

Financial Regulations

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1. INTRODUCTION

To conduct its business effectively, ELCAP must ensure that it has sound financial governance and management systems in place, which are strictly adhered to. To meet these requirements, ELCAP has produced Financial Regulations, which set out the financial policies of the charity. The authority to create and amend these Regulations rests with the Executive Board.

ELCAP is registered as a company limited by guarantee (SC116745) at Companies House and as a Scottish charity (SC003159) at the Office of the Scottish Charity Regulator (OSCR).

The application of these regulations is guided by ELCAP's Memorandum & Articles of Association and OSCR's Accounts and Finance Guidance.

2. OBJECTIVES OF THE REGULATIONS

The main objectives of these financial regulations are:

- 2.1 To set out who is responsible for the finances of ELCAP and what delegated responsibility in place.
- 2.2 To describe the governance measures that are in place internally and externally to ensure ELCAP operates safely and transparently in relation to its finances and follows good practice at all times.
- 2.3 To describe the day to day financial management arrangements of the organisation.

3.1 KEY RESPONSIBILITIES

The following section outlines key responsibilities in relation to governance and financial management in ELCAP and identifies where there is delegated responsibility.

The Executive Board

The Executive Board has ultimate responsibility for the affairs of the Charity including its finances. The standing orders explain the role and remit of the Board.

Audit & Risk Committee

The Audit and Risk Committee is responsible for ensuring that systems of internal control and external audit are operating effectively. The Audit & Risk Committee has written terms of reference and reports to the Board.

Chief Executive

The Chief Executive has executive responsibility for managing the day to day operations of the charity, as delegated by the Executive Board. This includes ensuring that the finance regulations are followed by all staff.

The Chief Executive will ensure that external support for the finance functions in ELCAP is provided and that this support has been agreed by the Board.

Business Manager

The Business Manager is responsible for the financial systems in ELCAP, with the Chief Executive, and is responsible for the day to day financial management of ELCAP.

Finance Officers

The Finance Officers are responsible for processing ELCAP's payroll, invoicing and other financial transactions on a day to day basis.

Chartered Accountant

ELCAP purchases services from a Chartered Accountancy firm, which is responsible for producing the monthly, quarterly and year end management accounts in ELCAP.

3.2 GOVERNANCE MEASURES

The following governance measures are in place to ensure the safe and effective running of ELCAP:

- Company insurance
- External audit
- Fraud policy
- Internal audit (as required)
- Other audits
- Risk management

Company insurance

The Chief Executive is responsible for ensuring effective insurance cover is in place, as determined by the Executive Board. S/he delegates responsibility for this task to the Business Manager, who is responsible for obtaining quotes, appointing an insurer, negotiating claims and maintaining the necessary records. The Business Manager will also deal with the charity's insurers and advisers about specific insurance issues.

Managers must give prompt notification to the Chief Executive of any potential new risks, additional property and equipment which may require insurance and any alterations affecting existing risks. The Chief Executive must check to ensure that risks, property and equipment are covered by ELCAP's insurance policy.

Managers must advise the Chief Executive immediately of any event which may give rise to an insurance claim.

The Business Manager will keep a register of all insurances held by the charity and the equipment, property and risks covered.

All staff using their own vehicles on behalf of the Charity shall maintain appropriate insurance cover for business use. This is not covered under ELCAP's company insurance policy.

External audit

The Chief Executive is responsible for ensuring that a timetable for the preparation of final accounts is drawn up and advising staff and external auditors accordingly. The Chief Executive delegates this responsibility to the Business Manager.

Following the external audit and consideration by the Audit & Risk Committee, the Accounts and Management Letter should be shared with the Executive Board for approval.

Each year, the Audit & Risk Committee will review the effectiveness of the external audit. Provided the external auditor's work is of a sufficiently high standard and reasonably priced, the Committee should recommend that the Executive Board reappoint them. A review of whether a competitive tendering exercise for external audit services is required will be held at least every three years.

