

Financial Regulations Policy

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| Owner: | Stuart Green | Job Title: | Head of Finance |
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Version Control

| Date | Owner | Version | Reason for Change |
|--------------|--------------|---------|--|
| October 2020 | Stuart Green | 2.1 | Three yearly review and transfer to new format |
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Summary of Changes

| Section | Change |
|---------------|---|
| Entire policy | Transfer to new format |
| 7.0 | <p>Prior version had 23 sub-sections. This has been reduced to 10. E.g. 'External Audit', 'Internal Audit', and 'Potential Fraud' are now covered within 'External Audit and Internal Controls'.</p> <p>Where the wording has been prescriptive in nature, this has been removed as it replicates information held within the relevant procedure.</p> |
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1.0 ARKs Values

Our organisational values are the basis for everything that we do, from providing housing, care and support to tenants and service users to ensuring that staff has clear standards of performance set. Ark believes that everyone should have the opportunity to lead a happy, healthy and safe life. We value:

- The worth of each person
- Trusting relationships
- Understanding difference
- Challenging oppression
- Personal and organisational accountability
- Caring for our physical environment
- Enjoyment

2.0 Purpose

The purpose of this policy is to describe the overall arrangements for the control and supervision of Ark's finances, assets and other resources.

3.0 Policy Statement

The Rules of the Association, the terms of reference (remit) of the Board of Management, and the Association's Standing Orders describe the overall arrangements for the governance and management of Ark Housing Association.

Financial Regulations describe the overall arrangements for the control and supervision of Ark's finances, assets and other resources.

The arrangements for implementing the Financial Regulations are detailed in a range of policies (see Section 8.0).

4.0 Scope

This policy applies to:

- Members of our Board of Management and of the Board of Management of any of our subsidiaries;
- All staff with budget holder responsibility across the organisation, including the Executive and Senior Leadership teams, and Care and Support managers; and
- Members of the Finance team.

5.0 Legal/Regulatory Framework

This policy complies with the Scottish Social Housing Charter, Standard 13, 'Value for Money' relating to financial management and Scottish Housing Regulator (SHR) Regulation 3.

6.0 Responsibilities

6.1 Board of Management

Ark's Board of Management is responsible for consideration and approval of this policy, and for ensuring that its decisions are taken in accordance with relevant legislation, regulatory expectations, training and guidance.

6.2 Executive Team

Ark's Executive Team is responsible for ensuring that this policy is reviewed in accordance with Ark's schedule for review of policies, or sooner if required. The Executive Team is responsible for ensuring that the relevant staff are familiar with this policy, and abide by its terms.

6.3 Senior Leadership Team

The Senior Leadership Team will be responsible for approval of this policy and the effective implementation of this policy within their area of responsibility, as required. They must also ensure that relevant members of their staff, through induction, and team meetings, are made aware of this policy and participates in relevant training.

6.4 Managers

Ark Managers will be responsible for the effective implementation of this policy within their area of responsibility, as required. They must also ensure that relevant members of their staff, through induction and team meetings, are made aware of this policy.

6.5 All Staff

All Ark employees with budget responsibility are required to familiarise themselves with this policy and comply with its provisions as well as undertake any training implemented as part of the rollout of this policy.

7.0 Financial Regulations

7.1 Financial Responsibilities of the Board of Management and Staff

The Board of Management has overall control of, and is therefore responsible for, all aspects of the organisation's work. As part of this remit, it must ensure that the organisation's financial responsibilities and obligations are met.

The Board of Management retains ultimate control of Ark's finances and must ensure that the organisation operates as economically and efficiently as possible within its overall objectives.

Although the Board of Management is ultimately responsible for the regulation and control of the organisation's finances, this is exercised in part through delegated authority to the Finance Sub-Committee. Responsibility for the day to day financial management of Ark lies with the Director of Finance through the Chief Executive.

All Board Members have a responsibility to ensure that they have sufficient access to all the information they require to fulfil their responsibilities, and that they are sufficiently informed about Ark's affairs, so they are able to make properly informed decisions when required, especially decisions involving financial matters.

The Director's financial responsibilities are set out from section 7.2 onwards.

7.2 Accounting and Financial Administration

All Ark's accounting principles and policies will be developed by the Director of Finance in accordance with the requirements of current statutory agencies and other regulatory authorities. Financial policies will be submitted for approval to the Finance Sub-Committee.

In allocating duties involving any financial activity, potential conflicts among staff should be avoided, i.e. those responsible for incurring expenditure should not be responsible for payment of accounts, and those responsible for raising charges should not be responsible for receiving payment for those charges.

