



FINANCIAL REGULATIONS (CS/01)

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Introduction

1.1. The Association's Rules define the aims and set out the power and authority of the Association, which is vested in the Board. The Association's Standing Orders set out how the Board and committees conduct their business. The Association's Financial Regulations define the authority of the Board, committees, officeholders and staff in the control and use of financial resources and assets and define how they must be accounted for.

1.2. Nothing in the Financial Regulations will override:

- Statutory requirements;
- Guidance from The Scottish Housing Regulator (SHR);
- The Association's Rules; or
- The Association's Standing Orders.

1.3. This document was approved by Board on 29 October 2014 and applies to the Association, its subsidiaries and all their undertakings.

1.4. Compliance with the Financial Regulations is compulsory for all staff employed by the Association. It is the responsibility of heads of departments to ensure that their staff are made aware of the existence and content of the Association's Financial Regulations and that an adequate number of copies are available for reference within their department.

1.5. The Association's detailed financial procedures set out how the regulations will be implemented and are contained in a separate manual. It is the Corporate Services Manager's responsibility to prepare and maintain the Association's financial procedures which should be available to all departments.

2. Definitions

2.1. In these Financial Regulations, the following words and phrases have the following specific meanings:

Chair	The Chair of the Association or the Vice Chair acting in their place
CEO	The CEO of the Association or the Deputy CEO acting in their place
Senior Managers	The Corporate Services Manager, the Technical Services Manager and the Housing Manager of the Association
Senior Management Team (SMT)	The CEO and Senior Managers
Staff	All employees of the Association except the CEO and Senior Managers
The Scottish Housing Regulator	The statutory body responsible for regulation of the Association
CEC	City of Edinburgh Council
Financial Year	The 12 month period from 1 April one year to 31 March

	the next
Virement	The transfer of budgeted resources from one budget heading to another without increasing or decreasing the aggregate budget income or expenditure in the Financial Year.
Values in £	Where quoted, values in £s include irrecoverable VAT

Other terms are defined when they are first used in the Financial Regulations.

3. Internal Financial control

Definition

3.1. Internal financial control can be defined as: 'the controls established

- To provide reasonable assurance of the safeguarding of assets against unauthorised use or disposition; and
- To provide reasonable assurance of the maintenance of proper accounting records and the reliability of financial information used in and published by the Association.'

Requirement for Internal Financial Control

3.2. In addition to its own need for a documented system of internal controls to achieve the aims set out above, it is a requirement of the Regulatory Advice Note: Internal Financial Controls and the Regulatory Standards (issued September 2014) for Registered Social Landlords that the Association includes a statement in its published accounts which:

- Confirms that the Board acknowledges its responsibility for Internal Financial Control;
- Includes a description of the key procedures for Internal Financial Control;
- Confirms that the Board has, in the Financial Year, reviewed the effectiveness of the system of Internal Financial Control; and
- Reports whether any weaknesses in the system of Internal Financial Control have resulted in any material losses, contingencies or uncertainties which require disclosure in the audited accounts.
- Explains that the system can not provide absolute assurance against material loss or misstatement;
- Provides reasons for any non compliance;
- Covers the period between the balance sheet date and the date the accounts are signed;

- Covers the whole group, where that is appropriate.

3.3. The External Auditors are required to review this statement, and to report any discrepancies between it and the results of their audit work.

Responsibility for Internal Financial Control

3.4. Responsibility for Internal Financial Control lies with the Board of the Association in accordance with the Regulatory Standards. The Board is responsible therefore for ensuring that the control system defined above is in place, is adhered to and is effective. All Board members and staff must adhere to the controls which apply to any situation involving the Association. Day to day management and implementation of controls is delegated to the CEO, Corporate Services Manager, and other staff (as outlined in detail within these regulations). The Preventing Bribery and Fraud Policy (G/02) explains how good internal control can help prevent fraud.

Key Controls

3.5. The Association will at all times maintain the following key controls:

- Management accounts will be prepared monthly for management use and presented, with supporting narrative, to the Board meeting each quarter.
- The Association will prepare annual accounts for external audit, and arrange for an external audit to be conducted, within two months of the end of the Financial Year and an External Auditor's Management Letter will be presented to the Board at the same time as the Annual Accounts.
- A budget for each financial year will be prepared and then discussed and approved by the Board before each Financial Year.
- Segregation of duties will be maintained between initiating, actioning and recording a financial transaction.
- All borrowing decisions and changes to banking arrangements will be approved by the Board before being actioned.
- All bank transactions over £1,000 will be authorised by two Senior Managers acting independently of each other. One Senior Manager will be required to authorise bank transactions under £1,000.

3.6. These controls are described in further detail in the appropriate sections of the Financial Regulations and the Treasury Management Policy.

Benefits of Internal Financial Control

3.7. A strong system of internal financial control, as documented in these Financial Regulations, will enable the Association to ensure:

- That its assets, including physical assets, funds with bankers and housing stock, are properly safeguarded from potential loss;
- That its staff are properly aware of the limits of their authority to commit the Association to transactions;
- That reliable financial reports are prepared and submitted to the Board; and
- That relevant legal and regulatory obligations are complied with.

3.8. A system of internal financial control, such as documented Financial Regulations, can only provide reasonable assurance against financial loss and cannot provide certainty that financial loss will not be incurred by error or omission.

4. Responsibilities and duties of the Board

Introduction

4.1. The Board acts for and in the name of the Association. It must retain ultimate control over all aspects of the Association's work and ensure that its financial and legal responsibilities are properly fulfilled.

4.2. The Board must exercise ultimate control over the Association's finances and ensure that expenditure is covered by income from all sources. The Board must also ensure that:

- The organisation of its financial functions adequately matches the scale of the Association's activities;
- The Association maintains proper accounts and related records; and
- The Association operates as economically, efficiently and effectively as possible within its overall objectives.

Responsibilities of Board Members

4.3. At all times the duty of the Board member is to the Association, its tenants, its staff and the community at large. All Board members must satisfy themselves that they have sufficient access to all relevant information and that they are sufficiently familiar with the affairs of the Association and its background to be able to make properly informed decisions on matters affecting the Association.