The appointment of external auditors will take place each year at the Annual General Meeting (AGM). It is the responsibility of the Executive Board to recommend an appointment, following advice from the Audit & Risk Committee.

The primary role of external audit is to report on the charity's financial statements and to carry out such examination of the underlying records and control systems as is necessary to reach an opinion on the statements and report on the appropriate use of funds. The duties of the external auditor will be in accordance with advice set out in the Code of Audit Practice and the Auditing Practices Board's Auditing Standards.

The External Audit service remains independent in its planning and operation and has direct access to the Executive Board, Chief Executive and Chair of the Audit & Risk Committee.

Fraud

Whenever any matter arises which involves, or is thought to involve, irregularities or fraud concerning cash, equipment or other property of the charity, ELCAP's fraud policy must be followed.

Internal audit

If required, an internal auditor may be appointed by the Executive Board on the recommendation of the Audit & Risk Committee. There is no legal or regulatory requirement for the Charity to use a third party to deliver an internal audit service.

The main responsibility of internal audit is to provide the Executive Board, the Chief Executive and the leadership team with assurances on the adequacy of the internal control systems. If a third party internal audit function is not used, assurance on the adequacy and effectiveness of internal controls within the charity shall be gained using in-house resources.

If used, an internal audit service will remain independent in its planning and operation and will have direct access to the Executive Board, Chief Executive and Chair of the Audit & Risk Committee. The internal auditor will comply with the Auditing Practices Board's auditing guideline Guidance for Internal Auditors.

Each year the Audit and Risk Committee will review the effectiveness of the internal audit, if it is sourced from a third party provider. Provided the external auditor's work is of a sufficiently high standard and reasonably priced, the Committee should recommend that the Executive Board reappoint them. A review of whether a competitive tendering exercise for internal audit services is required will be held at least every three years.

Other auditors

The charity may from time to time be subject to audit or investigation by external bodies such as HM Customs & Excise and the Inland Revenue, who have statutory rights of access.

Risk management

The Executive Board is responsible for ensuring the effective stewardship of the charity's activities and finances, as well as maintaining sound systems of internal control. The Board delegates this authority to the Chief Executive.

The Chief Executive is responsible for internal controls in ELCAP. S/he delegates responsibility to other managers to ensure that internal controls are implemented. The Executive Board oversees operations through management information provided in quarterly reports and through regular Board meetings.

The Executive Board is responsible for developing a Risk Management Strategy to identify the risks facing the charity and the actions required to mitigate these risks. The strategy is based on a risk map which is updated quarterly by the Chief Executive, or more frequently, if required. The risk map is considered and approved by the Board on a quarterly basis.

The charity has a Business Continuity Plan which is overseen by the Chief Executive. This plan should be reviewed every three years.

3.3 FINANCIAL OVERVIEW

Budgeting

The Chief Executive is responsible for ensuring a revenue budget, capital budget and cash flow projection are prepared annually for consideration by the Executive Board. Where required, s/he will be required to produce budgets which provide the Board with a medium or long-term view of ELCAP's financial prospects.

The Chief Executive must ensure that detailed budgets are prepared in order to support the resource allocation process following their approval by the Executive Board. The Chief Executive delegates responsibility for this to the Business Manager.

Over the course of year, the Chief Executive & Business Manager are responsible for working with ELCAP's external Chartered Accountant to submit management accounts - showing performance against budget - to the Executive Board for consideration and approval.

The control of income and expenditure within the agreed Revenue Budget is the responsibility of the Chief Executive.

The Chief Executive is responsible for overseeing any transfer of resources from one budget to another.

The Chief Executive will advise the Executive Board of any material transfers (over £10,000) from one budget to another.

Accounting policies

The financial statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards.

Format of the accounts

The accounts are prepared for the financial year ending 31 March, in the format required by the Statement of Recommended Practice (SORP) on Accounting for Charities.

