



Kimberley Town Council

Financial Risk Assessment

Adopted by Finance Committee on 20th February 2020 F/20/04

Assessment Scoring System.

Likelihood (L)

- 1 = unlikely to occur within the next 10 years.
- 2 = likely to occur within the next 10 years.
- 3 = likely to occur within the next 2 years.

Severity (S)

- 1 = limited inconvenience, no impact on Reserves, no legal challenge.
- 2 = some public censure or small impact on Reserves (less than 10%), no legal challenge.
- 3 = impact on Reserves greater than 10% or legal challenge or severe public censure.

Level of Risk (L x S) 1 or 2 = **Low Risk**
3 or 4 = **Medium Risk**
5 or 6 = **High Risk**

Financial Control

1. Risk of incorrect invoicing. (Payments). Financial loss due to settlement of double or false invoices.
Control. At each Council meeting a list of invoices awaiting payment is distributed for ratification. Council resolutions and Full Council minutes. Minimal payments by cheque – stubs initialled by 2 Councillors. Debit card payments included on monthly list payment list. Invoices ? Few direct debit payments – checked against receipts. Bank transfers reconciled monthly. Risk 1 x 2 = 2 **LOW**

2. Risk of Incorrect payment. (Payments) As 1. above. Risk 1 x 1 = 1 **LOW**

- 3. Risk of late payment.** (Payments).Late payment could incur a financial penalty.
Control. Payments process allows timely payment. Risk 1 x 1 = 1 **LOW**
- 4. Incorrect salaries paid.** (Payments) Staff over or under paid.
Control. Only 2 employees. Clerk and Assistant Town Clerk/RFO. Salaries agreed at start of employment. Salaries paid to timesheet signed by Chairman. Risk 1 X 1 = 1 **LOW**
- 5. Incorrect NI and PAYE.** (Payments) HMRC over or under paid.
Control. Tax and NI calculated using HMRC software. Risk 1 X 1 = 1 **LOW**
- 6. Incorrect payment from Petty Cash.** (Payments). Financial loss.
Control. Minimal cash payments. Signed receipt for all transactions. Risk 1 x 1 = 1 **LOW**
- 7. Theft/dishonesty, including cash and cheques.** (Payments). Financial loss.
Control. Cash secured in safe. Two Members sign cheques Risk 1 X 1 = 1 **LOW**
- 8. Late or non-receipt of rents, fees and charges.** (Receipts). Financial loss.
Control. User/supplier invoiced. Late or non-payment followed up. Risk 1 x 1 = 1 **LOW**
- 9. VAT Return incorrect.** (Receipts and Payments) Loss of income. HMRC challenge.
Control. VAT re-claimed monthly. HMRC process. Risk 1 x 1 = 1 **LOW**
- 10. Late receipt of Precept.** (Receipts). Adverse cash flow.
Control. Maintain adequate Reserves. Payment made early in financial year. Risk 1 x 1 = 1 **LOW**
- 11. Loss of Cheques.** (Receipts). Financial loss. Extra work.
Control. Receipt recorded and banked properly. Sender asked to cancel. Risk 1 x 1 = 1 **LOW**
- 12. Unpaid invoices.** (Receipts). Financial loss.
Control. User/supplier invoiced. Payment followed up. Risk 1 x 2 = 2 **LOW**
- 13. Risk of inaccurate or incomplete financial records.**(Reconciliation). Potential financial loss. Internal Auditor would give “requires improvement” report.
Control. All financial records kept by Clerk and RFO. Annual internal audit. End of year Audit undertaken by independent external auditor. Risk 1 x 1 = 1 **LOW**
- 14. Risk of Bank making error, not identified.** (Reconciliation). Monthly financial report would not reconcile.
Control. Monthly bank statements checked by RFO and signed by Finance Chair. Risk 1 x 1 = 1 **LOW**
- 15. Annual return not completed correctly.** (Year end processing). Could end up with qualified accounts.
Control. Annual return checked by Finance Committee, approved at Council meeting and signed by Chairman. Sent to External Auditor within time limit. Section of annual return is produced by accounts package, remainder by RFO. Risk 2 x 2 = 4 **MED**
- 16. Annual return not submitted within time limit.** (Year end processing). Criticism by External Auditor.
Control. Monitor date by which return needs to be submitted. Risk 2 x 2 = 4 **LOW**

Financial Management

1. Inaccurate budget. (Budgeting). Wide discrepancy at year end.

Control. Budget prepared by Finance Committee annually and finalised by Full Council. Reserves are maintained in line with reserves policy, which is reviewed annually. Risk 1 x 2 = **2 LOW**

