

# Financial Regulations



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**Board Minutes: 25 March 2010, Item 9**

# 1. Status of Financial Regulations

- 1.1 The Financial Regulations of Bron Afon form part of its overall system of Governance which includes financial and management control. The rules of Bron Afon, the terms of reference of the Board, the Audit and Ethics Committee and working parties, and the standing orders outline how Bron Afon will be controlled and run.
- 1.2 The Financial Regulations translate into practical guidance Bron Afon's broad policies relating to financial control. The document is reviewed and approved by Board on an annual basis.
- 1.3 These regulations govern the conduct of Bron Afon and its employees in relation to all financial matters. Failure to comply with the Financial Regulations, or instructions issued under them, will constitute misconduct and may result in disciplinary action. It is the responsibility of the Chief Executive, the Directors and the Head of Human Resources to ensure that staff for whom they are responsible are made aware of the existence and content of the Financial Regulations and that an adequate number of copies are available for reference within their teams. Both the Financial Regulations and the Schedule of Delegated Authority are available on Bron Afon's intranet.
- 1.4 The detailed financial policies and procedures setting out how the regulations will be implemented are contained in a separate manual. It is the Director of Resources' responsibility to prepare and maintain Bron Afon's financial policies and procedures.

## HIERARCHY OF DOCUMENTATION AND REVIEW PROCESS



## **2. Financial Control**

### **THE BOARD**

- 2.1 The Board has ultimate responsibility for Bron Afon's finances. Its financial responsibilities are to:
- ensure the solvency of Bron Afon;
  - safeguard Bron Afon's assets;
  - ensure the effective and efficient use of resources;
  - ensure compliance with the regulatory body's performance standards and related guidance;
  - ensure that financial control systems are in place and are working effectively and that a statement of assurance is produced by the internal audit provider annually;
  - review the management letter from the external auditor and take any appropriate action;
  - ensure that Bron Afon complies with the regulatory body's code of audit practice;
  - approve Bron Afon's Corporate Plan;
  - approve annual estimates of income and expenditure and to approve the annual financial statements;
  - recommend to the Annual General Meeting (AGM) the appointment of Bron Afon's external auditors.

### **STRUCTURE**

- 2.2 The Board delegates certain responsibilities to the Audit and Ethics Committee, which are detailed in the Standing Orders. The Audit and Ethics Committee is accountable to the Board. The Board can, from time to time, set up working parties for which terms of reference and any decision making power will be established.

### **FINANCIAL ADMINISTRATION**

- 2.3 The Director of Resources is responsible to the Chief Executive and the Board for the proper administration of Bron Afon's financial systems.
- 2.4 All Board or Committee reports, which have financial implications, must be submitted to the Director of Resources for comment before submission to the Board or Committee. Directors and managers should always consult the Director of Resources if there is any uncertainty relating to the financial implications of any report.

- 2.5 Any adoption or variation of a policy that materially affects the finances of Bron Afon must be submitted to the Board or a Committee of the Board with delegated powers for consideration. Any report should include:
- The reasons for the policy or change;
  - Details of revenue and capital implications; and
  - Comments from the Director of Resources
- 2.6 Every Board member and employee of Bron Afon will have access to the Financial Regulations electronically or a hard copy if they do not have access to the intranet. Board members and employees are responsible for accountability, security, control and proper use of all Bron Afon resources, including cash, plant, buildings, stores and materials within their sphere of control.
- 2.7 The Director of Resources will be responsible for supplying financial information to other Directors, managers and budget holders in a form and frequency agreed with the Chief Executive.
- 2.8 The Director of Resources will submit the annual financial statements for adoption as soon as possible after the end of the financial year end, complying with relevant statutory, Welsh Assembly and Financial Services Authority requirements.

## **AUDIT REQUIREMENTS**

- 2.9 The Director of Resources is responsible for drawing up a timetable for final accounts purposes and will advise staff and the external auditors accordingly.
- 2.10 The accounts and management letter will be submitted to the Board for approval.
- 2.11 External and internal auditors shall have authority to:
- access all assets, records, documents and correspondence relating to any financial and other transactions of Bron Afon;
  - require and receive such explanations as are necessary concerning any matter under examination;
  - require any employee of Bron Afon to account for cash, stores or any other Bron Afon property under his/her control;
  - access records belonging to third parties, such as contractors when required.
- 2.12 Whenever any matter arises which involves, or is thought to involve, irregularities or fraud concerning cash, stores or other property of Bron Afon or there is any other suspected irregularity in the exercise of the activities of Bron Afon, the Director of the service concerned or Head of Human Resources shall notify the Chief Executive, in accordance with Bron Afon's policy for dealing with irregularities, fraud or corruption. The Chief Executive will take steps as necessary by way of investigation and involvement of internal audit and report the matter to the regulatory body where required.

Should staff feel that their concerns with regard to irregularities or fraud are not being treated appropriately they should follow the whistle blowing procedure.

### **External Audit**

- 2.13 The appointment of external auditors will take place annually at the AGM and it is the responsibility of the Board to make recommendations following advice received from the Audit and Ethics Committee.
- 2.14 The primary role of external auditor is to report on Bron Afon's financial statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements and to report on the appropriate use of funds. Their duties will be in accordance with advice set out in the code of audit practice and the Auditing Practices Board's auditing standards. The Standing Orders outline the responsibilities of the Audit and Ethics Committee in relation to the appointment and review of the external auditors.

### **Internal Audit**

- 2.15 The internal auditor is appointed by the Audit and Ethics Committee.
- 2.16 The main responsibility of internal audit is to provide the Board, the Chief Executive and senior management with assurances on the adequacy of the internal control system, and the consideration of the arrangements regarding risk management and governance. The internal audit service remains independent in its planning and operation and has direct access to the Board, Chief Executive and Chair of the Audit and Ethics Committee.
- 2.17 Attached at Appendix 2 is the Internal Audit Policy.
- 2.18 The internal auditor will comply with the Institute of Internal Auditors' Code of Practice and Code of Ethics.

### **Other Auditors**

- 2.19 Bron Afon may, from time to time, be subject to audit or investigation by external bodies such as the Welsh Assembly Government, as the regulator of the registered social landlords, HM Revenue and Customs.

## **RESPONSIBILITIES**

### **The Chief Executive**

- 2.20 The Chief Executive is responsible for the operational management of Bron Afon's affairs. He/she must assist the Board in determining its strategic objectives and promote the achievement of such objectives through the effective deployment of the resources of Bron Afon.

### **The Director of Resources**

- 2.21 The Board has resolved to designate the Director of Resources as Principal Finance Officer (PFO) in accordance with the Welsh Assembly

Government's Regulatory Code. The Principal Finance Officer has the right of direct access to the Board to report matters of financial concern without delay, as required by the Code (Para 2.4.4). The policy regarding the PFO is attached at Appendix 1.

