



Financial Controls

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FINANCIAL CONTROLS

Ardenglen Housing Association can provide this procedure on request, in large print, in Braille, on tape or in other non-written format, and in a variety of languages.

1. INTRODUCTION

The committee members of Ardenglen have the responsibility to ensure good financial controls are in place to safeguard against theft, fraud and abuse.

Financial controls are a critical part of any financial system. They ensure that the resources of Ardenglen are being correctly and effectively used and that activities are correctly and accurately reported. Poor controls can lead to the risk that resources are used inefficiently or are subject to theft, fraud or abuse.

It is the responsibility of management to ensure that the controls are operating effectively.

When establishing what controls are necessary, Ardenglen considers:

- the nature and extent of risks faced;
- the likelihood that the risks will occur;
- the extent and type of risk which would be acceptable to bear;
- the ability to reduce the incidence and impact of risks that do occur; and
- the cost of implementing a control compared to the benefit that would be obtained by implementing it.

Controls protect both Ardenglen and its staff. These controls are:

- embedded in the operations and culture of Ardenglen;
- able to evolve if the type of risks Ardenglen faces are changing; and
- procedures which enable immediate reporting to the relevant area of management should a problem occur.

Even when a good system of Financial Controls is in place and is fully utilised, it can only provide reasonable, and not absolute, assurance against material misstatement of accounts, loss or misuse of resources and non-compliance with laws or regulations.

2. SEGREGATION OF DUTIES

A key feature of internal financial controls is segregation of duties. Ardenglen ensures that no single individual has sole responsibility for any single transaction from authorisation to payment and review.

3. BUDGETARY CONTROL

One of the most important financial monitoring activities is budgetary control, monitoring Ardenglen's financial performance against budget. Monitoring procedures share monthly financial information with budget holders and seek explanations for significant over or underperformance of both income and expenditure plans.

4. BUDGET PROCESS

The budget setting process must allow adequate input from all sections within the Association. The Finance Manager shall arrange budget meetings in December of each financial year with all Section Heads. These meetings shall facilitate consultation and discussion on detailed budget information to be set for the following financial year.

The Management Committee shall consider a draft budget for the year prior to approving the final budget document and the annual rent increase. The final budget document approved for the year must contain appropriate supporting narrative, including details of main assumptions employed, material changes from the previous year, projected Balance Sheet, appropriate ratio analysis and a comparison with the expected long-term cash projections.

To assist the process of cost allocation within Ardenglen, all section heads shall provide a percentage of each staff member's time to be allocated to the appropriate cost centres.

5. RECEIPT OF MONIES

Cheques

Cheques received in the office are immediately passed to the Finance Assistant. The Finance Assistant enters the appropriate details in the pay in book prior to banking.

Cheques are banked promptly and should any cheques not be banked on day of receipt they are safely placed within the locked petty cash tin, and banked the next working day.

Cash

Cash received is recorded in a triplicate receipt book with the front receipt being given to the payee. The cash and second copy of the receipt is passed immediately to the Finance Assistant who promptly enters it in the accounting records. The third copy remains within the receipt book and is available at reception for other staff members to check the payments received.

The Finance Assistant will confirm, at least monthly, the receipt of all such sums collected by checking the receipt book. Any discrepancies should be reported to the Senior Finance Officer, Finance Manager, Director, Chair or Secretary immediately.

It is the responsibility of the Finance Assistant to advise the relevant section of sums received.

Cash is banked regularly to ensure surplus cash above the insured limit is never held within the office.

6. RENTAL INCOME

All rent receipts are posted onto the SDM rent accounting module on a daily basis by the Finance Assistant. Monthly reconciliations on the rent accounting module and nominal ledger module are carried out monthly by the Finance Assistant and reviewed by the Senior Finance Officer.

Reconciliations of the rent account nominal account (SDM nominal ledger module); the Rent bank current account and Allpay rent account are carried out on a monthly basis by the Finance Assistant and reviewed by the Senior Finance Officer.

7. INVOICES

Purchase Invoices are received by post and by email to the Finance Assistant. The Customer Services Assistant opens and date stamps all postal invoices then passes to the Finance Assistant. Emailed invoices are printed and date stamped by the Finance Assistant on the same day as receipt to ensure the date received is noted.