Accounting returns

The Chief Executive is responsible for consolidating and despatching financial returns to Companies House and OSCR, as well as providing periodic financial reports to other agencies, as required.

The Chief Executive delegates this responsibility to the Business Manager.

Accounting Records

The Business Manager is responsible for the retention of accounting records and related documents. ELCAP's approach to the retention of documents is set out in the Document Retention Policy and Procedure.

Appointment of bankers

The Executive Board is responsible for the appointment of the charity's bankers.

Banking Arrangements

The Executive Board must authorise the opening and closing of the charity's bank accounts. All bank accounts shall be in the name of the charity. Any changes to bank accounts and bank signatories on the electronic banking system must require the authorisation of the Chief Executive.

The Business Manager is responsible, on behalf of the Executive Board, for liaising with the charity's bankers in relation to the charity's bank accounts and the issue of cheques. All cheques shall be ordered on the authority of the Business Manager who shall make proper arrangements for their safe custody.

The Business Manager is responsible for ensuring that all bank accounts are subject to regular reconciliation and review and that large or unusual items are investigated as appropriate. Any such investigations will be reported to the Executive Board.

Treasury management (Investments & borrowings)

The Business Manager is responsible for ensuring that reserves are secure in bank accounts. Any investment in shares or bonds, which may incur a greater level of risk in return for better interest, must be authorised by the Executive Board. Monies on deposit should be kept in a minimum of two different banks as long as deposits exceed £750,000.

The Business Manager must ensure that interest received on reserves is maximised.

A cash-flow forecast shall be prepared as part of the budget setting process. This shall be approved by the Board. The Executive Board must authorise any overdraft or other form of borrowing.

3.4 DAY TO DAY FINANCIAL RUNNING OF THE ORGANISATION

Income and invoicing

The Business Manager is responsible for ensuring that appropriate procedures are in operation to enable the charity to receive all the income to which it is entitled. All receipt forms, invoices, or other official documents in use must have the approval of the Business Manager.

All changes to hourly rates and contract values should be approved by the Chief Executive. A schedule of agreed hourly rates must be maintained by the Business Manager. Managers must use these agreed hourly rates or contract values when quoting or tendering for new work in our current area of operation.

All individual contracts for new packages of support must be approved by the Chief Executive. The Chief Executive delegates this responsibility to the Registered Manager.

Invoices must always be raised within 30 days of the end of the four-week invoicing period.

The bank account and the sales ledger control account must be reconciled each month and reviewed as part of the management accounts preparation process.

All cheques must be signed by two managers - who are included in the authorised signatory list - up to the value of £9,999. Any cheque of £10,000 or more must be signed by an Executive Board member and a manager on the authorised signatory list.

The loss of safe keys or electronic codes must be reported to the Chief Executive immediately.

Petty cash

Petty cash will be controlled through the imprest system. The Finance Officers have responsibility to ensure these records are up to date to allow the Chartered Accountant to prepare the monthly accounts.

Petty cash should be stored securely at all times. The Finance Officers and one Administrator are the only staff authorised to have access to petty cash.

The amount of petty cash held in the office should not exceed the insured amount.

Any expenses paid through petty cash to an individual ELCAP supports must be authorised by an Operational Lead.

Credit cards

Credit cards are required for the online purchase of equipment and goods, payment for disclosure checks, payment for travel, and other costs.

The Board must authorise the issue of any credit card with a limit greater than £5,000. The Chief Executive may authorise the issue of a credit card up to the value of £5,000.

The collection of debts

The Business Manager must ensure that:

- Debtors' invoices are raised promptly in respect of income due to the charity
- Invoices are raised on official ELCAP documentation
- Swift and effective action is taken to collect overdue debts
- Outstanding debts are monitored and reports are prepared for the Chief Executive and Chartered Accountant

Credit terms will usually be 30 days from the date of the invoice for local authorities.

