

FORTH HOUSING ASSOCIATION LIMITED

FINANCIAL PROCEDURES

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FORTH HOUSING ASSOCIATION LTD

Financial Procedures

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1. Introduction

- 1.1 In order to facilitate the efficient and effective operation of the organisation in matters relating to finance, a series of financial controls have been established.
- 1.2 These controls incorporate basic elements of financial control which exist in most organisations as well as those which may be peculiar to this particular organisation.
- 1.3 It is in the interests of the organisation that these controls are made known and are adhered to by both staff and Committee members. In this respect, the co-operation of all concerned is essential.
- 1.4 The Association must ensure that where records of a financial nature are kept out with the finance section that consultation and agreement with the finance agents is undertaken and reached in order to ensure that the manner in which records are kept is appropriate for audit purposes.
- 1.5 In addition, consultation with the finance agents must take place for all transactions, which shall have a material financial effect, including any maintenance, purchase or leasing agreements.
- 1.6 It is essential that the finance agents be notified immediately of any event, which has, or may have, material financial implications for the Association.
- 1.7 In the event of failure to follow agreed procedures further action may be taken against the offending individual(s).

2. Budget Process

- 2.1 The value of the budget statement as a Management tool should be recognised and under no circumstances should the Association be operating without a comprehensive budget document.
- 2.2 In preparing the budget statement appropriate consultation and discussion with all sections of the organisation must take place and guidance from The Scottish Housing Regulator must be recognised and considered.
- 2.3 The budget setting process must allow adequate input from all sections within the Association. The Finance Officer has responsibility to issue a budget information request in October of each financial year to the relevant staff members to be returned within agreed timescales.
- 2.4 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 and appropriate ratio analysis.

- 2.5 To assist the process of cost allocation within the Association, all staff members shall periodically be requested to complete timesheets and/or an assessment of time allocation. An analysis of these records shall be maintained by the Finance Officer.

3. Procurement Procedure

- 3.1 All items of expenditure must be dealt with in line with the Procurement Policy.

4. Receipt of Monies

- 4.1 Cheque receipts coming into the Office via the postal service should be entered into the remittance book by the staff member receiving them. The entry should detail who has made the payment, date of receipt and the sum received.

- 4.2 These cheques should be passed to the Finance Assistant who should enter the appropriate details in the pay in book prior to banking.

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

- 4.4 Receipt of rent, factoring, chargeable repairs and other sources of income at the office counter should be discouraged. However, where such receipts do arise, a separate single double copy receipt book shall be kept at the reception area and is the responsibility of the receptionist.

- 4.5 The front receipt should be passed to the payee with the copy receipt being retained in the receipt book.

- 4.6 Any and all such sums received should be passed to the Finance Assistant immediately together with details of the payment. The Finance Assistant should confirm at least monthly, receipt of all such sums collected by reviewing and signing the receipt book retained at reception. Any discrepancies should be reported to the Director or Finance Agents immediately.

- 4.7 Receipts of a material amount, defined as amounts over £1,000, must be lodged on the day of receipt, prior to close of banking business. All other sums must be banked by the end of the week. At the end of the month all monies received must be banked by the close of business banking to ensure that all rent and factoring receipts are recorded in the month of receipt, this will help to ensure accurate month end recording of arrears figures. All banking shall be undertaken by the Finance Assistant or the Finance Officer.

- 4.8 All deposits must be identified via Cash Receipts form or the Bank Giro pay-in books. These confirmations shall be filed in the Cash Receipts lever arch file maintained by the Finance Officer.
- 4.9 All postings of the rent receipts shall be posted into the Rent Accounts by the Finance Assistant on a daily basis.