4.4. Housing Association legislation states that the Board is responsible for:

- Preparing annual accounts which give a true and fair view of the state of the Association's affairs at the end of the Financial Year, and of its Income and Expenditure in the Financial Year;
- Selecting suitable accounting policies and applying them consistently;

- Following applicable accounting standards; and
- Ensuring proper accounting records are maintained

4.5. The Board is responsible for ensuring a Statement of Assurance is produced by the Internal Auditor annually. The Board is also responsible for recommending to the annual general meeting (AGM) the appointment of the Association's External Auditors.

4.6. Although in practice the Association largely delegates these tasks to staff, the Board remains ultimately responsible for them.

5. Responsibilities and duties of the Audit Committee

Introduction

5.1. "It is accepted good practice for associations to establish an Audit Committee. The Financial Reporting Council provides guidance on the role of the Audit Committee in its publication 'Guidance on Audit Committee' published in September 2012. The Audit Committee is an independent, advisory sub committee of the Association's Board. It is appointed by and responsible to the Board. Its main functions are overseeing:

- The Association's accounting and internal control systems;
- The Association's external audit;
- The Association's internal audit; and
- The provision of the annual statement of assurance in respect of the financial control systems.

Composition of the Audit Committee

5.2. The composition of the Audit Committee is as follows:

- Minimum of three and maximum of less than half the current Board membership, with a quorum of three, and with at least one member with a background in finance, accounting or auditing. The Chair is elected by the Audit Committee; if only one member has a background in finance, accounting or auditing (if possible), he / she would normally be the Chair;
- The Chair of the Association may not chair the Audit Committee, and vice-versa;
- The Audit Committee will meet as frequently as required by the Committee, or by internal or External Auditors, or if requested by the CEO or Corporate Services Manager. The agenda and supporting papers for each meeting will be sent to Audit Committee members at least 7 days in advance of the meeting. Full minutes will be taken of each meeting and will be presented to

the next Board meeting for approval by Audit Committee members and for Board members' information;

- The Association's CEO and Corporate Services Manager will attend all meetings, but will leave if requested by the Chair. The Association's internal auditor can be invited to attend a specific meeting, and will receive copies of all relevant papers for that meeting;
- The internal and External Auditors have a right of access to the Chair of the Audit Committee and may request a meeting without staff present;
- The Audit Committee has the right to receive all information it considers necessary from the Association's staff. All information received will be treated as confidential by Audit Committee members.

Audit Committee Responsibilities Accounting and Internal Control Systems

5.3. The Audit Committee is responsible for:

- Advising the Board whether an adequate system of accounting and internal control exists, and for making recommendations for its improvement. In this, it will be advised by external and internal auditors and the Corporate Services Manager;
- Recommending whether the Board should accept the Internal Auditor's annual report on the effectiveness and efficiency of the Association's system of Accounting and Internal Financial Control; and
- Recommending whether the Board should accept the Internal Financial Control statement for inclusion in the Annual Accounts of the Association.

External Audit

5.4. The Audit Committee is responsible for:

- Recommending the appointment or reappointment of the External Auditors to the Board and AGM of the Association, and for agreeing their fee;
- Agreeing the timing of external audit work, having regard to advice from the External Auditor and Corporate Services Manager and ensuring compliance with all appropriate statutes, regulations and guidance;
- Receiving the External Auditor's management letter, considering it and replying to it on behalf of the Board after reporting its contents to the Board; and
- Reviewing the annual audited accounts and submitting them to the Board for approval.

Internal Audit

5.5. The Audit Committee is responsible for:

- Ensuring the Association has an appropriate internal audit function, and appointing or reappointing the internal auditor, including agreement of terms of reference and fees;
- Reviewing and agreeing the planned programme and scope of internal audit work, and ensuring its completion;
- Reporting to the Board each year on the completed internal audit work and the findings and recommendations arising therefrom; and
- Identifying any additional internal audit work required, recommending to the Board that it be undertaken, and, subject to prior Board approval, commissioning it and receiving the subsequent report.

6. Responsibilities and duties of staff

Introduction

6.1. Day to day management of the finances of the Association is delegated to the Corporate Services Manager by the Board. In all these areas, responsibility rests with the Board and the Corporate Services Manager must report to them in the form and at the frequency required by them.

Corporate Services Manager

6.2. The financial responsibilities specifically delegated to the Corporate Services Manager are as follows:

- Develop, monitor and review accounting policies and procedures to comply with the Association's responsibilities, accounting standards and best practice guidance;
- Prepare, monitor and review the Association's annual financial plan, budget, projections and accounts and present them to the Board;
- Specify the form in which all the accounting records of the Association are maintained;
- Prepare the Association's annual accounts for audit by the External Auditors, and for approval by the Board;
- Ensure that internal financial controls are adequate and properly enforced and use the Association's internal auditors as necessary;
- Ensure the effective management of the Association's loan portfolio, banking arrangements and cashflow;

- Manage the Association's payroll function in line with all legal requirements;
- Ensure that the Association's insurance arrangements are adequate, cost effective and properly administered.

6.3. These functions are described in more detail in the appropriate sections of the Financial Regulations.

Other Staff

6.4. The Corporate Services Manager delegates day to day responsibility for many of these functions to the Association's Corporate Services Team and to other staff as appropriate. Whenever performing work in any of these areas, all staff are responsible to the Corporate Services Manager, who is in turn responsible to the CEO and Board.

6.5. All members of staff are responsible for the security, custody and control of resources including buildings, materials, cash and equipment relating to their sphere of responsibility or under their control.

7. Financial planning and budgeting

Introduction

7.1. Financial Planning is defined as 'the process by which an organisation forecasts and controls its income, expenditure and cashflow'

(Source - 'Financial Planning - a practical guide' - Chartered Institute of Public Finance and Accountancy / National Housing Federation, 1996)

7.2. The Association has an annual cycle of financial planning and budgeting.

Financial Plan

7.3. The Association's principal financial plan is the 25 year Budget which it is required to prepare under loan agreements with the Association's funders

7.4. This plan includes:

- A projection of the Income and Expenditure Account;
- A projection of Cashflow;
- A projection of the Balance Sheet;
- A projection of compliance with the covenants set out in loan agreements;
- A narrative explanation of assumptions and estimates made and commentary on significant items; and

- Any other contents required under the terms of the Association's loan agreements for each year.