2.22 The day to day financial administration is the responsibility of the Director of Resources. He/she is responsible to the Chief Executive for:

- financial and business planning;
- preparing annual capital and revenue budgets;
- preparing management accounts and information, monitoring and control of income and expenditure against budgets, within the context of delegated budgetary control, and all financial operations;
- preparing Bron Afon's annual accounts and other financial statements and accounts that Bron Afon is required to submit to other authorities;
- preparing information for the monitoring of Lenders' covenants;
- ensuring that Bron Afon maintains satisfactory financial systems;
- providing professional advice to the Board on all matters relating to financial policies and procedures.

#### **Other Directors and the Head of Human Resources**

2.23 All Directors and the Head of Human Resources are responsible to the Chief Executive for financial management in their own areas. They are advised by the Director of Resources in the execution of their financial duties.

2.24 Each Director and the Head of Human Resources will submit to the Director of Resources, as required, all information for costing and accounting purposes within the agreed timescales. They will also allow the Director of Resources access to all accounts, records and documents.

2.25 The Chief Executive/Directors/Head of Human Resources are responsible for establishing and maintaining clear lines of responsibility within their department for all financial matters. Where resources are devolved to budget holders, the budget holder is accountable to the Chief Executive/Director/Head of Human Resources for his/her own budget.

#### **FINANCIAL PLANNING**

##### **Financial Year**

2.26 The financial year will run from 1<sup>st</sup> April to 31<sup>st</sup> March, unless amended by Board resolution.

##### **Business Planning**

2.27 Bron Afon will produce a 5 year Corporate Plan and 30-year financial projections reflecting the strategic direction of Bron Afon, which will be

reviewed annually as a minimum, as required by the Regulatory Code (Para 2.4.1 and 2.8.1).

## **Annual Budget**

2.28 Within a particular year, the Annual Budget provides the framework for financial decision making and control and is prepared with reference to the Corporate and the Services Plans.

2.29 To operate efficiently and effectively and to ensure that affordable budgets can be established for the year in question and for the long term, it is necessary to have in place

- effective financial planning and procedures to ensure the future maintenance of Bron Afon's stock in accordance with the Asset Management Strategy;
- rent and service charge policies which are not likely to incur deficits to Bron Afon.

2.30 When setting the Budget:

- it is necessary to ensure that current and known future commitments in relation to capital expenditure are, or can be, fully financed by loans, grants or other available funds;
- future rental and other revenues are adequate to meet projected expenditure in the long term;
- expenditure on each of Bron Afon's functions should be adequately funded by income received or other pre-allocated resources;
- submission of prompt and accurate claims for any capital, revenue or deficit grants to which Bron Afon is entitled.

2.31 Administrative costs and overheads should be commensurate with Bron Afon's circumstances and allocated on a reasonable basis between Bron Afon's functions.

2.32 When setting the annual budget, the following factors should be included, but not confined to:

- Main economic and operational assumptions and where they differ from the same assumptions contained in the long term business plan;
- The impact of any significant changes to policy;
- The effect of material changes on budgets of changes in services or workload to achieve business objectives;
- Progress against delivering the commitments made to residents at transfer;
- Compliance with lenders' covenants;

- Compliance with Welsh Assembly Government regulatory requirements;
  - Sensitivity analysis and an assessment of the principle risks inherent in the budget; and
  - The impact of the budget on the long-term financial forecasts.
  - Improving the economic efficiency of all Bron Afon's services over time to release resources for reinvestment in improved homes and services
- 2.33 The officers of Bron Afon are responsible for ensuring a revenue and capital budget is prepared annually for consideration by the Board. This preparation is co-ordinated by the Director of Resources who will set initial overall objectives with the Chief Executive and in consultation with the Strategic Management Team. Budgets should be presented to the Board at an early stage to allow adjustments and alteration.
- 2.34 Responsibility for particular elements of the annual budget is detailed in Bron Afon's financial procedures. All budgets will be prepared by budget holders under the direction of their Director/Head of Human Resources within the agreed timetable. The Director of Resources will provide advice and assistance to budget holders as required to facilitate the production of the annual budget.
- 2.35 The budget also includes cash flow forecasts for the year and a projected year end balance sheet.
- 2.36 The control of income and expenditure within an agreed revenue budget is the responsibility of the designated budget holder who must ensure that day to day monitoring is undertaken effectively. Budget holders are responsible to their Director/Head of Human Resources for the income and expenditure appropriate to their budget. The budget holder will be assisted in this duty by management information provided by the Finance Team. The types of management information available to different levels of management are described in Bron Afon's financial procedures together with the timescale when reports can be expected.
- 2.37 It is the responsibility of the Director of Resources to present quarterly out-turn reports in respect of revenue income and expenditure and capital expenditure. These reports will show expenditure against budget and forecasts and be presented to the Strategic Management Team and Board during the course of the year. Prompt action should be taken to correct adverse variances from budgets where possible.
- 2.38 When individual capital projects are presented for approval, they should be supported by:
- a statement demonstrating the project's consistency with strategic plans approved by the Board;
  - a budget for the project, incorporating a breakdown of costs including professional fees, VAT and funding sources;

- an investment appraisal and financial evaluation of the plans together with their impact on revenue expenditure, plus advice on the impact of alternative plans where appropriate;
- a cashflow forecast.

## **Budgetary Control**

- 2.39 The responsibility for managing the revenue and capital budgets will be delegated to budget holders in line with the scheme of delegations approved by the Board and/or Chief Executive annually. All authorities to incur expenditure by individual members of staff will be documented showing the maximum limits of authority to commit expenditure and communicated to the budget holder.
- 2.40 For every item of expenditure, unless otherwise exempted, an order must be raised in a form prescribed by the Director of Resources and budget holders must inform suppliers of the purchase order number, which must be quoted on invoices. This is discussed further in Section 4, on Expenditure.
- 2.41 An approved budget for capital expenditure other than specific fixed assets such as computer equipment, software, furniture fixtures and fittings, plant and equipment, does not bestow authority to automatically incur expenditure. A detailed scheme appraisal must first be considered by the group or person authorised under the scheme of delegation before the scheme can proceed.
- 2.42 If it appears that a capital project or long term contract budget will be exceeded outside predetermined limits it will be the duty of the budget holder concerned after consultation with the Director of Resources to inform the Board of the circumstances.
- 2.43 Budget managers can vire budget within their own areas of responsibility provided expenditure
- remains within budget; and
  - the funds are not ringfenced to a particular activity.

The virement process is documented separately in the financial procedures.

- 2.44 Transfers between budgets must not result in long-term commitments such as employment of additional permanent staff not included in the current establishment budget, unless approved by the Chief Executive/Director of Resources/Head of Human Resources, or entering into long-term contracts without approval of the Chief Executive.
- 2.45 Expenditure within total budget, but involving virement from one budget head to another is the responsibility of the Chief Executive, subject to issues of policy being agreed by the Board. Expenditure in excess of budget requires Board approval.
- 2.46 All transfers between budgets must be approved by the Director of Resources and will be reported to the Board on a quarterly basis.