5. Invoices/Orders

- 5.1 When the invoice for the goods is received staff shall grid stamp, date stamp the invoice, code the invoice and ensure that all details are entered into the Purchase Ledger software package.
- 5.2 The invoice should then be passed to the staff member responsible for the commitment to spend who is also responsible for verifying the invoice. If the invoice is for work that was subject to a tender this must be checked against the tender register to ensure that it is in line with the tender. The invoice should be authorised as per 5.6 below
- 5.3 The invoice, when authorised, should be returned to the Finance Officer for payment.
- 5.4 Invoices for Maintenance works shall follow the above procedure with the following exceptions: -
- i) The Maintenance Section is responsible for issuing repair orders.
 - ii) In the event that actual costs cannot be specified, an estimated cost should be contained on the order.
 - iii) A repair order form shall be attached to the analysed invoice.
 - iv) It is the responsibility of the Maintenance Section to ensure the appropriate coding of the repair invoices.
- 5.5 Authorised invoices for payment should be held by the Finance Officer until due for payment.
- 5.6 Authorisation levels are contained within the Association's Financial Regulations.
- 5.7 It is the responsibility of the Finance Officer to review the purchase ledger, at least monthly, to ensure no overdue accounts exist.
- 5.8 All invoices issued by the organisation are posted to Sage Sales Ledger. They are dated, numbered and maintained in the Sales Ledger by the Finance Assistant. The issuing of all invoices is the responsibility of the Finance Department.

6. Cheque Payments

- 6.1 Cheque payments are prepared by the Finance Officer. All cheques for payment should have attached to them either the authorised invoice or an authorised cheque request form so that they can be inspected by the person signing the cheque.
- 6.2 Cheques shall normally be presented for signature twice per month. It is recognised however, that occasionally cheques will need to be signed out with this cycle and such payments should be kept to a minimum. Cheques should not be signed without appropriate supporting documentation and blank cheques must never be signed, regardless of circumstances.
- 6.3 Cheques up to a limit of £1000 can be signed by two signatories, comprising either staff or committee members. For payments in excess of £1000 cheques should be signed by at least one committee member. Currently, the Association cheque signatories are: -

Staff	Committee
Director	Chairperson
Development Co-ordinator	Vice Chairperson
Tenant Services Manager	Secretary
	Treasurer

- 6.4 Once signed, cheques should be sent to the appropriate payee together with a remittance advice. The invoices should then be filed, in order, in the appropriate month's lever arch file.
- 6.5 Cheques issued should run in numerical order. It is the responsibility of the Finance Officer to ensure that all unused cheques are held in a locked and secure location.
- 6.6 In the event that no invoice is available e.g. petty cash, rent refund etc, a completed Cheque Request Voucher must be available and be fully authorised in accordance with the invoice procedures. It is the responsibility of the Line Manager requesting payment to complete the cheque request voucher and provide appropriate supporting documentation.
- 6.7 The Association currently operates the following accounts with the Clydesdale Bank:

Corporate Current Account	10578255
Rent Collection Account	10578271
Corporate Investment Account	50578298
Charity Account	50302020

6.8 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, the Finance Officer shall utilise the maximum credit period prior to payment.

7. Credit Card Payments

7.1 Credit cards are held by the Director and Tenant Services Manager.

7.2 Prior to making a credit card purchase a Payment Request Voucher should be completed and authorised by someone able to commit such expenditure (see financial regulations).

7.3 The Payment Request Voucher should be retained, by finance staff, along with order confirmations and invoices. These are filed in a folder with the Credit Card Bank Statements

8. BACS Payments

8.1 BACS payments are prepared by the Finance Officer. The BACS payment report should have attached to it either the authorised invoice or an authorised payment request form so that they can be inspected by the person authorising the BACS payment.

8.2 BACS payments shall normally be presented for signature twice a month. It is recognised however, that occasionally payments will need to be signed out with this cycle and such payments should be kept to a minimum. BACS payments should not be signed without appropriate supporting documentation.

8.3 BACS payments up to a limit of £1000 can be signed by two signatories, comprising either staff or committee members. For payments in excess of £1000 BACS payments should be signed by at least one committee member. Currently, the Association signatories are: -

Staff

Director
Development Co-ordinator
Tenant Services Manager

Committee

Chairperson
Vice Chairperson
Secretary
Treasurer

8.4 Once signed, BACS payments should be sent via the Business Internet Banking system. Remittance advice forms should be sent to the payees. The invoices should then be filed, in order, in the appropriate month's lever arch file.

- 8.5 BACS issued should run in chronological order. It is the responsibility of the Finance Officer to ensure that all cancelled / rejected BACS payments are accounted for.
- 8.6 In the event that no invoice is available e.g. petty cash, rent refund etc, a completed Payment Request Voucher must be available and be fully authorised in accordance with the invoice procedures. It is the responsibility of the staff member requesting payment to complete the payment request voucher and provide appropriate supporting documentation.
- 8.7 Payments to creditors shall be made in accordance with any contractual obligation. Where no contractual obligation exists, payment shall be made within 30 days.