7.5. It is the responsibility of the Corporate Services Manager, in conjunction with the CEO and Senior Management Team, to prepare the Financial Plan, and to present it to the Audit Committee and Board at least two months before the end of the Financial Year or by such other date as may be required by loan agreements. The Board is responsible for adopting the plan on behalf of the Association.

7.6. It is the responsibility of the Corporate Services Manager to present this plan to the Association's lenders, agreeing any amendments to it and to secure their agreement to it, within the timescale required by loan agreements.

7.7. In the event that changes are required to Financial Plans, the Corporate Services Manager, in conjunction with the CEO and Senior Management Team, is responsible for preparing a revised plan and presenting it to the Board and to the Association's lenders.

Annual Budgets

7.8. After approval of financial plans by the Board and the Association's funders, the Corporate Services Manager, in conjunction with the CEO and Senior Management Team, is responsible for preparing a budget for the Financial Year.

7.9. A budget is defined as a detailed projection of all income and expenditure and cashflow by month in a financial year. The budget for each financial year must be submitted to the Board before the start of the financial year to which it relates. It contains:

- A projection of income by month;
- A projection of expenditure by month;
- A projection of cashflow by month;
- A projected balance sheet at the end of each month; and
- A narrative explanation of assumptions and estimates and commentary on significant items.

7.10. The budget must reflect the Financial Plan approved by the Board and the Association's funders.

7.11. Approval of an annual budget by the Board constitutes authority for the Senior Managers to generate the income and incur the expenditure it sets out, within their areas and limits of responsibility. These are detailed in Part 8 - Budget Control.

7.12. The actual financial results of the Association are compared to the approved budget through the management accounts and any necessary corrective action is identified and taken.

8. Budget control

Introduction

8.1. Budget control is the process by which the Association:

- Compares its actual financial results to its budget;
- Understands why differences have arisen; and
- Identifies and takes any action necessary as a result of those differences.

8.2. Effective budget control is crucial if the Association is to achieve its aims whilst ensuring that expenditure is met from income.

Method of Budget Control

8.3. The principal method of budget control used by the Association is the preparation of detailed monthly and quarterly management accounts by the Corporate Services Manager for the CEO and Board. These are described in Part 10 - Accounting and Financial Reporting.

8.4. As a result of the budgetary control process, shortfalls in income or excesses of expenditure may be identified. Where these are significant, the Corporate Services Manager must report them to the CEO and Board and recommend what action should be taken to correct the situation.

Half Yearly Budget Review

8.5. After six months of each Financial Year, the Corporate Services Manager will prepare a revised budget for the remainder of the Financial Year. This will take into account:

- The actual results to date;
- Revised estimates of income and expenditure for the second six months, based on identified trends;
- Changes in timing or amount of projected income, expenditure or cashflow; and
- Any changes in the Association's priorities agreed by the Board.

8.6. This revised budget will be presented to the Board by the Corporate Services Manager and, after approval by the Board, constitutes authority for the Senior Managers to act upon it for the remainder of the Financial Year.

Virement

8.7. Senior Managers may request the CEO to approve virements between expenditure headings of up to 10% or £20,000 (whichever is lower). Approval for virements greater than that may only be given by the Board. All virements must be reported to the Board by the Corporate Services Manager in the first monthly management report after being approved.

9. Authorisation of expenditure

Introduction

9.1. Approval of the Association's annual budget by the Board provides authority for staff to incur the expenditure under the relevant headings on behalf of the organisation.

9.2. The Association aims to follow best practice in both EU and Scottish procurement legislation, please refer to our Procurement Strategy (TS/15) Reporting will be by relevant Manager to the Board.

9.3. In exceptional circumstances the CEO can incur expenditure outwith the budget up to £20,000. The Chair of the Board can authorise such expenditure up to £100,000. In both cases such permission needs to be ratified by the full Board at their next meeting. Full Board approval must be obtained for exceptional expenditure greater than £100,000.

9.4. The table below shows the delegated responsibilities for the commitment of expenditure and the final authorisation (prior to payment) of expenditure contained in the annual budget after it has been approved by the Board. Sectional Finance procedures detail which staff are authorised to incur expenses, order works and authorise invoices.

Budget Heading	Budget Holder and invoice authoriser	Implementation delegated to
Capital Expenditure		
Purchase of Land and Property	CEO	Technical Services Manager
Consultants' Fees / Works costs on new property	Technical Services Manager	Senior Technical Officer
Office Premises - acquisition and improvement	CEO	Corporate Services Manager
Furniture	Corporate Services Manager	Authorised Corporate Services Staff
IT equipment	Corporate Services Manager	Authorised Corporate Services staff

Budget Heading	Budget Holder and invoice authoriser	Implementation delegated to
Revenue Expenditure		
Housing Loan Interest	Corporate Services Manager	Finance Officers
Property Management Costs	Technical Services Manager	Authorised Technical Services staff
Service Costs	Housing Manager / Technical Services Manager or Corporate Services Manager	Authorised Housing Management/Technical Services or Corporate Services staff
Salaries	CEO	Corporate Services Manager/Finance Officer
Staff costs	Line Manager	SCSO / individual staff member
Office Costs	Corporate Services Manager	Authorised Corporate Services staff
Office Administration Costs	Corporate Services Manager	Authorised Corporate Services staff
HM Administration Costs	Housing Manager	Authorised Housing Management staff
CEO travel and subsistence expenses	Chair	Corporate Services Manager
Board travel and subsistence expenses	CEO / Deputy CEO	Corporate Services Manager
Depreciation	Corporate Services Manager	Finance Officers
Miscellaneous expenses	Housing Manager / Corporate Services Manager	Authorised Housing Management or Corporate Services staff

Payments

9.5. Payments will normally be made by electronic funds transfer from the Associations main bank account (see 9.8 below for credit card payments) or by cheque. The Corporate Services Manager will specify how approval of commitment and payments is to be documented which must in all cases:

- Be in advance of the payments being made; and

- Be in writing on the original invoice or an attached invoice header.

9.6. Invoices will only be paid on the basis of a photocopy on the express direction of the Corporate Services Manager. Payments will never be made on the basis of statements. The staff member that has ordered the goods/committed the organisation to the expenditure will check the invoice and by signing it, is confirming that:

- The work goods or services to which the invoice relates have been received or carried out and examined and approved;
- The prices, extensions and calculations and nominal ledger coding are correct;
- The expenditure has been properly incurred in line with the approved budget;
- The invoice has not already been passed for payment;
- Any necessary amendments have been made in ink and initialled by the member of staff making it including noting the reason for it;
- The member of staff has the delegated authority to commit the Association to the expenditure; and
- The supplier code is correct.