- 2.47 The Chief Executive and the Director of Resources are responsible for preparing the Corporate Plan for approval by the Board and for preparing long term financial forecasts for at least the period required by the regulatory body and funders. Financial plans should be consistent with the strategic plans and development strategy approved by the Board.

### **Budget Monitoring**

- 2.48 The Board will be responsible for the overall monitoring performance against budgets with day to day responsibility being delegated to budget holders in their own area of control.
- 2.49 The Director of Resources in conjunction with budget holders will be responsible for ensuring that as far as practicable budget holders have systems and procedures available to enable budget holders to monitor and control their budgets, including:
- Monthly managements accounts including actual and committed income and expenditure and revised cash flows; and
  - Access through reporting tools to interrogate financial data between accounting periods.
- 2.50 The Director of Resources is responsible for ensuring budgetary control is exercised correctly and has the authority to seek and receive explanations of actual and potential variances to budgets that fall outside delegated authorities.
- 2.51 The Director of Resources will report quarterly to the Board on the financial position of Bron Afon. Board meetings are to be held at a time that allows for the figures to be presented.

### **ACCOUNTING**

- 2.52 The Director of Resources will provide guidance on the accounting principles and procedures to be used throughout Bron Afon by its officers in all financial matters. The implementation of all accounting procedures and compilation and maintenance of financial records of Bron Afon shall be managed by the Director or Head of Human Resources responsible for the specific area of activity, after consultation with the Director of Resources, in accordance with requirements of statutory agencies and regulatory authorities.
- 2.53 The following principles shall be observed where possible in the allocation of duties involving financial activity:
- The duties of providing information about money due to or from Bron Afon and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or paying them; and
  - Staff who examine and check the accounts of cash transactions shall not themselves be engaged in any of these transactions.

2.54 The following accounts and accounting records will be kept as a minimum requirement:

- Nominal Ledger
- Purchase Ledger and Invoices
- Rent Ledger and Invoices
- Sundry Debtor Ledger
- Cash Book and Bank Statements
- Loan Register
- Fixed Asset Register
- Payroll Records

2.55 The records should be kept such that they comply with the requirements of HM Revenue and Customs, the Welsh Assembly Government and any other funding bodies, and in a manner consistent with statutory accounting regulations and good practice.

### **ACCOUNTING POLICIES**

2.56 The annual financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards and Statements of Recommended Practice in the United Kingdom, in particular with the Statement of Recommended Practice – Accounting by Registered Social Landlords (SORP) and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2009.

2.57 The Accounting Policies are approved by the Audit and Ethics Committee and detailed in the annual financial statements.

2.58 Any fixed asset owned by Bron Afon will be depreciated in accordance with FRS5 and the SORP. Rates for depreciation for the different categories of fixed assets are set out in the detailed financial procedures. Small items of capital expenditure costing below an agreed amount as specified in the detailed financial procedures are treated as consumables and written off in the year of purchase.

2.59 Bron Afon will, where possible maintain and increase the level of general reserves, so that they adequately reflect its capital and revenue commitments. The policy and procedures on the use of reserves are set out in Bron Afon's detailed financial procedures and comply with the appropriate statutory and regulatory requirements.

### **ACCOUNTING RETURNS**

2.60 The Director of Resources is responsible for consolidating and dispatching financial returns and other periodic financial reports to the regulatory body and other agencies as required.

2.61 It is the responsibility of the appropriate Director or Head of Human Resources to ensure that all grants notified by the regulatory body and other bodies are received. Claims for any capital, revenue or deficit grants to which Bron Afon is entitled must be submitted promptly and accurately. Details of grant claims and the associated accounting requirements of the grant provider must be forwarded to the Director of Resources as soon as they are available.

### **3. Income and Banking**

#### **GENERAL**

- 3.1 The Director of Resources is responsible for ensuring that appropriate procedures are in operation to enable Bron Afon to receive all the income to which it is entitled. All manual or electronic receipt forms, invoices, tickets or other official documents in use must have the approval of the Director of Resources.
- 3.2 Levels of charges, rents and commercial lettings are determined by procedures approved by the Board.

#### **APPOINTMENT OF BANKERS**

- 3.3 The Board is responsible for the appointment of Bron Afon's bankers. The appointment shall be for three to five years after which consideration shall be given by the Board to competitively tendering the service.

#### **BANKING ARRANGEMENTS**

- 3.4 The Director of Resources is responsible for liaising with Bron Afon's bankers in relation to Bron Afon's bank accounts and the issue of cheques. All cheques shall be ordered on the authority of the Director of Resources who shall make proper arrangements for their safe custody.
- 3.5 The procedures for opening and closing bank accounts are agreed with the bank concerned. All bank accounts shall be in the name of Bron Afon unless specifically approved otherwise by the Board.
- 3.6 Details of authorised persons and limits for all types of payment including BACS and CHAPS shall be provided for in Bron Afon's detailed financial procedures.
- 3.7 The Director of Resources is responsible for ensuring that all bank accounts are subject to regular reconciliation and independent review and that large or unusual items are investigated as appropriate.
- 3.8 Cheques will be signed by members of staff authorised by the Board in accordance with the Schedule of Delegated Authority.
- 3.9 Personal cheques of Board Members or employees are not to be cashed.

#### **CASH RECEIPTS**

- 3.10 All monies received by Bron Afon from whatever source must be recorded by staff in any service on a daily basis together with the form in which they were received. An authorised receipt of Bron Afon should be issued electronically where possible.
- 3.11 Money must be paid to the cashier and custody of all cash holdings must comply with the requirements of Bron Afon's insurers.
- 3.12 No deductions may be made from any cash collected on behalf of Bron Afon prior to paying into the cashier.

- 3.13 Personal or other cheques must not be cashed out of money received on behalf of Bron Afon.

## **RENTS**

- 3.14 The collection of rents is the responsibility of the Director of Community Housing. He/she should ensure that:
- swift and effective action is taken to collect overdue rents in accordance with Bron Afon's formal procedures;
  - outstanding rents are monitored and reports prepared for managers.
- 3.15 Payment of credits on individual rent accounts to tenants are made following the deduction of any overpaid Housing Benefit, as detailed in the procedure manuals.