9. Petty Cash

- 9.1 All petty cash cheques should be recorded in the Petty Cash Reconciliation spreadsheet.
- 9.2 All petty cash disbursements must be accompanied by a receipt and/or a petty cash voucher signed by the parties making and receiving payment.
- 9.3 The petty cash vouchers must contain details of what the expense refers to and must be dated as at time of payment.
- 9.4 All staff expenses shall be paid via the wages system as opposed to via petty cash. Any reimbursement of costs incurred, where a receipt is available, may be paid via petty cash.
- 9.5 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.
- 9.6 The person responsible for the handling of petty cash and associated records must be clearly defined. Currently this is the Finance Assistant. In the event of absence, petty cash matters are the responsibility of the Finance Officer. When responsibility for petty cash is being handed over, cash checks must be undertaken immediately prior to and following leave periods.
- 9.7 It is essential that the petty cash box remains in a safe and locked location unless cash deposits/disbursements are being made.
- 9.8 Regular checks on the petty cash records should be made by an official other than staff member responsible for maintaining the petty cash system. This will be carried out by the Finance Officer.

9.9 The Finance Officer shall carry out a reconciliation of the petty cash account at each quarter end and shall ensure that sums within the petty cash system remain at or below the Association's insurance cover levels.

10. Salaries/Expenses

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

10.2 Any request for overtime in line with the terms and conditions of employment, should be approved by the Director in advance where possible and any claim should be accompanied by an overtime form signed by the individual requesting payment and authorised by the Director or Office Bearer. Requests for payment of overtime should only be made in exceptional circumstances.

10.3 Any request for reimbursement of expenses/mileage costs should be accompanied by an expenses claim form signed by the individual requesting payment and authorised in accordance with the Financial Regulations. Receipts should be provided where possible. Expenses claim forms should be submitted by the 15th of the month to ensure payment in that month's salary.

10.4 All sickness absences of over 5 working days require a medical certificate.

10.5 All sickness absences of 5 working days or less require completion of a self-certification sickness form.

10.6 The Finance Assistant must be made aware of all absences from work arising from sickness. All such absences should be maintained on the Sage Payroll records.

10.7 Salary processing is the responsibility of the Finance Assistant, or in his or her absence the Finance Officer. When the salary schedule has been prepared this should be signed as approved by the Association's Director (or other Manager in their absence), prior to the BACS transfer being made.

10.8 Salary payments are due on the 25th day of each month and shall be processed to ensure adherence with this timetable.

10.9 The Finance Officer is responsible for submission of all PAYE & NI returns in accordance with statutory timetables and for the timely payment of pension contributions, and any other payments.

11. Committee Expenses

- 11.1 All claims for reimbursement of expenses must be accompanied by an expenses claim form signed by the individual requesting payment and authorised by the Director. These must be submitted to the Finance Assistant by the 15th of each month to guarantee payment by the end of that month.
- 11.2 Where possible receipts must be obtained and attached with any claim made, in accordance with the Policy.
- 11.3 Whilst it is preferred that payment by cheque should be made it is recognised that payments via petty cash will be required.
- 11.4 No cheque signatory may sign a cheque payable to themselves.
- 11.5 Where payment is made to a 3rd party in respect of child-minding expenses proof of payment must be provided.
- 11.6 All expenses paid will be available for inspection by the Director and Committee members.
- 11.7 Payment of expenses shall be made in accordance with the Committee Members Expenses Policy.

12. Maintenance/Repairs

- 12.1 The Tenant Services Manager will agree within the framework of the Annual Budget the funding available for reactive, void, cyclical and planned repair maintenance works before the start of each financial year. This must be approved by the Management Committee.
- 12.2 The allocation of funds will exclude any salary costs, recoverable costs and overhead allocation and will refer solely to monies available for direct repairs by outside contractors and the purchase of materials.
- 12.4 The Finance Officer and Maintenance Staff will liaise on a monthly basis for the purposes of monitoring the actual v. planned maintenance expenditure. This will be as a part of the preparation of the quarterly management accounts. Any differences should be accounted for to ensure consistency of information in reporting to the Committee.
- 12.5 The Tenant Services Manager is responsible for ensuring that expenditure remains within budget and that all contractors hold up to date and valid insurance cover.

