accounts and auditor's report within six months of the end of the accounting period to which they relate. Section 71 makes it an offence for a registered social landlord to fail to comply with either of these requirements.
- 6.5 Tenders for external audit services will be sought at least every five years with the auditor's performance being reviewed annually. The Management Committee will propose the appointment or re-appointment of the auditors at the Association's Annual General Meeting.
- 6.6 The Governance and Finance Sub-Committee will advise the Management Committee on all matters relating to the appointment of external auditors.

Internal Audit

- 6.7 To assist the Management Committee on the adequacy and effectiveness of the Association's internal control systems the Association procures internal audit services from an external provider. Tenders for this service will be sought at least every three years with the auditor's performance being reviewed annually.
- 6.8 The role of the Internal Auditor is to:
 - (i) regularly review all of the Associations systems, controls and procedures to ensure that they are economic, efficient and effective, that they are amended in accordance with changing circumstances and that they are adhered to in practice;
 - (ii) recommend where appropriate that changes be made to existing financial controls and procedures operated in any Section;
 - (iii) participate in discussions relating to the formulation and installation of new systems, controls and procedures;

- (iv) assist in the protection of the assets and interests of the Association by carrying out a continuous examination of activities in order to detect fraud, misappropriation, irregular expenditure and losses due to waste or maladministration;
- (v) regularly monitor compliance with the Association's Financial Regulations.

6.9 In order to carry out this remit the Internal Auditor shall have authority to:

- (i) enter at all reasonable times, Association premises or land;
- (ii) have access to, with power to remove if necessary, all records, documents and correspondence relative to any subject being examined;
- (iii) require and receive such explanations as necessary concerning any matter under examination;
- (iv) require any employee of the Association to produce cash or any other property under his/her control;
- (iv) obtain the co-operation of any employee of the Association in carrying out special investigations.

Internal audit reports will be forwarded to the external auditor during the year end process to allow the external auditor to assess internal control mechanisms.

Fraud and Errors

- 6.10 The primary responsibility for the prevention and detection of fraud and errors rests with the Committee. The External Auditor's responsibility is properly to plan, perform and evaluate the audit work so as to have a reasonable expectation of detecting material misstatements in the financial statements, whether they are caused by fraud or errors.
- 6.11 To assist in discharging its responsibilities for the detection of fraud and errors, the Committee should ensure that management institutes and maintains an adequate system of internal control.
- 6.12 The Governance and Finance Sub-Committee should receive reports from the External/Internal Auditor on all cases of actual or attempted fraud in order to consider whether management has taken appropriate action, and that internal controls are satisfactory. The internal auditor will present an annual statement to the Association which will confirm all details of any attempted fraud, this report will be presented to the external auditor.
- 6.13 Any matters arising which involve, or may involve, irregularities concerning cash or other property of the Association or any suspected irregularity in the exercise of the functions of the Association, should be addressed in line with the Association's Policy on (a) Dealing with Complaints and (b) Whistle-blowers'.
- 6.14 The Association maintains a register of all incidents of actual or attempted fraud. The register, which can be inspected by the Internal Auditor is located in the office safe. The register should be reviewed annually by Committee and signed by the Chairperson and open to Scottish Housing Regulator at all times. The External Auditor also has the right of access to the register.

APPENDIX 1

SUMMARY OF AUTHORISATION LIMITS

FURNITURE AND FITTINGS /OFFICE EQUIPMENT

Orders

Up to £1,000
Over £1,000 up to £3,000 3 quotes to be received
Over £3,000 3 quotes to be received and report presented to Management Committee

Authorised by:

Senior Staff
Chief Executive
Management Committee

Invoices

Up to £1,000
Over £1,000

Authorised by:

Senior Staff
Chief Executive/ Deputy Chief Executive Officer (attached quotes to invoice)

STATIONERY AND OFFICE SUPPLIES

Orders

Up to £300
Over £300

Authorised by:

Admin Staff
Senior Staff

Invoices

Up to £1,000
Over £1,000

Authorised by:

Senior Staff (authorised order to be attached)
Chief Executive/Deputy Chief Executive Officer (authorised order to be attached.)

