

Whitnash Town Council

Financial Risk Assessment

Risks that need to be assessed and managed:

Area	Risk	Level	Control
Assets	Protection of physical assets	M	Buildings insured. Value increased annually by RPI.
	Security of buildings, equipment etc	H	Alarm on Community Hall. Contents insured.
	Maintenance of buildings	M	Community Hall maintained on an ad hoc basis. Planned programme of electrical and safety equipment in place
Finance	Banking Risk of consequential loss of income	M	Accounts held with a high-street bank. Insurance cover for sum of £8949 to cover loss of income.
	Loss of cash flow through theft or dishonesty	M	Receipts issued for all money coming in to office
	Financial controls and records	M	Monthly reconciliation prepared by Finance Assistant. Two signatories on cheques. BACS payments authorised by two signatures. Internal and external audit carried out annually.
	Comply with Customs and Excise	L	VAT payments and claims calculated by Finance Assistant. Internal and external audit check.
	Sound budgeting for annual	M	Completed annually with

	precept		committees
	Comply with borrowing restrictions	L	Currently no borrowing in place. Public Works Loan Board requires authorisation from Secretary of State.
Liability	Risk to third party, property or individuals	M	Insurance in place. Weekly play equipment inspections carried out by Groundsman. Written records kept and annual RoSPA inspection carried out of play areas.
Employer Liability	Comply with Employment Law	M	Internal auditor checks this and advice available from our HR Consultant.
	Comply with Inland Revenue requirements	M	Regular advice received via email from Inland Revenue, SAGE payroll updates received. Internal auditor does bi-annual checks.
	Safety of staff and visitors	M	Camera in Library office. Safety lock on Community Hall inner door. Caretaker carries out checks before each event.
Legal Liability	Ensure activities are within legal powers	H	Legal advice to be sought where necessary
	Proper timely reporting via minutes	L	All council and committee minutes are received and approved at the following meeting. Minutes to be available on website once confirmed.
	Proper document control	M	Leases and legal documents stored

			securely. Other data storage to comply with Date Protection Act. <i>Update to General Data Protection Regulation when it comes into effect in May 2018</i>
Councillor priority	Register of Interests and gift and hospitality in place.	H	All Councillors to declare interests at all meetings and amendments to Declaration of Interest Forms to be declared within 28 days.

Managing Risk:

1. Areas where there may be scope to use insurance to help manage risk:

Risk identification Insurance cover for risk is the most common approach to certain types of inherent risks.	
	The protection of physical assets owned by the council – buildings, furniture, equipment, etc. (loss or damage).
	The risk of damage to third party property or individuals as a consequence of the council providing services or amenities to the public (public liability).
	The risk of consequential loss of income or the need to provide essential services following critical damage, loss or non-performance by a third party (consequential loss).
	Loss of cash through theft or dishonesty (fidelity guarantee).
	Legal liability as a consequence of asset ownership (public liability).
Internal controls A council's internal controls may include the following:	
	An up to date register of assets and investments.
	Regular maintenance arrangements for physical assets.

	Annual review of risk and the adequacy of cover.
	Ensuring the robustness of insurance providers.
Internal audit assurance Internal audit testing may include the following:	
	Review of internal controls in place and their documentation.
	Review of management arrangements regarding insurance cover.
	Testing of specific internal controls and reporting findings to management.

2. Areas where there may be scope to work with others to help manage risk.

Risk identification The limited nature of internal resources in most local councils means that councils wishing to provide services often buy them in from specialist external bodies.	
	Security for vulnerable buildings, amenities or equipment
	Maintenance for vulnerable buildings, amenities or equipment.
	The provision of services being carried out under agency/partnership agreements with principal authorities.
	Banking arrangements, including borrowing or lending.
	Ad hoc provision of amenities/ facilities for events to local community groups.
	Trading units (leisure centres, playing fields, burial grounds, etc.).
	Professional services (planning, architects, accountancy, design, etc.).
Internal controls A council's internal controls may include the following:	
	Standing orders and financial regulations dealing with the award of contracts for services or the purchase of capital equipment.

	Regular reporting on performance by suppliers / providers / contractors
	Annual review of contracts.
	Clear statements of management responsibility for each service.
	Regular scrutiny of performance against targets.
	Adoption of and adherence to codes of practice for procurement and investment.
	Arrangements to detect and deter fraud and/or corruption.
	Regular bank reconciliation, independently reviewed.

Internal audit assurance

Internal audit testing may include the following.