## **THE COLLECTION OF DEBTS**

- 3.16 The raising of debtors invoices is carried out by the Finance Team at the request of other Teams upon receipt of appropriate supporting documentation
- 3.17 The designated officers must ensure that:
- debtors invoices are raised promptly in respect of income due to Bron Afon;
  - charges are raised on official invoices;
  - swift and effective action is taken to collect overdue debts in accordance with Bron Afon's formal procedures;
  - outstanding debts are monitored and reports are prepared for managers.
- 3.18 Terms offered to debtors are generally that they have twenty eight days from the date of the invoice. The date commercial rent is due is detailed in the relevant tenancy agreement.
- 3.19 Effective action should be taken to pursue cases of non-payment. However, in certain situations a debt will become irrecoverable. The authorisation for writing off such debt is detailed in the schedule of delegated authority. A record of all amounts written-off will be maintained and reported to the Director of Resources in April each year in respect of the previous financial year. If at any time within the Statute of Limitations the circumstances of the debtor change such as to make any written-off debt recoverable, the debt will be written back onto the appropriate debtor account and appropriate recovery action taken. Where taxable debt is written-off bad debt relief should be claimed in accordance with the relevant HMRC notice.

## **GRANT INCOME**

- 3.20 The Director of Resources must ensure that adequate accounting systems are in place to enable Bron Afon to comply with the procedural conditions of the Welsh Assembly Government and other grant providers. Each Director and the Head of Human Resources will, where appropriate, ensure that arrangements are in place to claim the full and appropriate amount of capital and revenue grant. Copies of all relevant information, including grant applications and submissions, must be sent to the Director of Resources.

## 4. Expenditure

### GENERAL

- 4.1 The Director of Resources is responsible for making payment to suppliers of goods and services to Bron Afon.
- 4.2 In its procurement activity, Bron Afon must be able to demonstrate cost effectiveness, quality and probity of any works, goods or services, as required by the Welsh Assembly Government's "Regulatory Code for Housing Associations Registered in Wales" (2006).

### AUTHORITIES

- 4.3 The relevant Director or Head of Human Resources is responsible for purchases within their service. Purchasing authority may be delegated to named individuals (or budget holders) who may delegate to other members within the team. The levels to which individuals may authorise expenditure are detailed in the Schedule of Delegated Authority.
- 4.4 The Director of Resources shall maintain a register of authorised signatories including limits. Any changes to the authorities to sign must be notified to the Director of Resources immediately. Directors and the Head of Human Resources must supply the Director of Resources with specimen signatures of those authorised to certify invoices for payment.
- 4.5 Directors, the Head of Human Resources and budget holders are not authorised to commit Bron Afon to expenditure without first reserving sufficient funds to meet the purchase cost.
- 4.6 In addition Directors and Head of Human Resources shall ensure that on all occasions:
  - Standing Orders are complied with;
  - The tender and procurement procedures policy and procedures are complied with;
  - All goods and services procured offer the best value for money after taking into account price, quality, cost of procurement and any specialist nature of the services or commodity being procured;
  - Payment is only made for goods and services received and fit for the purpose;
  - Invoices are only paid when goods and services have been accepted;
  - All payments are made in accordance with the terms and conditions of trade agreed with the supplier when placing the order or tender; and
  - As far as practicable there is a separation of duties between staff ordering goods, recording receipt and passing invoices.

- 4.7 All orders issued, including housing repair orders, will be in the manual or electronic form approved by the Resources Director and in a manner set out in the procurement procedures and policies.
- 4.8 All manual order books will be kept in a secure place and books issued recorded in a register. It is the budget holder's responsibility to ensure all orders are kept securely.
- 4.9 On the occasions when oral orders are required, such as weekend emergency repairs, there is danger to individuals or company assets; a written confirmation must be issued on the next working day clearly marked as a confirmation order.

## **PETTY CASH**

- 4.10 Petty cash will be controlled through the imprest system. Detailed guidance on the operation of petty cash is contained in Bron Afon's financial procedures. Authority levels are the same as for other forms of expenditure. Petty cash should be used for small sundry items only, where it is not possible to use a purchase order.
- 4.11 Petty cash should not be used for items controlled by another budget holder, except in exceptional circumstances. Where this does occur, then the budget holder must confirm the expenditure is acceptable and subsequently authorise the expenditure and record it for monitoring purposes.
- 4.12 The level of imprest is determined by expenses flow and security considerations.
- 4.13 Managers who hold an imprest will be held responsible for ensuring that all drawings are for approved expenditure incurred on behalf of Bron Afon, accounted for using approved petty cash vouchers authorised in line with the petty cash procedures approved by the Director of Resources.
- 4.14 Employees responsible for petty cash will be personally responsible for;
- Ensuring the proper use and safe keeping of the money advanced;
  - Producing on demand to the Director of Resources or his/her authorised representative cash and vouchers that in total match the value of the imprest accompanied by a balanced petty cash account;
  - On leaving employment of Bron Afon be liable to account for the petty cash imprest advanced.
- 4.15 The Director of Resources will maintain a record of petty cash balances held and reimburse imprests on receipt of vouchers and a balanced account as often as necessary.
- 4.16 No income received on behalf of Bron Afon may be paid into an imprest account, but must be banked or paid to Bron Afon, as provided elsewhere in these regulations.

- 4.17 Personal cheques must not be cashed or money borrowed from imprest accounts.
- 4.18 Money can be provided in advance of expenditure. Supporting receipts and documentation must be provided subsequently and any balance returned.
- 4.19 At the end of the financial year a certificate of the balances held should be completed by the member of staff responsible for the float and countersigned by the Manager.

## **PURCHASE ORDERS**

- 4.20 The ordering of goods and services shall be in accordance with Bron Afon's Procurement Policy and detailed financial procedures.
- 4.21 Official orders shall be issued for all work, goods or services to be supplied to Bron Afon except for supplies of public utility services, for periodical payments such as rent or rates, for petty cash purchases or such other exceptions as the Director of Resources may approve.
- 4.22 Those raising an official order can not authorize such expenditure. Once receipt of goods and services have been confirmed, payment will be made provided the order is within a predetermined variation of the original order. This level is detailed in the financial procedures.

## **PROCUREMENT**

- 4.23 All procurement must use the Gateway process outlined in the "Procurement Rules", unless included in the exemptions detailed in the Rules. Where the Gateway process is applied, a questionnaire must be completed evaluating the different options for procurement taking account the factors detailed in the Procurement Rules.
- 4.24 No Board member, member of staff or member of Bron Afon may be involved in any procurement process who has any personal or financial interest in the procurement as defined by the Code of Conduct for Board members and the Membership and the Code of Conduct for staff.
- 4.25 Where a method of selection is to be used using any factor other than price, the Gateway questionnaire must recommend the proposed factors to be used in the selection and the weighting to be applied to those factors.
- 4.26 Where competitive bids or tendering is to be used as the procurement method, the following rules apply:
- Below £5,000: Inquiries of 3 suppliers should be made where possible and documented;
  - £5,001 - £25,000: 3 written quotes must be secured and documented;
  - Above £25,000 Full tendering procedures must be followed.