APPENDIX 2

BUDGETS CONTROLLED BY SENIOR STAFF

Chief Executive:	Staff Recruitment)	General
	Employee Costs)	
	Affiliation Fees & Subscriptions)	
	Publicity)	
	Legal Fees)	
	Staff and Committee training)	
	Publications)	
	Office Equipment)	
	Fixtures & Fittings)	
Finance Manager:	Heating & Lighting)	General
	Cleaning)	
	Telephone Costs)	
	Postage & Stationery)	
	Photocopy Charges)	
	Sundry Expenses)	
	Maintenance of Office Equipment)	
	Computer Costs)	
	Auditors' Fees)	
	Office Equipment)	
	Fixtures & Fittings)	
	Training)	
	Publications)	
Deputy CEO:	Rental Income)	
	Decanting Costs)	
	Common Charges)	
	Welfare Right Services)	
	Bad Debts)	
	Legal Fees Housing)	
Factoring Manager:	General)	
	Insurance)	
	Management Fees)	
	Common Repairs)	
Property Services Manager:	Day-to-day Repairs)	General
	Cyclical Repairs)	
	Planned Maintenance)	
	Void Repairs)	
	Component Replacements Costs)	
	Office Repairs)	

APPENDIX 3

RECEIPT OF MONIES

1. All cheques received in the post should be entered in the mail log by the Customer services Assistant and details entered on the cash sheet. The money should be passed to the Senior Finance Assistant and posted accordingly.
2. Cash or cheque receipts for rent account and rechargeable repairs payments made at reception should be taken by the Customer Services Assistant and logged onto daily cash sheet. A receipt will be issued. The money should then be passed to Finance for banking and the Housing Officer will post the payment to the system.
3. Cash or cheque receipts for factoring accounts paid at reception should be taken by Customer Services Assistant and logged onto daily cash sheet. A receipt will be issued. The money should then be passed to Finance for banking and the Factoring Assistant will post the payment to the system.
4. Cash or cheques received for washer drier machine, key cutting/fobs and insurance payments should be taken by Customer Services Assistant and will be logged onto daily cash sheet. The money should then be passed to Finance for banking and the payment will be posted by the Senior Finance Assistant.
5. Cash sheets should be checked daily by the Finance Manager or Senior Finance Assistant and any discrepancies reported to the Finance Manager immediately.
6. If cash receipt are more than £3,500 banking must be done daily. Banking will be done weekly and on the last day of each calendar month.
7. Completed receipt books should be passed to the Finance Manager who will update the register and file accordingly.
8. The Customer Services Assistant is responsible for ordering new receipt books.

APPENDIX 4

PETTY CASH

1. The Association operates an impress petty cash system. The amount of the impress float is currently £300.
2. Payments will only be made from petty cash for items of minor expenditure incurred by or on behalf of the Association.
3. All petty cash disbursements must be accompanied by a receipt and/or a petty cash voucher signed by the parties making and receiving payment.
4. All petty cash vouchers must contain details of what the expenditure was for and must be dated at the time of payment.
5. Staff overnight expenses will normally be paid via petty cash and recorded through the wages system at next payroll date.
6. A petty cash book will be kept for the purposes of recording petty cash receipts/payments and regular reconciliations will be undertaken by the Senior Finance Assistant.
7. The Finance Manager and Senior Finance Assistant will be responsible for the handling of petty cash and the associated records.
8. The petty cash box will remain in the safe unless cash deposits/disbursements are being made.
9. Any petty cash shortage which cannot be identified must be reported to the Chief Executive.
10. At no time should the petty cash fund be used by any Staff or Committee Members for purposes other than expenditure wholly and necessarily incurred on official business.
11. The keys for the petty cash box are safely stored in a key safe box with restricted access limited to the Finance Manager, Senior Finance Assistant, and the Customer Services Assistant.