Individuals supported by ELCAP will be asked to pay by direct debit on a four-weekly basis. If this is not possible, they will be given seven days from date of invoice to pay.

The Chief Executive is responsible for authorising any increase beyond 30 days of credit.

At day 31, the Finance Officers will issue a reminder to outstanding debtors.

At day 60, the Finance Officers will refer the outstanding debtors to the Business Manager.

The Chief Executive can authorise the write off of debts with a value up to £150. A list of these write-offs must be submitted to the Executive Board at year-end. The write off of any debt over £150 must be authorised by the Board.

Any material debts must be promptly notified to the Board. All debts should be written off once they are more than 18 months old or where they are more than six months old and less than £150.

The aged debt report shall be reviewed quarterly and signed off as part of the quarterly accounting process.

A bad debt provision will be made for all debts greater than six months old.

The Business Manager will report to the Board annually with a summary of bad debt write offs, the reasons for these write offs, and the reasons for any change in the bad debt provision.

Expenditure

Expenditure of the individuals we support

- Support Practitioners must follow the instructions in support plans on how to manage the monies of individuals ELCAP supports.
- The money plans of individuals ELCAP supports will detail who can authorise expenditure and any limits on expenditure. The money plans should also detail how decisions about expenditure should be recorded.
- ELCAP does not make loans to the individuals we support. In exceptional circumstances, a short term loan might be considered if the individual's income is reduced due to the actions of an ELCAP employee. Any such loan must be authorised by the Chief Executive.

Charity expenditure

All staff in ELCAP are responsible for ensuring that the following processes are followed in relation to the expenditure of charitable funds:

- Expenditure less than £250 – no authorisation and no evidence of value for money required, provided the cost is included in the budget approved by the Executive Board
- Expenditure of £250 to £5,000 – must be authorised by the Chief Executive, and the Business Manager must provide evidence that value for money has been obtained. This must include records of a minimum of two online, telephone or written quotations.
- Expenditure more than £5,000 - where expenditure exceeds £5,000 in relation to a specific project, purchase or service, three written quotes must be obtained.
- Where ongoing expenditure exceeds £5,000 per annum, there must be a three-yearly review process to ensure continued value for money (for example, energy supplies, telephony) with a minimum of three written quotations.
- Where it is not possible to provide evidence of value for money through quotations, the Chief Executive may authorise expenditure if less than £10,000. Expenditure of over £10,000 must be approved by the Board.
- Value for money must take account of the quality of goods / services being provided and should not necessarily mean the lowest quote. Where a higher quote is accepted, there must be evidence of a higher quality of goods / services which justifies the higher cost.
- Expenditure over £50,000 per annum must go through a competitive tendering process which involves the Chief Executive.

Payment of invoices

The Business Manager is responsible for deciding the most appropriate method of payment for different categories of invoice. Payments to UK suppliers will normally be made by credit card or BACS payment.

The Business Manager delegates the responsibility of payments to ELCAP's Finance Officers. Payments will only be made by the Finance Officers against invoices which have been certified for payment. Certification of an invoice will ensure that:

- Goods have been received, examined and approved with regard to quality and quantity, or services rendered or work done is satisfactory
- Invoice details (quantity, price, discount) are correct
- The invoice is arithmetically correct
- The invoice has not been passed previously for payment
- An appropriate cost centre is quoted which corresponds with the types of goods or service described on the invoice.

Invoices must be passed to the Finance Officers as soon as they have been certified. Care must be taken to ensure that discounts due have been obtained.

BACS payments will be signed by two bank signatories for all individual payments up to the value of £3,999, although the total BACS payment may exceed this value.

Where an individual payment by BACS exceeds £10,000, a Board member will be e-mailed for approval or a cheque will be prepared for signature.

Salaries and wages

The Business Manager is responsible for all payments of salaries and wages to staff, including payments for overtime or services rendered. All salary claims and other pay documents will be in a form prescribed or approved by the Business Manager.