9.7. The invoice is then passed to the relevant staff member for authorisation (per the table above). It is the responsibility of this person authorising the invoice to ensure that the nominal ledger code is correct. An invoice should never be checked and authorised by the same person. In general the person authorising the invoice should be a more senior member of staff than the person checking the invoice and will usually be the budget holder.

9.8. All invoices will be paid at the later of the agreed due date for payment and the date the last significant query from the responsible member of staff is resolved.

9.9. Payments can also be made by credit card either online or in person. Use of credit cards are strictly controlled and staff members need to ensure they follow the documented procedures carefully.

10. Accounting and financial reporting

Introduction

10.1. Maintenance of the accounting records of the Association is the responsibility of the Corporate Services Manager. These must be such that the financial position of the Association can be ascertained and reported throughout the Financial Year with reasonable accuracy and speed.

General Principles

10.2 The following general principles will be observed in maintaining all accounting records:

- All accounting records will be maintained as the Corporate Services Manager directs, and in accordance with statutory, regulatory and other requirements;
- Separation of responsibilities and duties between generating transactions to receive or disburse funds, and the calculating, checking and recording of the receipt or disbursement;
- Staff responsible for checking and verifying a cash transaction will not be involved in the transaction; and
- All receipts and disbursements will be recorded in the appropriate manner as soon as they occur.

10.3 The CEO and Corporate Services Manager have authority to:

- Have access to all records, documents and correspondence as they reasonably require relating to any financial or other transaction of the Association; and
- Receive such information and explanations from any Board member or member of staff as they reasonably require relating to any financial or other transaction of the Association

Accounting Records

10.4 The following accounting records will be maintained:

- Nominal ledger;
- An account for each bank account;
- Rent ledger including items recharged to tenants and owners;
- Purchase ledger;
- Payroll records;
- Loan register;
- Fixed asset register; and
- Petty cash records.

10.5 In addition, the following externally generated documents will be retained for at least the legally specified period (see 10.13 below):

- Bank statements;
- Purchase invoices;
- Income vouchers; and
- Petty cash vouchers.

Internal Controls

10.6 The following key internal controls will be maintained; where the control is performed by the same member of staff as the transaction being controlled, the control will be reviewed and countersigned by another, suitably qualified, member of staff.

- Monthly bank reconciliations of all bank accounts;
- Monthly reconciliation of rent charged;
- Monthly reconciliation of rent payments received;
- Monthly reconciliation of rent ledger control account;
- Monthly reconciliation of purchase ledger control account;
- Monthly reconciliation of payroll control account; and
- Annual reconciliation of private funding and grant received and receivable to the cost of fixed assets acquired

Financial Reporting

Management Accounts

10.7 The Association's key financial reporting mechanism is monthly and quarterly management accounts.

10.8 Management accounts:

- Are prepared by the Corporate Services Manager at the end of each calendar month;
- Include income and expenditure account and cashflow reports for the current month, and the Financial Year to date;
- Include a balance sheet as at the end of the current month;
- Include projected income and expenditure account, cashflow report and balance sheet for the whole of the Financial Year, updated mid year;
- Include a narrative summary and explanation of any significant items or variances from the approved budget;
- Are presented to the Board each quarter.

10.9 Changes in the format and content of management accounts may be agreed by the Board, CEO and Corporate Services Manager from time to time. The content must not be reduced below that listed above.

Annual Accounts

10.10 Annual accounts (and consolidated Accounts, when necessary) are prepared by the Corporate Services Manager, in conjunction with the Association's External Auditors. Their format and content will comply with:

- Statutory requirements;
- Regulatory requirements, as set out by SHR Guidance Notes;
- The Association's accounting policies, as set by the Board;

- Current Statements of Recommended Accounting Practice for Registered Social Landlords; and
- Generally accepted accounting principles and best practice.

10.11 Annual accounts will be submitted to members of the Association, legal and regulatory authorities, bankers, lenders and any other person or institution entitled to receive them within the due period after the end of the Financial Year.

Accounting Returns

10.11 The Corporate Services Manager is responsible for consolidating and sending financial returns and other periodic financial reports to the SHR and other agencies as required.

Accounting Records

10.12 The Corporate Services Manager is also responsible for the retention of financial documents. These should be kept in a form acceptable to the relevant authorities. The Association is required by law to retain prime documents. These records are listed in the Document Retention Policy (G/23)

11. External audit

Introduction

11.1. External audit is defined as

‘the independent examination of and expression of opinion on the accounts of the Association’.

Responsibility

11.2. The Association’s rules set out that the appointment of External Auditors is the responsibility of the members of the Association and must be achieved by resolution at the AGM each year.

Process

11.3. The Corporate Services Manager is responsible for liaison with the External Auditors, such that:

- The required timetable for preparation of the annual accounts is achieved;
- A management letter is issued by the External Auditors to the Board; and
- Any additional certification by the auditors of loan covenants.

Powers of External Auditors

11.4. In addition to the powers vested in them by statute and regulation, the External Auditors may, if they consider it necessary, require the Chair of the Association to convene a meeting of the Board for the specific purpose of hearing of any concerns the External Auditors may have, and may ask that staff be excluded from attending a Board meeting to allow confidential discussion between Board and External Auditors.

Responsibilities of the Audit Committee

11.5. The responsibilities of the Audit Committee are set out in Part 5 of the Financial Regulations and should be read in conjunction with this section.

12. Internal Audit

Introduction

12.1. Internal Audit is defined as

‘an independent appraisal function established by ... an organisation for the review of the internal control system. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources’

(Source: Auditing Practices Board, Guidance for Internal Auditors)

12.2. The Association will maintain an internal audit function in accordance with:

- Best practice;
- The Scottish Housing Regulator requirements;
- Obtaining value for money.

12.3. Internal audit is one means by which the Board satisfies itself that the internal control system of the Association is adequate, and that the Association is operating economically, effectively and efficiently. It does not remove the responsibility for the satisfactory operation of internal controls from the Board.