APPENDIX 5

WRITE-OFF OF IRRECOVERABLE DEBTS

1. Any request to write-off a debt under £500 should be made in writing, using a standard pro-forma, to the Chief Executive who will have the authority to approve the write-off if he/she is satisfied that the agreed procedures have been followed to try and recover the sums due.
2. Any request to write-off a debt over £500 should be made in writing, again using a standard pro-forma, to the Chief Executive who will report to the Management Committee requesting authority to make the write-off if he/she is satisfied that the agreed procedures have been followed to try and recover the sums due.
3. Requests for write-offs should be made twice per year at the end of September and March.
4. A debt should be written-off when on the balance of probabilities, it is unlikely that the outstanding sum will be recovered. Examples of instances when debts would normally be considered irrecoverable are when the person concerned has died, has been declared bankrupt or the Association has been unable to obtain a forwarding address.
5. Debts may also be written-off when the costs of recovery (i.e. Solicitors fees and expenses) are likely to exceed the amount outstanding.

APPENDIX 6

PROVISION FOR BAD DEBTS

1.0 Aims and Scope of Policy

- 1.1 The aims of this policy are to ensure that adequate provision is made for bad and doubtful debts and that provisions are made on the basis of age.
- 1.2 The policy covers all sums due to the Association.

2.0 Rent Arrears

- 2.1 For current tenants, provision will be made on the basis of equivalent month's rental (as determined by the aged debtors report from the rent accounting computer system) as follows:

between 3 and 6 months	25% provision
over 6 month's	50% provision
- 2.2 Full provision will be made for former tenants.

3.0 Factoring Arrears

- 3.1 For current owners, provision will be made (based on the date of issue of the invoice) as follows:

between 6 and 12 months	25% provision
over 12 month's	50% provision
- 3.2 Full provision will be made for former owners.

4.0 Review of Provisions

- 4.1 Provisions should be reviewed at the end of each financial year by the Finance Manager after discussion the Association external auditor. A decision will be made as to whether or not they should be increased or written back where there is evidence that the debt will be cleared.
- 4.2 The review will also take account of any debts which have been formally written off in the previous quarter in line with the Association's Financial Regulations.

APPENDIX 7

LOAN COVENANTS

1.0 Aims and Scope of Policy

- 1.1 The aims of this policy are to ensure that the Association regularly ensures that it is meeting the covenants of all loans. A covenant is a condition of a loan that a lender uses to monitor a borrower's performance during the period covered by the loan.
- 1.2 The policy covers all loans owed by the Association and is bound by the conditions of the loan agreement.

2.0 Loan Covenant Reporting

- 2.1 As per the Treasury Management policy the Finance Manager will prepare a report annually for Management Committee on all Treasury Management activity showing that the Association complies with all banking covenants and details of loans balances and interest payments.
- 2.2 The Governance and Finance Sub- committee will receive quarterly reports on ongoing covenant compliance.
- 2.3 The Finance Manager will submit quarterly Management Accounts to all lenders within 45 days to the end of the relevant quarter or as per the conditions of the loan agreement.
- 2.4 The Finance Manager will submit a signed copy of the year end accounts and management letter to the lender within 6 months from the date of year end or as per the conditions of the loan agreement. All other documentation requested by the lender should be forwarded within required timescales as per the conditions of the loan agreement.

APPENDIX 8

BUSINESS INTERNET BANKING/PAYMENT AUTHORISATION PROCESS

- 9.1 The Association currently operates a Business current account with the Bank of Scotland to conduct all financial transactions within current business operations.

The following staff members are users without being listed as signatories:

Senior Finance Assistant - Full Access
Finance Manager – View Access only
Factoring Manager- View access only
Factoring Manager- View access only
Deputy Chief Executive Officer- Full Access

- 9.2 Full Access to the banking system allows users to set up and process payments. View Access to the banking system allows restricted access to view the current account.

The Finance Manager is responsible for directing the addition and removal of staff members, any addition or deletion of a staff member should be authorized by the Chief Executive further to approval by the Management Committee.