2. Precept does not deliver budget. (Budgeting). Budget does not balance at year end.

Control. Council receives and discusses quarterly information. New budget prepared and precept approved at January meeting. Risk 1 x 2 = **2 LOW**

3. Precept rules change e.g. capped. (Budgeting). Either services reduced or impact on reserves.

Control. Contribute to all relevant consultations. Lobby as necessary. Risk 1 x 2 = **2 LOW**

4. Income from facilities/activities falls below budget. (Budgeting). Impact on reserves.

Control. Monitor monthly and quarterly. Review charges once a year. Risk 2 x 2 = **4 MED**

5. Expenditure on facilities/activities run above budget. (Budgeting). Reserves depleted.

Control. Monitor monthly and quarterly. Review charges at least once a year. Risk 2 x 2 = **4 MED**

6. Financial Regulations are not aligned with current legislation or do not deliver best value.

(Improvement). Council acts illegally or does not deliver best value.

Control. Reviewed annually or as legislation changes. Risk 1 x 1 = **1 LOW**

7. Council takes on more services with no extra funding. (Community Engagement). Increased costs.

Control. Set appropriate fees or increase precept of fund from reserves. Risk 1 x 3 = **3 MED**

8. Unable to recover costs from 3rd party insurers for damaged assets. (Receipts). Financial loss.

Control. Negotiate with 3rd party insurer, using an expert advisor if required. Risk 1 x 3 = **3 LOW**

9. Lack of regular review of fees and services. (Budgeting). Financial loss.

Control. Financial Regulations require annual review of fees and services. Schedule review in to Finance Committee calendar. Risk 1 x 1 = **1 LOW**

10. Bank Insolvency. (Budgeting). Financial loss.

Control. KTC funds held at 3 different banks. Risk 1 x 2 = **2 LOW**

11. Investments. (investments). Financial loss.

Control. Take independent advice when considering investments. Risk 1 x 1 = **1 LOW**

Governance

1. The Council acts illegally/ does not comply with current regulations. (Decision making) Loss of reputation or legal challenge.

Control. KTC ensures that all activities and payments including grants given are properly resolved and minuted at the appropriate Council meeting. Risk 1 x 3 = **3 MED**

2. The Council does not comply with its Standing Orders. (Decision Making). Loss of reputation or legal challenge.

Control. All Members have copies of Standing Orders which are reviewed annually, or as changing legislation dictates. Risk 2 x 1 = **2 LOW**

3. The Council does not make decisions in the best interest of residents. (Decision making). Loss of reputation.

Control. Council meetings held in public. Agendas displayed on noticeboards and online. Officers guidance. Risk 2 x 2 = **4 MED**

4. Members act illegally or do not comply with current regulations. (Decision Making). The Council and Members concerned suffer loss of reputation.

Control. Members declarations of interest signed on appointment. REVIEW – annual declarations or after an election? Risk 1 x 1 = **1 LOW**

5. The Council does not act in a professional manner. (Decision Making). Loss of reputation or legal challenge.

Control. Standing Orders to be followed and reviewed annually or as legislation changes. KTC uses model Code of Conduct. Dispensations are requested and approved as required. Risk 2 x 2 = **4 MED**

6. Changes to legislation affect Council decision making or operations. (Decision Making). KTC not able to deliver services.

Control. Contribute to all relevant consultations. Lobby as necessary. Risk 2 x 2 = **4 MED**

7. Requirement to hold referendum, parish poll, election etc. (Decision Making). Unplanned expenditure drawn from reserves.

Control. Maintain adequate reserves. Risk 1 x 2 = **2 LOW**

Assets and Liabilities

1. Assets not adequately covered by insurance. (asset Management). Financial loss.

Control. Annual review of assets for insurance purposes including maintenance, storage provisions. Includes street furniture. Fit REVIEW in to Finance Committee calendar. Risk 2 x 2 = **4 MED**

2. Liabilities not adequately covered by insurance. (Liability Management). Financial loss.

Control. Public and Employers Liability cover and Fidelity Insurance are mandatory. Review annually. Check Fidelity insurance. Risk 2 x 2 = **4 MED**

3. The Council does not meet insurance or legal building requirements. (Asset Management).

Financial loss, legal challenge.

Control. Regular maintenance. Periodic PAT testing, electrical testing, fire exits, alarms and extinguishers etc. Risk 1 x 2 = **2 LOW**

4. Civic regalia lost, damaged or stolen. (Asset Management). Financial loss

Control. Locked in office cupboard. Covered by insurance. Chairman aware of need for security. Check adequacy of storage arrangements. Risk 1 x 3 = **3 MED**

5. Damage/injury to 3rd party due to lack of maintenance of Council assets. (Asset Management)

Financial loss, loss of reputation.