The Scottish Housing Regulator requirements:

12.4. The Scottish Housing Regulator requires the Association to establish an internal audit function which is:

- Independent of the management of the Association;
- Properly qualified and experienced;
- Involved in setting the priorities for internal audit examination; and
- Responsible directly to the Board or Audit Committee of the Association

12.5. The Association will comply with these requirements by appointing a suitably qualified and experienced firm of Chartered Accountants or other relevant practitioners to act as internal auditors.

Internal Audit Process

12.6. The year for internal audit purposes need not coincide with the financial year. The internal audit process of the Association follows an annual cycle as follows:

- Preparation by the Internal Auditors of an Audit Needs Assessment, identifying the systems to be reviewed during the year;
- Discussion, amendment and agreement of the Audit Needs Assessment with the Audit Committee;
- Completion of internal audit work, and submission of reports on each system reviewed to the Audit Committee. These reports will explain the scope of the work, identify any weaknesses in the system and recommend how they can be remedied. Management will be asked to comment on the Internal Auditor's recommendations to allow the Audit Committee to have as full an understanding of the report as possible;
- Submission by the Internal Auditors of an annual report, noting the work done and giving an assessment of the adequacy and effectiveness of the key internal control systems. This report will be presented to the Audit Committee and Board before signature of the Internal Financial Control Statement in the audited annual accounts.

12.7. The scope and amount of work to be undertaken by the internal auditors in any Financial Year will be decided by the Audit Committee, having regard to:

- The recommendations of the internal auditors and Corporate Services Manager;
- The findings of previous internal audit work;
- The External Auditors' management letter; and
- The financial and staff resources available.

12.8. The timing of internal audit work will be agreed between the Audit Committee, the internal auditors and the Corporate Services Manager.

Powers of Internal Auditors

12.9. In addition to the powers vested in them by statute and regulation, the internal auditors may, if they consider it necessary, require the Chair of the Association to convene a meeting of the Board for the specific purpose of hearing of any concerns the internal auditors may have. They may ask that staff be excluded from attending a Board meeting to allow confidential discussion between Board and internal auditors.

Responsibilities of the Audit Committee

12.10. The responsibilities of the Audit Committee are set out in Part 5 of the Financial Regulations and should be read in conjunction with this section.

13. Treasury Management

13.1. The Treasury Management Policy provides full details of reporting requirements etc (CS/02)

Banking

13.2. The Association's banking arrangements are the responsibility of the Corporate Services Manager; bank accounts may only be opened or closed with the authority of the Board. All bank accounts must be in the name of the Association, or its subsidiary.

13.3. Only the CEO and Senior Managers may sign cheques and other banking instruments and have PIN numbers for Bankline authentication devices. All cheque signatories must have sight of and examine the supporting documentation before authorising any payment.

13.4. Direct Debit mandates, Standing Orders, BACS and CHAPS payments must be signed by two signatories regardless of amount, one of whom will normally be the Corporate Services Manager or the CEO. Cheques under £1,000 may be signed by one signatory. The Corporate Services Manager is responsible for ensuring the Association's bank is given clear instructions on these authorities.

13.5. All cheques will be held securely until issued. Access to our online bank accounts will be restricted to the Senior Management Team and members of the Corporate Services Team; use of the Bankline authentication devices will be restricted to the Senior Managers, and PIN numbers will be treated as confidential, as required by bank rules.

13.6. All credit and charge cards are to be authorised by the Corporate Services Manager, for use by staff permitted to incur the expenditure on behalf of the Association (see section 9, Authorisation of Expenditure). The Corporate Services Manager will set credit limits and restrictions on use, as deemed necessary.

Borrowing

13.7. The Association's powers to borrow are set out in its rules. In addition to the requirements set out in the rules, all borrowing must be in the name of the Association and be properly recorded and accounted for by the Corporate Services Manager as per the agreed Treasury Management Procedure.

13.8. Only the Board may authorise borrowing by the Association.

Investments

13.9. It is the policy of the Association that surplus funds (that is, cash not needed to meet immediate short term needs) is invested to maximise interest income. The Corporate Services Manager is responsible for identifying surplus funds and for recommending suitable investments to the CEO, in compliance with the rules and the Treasury Management Policy of the Association.

14. Control of cash and valuables

Cash Floats

14.1. The Association maintains cash floats to meet petty cash expenditure and to control the banking of any payments received in cash.

Petty Cash

14.2. The petty cash float will be maintained on an imprest basis by the Finance Officers. The level of the imprest will be set by the Corporate Services Manager. Cash will be counted and reconciled to the vouchers for expenditure at least monthly. The Corporate Services Manager will countersign the reconciliation before a cheque to restore the fund is issued. Cheques may be cashed only by the staff authorised by the Corporate Services Manager to do so. The Corporate Services Manager will ensure that the Association's bank is clearly instructed in this regard.

14.3. Petty cash expenditure by staff will only be reimbursed on presentation of a receipt or other satisfactory voucher to the maximum limit allowed from time to time by the Corporate Services Manager (currently £50). Larger amounts will be reimbursed through an expense claim form and paid with staff salaries or repaid by BACs.

14.4. The petty cash will be held in a locked safe under the control of the Finance Officers.

Other Items

14.5. The following will also be held in the safe:

- Share certificates;
- Any title deeds not held by solicitors or funders;
- Any other item as instructed by the CEO or Corporate Services Manager

15. Procurement

15.1. The Senior Management Team will prepare the annual Procurement Strategy Plan which itemises the proposed works to be carried out in the next financial year, analysed between departments and contract headings

15.2. Approval of the Budget for the financial year by the Board will constitute authority for the Senior Managers to proceed with the work set out in accordance with the requirements of this section, of section 9 - Authorisation of Expenditure and with appropriate procedural guidance.

15.3. Ordering of work will be in line with the Procurement Policy.

15.4. In exceptional circumstances, appropriate senior staff may order the necessary work without utilising the Public Contracts Scotland route only where emergency action is required to protect the Association's housing stock, to avoid a risk to life or in order to secure time limited grant funding bids. Any instances will be reported immediately to the CEO and to the Chair, and tabled at the next Board meeting.

Tendering Process

15.5. The tendering process is governed by the Procurement Strategy (TS/15) and Policy following EU and Scottish procurement legislation and including compliance with mandatory requirements.