	Review of internal controls in place and their documentation.
	Review of minutes to ensure legal powers are available, and the basis of the powers recorded and correctly applied.
	Review and testing of arrangements to prevent and detect fraud and corruption.
	Review of adequacy of insurance cover provided by suppliers
	Testing of specific internal controls and reporting findings to management.

3 Areas where there may be a need to self-manage risk

Risk identification

There are a number of activities that create business risks but do not fall easily into either of the above categories for a number of reasons, principally because they are either difficult to quantify or considered inefficient to have provided externally or just uninsurable.

	Keeping proper financial records in accordance with statutory requirements.
	Ensuring all business activities are within legal powers applicable to local councils.

	Complying with restrictions on borrowing.
	Ensuring that all requirements are met under employment law and regulations.
	Ensuring all requirements are met under HM Revenue and Customs Notices and regulations (Income Tax, National Insurance and VAT).
	Ensuring the adequacy of the annual precept within sound budgeting arrangements.
	Monitoring of performance against agreed standards under partnership agreements.

Internal controls

	Ensuring the proper use of funds granted to local community bodies under specific powers or under section 137.
	Proper, timely and accurate reporting of council business in the minutes.
	Responding to electors wishing to exercise their rights of inspection. Meeting the laid down timetables when responding to consultation invitation.
	Meeting the requirements for Quality parish status or other accreditation.
	Proper document control.
	Register of Members' Interests and Gifts and Hospitality in place, complete, accurate and up to date.

A council's internal controls may include the following:

	Regular scrutiny of financial records and proper arrangements for the approval of expenditure.
	Recording in the minutes the precise powers under which expenditure is being approved.
	Regular returns to HM Revenue and Customs; contracts of employment for all staff, annually reviewed by the Council, systems of updating records for any changes in relevant legislation.
	Regular returns of VAT; training the responsible officer in matters of VAT and other taxation issues as necessary.

	Regular budget monitoring statements.
	Developing systems of performance measurement.
	Procedures for dealing with and monitoring grants or loans made or received.
	Minutes properly numbered and paginated with a master copy kept in safekeeping.
Internal controls	
	Documented procedures to deal with enquiries from the public.
	Documented procedures to deal with responses to consultation requests.
	Documented procedures for document receipt, circulation, response, handling and filing.
	Procedures in place for recording and monitoring Members' interests and Gifts and Hospitality received. Adoption of codes of conduct for members and employees
Internal Audit Assurance Internal audit testing may include the following.	
	Review of internal controls in place and their documentation.
	Review of minutes to ensure legal powers in place, recorded and correctly applied.
	Testing of income and expenditure from minutes to cashbook, from bank statements to cashbook, from minutes to statements etc. including petty cash transactions.
	Review and testing of arrangements to prevent and detect fraud and corruption.
	Testing of disclosures.
	Testing of specific internal controls and reporting findings to management.
Internet Payments The following procedures must apply to any purchases made via the internet:	

	The Council has approved that in the circumstances relating to the particular purchase (usually anti-virus software updates or similar) the Clerk is authorised in a specific Minute to use their personal credit card for the transaction and for a single specific cheque to be drawn on the Council's account in recompense. The payment by the Council complies with s150 (5) as two members will sign the refund cheque.
	This payment method should not be used other than for specific internet purchases that cannot be undertaken in any other way.
	The payment by Clerk's credit card should be agreed in only a few circumstances and must be by Council / Committee Resolution. Must be restricted to places where web purchase etc. is the only way of buying the service. The Council must reimburse immediately.
	VAT reclaim is as important as the process.
	The usual way of verifying a claim for VAT is to have sight of the VAT Invoice addressed to the Council for the supply.
	In the circumstances outlined it is usual for the VAT Invoice from the supplier to be addressed to the individual card holder (as a proper anti-fraud measure at their end of the transaction).
	If the supplier is unable to provide a full VAT Invoice addressed to the Council, HM Revenue and Customs have indicated that alternative evidence will be considered - the alternative evidence will comprise the VAT Invoice addressed to the individual (The Clerk) and there will be supporting evidence in the form of the Minute authorising the purchase by way of credit card on behalf of the Council.
	A written order form duly endorsed is additional evidence of proper process.
	The key is that there is a VAT Invoice addressed to an authorised individual where there is supporting evidence that the individual is acting on behalf of the Council.
	If questioned by a representative of HM Revenue & Customs, the reference for this advice on VAT evidence is: 2005/ Public Authorities Team/London No: 2886a.