4.27 Key stages of the tendering process are:

- Check that the firms used in tendering have the ability and capacity to do the work in the timescale proposed, and are likely to produce competitive prices;
- Ensure that their employment, investment and operational policies and practices are consistent with our aims and values so far as permitted in law;
- Issue invitations to tender to prospective tenderers to ensure they are able and willing to tender;
- Prepare and issue standard tender documents to tenderers with details of the return procedure;
- The return procedure should include a standard return envelope detailing the return address and marked appropriately to ensure it is not opened immediately;
- Tenders to be date stamped and locked away until opening;
- A receipt to be issued to the tenderer;
- The tender opening is held in Tŷ Bron Afon, Llantarnam Park with the appropriate delegated officers in attendance (see Schedule of Delegated Authority) and the tender book is to be completed;
- A tender report should be prepared outlining the reasons for the choice of successful tenderer. This should be forwarded to the Chief Executive for authorisation and copied to the Director of Resources.

4.28 The lowest submission may not necessarily be the best value for money and account should also be taken of such aspects as the quality of the proposal and the degree to which it accords with the critical specification, the time input, the quality of staff and service, particularly relevant experience, levels of professional indemnity cover, previously competitive rates etc.

## **CONTRACTS**

4.29 Bron Afon enters into contracts for a variety of activities. These include building contracts, maintenance contracts, banking, audit and insurance. The detailed contracting procedures are set out in Bron Afon's Standing Orders. Building contracts and related documentation should be based on accepted industry standards.

4.30 For maintenance works the Director of Property or his or her nominee is responsible for preparing a schedule of rates and a list of proposed contractors, to be approved by the Board.

4.31 For construction contracts capital payments may be made by installments. In such circumstances the Director of Property shall arrange for the keeping of individual accounts to show the financial transactions on each contract between Bron Afon and the contractor, together with any other payments and related professional fees.

- 4.32 Payments to contractors on account during a contract shall only be made based on a certificate issued by the supervising officer (or private architect, engineer or consultant where engaged by Bron Afon) as appropriate.
- 4.33 Subject to the provisions of the contract, in each case every variation shall be authorised in writing by the consultant engaged by Bron Afon and checked by the appropriate officer in the Property Team. Any such variation that causes the contract contingency to be exceeded, shall be reported to the Board and, where practicable work or expenditure shall be delayed until authorised by the Board.
- 4.34 The final certificates of completion of any contract shall not be issued until the Director of Property has examined and agreed the final accounts for the contract.
- 4.35 Where completion of a contract is delayed beyond the contract period, the Director of Property shall take action where appropriate in respect of any claim for Liquidated and Ascertained Damages (LADs). Board approval is required in situations where the full level of LADs is not to be claimed.

#### **APPOINTMENT OF CONSULTANTS**

- 4.36 On occasion Bron Afon will need to appoint consultants where independent advice or additional skills are required. Bron Afon appoints consultants for areas such as property services, IT and legal services. .
- 4.37 Such appointments should be tendered every 3-5 years. On occasions, it may be more appropriate to market test to ensure value for money, for example, securing details of charge out rates from other firms. This may occur where the relationship with the service provider e.g. a solicitor is longstanding and involved. The outcome of such processes must be reported to the Board.

#### **PAYMENT OF INVOICES**

- 4.38 Payments for goods and services shall be in accordance with Bron Afon's detailed financial procedures.
- 4.39 The Director of Resources is responsible for deciding the most appropriate method of payment for categories of invoice. As far as possible payments will be made electronically using:
- Bankers Automated Clearing Service (BACS)
  - CHAPS payments
  - Direct Debits
  - Any other instrument as approved by the Director of Resources.
- 4.40 Cheques will be used only if no other option is available for payments, such as rent refunds or payment of court fees, should an arrangement with the court not be in place.

- 4.41 All payments excluding petty cash will be made by the Director of Resources and will be drawn on a Bron Afon account.
- 4.42 The Director of Resources will be entitled to rely on the certification of authorised staff and will be empowered to pay all invoice so authorised.
- 4.43 Authorisation will imply that:
- The goods have been received, examined and approved with regard to quality and quantity, or that services rendered or work done is satisfactory.
  - Budget holders have ensured that whenever possible an order number is quoted with each invoice. Failure to produce an order number may delay payment and will not allow for accurate commitment accounting.
  - Invoice details (quantity, price, discount) are correct.
  - The invoice is arithmetically correct.
  - The invoice has not previously been passed for payment.
  - Where appropriate, an entry has been made on a stores record or departmental inventory.
  - VAT issues have been complied with where they apply.
  - An appropriate cost centre 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.
- 4.44 Certification of invoices should not be delayed; five working days should be regarded as a reasonable time to certify an invoice, unless there is a dispute with the supplier. If there is a dispute the Finance Team should be notified as soon as any dispute arises. Care must be taken by the budget holder to ensure that discounts receivable are obtained.
- 4.45 Bron Afon will not pay for any goods or services that have not been delivered and found satisfactory for the purpose. In the case where the supplier requires payment or part payment in advance of delivery then approval must be obtained from the Director of Resources who will satisfy himself or herself of the credit status of the supplier and advise on the circumstances, which will enable the order to be placed.
- 4.46 On occasion purchases may be made over the internet, where discounts can be secured or this is the only source of the items. Payment will be made on the corporate credit card held by the Finance Department.
- 4.47 In exceptional circumstances the Director of Resources will prepare cheques manually for urgent payments.
- 4.48 Where new suppliers are to be used, officers so authorised should submit the appropriate form to the Finance Team.

- 4.49 Suppliers should be instructed by the budget holder to submit invoices for goods or services directly to the Finance Team, incorporating the order number in all cases.
- 4.50 Directors and the Head of Human Resources are responsible for ensuring that expenditure within their department does not exceed the approved budget.
- 4.51 Where the invoice is in respect of an official order raised through the Purchase Order Processing (POP) system, payment will be made automatically upon receipt of the invoice, provided that the amount is within the allowable variation, as detailed in the financial procedures. Where the variation exceeds the allowable amount, then the invoice is returned to the budget holder to approve/investigate.
- 4.52 Statements or photocopies of invoices will not be accepted for processing, except in exceptional circumstances.
- 4.53 Specimen signatures of those who can authorise payments are attached to the Financial Regulations retained in the Finance Team.

#### **VAT**

- 4.54 Directors are responsible for providing information to enable the Director of Resources to maintain proper VAT records and ensure that returns are made to HM Revenue and Customs in accordance with prescribed regulations.
- 4.55 The recording and processing of VAT shall be in accordance with Bron Afon's detailed financial procedures.