15.6. Throughout the tendering process the Association will follow Public Contract Scotland methodology and will seek, where possible a minimum number of tenders:

Estimated Value	No of tenders requested
Up to £25,000	2
Between £25,000 and £50,000	3
Between £50,000 and £250,000	4
Between £250,000 and £500,000	5
Over £500,000	6

Tender openings will be witnessed by a minimum of two members of the Senior Management Team, who will record and evidence the tender opening appropriately.

Approval of Contractors, Consultants and Suppliers

15.7 The Association will maintain a Framework of Contractors, Consultants and Suppliers in accordance with policy TS/10.

15.8 Contractors may be invited to apply for inclusion in the framework following:

- Invitation by the Association;
- Advertisement by the Association;
- Direct application to the Association

15.9 The Senior Management Team will report to the Board or Audit Committee as appropriate on all tenders received and make a recommendation for Acceptance. The Senior Management Team is responsible for maintaining an electronic register of all contracts with all relevant details.

Contract Variations

15.10 The Senior Management Team may authorise contract variations where they or the consultant employed by the Association judges that the variation is necessary, up to the cumulative value of 10% of the agreed contract value, to a maximum of £20,000. Variations above this limit must be reported to the CEO and Board for authorisation of the increased expenditure, highlighting any likely implications on the Budget for the Financial Year. Revisions to the Budget will be document at the midyear Budget Review.

Procurement Strategy – Annual Report

15.11 The Senior Management Team will prepare an annual report for the Board on current progress of the contract and on the final outturn of all contracts reaching practical completion. This report will highlight the procurement method utilised, the value of contract sum and all variations.

16. Annual maintenance and improvement programme

16.1 In accordance with the Property Management Strategy TS/23 the Technical Services Manager will prepare an annual maintenance and improvement programme itemising the works to be carried out in the next Financial Year analysed between reactive maintenance, planned maintenance, medical adaptations and landscape maintenance and will cover the Association's social, mid market and factored stock.

Specific contracts will be procured to ensure service standards listed in the Maintenance Service and Satisfaction Strategy TS/02 are met, in particular :

Reactive Maintenance contract with recognised and approved "all trades" contractors covering repairs to maintain the properties in wind, watertight and habitable, condition and will include:

- All trades 24 hours per day, 365 days per year emergency coverage;
- Classification of repairs between routine and emergency
- Void property repairs;
- Facility to order common stair / estate repairs;
- Facility to order planned repairs.

16.2 The Technical Services Manager will provide regular reports to the Board on contractor performance, (where relevant these will be included in the Board Financial Reports).

16.3 In line with the Procurement Strategy and to meet EU and Scottish procurement legislation contract durations will be set to allow periodic review and to deliver and assess continuance of best value in the market place.

17. New Build housing development

Site Investigation

17.1 When a site is identified as having development potential, a detailed site investigation will be carried out, including an assessment of the risks involved in developing the site. A report on the site investigation will be prepared for the Board with recommendations on whether the development should proceed. No site will be developed without Board approval.

Development Agents

17.2 The Association will engage suitably experienced Development Agents and Design Team Consultants to assist in pursuing development opportunities and carry out development administration work, following a similar process to the Framework of Contractors, Consultants and Suppliers.

Should the Association directly employ its own specialist development staff, the responsibilities ascribed here to the Development Agent would be taken over by those staff.

Scheme Agreement

17.3 The Development Agent will be responsible for preparing a project proposal for submission to the relevant Council. As part of this process, the Corporate Services Manager will prepare a financial appraisal including a cash flow analysis and an estimate of rental income and private finance required. This can also be completed by the Agent, but reviewed by the Corporate Services Manager. The Development Agent will carry out any necessary negotiations with the relevant Council on the project proposal and will liaise with the Corporate Services Manager to agree the HAG target. The Board must approve the project proposal.

Acquisition

17.4 The acquisition of any land or property is subject to Board approval. Once this approval is received, the Development Agent will prepare the HAG Acquisition claim, in liaison with the appropriate senior manager, and submit this to the relevant Council two weeks in advance of the proposed settlement date. The appropriate senior manager will be responsible for ensuring that the necessary monies are available at settlement.

Private Finance

17.5 The Corporate Services Manager will be responsible for ensuring that the necessary private finance is in place for any development project. Where appropriate, lenders will be invited to tender and the tender procedures set out in Section 15 (Annual Maintenance Programme) will be followed. A report will be prepared for the Board on the outcome of the tendering process recommending the proposal that represents best value for money. This assessment will take account of factors such as arrangement fees, loan margin and other costs. (Treasury Management Policy details the steps required CS/02)

Tendering Procedure

17.6 Tenders for development projects will be invited in line with the Procurement Strategy TS/10. The tender procedures will be followed and a report produced for the Board recommending the appointment of consultants and/or contractors.

Progress Monitoring Reports

17.7 Once the development project is on site, the Development Agents will provide monthly progress reports for the CEO and Senior Management team who will report periodically to the Board. The Corporate Services Manager will ensure that details of the financial position are included in the quarterly management accounts.

Invoices and Payment Certificates

17.8 All invoices and payment certificates relevant to the development project will be properly checked by the Development Agent and authorised for payment by the Technical Services Manager. The Corporate Services Manager will arrange payment in line with the Association's payment procedures set out in Section 13 (Banking, Investments and Borrowing)

HAG Claims

17.9 The Development Agent will submit claims for HAG in line with the scheme and programme agreements. The Development Agent will prepare all HAG claims; however these must be signed and submitted by an authorised signatory of the Association.

18. Fixed Assets

Fixed Asset Register

18.1 The Corporate Services Manager will maintain a fixed asset register, which will include details of the asset, supplier and date of purchase cost, and depreciation

18.2 The fixed asset register will be reconciled to the nominal ledger quarterly.

Custody of Assets

18.3 The Association's assets will only be used for the normal business of the Association, and will only be removed from the Association's office premises for that purpose. All members of staff are responsible for the safekeeping of fixed assets under their control.

Capitalisation and Depreciation

18.4 In accordance with the Association's accounting policies, all fixed assets (other than housing stock) as determined by the Corporate Services Manager will be capitalised and depreciated over their useful lives. Other assets (that cost less than £100) will not be capitalised but will be written off to the Income and Expenditure account in the year of acquisition.

19. Income

Collection of Income

19.1 Staff must notify the Corporate Services Manager of income due to the Association from any source and record and collect it as directed.