- 12.6 It must be recognised that circumstances may result in the annual budget allocation being amended during the course of the financial year.
- 12.7 Where it is expected that specific repair projects will exceed £10,000 the appropriate procedures for procurement must be observed unless it is necessary to carry out the work immediately in order to prevent danger to life, limb or property.
- 12.8 Projections of cyclical maintenance/planned repair works must be compiled under the control of the Tenant Services Manager and be reviewed on an annual basis in order to allow incorporation of the financial effects into the revised long-term financial projections.
- 12.9 All tendering of maintenance contracts should give consideration to procurement regulations.

13. Factoring

- 13.1 General procedures relating to factoring activity are contained within separate factoring procedure notes.
- 13.2 Procedures relating to the receipt of funds for factoring activity are noted within the receipt of funds financial procedure, above.
- 13.3 The Finance Assistant will maintain the sales ledger detailing all of the owner occupiers' factoring accounts. At the start of each quarter the Finance Assistant shall produce a full invoice of the factoring charges and communal repairs, to be issued to each owner
- 13.4 The Housing Manager has the responsibility for the implementation of the Factoring Service and Finance Assistant has responsibility for the accurate recording of the financial information and the timely issuing of the invoices.

14. Chargeable Repairs

- 14.1 General procedures relating to chargeable repairs are contained within a separate Chargeable Repairs procedures notes retained by the Technical Services Section.
- 14.2 Procedures relating to the receipt of funds for chargeable repairs activity are noted within the receipt of funds procedure, above.
- 14.3 It is the responsibility of the Maintenance Assistant to code rechargeable invoices in an appropriate manner in order to confirm, to finance, any invoices

to be recharged. Only genuine costs, as defined as rechargeable under the terms of the tenancy agreement must be recharged.

- 14.4 Invoices in respect of rechargeable repairs shall be prepared by the Finance Assistant. The Finance Assistant will maintain the sales ledger showing all amounts charged and produce a quarter-end report with all balances outstanding.
- 14.5 The Finance Officer will then be responsible for reconciling the sales ledger and relevant control accounts. Such a reconciliation will be placed in the Management Accounts working papers file and should be reviewed by the Association's Finance Agent.
- 14.6 The Finance Assistant will review the balances in February of each year with a view to making recommendations regarding bad debt write offs. This will be in the form of a report to the Management Committee whose approval must be obtained before any write offs can be made

15. Insurance Claims

- 15.1 The identification of insurance claims is the responsibility, in the first instance, of the Maintenance Assistant.
- 15.2 Whilst it is the responsibility of the Maintenance Staff to advise and liaise with the loss adjuster on property claims, the finance agents must be made aware, at the outset, of any material issues and be kept informed regarding progress.
- 15.3 It is the responsibility of the Maintenance Assistant to code maintenance invoices in an appropriate manner in order to confirm, to finance, any invoices subject to a claim.
- 15.4 Copies of all claims should be retained in an Insurance Claims File which should contain a copy of each claim form, together with the supporting invoices. The Maintenance Assistant has responsibility for maintaining the Insurance Claims File. It is also the Maintenance Assistant's responsibility to review all outstanding claims on a regular basis (at least monthly) and to resolve any outstanding issues.
- 15.5 At each quarter-end the Maintenance Assistant will produce a quarter-end spreadsheet detailing all claims processed in the quarter and any claims still outstanding at the quarter-end. The Finance Officer should agree these balances with the nominal ledger control account and reconcile any differences. Each reconciliation should be reviewed by the Finance Agents as part of their overall review of the Management Accounts.

16. Reporting Process

16.1 The financial management reporting process is as outlined in the remits of the Management Committee. However, the following must be issued:-

- Approval of an Annual Budget before the start of the Financial Year
- An annual update and review of the Association's 5 Year Projections
- The Association's 30 year Cash-Flow Forecast (every two years, or earlier, if changes are material)
- Quarterly Management Accounts, produced within 6 weeks of the quarter-end period
- Annual Accounts produced to a deadline agreed with the Director, Management Committee and Auditors
- An Annual report on the workings of the Treasury Management Policy

The bi-annual update of the 30 Year Cash-Flow Forecast will be brought forward if there is a material difference between the actual and projected cash balances.

There will be many other ad hoc reports to be prepared for the Management Committee but the above must be issued as a minimum.

17. Review

17.1 The Management Committee will review this policy at least every 3 years and staff are responsible for ensuring that it meets legal and good practice requirements.