## 5. Salaries and wages

### GENERAL

- 5.1 The Director of Resources is responsible for all payments of salaries and wages to all staff including payments for overtime or service rendered. He/she is responsible for ensuring that all arrangements and controls are in place to ensure:
- Maintenance of all payroll related records both statutory and internal;
  - Proper accounting for payroll costs; and
  - Accurate and timely payment of salaries and wages.
- 5.2 All Bron Afon staff will be appointed to the salary scales approved by the Board and in accordance with appropriate conditions of service. All appointments must be made by the Chief Executive except in the appointment of the Chief Executive, where the appointment will be made by the Chair of the Board and confirmed by the Human Resources Manager. The Human Resources Manager will be responsible for keeping the Director of Resources informed of all matters relating to personnel for payroll purposes.
- 5.3 In particular these will include:
- appointments, resignations, dismissals, secondments and transfers;
  - absences from duty for sickness or other reason, apart from approved leave, where there is a payroll implication;
  - changes in remuneration including normal increments and pay awards;
  - instances of approved paid overtime;
  - information necessary to maintain records of service for pension arrangements, income tax, national insurance, etc.
- 5.4 The Director of Resources is responsible for payments to non-employees and for informing the appropriate authorities of such payments. All casual and part-time employees will be included on the payroll.
- 5.5 The Director of Resources shall be responsible for keeping all records relating to payroll including those of a statutory nature.
- 5.6 All payments must be made in accordance with Bron Afon's detailed payroll financial procedures and comply with HM Revenue and Customs regulations.
- 5.7 Where the payroll service is outsourced to a third party, the Director of Resources must satisfy him/herself that arrangements are in place to ensure all legal and regulatory requirements are adhered to.

## **PENSIONS**

- 5.8 The Board is responsible for undertaking the role of employer in relation to appropriate pension arrangements for employees.
- 5.9 The Director of Resources is responsible for day to day pension matters including:
- paying of contributions to the authorised pension schemes;
  - preparing the annual return to the authorised pension schemes.
- 5.10 A review of the performance of the management of the pension fund should be carried out periodically by the Director of Resources and any potential problems reported to Board.

## **TRAVEL, SUBSISTENCE AND OTHER ALLOWANCES**

- 5.11 All claims for payment of subsistence allowances, travelling and incidental expenses shall be completed in a form approved by the Director of Resources. Claims, other than for training events, should be submitted in the month following that in which the expenditure was incurred. Claims over three months old can only be paid with the approval of the Director of Resources. Claims must be submitted in the financial year in which the expenditure was incurred i.e. by March of each year, unless the expenditure was incurred after the submission date. The backdating of claims into previous financial years will only be made in exceptional circumstances, as determined by the Director of Resources.
- 5.12 Those relating to training events will be requested in writing by the appropriate line manager prior to the event. All claims will be examined and checked for reasonableness by the authorising officer with respect to the amounts claimed.
- 5.13 All mileage claims must be processed through the payroll system.
- 5.14 Payments due to Board Members, including co-opted Members who are entitled to claim travelling or other reasonable costs incurred, will be made upon receipt of the prescribed form duly completed and authorised by the Chief Executive, together with supporting documentation, where possible. The accuracy of the information contained in a claim shall be the responsibility of the Member concerned.
- 5.15 Claims by members of staff must be certified by their supervising manager. The certification by the supervising officer shall be taken to mean that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by Bron Afon.
- 5.16 Claims by the Chief Executive will be certified by the Chair of Bron Afon on a quarterly basis.
- 5.17 Claims from employees must be paid through the payroll system wherever possible to ensure the correct treatment for Tax and National Insurance purposes.

## **ADDITIONAL BENEFITS**

The provision of non-payroll related benefits such as the provision of company cars should be reviewed periodically and the records kept in a form to comply with the requirements of the HM Revenue and Customs and any other regulatory or statutory body.

## **6. Assets**

### **PROPERTY, ASSETS AND FIXED ASSET REGISTER**

- 6.1 The purchase, lease or rent of land or buildings or fixed plant can only be undertaken as part of an approved development programme or as part of a strategy of landbanking. Such a strategy must take into account the financial burden and risks involved in landbanking.
- 6.2 Publicly funded rented housing assets should only be used for social housing related purposes and not placed at risk by non-social housing activities, as required by the Regulatory Code (para 2.4.3).
- 6.3 A register of all properties owned by Bron Afon will be kept in a form approved by the Director of Resources.
- 6.4 A fixed asset register and inventory shall be maintained recording a description of furniture, fittings and equipment, plant and machinery and other capital equipment owned or leased by Bron Afon. The form in which the fixed asset register and inventories shall be kept is to be set by the Director of Resources and each Manager will be responsible for items within his/her area with a copy being provided to the Director of Resources upon request.
- 6.5 Each Manager responsible for assets in the fixed asset register shall ensure that an annual check is made of all items detailed on the register, that action is taken in relation to surpluses or deficiencies and for making amendments to the register and notifying these to the Director of Resources.
- 6.6 Bron Afon's assets shall not be removed other than in the ordinary course of business or used other than for the purposes of Bron Afon except in accordance with specific directions issued by any Director responsible for the asset.

### **ASSET DISPOSAL**

- 6.7 Other than where required by statute e.g. Right to Buy, disposal of land and buildings can take place where:
  - the cost of carrying out major repair works, adaptations or demolition and rebuilding is not financially viable; or
  - the undeveloped land can be sold at such a value that alternative housing development, more appropriate to current housing need, can be undertaken; or
  - there are strategic benefits to Bron Afon.
- 6.8 Board approval is required for any such disposal.
- 6.9 Bron Afon will be required to demonstrate that such disposal does not detract from the ability to satisfy housing need and that consultation with the Welsh Assembly Government and local authority has been carried out, where appropriate.

- 6.10 Disposal of equipment and furniture must be in accordance with the detailed disposal procedures.

### **STOCKS AND STORES**

- 6.11 Each Director and the Head of Human Resources shall be responsible for the security and care of all stocks and stores under their control and for ensuring that only the minimum required for efficient operational purposes is held to reduce losses through loss, obsolescence, damage or cost of financing.
- 6.12 Stocks and stores records will be kept in a form approved by the Director of Resources following consultation with the appropriate Director/Head of Human Resources and managers.
- 6.13 All stocks and stores will be subject to periodic checks by staff members other than stores staff with all stocks and stores being checked at least annually. All checks to be carried out in accordance with the stocktaking procedures issued by the Director of Resources.
- 6.14 One stock take must be undertaken as part of the final accounts process and a certificate of value signed by the appropriate Director will be provided to the Director of Resources within one week of the financial year end.
- 6.15 Surpluses or deficiencies identified as part of a stock take will be reported to the Director of Resources and dealt with as specified by the Schedule of Delegated Authority.
- 6.16 Directors and managers will provide finance staff with all information as is required to prepare and maintain accounting, costing and related financial records.

### **TREASURY MANAGEMENT (INVESTMENTS AND BORROWINGS)**

- 6.17 The Board is responsible for approving the treasury management policy. This sets out the strategy and policies for cash management, long term investments and borrowings. The Board has the responsibility for ensuring implementation, monitoring and review of such policies.
- 6.18 The principle aims of the treasury management policy will be to
- Minimise exposure to adverse interest rate movements;
  - Ensure as far as possible stable interest payments against borrowings over the long term;
  - Ensure all investments make a satisfactory rate of return;
  - Limit the business's exposure to risk of loss of capital;
  - Minimise the cost of funds whilst maintaining a balanced portfolio of borrowing which minimises interest rate risk.
- 6.19 All executive decisions concerning borrowing, investment or financing, within policy parameters, shall be delegated to the Director of Resources.