Invoices are logged onto the SDM purchase ledger module on a daily basis by the Finance Assistant and then passed to the appropriate staff member responsible for the spend commitment to be authorised.

The invoice, when authorised, should be returned to the Finance Assistant for payment.

Invoices for Maintenance works shall follow the above procedure with the following exceptions:

- The Maintenance Section is responsible for issuing repair orders;
- A job order shall be checked against the invoice;
- It is the responsibility of the Maintenance Section to ensure the correct coding of the repair invoices.
- The Maintenance Section must be fully aware of credit terms and ensure invoices and works certificates are authorised within the set timescales.

- Reactive repair invoices under £150 which must clearly be link to a job order raised on SDM are automatically authorised. A random 10% sample batch of invoices are then passed to the Maintenance Section for an individual to check and authorise.

All authorised invoices that require payment, will be included in the BACS payment list, in accordance with the relevant procedure.

Authorisation levels are contained within Ardenglen's Financial Regulations. Supplier statements are checked by the Finance Assistant as they are received.

It is the responsibility of the Senior Finance Officer to review the creditor's ledger on a monthly basis during management accounts preparation.

Sales Invoices: Where any invoices are issued by Ardenglen they should be dated, sequential numbered and are maintained in the SDM sales ledger by the Finance Assistant. The issuing of all invoices is the responsibility of the Finance Assistant.

8. BACS DETAILS

Suppliers

Any new suppliers that do not state their bank account details (BACS) on their invoices are issued with a BACS information form to fill out and this should be signed by the director/business owner and stamped with a company stamp, if available.

If a request to change bank details from an existing supplier is received this information will be verified with known personnel contact details (either by phone or email, using the data currently stored on SDM Purchase Ledger Module. If there is no such contact details are available, this will be confirmed via official supplier correspondence received previously, before the next payment is processed.

Tenants

In the event of a payment being due to a tenant with a bank account, a tenant BACS information form should be fully completed and signed by the tenant.

If any future payments occur to a tenant with bank details already held the details will be checked and confirmed as correct before the payment is processed.

9. BACS PAYMENTS

A BACS payment report produced from SDM purchase ledger module should accompany each batch of invoices being paid, this report details all invoices included within the payment run. All invoices included on the BACS payment report must be available to check by authorised personnel, while they are carrying out the authorising function via online banking.

The BACS payment report and paid invoices are then scanned onto the IT network and saved in the appropriate folder.

Remittance advice for each payee is produced from SDM purchase ledger module and sent to the supplier via email, using approved email address stored on SDM.

Payments to creditors shall be made in accordance with any contractual obligation. Where no contractual obligation exists, payment shall be made within 30 days. Where practical, Ardenglen shall maximise the credit period prior to payment.

Requests for direct BACS payments to tenants are passed to the Finance Assistant, fully authorised, by the relevant staff member. Once payment is made the payment requests are scanned onto the IT network saved in the appropriate folder.

10. CHEQUE PAYMENTS

Payments made by cheques are discouraged and only prepared where bank details are not available.

Invoice(s) or other form of supporting authorised back up must be made available for inspection to the cheque signatory.

All cheques require two signatories, currently Ardenglen's authorised signatories are:

Committee

Isabella Brier
Maureen Cope
Elizabeth McKenzie

Staff

Audrey Simpson
David Byfield
Diane Hendry

Once the cheque has been issued the invoice(s) or other form of supporting authorised back up is scanned onto the IT network and saved in the appropriate folder.

11. PETTY CASH

All petty cash cheques requests should be authorised and signed per the appropriate procedure.

All petty cash disbursements must be accompanied by a receipt and/or a petty cash voucher signed by the parties making and receiving payment.

The petty cash vouchers must contain details of what the expense refers to and must be dated as at time of payment.

All mileage and subsistence staff expenses shall be paid via the wages system as opposed to via petty cash. Any reimbursement of authorised expenditure below the sum of £50, where a receipt is available, may be paid via petty cash. Any sums higher than £50 should be made directly into the employees bank account.

At no time should the petty cash fund be used by any Staff/Committee member for purposes other than expenditure wholly and necessarily incurred on official business.

The Finance Assistant is responsible for the handling of petty cash and associated records.

It is essential that the petty cash box remains in a safe or locked cabinet unless cash deposits/disbursements are being made.

