



# **RISK MANAGEMENT ASSESSMENT**

(Revised February 2018)

## **for the financial year 2023/2024**

**(to be included with the 2021/2022 Audit)**

### **INTRODUCTION**

Because this council;

- is a 'small' council within the current definitions, with an annual budget / precept rarely exceeding £15,000
- has on average of less than 10 transactions each month
- only has a current bank account and one savings account, and does not operate a Petty Cash system
- has an asset base currently valued at about £10,000 and has no plans to increase this base
- has only one (rent free) lease in operation
- employs only one member of staff, namely the clerk, who signs a P46 only

..... it is not considered necessary to produce anything more than a brief assessment of how the few risks pertaining to its activities are managed currently.

Such risks, as they may be seen to exist, arguably fall into only 3 categories, namely;

- the possibility of deliberate fraud or accidental financial mismanagement
- the possibility of deviating from the budget to an extent where either overspending may cause the council to run out of liquid funds, or where under-spending may be seen as having caused an inappropriate demand on public money throughout the precept period
- the possibility of a claim being made against the council by a member of the public, or by another organisation, due to a deliberate or accidental action having been taken by the council

Accordingly, each of these three categories will be addressed briefly as follows.

### **FRAUD & FINANCIAL MISMANAGEMENT**

In early 2000, at the suggestion of District Audit and for the first time, the council wrote and adopted Financial Regulations along the lines of a model provided by NALC, and in accordance with 'A Practitioner's Guide'.

These Regulations were designed to formalise, in one document, the practices that had been in force for some time, and covered the following key areas;

- responsibility and accountability for the preparation and maintenance of all financial documents
- preparation and monitoring of budgets and precepts
- preparation and bringing the accounts to annual audit
- the regular reporting to the council of the bank balances, and any significant variation from the planned budget
- banking procedures, to include the introduction of online/single signatory banking in 2013
- payments, including (for the first time) the delegated authority to make payments for budgeted expenditure
- maintaining insurance cover
- security of assets and all finance related documents
- the regular updating of the Financial Regulations as required by both circumstance and legislation, and the provision of additional information at the time of the annual audit as required by the Transparency Code

It was felt that, although the conditions for fraud can never be eliminated completely, these regulations would reduce the likelihood that any fraud being committed would not be detected at an early stage, and would reduce the council's exposure to any such fraud to the minimum possible losses.



The Financial Regulations (together with Standing Orders) are submitted each year to the Internal Auditor for comment before adoption by the council, and have been found to be sound in terms of their content commensurate with legislation at the time. Although there are probably more areas that could be covered by specific additions to these regulations, the council feels that, because it is such a small authority with a small precept, it is adequately protected by the regulations as they stand.

The Financial Regulations have again been reviewed and updated (most recently in February 2018), and a copy of the current Financial Regulations is included in the Audit File. The Regulations are examined from time to time as new legislation is introduced, and up-dated as appropriate (for example, with the introduction of online banking). Recommendations made by the Internal Auditor in a year-end Internal Audit Report are incorporated into Standing Orders and / or Financial Regulations as appropriate.

### **BUDGETS, PRECEPTS & AUDITS**

The Financial Regulations lay down the timescale and manner of presentation for the Annual Budget Review, prior to agreeing the precept. These Regulations have been reviewed by the Council in March 2018, and only minor changes were found to be necessary. A similar view was taken to reducing accidental financial mismanagement to a minimum.

Again, because this council is categorised as small, and because the balances are reported at each meeting of the council, it is felt that a periodic check of entries in the 'Receipts and Payment Book' against bank statements and invoices / receipt notes is not necessary. The reporting of balances at each council meeting is considered to be perfectly sufficient to maintain control over cash flow. Additionally, with the advent of on-line banking, it is now possible to produce a comprehensive bank statement for each meeting in support of all entries in the 'Receipts & Payments' book. Bank statements are circulated to all councillors by email prior to a meeting of the full council, and are available to councillors at each council meeting.

For the same reason as above, and given that the number of transactions rarely exceeds five in any one month, the Council does not consider there is any need for a formal Audit Plan, or a running review with the Internal Auditor, and therefore does not intend to introduce any such procedure. It is the responsibility of the Responsible Financial Officer, with oversight by the Clerk and the Chairman, to bring any significant variations from the budget to the attention of the council as soon as such variations become apparent.

A copy of the budget and resulting precept is included in the Audit File submitted to the Internal Auditor.

### **BUSINESS CONTINUITY**

All financial information and updated statutory documents held electronically by the RFO are copied to the Clerk to be held as back-up.

### **COVER FOR LIABILITY**

The council ensures that it is adequately covered by insurance to meet any claim made against it. A copy of the current insurance is included with this audit. Key areas of insurance are;

- Public & Employers Liability – indemnity limits of £5m and £10m respectively
- Fidelity Guarantee – indemnity limit of £12,000 for the Clerk and Council Members
- Assets – fully covered at replacement value (no longer incremented annually)
- Money and Personal Accident – indemnity limits of £250,000 and £20,000 respectively
- Business Interruption – cost of data re-instatement up to £500
- Office Contents – at the Clerk's house, up to £1,000 (included at no extra premium)

Whilst various optional items are available for cover at additional premiums (e.g. Libel & Slander, Loss of Revenue) the council does not consider that it needs insurance cover beyond that which it currently enjoys. Since 2003, and in accordance with Best Practice, it was decided by the council that every two or three years a competitive quote will be obtained to ensure that the council is getting the most cost effective insurance cover. In consequence, the insurer was changed from Cornhill to Zurich in 2004. The competitive quote process is now undertaken on behalf of parish councils by WALC (Wiltshire Association of Local Councils) / Community First, to whom this council belongs as a member, and as at February 2022 Zurich remains the preferred insurer.

Signed .....  ..... (Chairman)

Minuted on...  .....

# WOODBOROUGH PARISH COUNCIL - SPECIFIC RISK ASSESSMENT TABLE FOR 2023 / 2024

RISK NO.	DESCRIPTION <i>The risk is that .....</i>	IMPACT <i>The impact on the authority would be .....</i>	LIKELIHOOD SCORE (1 > 3)	IMPACT SCORE (1 > 3)	RISK RATING <i>High / medium / low</i>	RESPONSE <i>What actions have been taken</i>
1a	Financial fraud - loss of money	In the most extreme case - potentially disastrous resulting in bankruptcy	1	3	Low	Strict adherence to the Financial Regulations, especially the online banking procedures. Full disclosure of balances and payments are made at each council meeting
1b	Financial Fraud - internal controls	ditto	1	3	Low	In view of the above, and the low Likelihood and Risk ratings, it is not considered necessary to have a program of internal audit.
2	Variation from Budget	Either - reduced revenue reserves (ie running out of cash), Or- loss of ringfenced reserves, Or - reserves becoming too large resulting in misuse of public money	1	2	Low	See 1a and 1b above. In addition, a maximum single transaction value of £1000 for online banking payments is placed upon all signatories.
3	Business Continuity	Loss of financial and/or governance data may cause some short term problems.	1	2	Low	All such data is held by both the RFO and the Clerk. Recovery costs are insured.
4	Liability / Insurance	Any claim made against the council could have significant financial consequences	2	3	Medium	Full insurance cover for Third Party, Public Liability, Fidelity and Personal Accident is maintained.
5	Assets / Insurance	Any loss of uninsured assets could have major financial consequences.	1	2	Medium	All assets, including street furniture, are covered by insurance (some with All Risks where deemed necessary).