All borrowing and investments shall be in the name of Bron Afon and shall conform to any relevant regulatory requirements.

- 6.20 The Director of Resources will report to the Board regularly in each financial year on the treasury management function and on the exercise of powers delegated to him/her including monitoring compliance.

#### **LEASING AND OTHER FINANCIAL INSTRUMENTS**

- 6.21 The financial limits provided for in the Schedule of Delegated Authority apply to the capital value (inclusive of VAT) of any vehicle or item of equipment or plant to be leased or financed.
- 6.22 The Director of Resources shall be responsible for the co-ordination of all leasing or alternative financing agreements, of any item entered into by Bron Afon.
- 6.23 Each Director and the Head of Human Resources is responsible for ensuring that all leasing needs are forwarded to the Director of Resources.
- 6.24 The Director of Resources shall maintain a register showing details of all vehicles or items of equipment or plant financed by Bron Afon.
- 6.25 The Director of Resources shall notify any Director or Head of Human Resources of changes to a financing agreement to ensure appropriate measures are taken.

## 7. Other

### RISK MANAGEMENT

- 7.1 The Board is responsible for developing a risk management strategy, in line with the requirements of the Regulatory Code (para 2.4.2), in order to identify the risks facing Bron Afon and types of controls required to cover these risks. The strategy should cover important potential liabilities and be sufficient to meet any potential risk to all assets. The Risk Strategy will be considered and approved by Board on an annual basis. Disaster Recovery procedures must be maintained and reviewed annually to ensure minimum disruption in the event of a major disaster.
- 7.2 It is the responsibility of the Strategic Management Team to ensure that risk is effectively managed throughout the organisation including within their own area of operation. It is the responsibility of all staff to consider the risks involved in the activities in which they are involved, how they might change, and the risks involved in new proposals. Risk management is to be embedded in the roles of staff. Operational risks then need to be fed back to the Strategic Management Team to help in their consideration of the strategic risks facing Bron Afon. Reports on the risk register and the activity in tackling risk need to be reported to the Audit and Ethics Committee.
- 7.3 Such a policy will bring together the various policies throughout Bron Afon that involve the assessment and containment of risk. As such the policy will include consideration of risks arising from:
- interest rate fluctuations as they affect both interest repayments and interest earned;
  - developing and managing the housing stock;
  - failure to realise anticipated income such as through poor procedures or issues of impairment and low demand;
  - failure to budget effectively and control expenditure;
  - the failure of key systems such as through Information Technology failures or staffing issues, for example inadequate cover or training;
  - mis-management, fraud or corruption;
  - failure to plan for the long term; and
  - the actions, processes and resources available to Bron Afon to mitigate against such risk such as strong internal control and internal audit, the appropriate use of insurance, an effective treasury management policy and a thorough business planning and appraisal procedure.
- 7.4 The Director of Resources will ensure that Bron Afon has a risk map and programme of risk management which is approved and monitored by the Audit and Ethics Committee.

- 7.5 The programme of risk management will include
- A method for identifying, quantifying and mitigating risk and potential risks;
  - Embedding the concept of positive risk management throughout the organisation;
  - Developing management processes to identify and address all significant risks and potential liabilities including systems of internal control, appropriate insurance cover and active management of acceptable levels of retained risk;
  - Contingency plans to deal with the impact of significant risks as they arise;
  - Audit arrangements and health and safety;
  - A business continuity plan in the event of a serious interruption to the delivery of the Bron Afon's services;
  - Details as to how and when the risk map and management programme will be reviewed.
  - Arrangements to alert senior managers, the Chief Executive and/or the Board of risks that have materialized or arisen
- 7.6 Directors, Heads of Service and Managers will provide assurance that the mitigating controls identified within the risk register are in place and operating effectively through certification twice a year. This will feed into the internal controls assurance report provided by the Chief Executive to the Board at the end of each financial year.

## **INSURANCE**

- 7.7 The Director of Resources is responsible for effecting insurance cover, as determined by the Board, the Welsh Assembly Government and private lending institutions. Responsibility for day-to-day administration of insurance is delegated to departments as appropriate. The Director of Resources will be responsible for obtaining quotes and maintaining the necessary records and will deal with the insurers and advisers about specific insurance problems.
- 7.8 The Director of Resources will annually review insurance arrangements and cover in consultation with Directors and managers. All Directors and managers will notify promptly the Director of Resources of any new risks identified and/or assets that require to be insured or of any alteration that might affect existing insurance cover.
- 7.9 Directors and the Head of Human Resources must ensure that any agreements negotiated within their departments with external bodies cover any legal liabilities to which Bron Afon may be exposed.
- 7.10 How a claim is to be made is outlined in the financial procedures.

- 7.11 All losses or potential losses that might lead to an insurance claim either on behalf of or against Bron Afon will immediately be notified to the Director of Resources.
- 7.12 Uninsured losses must be recorded separately and reported to the Director of Resources to help inform the insurance requirement and the risk management process.
- 7.13 The Director of Resources will keep a register of all insurances affected by Bron Afon and the property and risks covered.
- 7.14 The Director of Property is responsible for keeping suitable records of plant that is subject to inspection by an insurance company and for ensuring that inspection is carried out in the periods prescribed.
- 7.15 Directors and Managers in consultation with the Director of Resources shall ensure that all contractors and service providers have adequate employers and third party liability insurance in place before contracts are awarded.
- 7.16 All staff using their own vehicles on behalf of Bron Afon shall maintain appropriate insurance cover for business use. Where staff are required to use their car for work, they must provide copies of their driving license annually and inform the Finance Department if their medical circumstances change or they are disqualified from driving.

## **TAXATION**

- 7.17 The Director of Resources is responsible for providing advice on all taxation issues in the light of guidance issued by the appropriate bodies and the relevant legislation as it applies to Bron Afon. Therefore he/she will issue instructions to departments on compliance with statutory requirements including those concerning VAT, PAYE, National Insurance, the Construction Industry Scheme (CIS) tax, and Corporation Tax, where appropriate.
- 7.18 The Director of Resources is responsible for maintaining Bron Afon's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

## **SECURITY**

- 7.19 Directors are responsible for maintaining proper security at all times for all buildings, stock, stores, furniture, cash, etc. under his/her control. Office security has been delegated in particular to the Director of Property.
- 7.20 Maximum limits for cash holdings shall be agreed with the Director of Resources and shall not be exceeded without his/her express permission.
- 7.21 Keys to buildings, safes or other similar containers are to be issued to named employees who will be responsible for their safekeeping and use. A record of keys issued and to whom will be maintained and updated by the Director of Resources. The loss of any keys must be reported to the Director of Resources immediately.