- 9.3 The Finance Manager will be responsible for checking the bank statement online daily and will report any irregularities to the Chief Executive with immediate effect. A full report will be presented to the Management committee detailing the payment details' payee and other relevant details.
- 9.4 To allow payments to be made by faster payment the Association must receive details of the payee's bank details in writing or by email. Changes to these details must also only be accepted in writing or email and confirmed with a known contact of the payee before acceptance. Under no circumstances must bank details or changes to bank details be accepted by telephone.
- 9.5 A change of bank details form should be completed by the Senior Finance Assistant and signed by the Finance Manager before any bank details are changed/updated. A full check will be completed to ensure the change of bank details is legitimate. The Senior Finance Assistant will be solely responsible for updating the supplier payment details.
- 9.6 The Senior Finance Assistant will regularly review the payment details and will remove the bank details of any contractors/ suppliers from the system when the Association no longer receives a service.

Cheque Signatories

- 9.7 Each cheque must be signed by two signatories.
- 9.8 The Chief Executive and the Deputy Chief Executive Officer will only sign cheques when Management Committee members are not available.

- 9.9 A list of current cheque signatories will be kept on server within the finance folder and will be updated after approval of new signatory or removal of current signatory. The Senior Finance assistant will be responsible for updating the list subject to management committee approval.

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APPENDIX 9

PROCEDURE - RENT AND FACTORING REFUNDS

Requesting Refunds Process

Staff should prepare a cheque/banking request form detailing:

- the amount of the refund
- reason for refund
- name of person/organisation refund has to be paid to
- A full check of the account should be completed including account balance, amount of charge and how the charge has been calculated

Authorisation of Refunds Process

Before passing the request to Finance for payment the cheque/banking request must be authorised according to the following limits below. Given the current restrictions the refund authorisation process will be conducted electronically with approved email authorisation by the relevant staff member.

Housing Management

Refund up to £500	Deputy CEO
Refunds in excess of £500	Chief Executive

Factoring

Refund up to £1,000	Factoring Manager
Refund in excess of £1,000	Chief Executive

APPENDIX 10

REACTIVE REPAIRS AND MAINTENANCE EXPENDITURE LEVELS

1. Works below £1,000 will be instructed as necessary (Owners approval required, where appropriate, in common works).
2. Works between £1,000 and £15,000 * will require three written quotes.
3. Works between £15,000 and £50,000 * will be procured through Public Contracts Scotland's Quick Quote process: and
4. Works in excess of £50,000 will go to tender through Public Contracts Scotland's tender process.

*amended December 23

Home master invoice authorisation process

After the invoices have been scanned and entered on the system two members of staff are required to check and approve the invoices. A full audit trail is provided. The system has three approval options.



1. **Interim Approval** – This provides the ability for a user to grant 'Interim' approval to the selected Invoice(s). This means that a form of approval has been given but not approval for the invoice to be passed for a payment to be created for the invoice. This allows the user to grant interim approval so further persons can then grant further Interim Approval or Final Approval.
2. **Final Approval** – This provides 'Final' approval on the selected Invoice(s) and will result in the invoice then being made available for a payment to be created for it.
3. **Approve and Sign** – This provides the ability for the user to not only approve the invoice but to also sign the invoice digitally.

The table below highlights the previous levels for invoice authorisation and revised levels.

The relevant manager would be required to final approve the invoices after interim approval is completed ensuring segregation of duties.

Staff Position	Previous	Revised
Chief Executive Officer	£0-infinite	£0-infinite
Property Services Manager	£0-£1,000	£0-£3,000
Factoring Manager	£0-£1,000	£0-£3,000
Property Services Officer (Project based work)	£0- £1,000	£0-£2,500
Property Services Officers	£0-£1,000	£0-£1,000
Finance Manager	£0-£600	£0-£1,000
Deputy Chief Executive Officer	£0-infinite	£0-infinite

APPENDIX 11

BUDGET SETTING TIMETABLE

1. Finance Manager requests budget information	Late November
2. Budget holders provide info to Finance Manager	Early December
3. Initial draft budget presented to Management Committee	Mid December
4. Any revisions to initial draft budget updated	Early March
5. Final budget presented to Management Committee	Mid March
6. Final budget agreed by Management Committee	Mid March
7. Finance Manager requests budget review information	Mid October
8. Budget review presented to Management Committee	Early November
9. Budget review agreed by Management Committee	Early November