Banking of Income

19.2 All income received by the Association will be recorded and banked without delay. Receipts will be in the form specified by the Corporate Services Manager.

Write off of Irrecoverable Income

19.3 The Corporate Services Manager has the authority to write off individual amounts of irrecoverable income of less than £100, where it is believed that further pursuit would not represent value for money for the Association. All debts written off will be reported to the next meeting of the Board are due to consider this issue.

19.4 The Technical Services Manager will, at least annually and more frequently if necessary, report to the Board on irrecoverable factored debts over £100, and where appropriate seek authority to write them off. The Housing Manager will report to Board on the write-off of any tenancy related debts.

20. Staff salaries, pensions and expenses

Introduction

20.1 All staff of the Association have a contract of employment and documented conditions of service, which the Financial Regulations seek to implement.

Payroll

20.2 The Association's payroll is the responsibility of the Corporate Services Manager, who must ensure that all legal obligations for record keeping, deductions and payments are complied with and necessary annual returns made. All payroll and related documents and records will be prepared and maintained appropriately.

Salaries

20.3 All staff will be paid in accordance with the current agreed salary scales. Annual reviews of the scale are by agreement between Employers in Voluntary Housing and union representatives. Award of salary increments will be on the basis set out in staff conditions of service.

20.4 All staff salaries are paid monthly in arrears by direct bank transfer on the 28th day of each month, or preceding banking day when the 28th is not a banking day. Staff will receive a payslip in advance of payment being made.

Staff Changes

20.5 New staff appointments and salary levels are decided as follows:

Post	Responsibility for appointment and salary level
CEO	Board
Senior Managers	Board and CEO
Other Staff	CEO and Senior Managers

20.6 These authorities do not allow an increase in staff costs beyond the current approved budget or an increase in the staff establishment. Such changes require the approval of the Board before implementation.

20.7 Salary levels for new staff will be set at the appropriate point in the Association's scales dependent on the skills, experience and previous salary of the appointed applicant.

20.8 The CEO is responsible for obtaining satisfactory written references on all new members of staff covering the last two years before joining the Association and not confirming any offer of employment until such references have been received.

20.9 The Association's conditions of service stipulate the period of notice required from both staff and Association to terminate employment. The CEO is responsible for advising the Corporate Services Manager in writing as soon as notice is given to or received from any member of staff. This advice must include the effective date of the notice, and details of any accrued holiday or other pay due to the employee. The Corporate Services Manager must ensure that the appropriate payments are made on the final day of employment.

20.10 The CEO is responsible for advising the Corporate Services Manager in writing as soon as possible of all changes to the salary of existing staff. Staff are individually responsible for advising the Corporate Services Manager of any changes in their banking arrangements or similar which may affect the calculation or payment of their salary.

Pensions

20.11 The Association offers membership of the relevant SHA Pension Schemes to all staff. The Corporate Services Manager is responsible for administering the Association's involvement in the scheme, including

- Ensuring compliance with set dates for payment of contributions;
- Advising the Pensions Trust of staff and salary changes.

20.12 The Association, the CEO and the Corporate Services Manager will not offer advice to staff on their personal financial affairs.

Staff Expenses

20.13 Staff are entitled to claim reimbursement of expenses wholly, necessarily and exclusively incurred in the course of business, as set out in their Conditions of Employment. This includes:

- Mileage in private cars, where an Association car is not available;
- Public transport fares;
- Subsistence when out of the office on business.

20.14 All expenses must be claimed in the form and with the evidence specified by the Corporate Services Manager, and approved in line with section 9- Authorisation of Expenditure. Expenses claimed more than six months after being incurred may only be paid with the approval of the CEO.

20.15 Mileage and subsistence rates are subject to annual review in line with any changes to EVH Conditions of Employment.

20.16 Staff expenses will be paid with salaries unless the Corporate Services Manager directs otherwise.

Gifts and Entertainment

20.17 All staff must follow the rules set out in the Conditions of Employment relating to gifts, hospitality and entertainment offered by any individual or company, which relate or could be seen to relate to their role in the Association. Any gifts, hospitality or entertainment, which are accepted, must be reported to the CEO and Corporate Services Manager as soon as possible. The CEO is responsible for maintaining a record of such gifts, hospitality and entertainment. This record will be available for inspection by members of the Association at the AGM.

20.18 Staff at all levels will observe the Association's Code of Conduct for staff

The Board

20.19 The Law does not allow Board members to receive any payment from the Association for their services as Board members.

20.20 They are entitled to claim expenses incurred through performance of their duties as Board members, which include:

- Necessary mileage in private cars;
- Public transport fares;
- Childminding or other legitimate care costs;
- Costs of accommodation when away from home on the Association's business;
- Other relevant expenses

20.21 All expenses must be claimed in the form and with the evidence specified by the Corporate Services Manager and approved in line with section 9 -Authorisation of Expenditure. Mileage and subsistence expenses will be reimbursed at the same rate as currently paid to staff. Expenses claimed more than six months after being incurred may only be paid with the express approval of the CEO and Chair

Gifts and Entertainment

20.22 Board members must refuse all material gifts, hospitality and entertainment offered by an individual or company that relate or could be seen to relate to their role in the Association. Any gifts, hospitality or entertainment, which are accepted must be reported by the Board member to the Chair and to the CEO as soon as possible. The CEO is responsible for maintaining a record of such gifts, hospitality and entertainment. This record will be available for inspection by members of the Association at the AGM.

20.23 Board members will observe the Association's Board Members Code of Conduct.

21 Risk Management

Introduction

Risk has been defined as the threat of an event or action adversely affecting an organisation's ability to meet its business objectives. The Association views risk management techniques as central to all our key activities.

20.1 The Board is responsible for its risk management strategy, in line with the requirements of the regulatory body, in order to identify the risks facing the Association and types of protection required to cover these risks. The strategy should cover important potential liabilities and be sufficient to meet any potential risk to all assets. This will be considered and approved by Board on an annual basis.

22 Insurances

Introduction

22.1 The Corporate Services Manager is responsible for ensuring that the Association has appropriate insurance cover in place at all times.