The Business Manager will delegate responsibility to the Finance Officers to meet payroll deadlines and must ensure that there are sufficient funds in the bank to meet payroll payments.

The Executive Board must approve the salary of the Chief Executive. All other staff must be appointed on the salary approved by the Chief Executive and in accordance with appropriate conditions of service.

The Leadership Team must promptly inform the Finance Officers of any changes to staffing in their areas. The Finance Officers are then responsible for updating and maintaining personnel records for payroll purposes. These records include:

- Appointments, resignations, dismissals, suspensions, secondments and transfers
- Absences from work for sickness or other reasons, apart from approved annual leave
- Changes in remuneration, including increments and pay awards
- Information necessary to maintain records in relation to pension, income tax, national insurance, etc.

The Finance Officers must ensure all payments to employees are made via payroll. Where this has not happened, they must inform the Business Manager.

The Chief Executive must approve any payment to non-employees and inform the appropriate authorities of such payments. All casual and part-time employees will be included on the payroll.

All payments shall be made in accordance with the charity's payroll procedures and comply with Inland Revenue regulations.

The Business Manager is responsible for pension matters, but will delegate responsibility to Finance Officers, for:

- Paying contributions to various authorised pension schemes
- preparing the annual return to various pension schemes

The Chartered Accountant and external auditor will be responsible for ensuring any pension liabilities are correctly recorded in the financial accounts of ELCAP.

Travel, subsistence & other allowances

All claims for payment of subsistence allowances, travel and incidental expenses shall be completed in a form approved by the Business Manager ensure compliance with the P11D dispensation.

Claims by members of staff must be certified by their line manager. The certification by the line manager shall be taken to mean that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the charity.

Expenses claims should be submitted one week prior to the salary payment date. Payment dates are shared with staff.

Expenses will not be paid outwith the financial year in which they were incurred.

Payment of salaries, other payments and re-imburement of travel costs

All staff will be paid four weekly. Any change to this payment schedule must be approved by the Chief Executive.

Staff will be paid by BACS transfer to their bank or building society account. In exceptional circumstances, staff may receive an additional payment by BACS or cheque where an error has been made in their original payment.

Staff salaries, PAYE, National Insurance contributions, pension payments and other deductions will be paid by BACS transfer every four weeks. These BACS payments must be authorised by two managers who are included in the authorised signatory list.

The two bank signatories may authorise the overall staff salary run, provided that payment to any individual member of staff does not exceed £3,999. Where a BACS payment to member of staff exceeds £3,999, a Board member will be e-mailed for approval or a cheque will be prepared for signature.

Two bank signatories may authorise PAYE, National Insurance contributions, pension payments and other pay-related deductions to third parties, regardless of value.

Some private pension contributions are paid by direct debit. Any such direct debits must be authorised by a bank signatories. Any changes to direct debits are made by the pension company, while a monthly reconciliation highlights any changes promptly.

Assets

Land, buildings, & equipment

The Business Manager is responsible for maintaining the charity's register of land, buildings, leasehold improvements and equipment.

IT inventories must be checked at least annually, normally at the time of the external audit.

The Business Manager is responsible for maintaining the security of ELCAP's offices. Any concerns relating to security must be raised with the Business Manager.

Asset acquisition

The acquisition of land and buildings must only take place with the authorisation of the Executive Board.

All other acquisitions must be included in the capital budget for the year or be approved separately by the Executive Board.

Asset disposal

Disposal of equipment and goods must be authorised by the Chief Executive.

Disposal of land and buildings must only take place with the authorisation of the Executive Board.

Taxation

The calculation of payroll related taxation is the responsibility of the Business Manager.

All other taxation matters are the responsibility of the Chief Executive, who will seek advice from the Chartered Accountant on taxation issues in line with good practice and relevant legislation.