The organisation's records will be kept in a way that complies with all statutory requirements, as well as those of external bodies, e.g. HMRC, Financial Conduct Authority, and the Scottish Housing Regulator.

7.3 Budget Preparation and Review

The Director of Finance, in consultation with members of the Executive and Senior Leadership Teams, shall prepare an annual budget for the following year, to be submitted for approval by the Board of Management no later than March each year. Ark's financial year is 1 April to 31 March.

The budget will be prepared in accordance with Ark's current objectives and Business Plan, as approved by the Board of Management.

Once approved, the Budget forms the organisation's expenditure plans and income expectations for the year ahead. The Budget can then be used as the basis for authority to incur expenditure on individual headings up to the agreed levels.

The Director of Finance shall provide quarterly reports to the Finance Sub-Committee and Board of Management on Ark's financial position, giving reasons for any significant variations from Budget and giving estimated annual outturn figures from the first quarter onwards. Individual budget holders will have responsibility for monitoring their own budgets during the year and will provide explanations to the Finance Department for significant variances to budget. In addition, budget holders will work with staff in Finance to estimate projected year-end outturns from period three onwards.

Where additional expenditure is required that is not included in the approved budget, this may be approved by the Director of Finance, Chief Executive or the Chair under delegated authority up to current limits (see 'Procurement' policy [F02]) or by the Board of Management.

However, nothing in these Regulations will prevent a Director from incurring expenditure which is essential to meet any immediate needs created by a sudden emergency, subject to any such action being reported as soon as is possible to the Director of Finance, Chief Executive and, if required, thereafter to the Board for retrospective approval.

7.4 External Audit and Internal Controls

The organisation will appoint external auditors as required by statute and in line with the guidance issued by the Scottish Housing Regulator. Periods of appointment will be for no more than seven years after which there must be a competitive tendering process (which can include the existing auditor). The auditor's appointment is subject to an annual approval by the Annual General Meeting (AGM).

Preparation of the annual accounts will commence as soon as possible after the financial year-end and draft accounts will be prepared for examination by the auditors according to the timetable agreed with them. The timetable will ensure that audited accounts are approved by the Board of Management before the AGM and that copies of the final statements are presented at the AGM.

Any management letters received from the external auditors highlighting areas of concern or making recommendations for improved efficiency and control will be considered by the Audit Sub-Committee who will submit recommendations on any action required to the Board of Management.

Internal auditors will be appointed to carry out a rolling programme of reviews of the effectiveness of our internal procedures and controls.

Auditors will be appointed following a tendering process and will be appointed for a maximum of seven years (subject to annual renewal of the appointment).

The Audit Sub-Committee will approve each year's internal audit programme, will consider the resulting reports and will monitor progress in implementing any agreed action.

Any instances of suspected fraud or theft shall be dealt with in accordance with the organisation's 'Fraud' [G20] policy and applicable procedures.

7.5 Treasury Management, Banking, and Petty Cash

A 'Treasury Management' [F03] policy that complies with the CIPFA Code of Practice entitled Treasury Management in Housing Associations will be implemented. Day-to-day operation of the policy will be delegated to the Director of Finance, subject to certain decisions on investments and loans being reserved to the Board of Management, as specified in the policy.

The Director of Finance will report to the Board regularly on the operation of the Treasury Management policy.

Ark will operate the type and number of bank accounts required to meet current requirements, as set out in our 'Banking' [F03a] procedure.

Petty cash floats will be held at the Priory and at Services for the purpose of making small payments. The level of each float will be determined by expenses flow and security considerations.

Operation of each petty cash float approved will be in accordance with procedure 'Expenditure by Cash, Cheques and Credit Cards' [F02a].

7.6 Income

The Director of Finance will ensure that appropriate processes are in place for the timely and accurate recording of all monies due to Ark, in accordance with the policy entitled 'Income and Bad Debt Write-Off' [F04], and supporting procedures.

The Director of Finance will be notified promptly of contracts, leases and other agreements or arrangements entered into that involve the receipt of money by Ark. The Director of Finance will have the right to inspect any documents or other evidence in this connection, as may be decided.

Any income which following due investigation is deemed to be irrecoverable will be written off as a bad debt, as specified in the procedure entitled 'Receipt of Income and Bad Debt Write-Off' [F04a].

7.7 Procurement and Expenditure

All works, goods and services will be procured in accordance with the terms of our 'Procurement' [F02] policy and supporting procedures.