- 7.22 The Head of Human Resources will be responsible for ensuring that all permanent staff have identification cards as appropriate. Directors will be responsible for making arrangements for identity cards to be issued to temporary staff and that all staff return their identity cards when they leave Bron Afon.
- 7.23 Computer data security will be the responsibility of the Director of Resources as will ensuring that adequate disaster recovery arrangements are in place to protect Bron Afon's interests in the event of a major systems or hardware failure. Data security, including password maintenance and disaster recovery, will be carried out in accordance with the computer security and disaster recovery procedures which will be reviewed at least annually.
- 7.24 Bron Afon will comply with the Data Protection Act and any associated regulatory requirements, under the direction of the Director of Resources.

### **COMMUNITY HOUSING CYMRU'S CODE OF CONDUCT/ DECLARATIONS OF INTEREST**

- 7.25 The Board will certify Bron Afon's compliance with the Community Housing Cymru's code of conduct on an annual basis.
- 7.26 Each member of staff must make an annual declaration of interests in line with the procedures detailed in the staff Code of Conduct.
- 7.27 Additionally, members of the Board are required to disclose interests in Bron Afon's Register of Interests.

### **HOSPITALITY**

- 7.28 Para. 2.4.5 of the Regulatory Code lays down requirements regarding probity. The rules concerning the provision and receiving of hospitality are detailed in the Contract of Employment, Gifts and Hospitality policy and Board Members' Handbook.

### **ICT STRATEGY**

- 7.29 Expenditure in respect of information and communication technology will be subject to budgetary provision set in line with the ICT Strategy and the priorities established by the Strategic Management Team.

### **GROUP STRUCTURES AND SUBSIDIARIES**

- 7.30 In certain circumstances it may be advantageous to Bron Afon to establish group structures or subsidiaries to undertake services on its behalf. The Board is responsible for approving the establishment of group structures or subsidiaries and the procedure to be followed in order to do so. Compliance with Bron Afon's Rules and regulatory guidance must be secured.
- 7.31 It is the responsibility of the Board to establish the shareholding arrangements and appoint directors of companies wholly or partly owned by Bron Afon. The directors of companies where Bron Afon is the shareholder must submit an annual report to the Board.

### Principal Finance Officer

1. The Welsh Assembly's "Regulatory Code for Housing Associations Registered in Wales" requires Bron Afon to have a qualified and experienced person with direct responsibility for finance matters. That person should have the right of access to the Board and can report promptly to the Board on matters of financial concern. To meet this requirement Bron Afon's Board has resolved to designate the Director of Resources as Principal Finance Officer.
2. The purpose of such designation is to give the Officer concerned the right of direct access to the Board to report matters of financial concern without delay. It is envisaged that all financial issues will be fully reported to the Board, which has delegated powers to monitor such matters.
3. In appropriate circumstances, specific issues, other than Management Accounts, Audited Accounts and Annual Budgets may need to be brought to the attention of the Board. Where this applies, the Principal Finance Officer shall liaise with the Chief Executive to ensure the issue is placed on the agenda and a full report prepared. If necessary, the Principal Finance Officer will be requested to attend the Board meeting to present or comment on the report.
4. Where the Principal Finance Officer is being prevented by the Chief Executive in fully reporting a matter of financial concern to either the Board or Audit and Ethics Committee, he/she will take the following action:
  - initially meet with the Chief Executive to clarify their concern and make a further request to present a report to the Board/Audit and Ethics Committee;
  - if there is not a satisfactory outcome such that the Principal Finance Officer is convinced that important financial information is deliberately being withheld by the Chief Executive, he/she shall initially contact the Chair of the Board. Subsequently, should it be felt necessary, the Chair of the Board will ensure that the Principal Finance Officer is requested to attend the next scheduled meeting to present a report. The Chair of the Board shall inform the Chief Executive that such a course of action is being pursued.
5. If the Director of Resources, in performance of the duties of Principal Finance Officer, has reason to believe that the Chief Executive is being unfair in regard to career advancement and salary negotiations, he/she shall bring this to the attention of the Chair of the Board. Subsequently, all actions shall be in accordance with Bron Afon's Grievance Procedure.

### Internal Audit Policy

#### Responsibilities

1. The Board has responsibility for establishing and maintaining an adequate system of control and ensuring compliance with statutory and other regulations.
2. The role of internal audit is to provide management with an objective assessment of whether systems and controls are working properly. Bron Afon cannot depend upon the internal auditor as a substitute for effective controls.
3. The internal auditor is accountable to the Chief Executive and the Board, through the Audit and Ethics Committee, for the performance of the service. On a day-to-day basis the internal auditor will report to the Director of Resources.

#### Scope

4. The work of the internal auditor will embrace the whole internal control system including all its operations, resources, staff, services, and responsibilities for subsidiary or associated bodies.
5. Whilst it is not the role of the internal auditor to question the appropriateness of policy decisions, the internal auditor will examine the management arrangements by which such decisions are made, monitored and reviewed.

#### Standards and Approach

6. The internal auditor's work will be performed in accordance with the relevant requirements of the Welsh Assembly Government, the standards for internal audit laid down in the 'Standards and Guidelines for Professional Practice of Internal Auditing' issued by the IIA-UK and relevant guidance issued by the Auditing Practices Board (or equivalent).

#### Independence

7. The internal auditor has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. It may provide advice, however, on control and related matters, subject to the need to maintain objectivity and to resource constraints.

#### Access

8. The internal auditor has unrestricted rights of access to all Bron Afon's documents, records, information, personnel and assets that it considers necessary to fulfil its responsibilities. The internal auditor will maintain confidentiality of all information obtained in the course of carrying out its audit work. Information will only be supplied to a third party at the express instruction Bron Afon.
9. The internal auditor has a direct right of access to the chair of the Board, the chair of the Audit and Ethics Committee and the Chief Executive.

## **Planning**

10. The internal auditor will submit an audit needs assessment, a strategic audit plan and annual audit plans to the Audit and Ethics Committee for approval following consultation with the Chief Executive.
12. The internal auditor will undertake a programme of work over a cycle authorised by the Audit and Ethics Committee. The work will review and appraise the soundness, adequacy and application of accounting, financial and other controls.

## **Liaison**

13. The internal auditor will liaise with the external auditor to enhance the level of service it provides.

## **Irregularities Including Fraud**

14. The internal auditor is to be notified at the earliest opportunity of any suspected irregularities. The internal auditor will only carry out investigatory work of a suspected irregularity at the specific instruction of the Chief Executive or the chair of the Audit and Ethics Committee.
15. The internal auditor will advise the Chief Executive and if appropriate, the chair of the Audit and Ethics Committee, at the earliest opportunity of any suspected irregularity identified during the course of the audit work carried out by the internal auditor.