Regular random checks on the petty cash records are carried out by the Senior Finance Officer.

Any petty cash shortage which cannot be identified must be advised to the Finance Manager or Chief Executive without delay.

The Finance Assistant shall carry out a reconciliation of the petty cash account weekly and shall ensure that sums within the petty cash system remain below the Association's insurance cover levels (Ardenglen is currently insured for £2,500 for all cash, in transit/on premises/ in safe/ other 2017/18).

12. SALARIES/EXPENSES

Salary and wage increases arising from staff promotions, incremental increases or pay awards must be approved by the Management Committee prior to any payment being made.

Any request for overtime should be approved by senior management in advance, where possible, and any claim should be accompanied by an overtime e-form signed by the individual requesting payment and authorised by relevant manager.

Any request for reimbursement of expenses/mileage costs should be accompanied by an expenses claim e-form signed by the individual requesting payment and authorised in accordance with the Financial Regulations. Receipts must be provided, where practicably possible.

All sickness absences of over 5 working days require a fit to work note. All sickness absences of 5 working days or less require completion of a self-certification sickness form.

For the purposes of statutory sick pay, the Finance Team must be made aware of all staff absences from work arising from sickness.

Salary processing is the responsibility of the Finance Assistant. The Senior Finance Officer reviews the prepared salary reports and payment summary before finalising payroll.

Salary payments are due on the 27th day of each month and shall be processed to ensure adherence with this timetable.

The Finance Manager is responsible for submission of all PAYE returns in accordance with statutory timescales, currently the 19th day of each month.

The Senior Finance Officer is responsible for the processing and completion of all updated monthly pension deductions and upload appropriate forms to the Pensions Trust portal system in line with statutory timescales.

Union Deductions (quarterly); Staff Personal Saving Schemes (staff scheme and credit union) (monthly); Childcare Vouchers (monthly), require authorised mandates to enable salary deductions to be made. The control accounts are reconciled monthly and currently paid by the 10th of the following month.

13. COMMITTEE EXPENSES

All claims for reimbursement of expenses by Governing Bodies must be accompanied by an appropriate expenses claim form, signed by the individual requesting payment and countersigned by Senior Finance Officer. Receipts must be provided, where practically possible and attached with the supporting expenses claim, highlighting the item(s) requiring reimbursement.

Office bearers have additional management responsibilities, the Association recognises the need to pay for the cost of broadband services, to assist members carrying out their role. The Association will pay the broadband provider directly, where possible solely for the provision of unlimited broadband services only.

While it is preferred that payment by BACS should be made, it is recognised that payments via petty cash may still be required.

Where payment is made to a third party in respect of childminding expenses proof of payment must be provided.

All expenses paid will be available for inspection by the Management Committee and Chief Executive. A record of all Management Committee expenses will be detailed within the Management A/c and disclosed in the Annual Accounts.

Payment of expenses shall be made in accordance with the Committee Expenses policy.

14. PROCUREMENT OF WORKS, SERVICES AND GOODS

Works, services and goods should be procured in accordance with the procedures contained within the Procurement Strategy and the Procurement Manual.

15. MAINTENANCE/REPAIRS

The Finance Manager and Head of Housing will liaise prior to the commencement of the financial year for the purposes of agreeing an annual maintenance/repairs plan to be submitted to Committee for approval.

The Senior Finance Officer and Housing Services Manager/Head of Housing will liaise on a monthly basis for the purposes of monitoring actual/planned expenditure.

The Head of Housing/Housing Manager is responsible for ensuring that expenditure remains within budget and that all contractors hold up to date and valid insurance cover.

It must be recognised that circumstances may result in the annual budget allocation being amended during the course of the financial year.

Specific repair projects should be instructed with reference to the thresholds contained within the Procurement Policy. Tendering procedures must be observed unless it is necessary to carry out the work immediately in order to prevent danger to life, limb or property.

Financial projections of cyclical maintenance/major repair works must be compiled under the control of the Head of Housing and be reviewed on an annual basis in order to allow incorporation of the financial effects into the revised long term financial projections.

16. FACTORING

General procedures relating to factoring activity are contained within separate factoring policy notes retained by the Finance Section.

Procedures relating to the receipt of funds for factoring activity are noted within the receipt of funds financial procedure.

The Finance Assistant shall monitor the factoring account balances on a weekly basis and has responsibility for the credit control in accordance with the factoring policy.