Only those staff with the delegated authority to do so will incur an expenditure commitment or authorise a payment. No payments will be made unless the necessary checks have been completed and the payment signed off by those with the appropriate authority, as set out in Ark's 'Incurring and Authorising Expenditure' [F02b] procedure.

Where goods or services are required to be purchased in advance, or suppliers request payment via an alternative method, the Director of Finance will ensure that appropriate alternative payment methods are available to staff. This may include payment by bank transfer, company credit card, cheque, or petty cash.

7.8 Assets

The Chief Executive Officer, who acts as Ark's Company Secretary, shall have the custody of all title deeds which are not held by the organisation's funders. A register of title deeds is maintained by the Secretary who provides confirmation to the Board of Management on an annual basis that all title deeds are properly held.

The Director of Finance will ensure that a register of all capital assets is compiled and kept up to date, including details of location, size, purchase details, particulars of any nature of interest and any other details required from time to time. The financial threshold above which an individual item will be classed as a capital asset is detailed in the 'Fixed Assets' [F08] policy. Small items of capital expenditure, such as office equipment costing below the financial threshold, will be treated as repairs and replacements and written off in the year of purchase.

Depreciation on assets will be in accordance with current accounting practice for registered Housing Associations, as specified in the 'Fixed Assets' [F08] policy and supporting procedures.

Where a capital asset is no longer required, it may be disposed of as detailed in the procedures supporting the 'Fixed Assets' [F08] policy with full details of the disposal being recorded in the asset register and any other relevant register, as required.

7.9 Security of Assets and Information

The Chief Executive, Directors and Managers are responsible for the security of the buildings, equipment, furniture, stocks of stationery and other 'consumables', and any cash under their direct control.

The Chief Executive, through the Director of People and Organisational Development, is responsible for ensuring that there are adequate security systems in place, including back-up arrangements in the event of system failure, covering all information held in electronic format on Ark's computer systems.

The Chief Executive and the Directors are responsible for ensuring that there are adequate systems in place covering the security of all personal information relating to people we support, tenants and members of staff held either in electronic or paper format.

All members of staff are responsible for ensuring that they hold and use personal, financial or any other types of information in accordance with the requirements of the Data Protection Act and our Computer System Security, Email & Internet policy [G15].

7.10 Risk Management

All current activities and proposals for new activities will be subject to risk assessment as specified in our Risk Management Policy [G08].

Where potential risks are identified the activity will be included in the current Risk Map together with measures to eliminate or minimise the risk.

8.0 Related Policies & Procedures

This policy is supported by the following policies and procedures detailing the processes for specific activities:

Policies

| | |
|--------|--|
| [F02] | Procurement |
| [F03] | Treasury Management |
| [F04] | Income and Bad Debt Write-Off |
| [F08] | Fixed Assets |
| [G06] | Standing Orders |
| [G08] | Risk Management |
| [G15] | Computer System Security, Email, and Internet Policy |
| [G20] | Fraud |
| [HR01] | Recruitment and Selection |

Procedures

| | |
|--------|---|
| [F02a] | Prices, Quotations & Tenders |
| [F02b] | Incurring and authorising expenditure |
| [F02c] | Expenditure by Cash, Cheques, and Credit Card |
| [F03a] | Banking |
| [F04a] | Receipt of Income and Bad Debt Write-Off |
| [F08a] | Fixed Assets |

9.0 Equality Impact Assessment (EIA)

No potential equalities issues have been identified in relation to the development of this policy, and consequently an EIA has not been completed.

10.0 Data Protection Impact Assessment (DPIA)

No potential data protection issues have been identified in relation to the development of this policy, and consequently a DPIA has not been completed.

11.0 Stakeholder Consultation

In developing this policy the following groups were consulted:

- Ark Board of Management;
- Ark Executive Team; and
- Ark Senior Leadership Team.

12.0 Monitoring and Review

12.1 Monitoring

Our Rules require the Board of Management to set our policy on Financial Regulations and keep it under review. This policy has been approved by our Board of Management and is consistent with the requirements of our Codes of Conduct for Board of Management Members and for Staff. These Codes have been confirmed by the Scottish Housing Regulator as meeting their regulatory requirements.

Ark's Executive and Senior Leadership Teams will monitor implementation of this policy, and its supporting procedures on an ongoing basis.

12.2 Review

This policy will be reviewed within 3 years from the date of approval by the Board of Management, in accordance with Ark's policy review framework and approval process.