Risks

22.2 The Association has identified the following risk areas, for which insurance cover will be arranged:

- Public and Employer's Liability;
- The Association's housing properties;
- Block insurance for factored properties;
- Landlords' contents in the community buildings or furnished lettings;
- Loss of rent following damage to tenanted property;
- Contract works;
- Office contents and tenants improvements;
- Increased cost of working;
- Computer equipment;
- Additional costs incurred following loss or damage to computer equipment;
- Professional indemnity;
- Money;
- Fidelity guarantee for all staff;
- Motor;
- Legal expenses;
- Accidents to staff on the Association's business;
- CEO and Officer's liability (when not covered by Scottish Federation of Housing Association (SFHA) membership).

22.3 All staff must advise the Corporate Services Manager as soon as they are aware of any change in circumstances that may affect the Association's insurance needs or cover.

Insurance Claims

22.4 All staff must advise the Corporate Services Manager as soon as they are aware of any loss, damage, liability or event which may result in a claim by the Association or any other party on the Association's insurance cover (other than routine tenant and factored owners insurance claims).

22.5 All claims and potential claims (other than those detailed in 21.4 above), including negotiation with insurers, brokers and their appointed representatives will be handled as the Corporate Services Manager directs.

Insurance Renewal

22.6 The Corporate Services Manager is responsible for agreeing the periodic renewal of the Association's insurance policies, and for conducting a formal tendering exercise at least every five years. Advice may only be taken from suitably qualified brokers, companies or advisers. Only the Board may give acceptance of a tender for insurance services. Consideration has to be given to the European Procurement rules as explained in 15.5.

23 Group Structures

In certain circumstances it may be advantageous to the Association to establish group structures or subsidiaries to undertake services on its behalf.

23.1. The Board is responsible for approving the establishment of group structures or subsidiaries and the procedure to be followed in order to do so.

23.2. It is the responsibility of the Board to establish the shareholding arrangements and appoint CEOs of companies wholly or partly owned by the Association.

23.3. The CEOs of companies where the Association is the majority shareholder must submit an annual report to the Board.

24 Performance Standards

The Association will use SHR performance standards as its benchmark.

25 Taxation

25.1 The Corporate Services Manager is responsible for advising heads of departments on all taxation issues in the light of guidance issued by the appropriate bodies and the relevant legislation as it applies to the Association.

25.2 The Corporate Services Manager is responsible for maintaining the Association's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate. He/she is also responsible for developing an effective taxation strategy which will minimise the tax burden to the Association.

26 Formal execution of deeds

Introduction

26.1 As a result of The Requirements of Writing Act 1995, formal documents are presumed to be subscribed by the Association if they have been signed by a Board member, the Secretary or any other person authorised to sign on behalf of the Association, provided their signature is properly witnessed.

Formal Execution of Deeds

26.2 Deeds requiring to be formally executed are those which relate to:

- Land and buildings;
- Long term contracts such as leases and management agreements; and
- Arrangements involving significant amounts of money (e.g. loan agreements)

Deeds must be signed by a Board member, the Secretary or any other authorised signatory only following Board approval.

Garage and Minor Land Sales

26.3 Deeds for minor sales (<£25,000) can be signed on behalf of the Board by any member of the Senior Management Team.

The Scottish Government/City of Edinburgh Council

26.4 The Scottish Government or CEC, in its role as grant provider, can require the following formal documents to be signed:

- Grant offer acceptances;
- HAG claims;
- Shared Ownership documents; and
- Project approvals

These need to be signed by the Association's authorised signatories and any changes to the authorised signatories need to be notified to the Scottish Government and CEC.

27 Provision of Financial Services

Introduction

27.1 Any agreement to undertake work on behalf of another organisation needs to be set out in a contract and signed by both parties, prior to the work being undertaken.

27.2 At present we provide the following financial services to Hunters Hall Housing Co-Operative (per the contract):

- Monthly payroll. This includes the monthly returns to HMRC, the distribution of the payslips, the payments of all elements of their payroll and the recovery of this debt from HHHC.
- Annual Payroll. This includes the P60's and all annual communications with various agencies (including HMRC and SHAPs).
- Quarterly Management Accounts. This covers the production of the finance report for their Board, which includes the Income and Expenditure Account, the Balance Sheet and the Cash Flow.
- Annual Budget, including the production and presentation of a report to the Board
- Annual 30 year plan, including the production and presentation of a report to the Board.
- Some Regulatory Returns; as and when required by HHHC, usually includes the Loan Portfolio.
- Preparation of annual accounts for audit, negotiations and discussions with auditors.
- Sit on selection panels for auditors or other financial advisors.

27.3 At present we provide the following financial services to Manor Estates Associates Limited (MEAL) per the service level agreement with MEHA:

- Quarterly management accounts. This covers the production of the finance report for the Board, which includes the Income and Expenditure Account, the Balance Sheet and the Cash Flow.
- Annual Budget, including the production and presentation of a report to the Board.
- Preparation of annual accounts for audit, negotiations and discussions with auditors.

27.4 Sufficient Professional Indemnity Insurance needs to be in place annually.

27.5 Timesheets need to be maintained to ensure all time spent on providing these services are charged to the relevant organisation.

27.6 A formal review of the rates charged needs to take place every 5 years (as a minimum) to ensure costs are being covered. Costs are to increase on an annual basis by an agreed rate of inflation.

27.7 Any additional work over and above that stated in the contract needs to be invoiced separately, but should be agreed with the partner before the work is undertaken.

28 Amendment of Financial Regulations

Authority to amend Financial Regulations

28.1 Only the Board has authority to make changes in the Association's Financial Regulations, but any changes need to be referred to the Audit Committee in the first instance for recommendation to the Board.

Reasons for Change

28.2 Amendments to Financial Regulations may be required for the following reasons:

- Changes in statute, regulatory guidance, rules, standing orders or delegated authorities which contradict or otherwise require a change in the Financial Regulations;
- Recommendations from internal or External Auditors; or
- Operational experience of the Association.

Source of Amendment

28.3 Amendments to the Financial Regulations may be proposed by:

- A Board member;
- The CEO or Corporate Services Manager; or
- Other Senior Manager

to a meeting of the Audit Committee or the Board.

28.4 Audit Committee (and subsequently the Board) members must receive a draft of the proposed change and explanatory notes with notice of the meeting in line with Standing Orders.

28.5 Amendments to the Financial Regulations are subject to the usual Board voting procedures as set out in Standing Orders. Any amendments approved have immediate effect unless the Board resolves otherwise.