The Finance Assistant shall reconcile the factoring account balances on SDM sales ledger module with the debtors control account on SDM nominal ledger module on a monthly basis in line with management accounts preparation.

The Senior Finance Officer shall monitor and review the balances and account reconciliations each month during management accounts preparation.

The Finance Assistant has responsibility for the issuing of factoring invoices in accordance with the factoring policy.

17. RECHARGEABLE REPAIRS

General procedures relating to rechargeable repairs are contained within a separate Recharge Repair policy retained by the Housing Services Section.

Procedures relating to the receipt of funds for rechargeable repairs activity are noted within the receipt of funds financial procedure.

It is the responsibility of the Housing Services Section to code rechargeable invoices as recharge expenditure using the appropriate analysis code.

Housing Services shall send sales invoices to the tenant and update memo accounts within the SDM rent accounting module.

It is the responsibility of the Housing Services Section to record and file all documents relating to rechargeable repairs and to perform the credit control function.

The Finance Assistant shall carry out a monthly reconciliation of the memo account balances on SDM rent accounting module with the debtors control account on SDM nominal ledger module. Any differences should be investigated and resolved promptly.

The Senior Finance Officer shall also review the balances and the reconciliations each month during management accounts preparation.

18. INSURANCE CLAIMS

The submission of all property insurance claims is the responsibility of the Maintenance Officer(s). All other claims shall be dealt with by the Housing Manager.

While it is the responsibility of the Maintenance Officer to advise and liaise with the loss adjuster on property claims, the Finance Manager must be made aware, at the outset, of any material issues and be kept informed regarding progress.

It is the responsibility of the Maintenance Officer to code maintenance invoices in an appropriate manner in order to confirm, to finance, any invoices subject to a claim.

It is the responsibility of the Housing services section to record and file all documents relating to insurance claims.

The Senior Finance Officer shall review the balances each month during management accounts preparation. Any differences should be investigated and resolved promptly.

19. SHARED OWNERSHIP TRANCH UP

General procedures relating to Shared Ownership tranche up are contained within the Shared Ownership Guide retained by the Housing Services section.

Procedures relating to the receipt of funds for Shared Ownership tranche ups are noted within the receipt of funds financial procedure.

20. SHARED OWNERSHIP BUY BACK

Ardenglen's approach in relation to shared ownership buy back transactions is contained within the Shared Ownership Buy Back Policy.

21. REPORTING PROCESS

A comprehensive set of Management accounts are prepared in detail for and the management committee detailing income and expenditure with explanations for any significant over and under performance against budget.

A summary set Management accounts are prepared on a monthly basis for senior management team to review and investigate any significant variances. Finance also provide a summary of some outstanding items requiring further action.

The Financial Statements shall be prepared by the Finance Manager/Senior Finance Officer and audited by the external auditors.

The draft financial statements shall be presented to Management Committee (currently May each year) by the Finance Manager. The final financial statement will be presented to the Management Committee (currently August each year) by the Finance Manager. The approved Financial Statement will be presented at our AGM by the external auditors.

22. TRAINING

The Association through its Internal Management Plan is committed to training and developing staff and committee members to their full potential in order to deliver a high quality of service in all areas of its business.

The Management Committee induction programme will include an overview of this policy, including responsibilities for the promotion and delivery of openness and confidentiality as relevant to their job descriptions. Committee members will receive updates on these issues and specific training as required.

23. EQUALITIES AND DIVERSITY

This policy will be implemented in line with our Equality and Diversity Policy and is subject to an Equality Impact Assessment. An EI Assessment has not been completed, however, the focus of the policy has been assessed as having a neutral impact on the protected characteristics. This demonstrates our ongoing commitment towards providing quality services for all.

24. REVIEW

This Policy will be approved by the Management Committee. It will be reviewed annually unless amendment is prompted by a change in legislation, or monitoring and reporting reveals that a change in Policy is required sooner.

25. DISTRIBUTION

This policy will be made available to every employee and committee member and will be made freely available to any tenant or interested party.

25. RELATED POLICIES

- Financial Regulations
- Committee Expenses Policy
- Factoring Policy
- Recharge Repair Policy
- Shared Ownership Buy Back Policy
- Procurement Policy
- Treasury Management Policy