Control. Regular inspection and maintenance. Adequate insurance cover. Risk 1 x 1 = **1 LOW**

6. Damage/injury to 3rd party due to health and safety risks. (Building Management). Financial loss. injury to staff or members of the public. Loss of reputation.

Control. Regular inspection and maintenance. Adequate insurance cover. Risk 1 x 1 = **1 LOW**

7. Damage to or loss of Council assets due to poor housekeeping. (Buildings Management).

Control. Twice weekly cleaning of Parish Hall. Regular inspection. Annual inspection to identify significant repairs or renewals. Risk 1 x 1 = **1 LOW**

8. Inappropriate meeting and activity venue causing risk to Members, Staff or public. (meeting Management). Financial loss. Personal injury. Loss of reputation.

Control. Venues evaluated in advance to cope with numbers likely to attend and activity taking place. Then inspected before use. Risk 1 x 1 = **1 LOW**

People

1. Loss of Clerk. (Contingency Planning). Possible failure to meet Council's obligations.

Control. Employ locum via NALC or other source. Assistant Clerk/RFO able to stand in. Start recruitment process. Risk 3 x 2 = **6 HIGH**

2. Loss of Assistant Clerk/RFO. (Contingency Planning). Possible failure to meet Council's obligations.

Control. Employ locum via NALC. Clerk able to stand in. Recruit replacement. Risk 3 x 2 = **6 HIGH**

3. Clerk or Assistant is long term sick. (Contingency Planning). Possible failure to meet Council's obligations. Extra cost covering absence

Control. Employ locum via NALC or other source. Other able to stand in. Contingency reserve to cover cost. Risk 2 x 2 = **4 MED**

4. Actions of Staff bring Council into disrepute. (people Management). Loss of reputation, financial loss, legal challenge.

Control. Disciplinary procedure. Counselling. Use of HR advisors. Management via HR Committee. Code of Conduct. Risk 1 x 3 = **3 MED**

5. Current or ex-employee brings claim against Council. (People Management). Financial loss. Loss of reputation. Contract of employment. Annual appraisal. Code of Conduct.

Control. Use of HR advisors. Management via HR Committee. Grievance procedures. Contracts of Employment. Code of Conduct. Risk 3 x 2 = **6 HIGH**

6. Temporary staff, or contracted resources do not meet their obligations. (People Management)

Financial loss. Loss of services.

Control. Contract and work specifications. Effective supervision. Risk 1 x 2 = **2 LOW**

Systems and Processes

1. Council unable to continue its business due to major system failure. (Record Keeping). Suppliers not paid, services not delivered, debts not recovered.

Control. All files and recent records kept in Parish Hall. Staff backup information and keep other records stored on disc or stick. New system planned – include backup to Cloud? Conduct business on paper as far as possible. IT specialist available. Risk 2 x 3 = **6 HIGH**

2. Loss of paper records through fire, theft or damage. (Record Keeping). Suppliers not paid, services not delivered, debts not recovered,

Control. Papers, current and archived, locked in office. Risk 2 x 3 = **6 HIGH**

3. Loss of electronic records through fire, damage or corruption of computer. (Record Keeping) As in 1. Above.

Control. As in 1. Above

Risk 2 x 3 = **6 HIGH**

4. Loss of data held by the Council, in whatever format, that could identify individuals to a third party. (record Keeping). Loss of reputation, legal challenge.

Control. Minimal data kept for minimal time. All personal information shredded when no longer required. Registered data protection holder. See 7 below.

Risk 1 x 1 = **1 LOW**

5. Financial or resource requirements of responding to FOI requests. (People Management). Financial cost (in time) or lack of delivery of other services.

Control. Model publication scheme in place. Staff are aware that a substantial request will require additional work. A fee can be requested.

Risk 1 x 3 = **3 MED**

6. Financial or resource requirements of a DSAR request. (People Management). Some extra work.

Control. Only two employees. Minimal difficulty in providing information.

Risk 1 x 1 = **1 LOW**

7. Data protection breach. (Record Keeping). Financial loss.

Control. See 4 above.

Risk 1 x 1 = **1 LOW**

Procurement

1. Poor procurement decisions. (Procurement). Financial loss. Unmet requirements,

Control. Act in accordance with Financial Regulations. Use list known or recommended preferred suppliers.

Risk 2 x 2 = **4 MED**

2. Contractors are not insured. (Procurement). Third Party liability.

Control. Check contractor's indemnity insurance at least annually.

Risk 1 x 2 = **2 LOW**

3. Supplier/Contractor failure. (Procurement). Lack of services.

Control. Due diligence in tendering process. Use known or recommended preferred supplier/contractor.

Risk 1 x 1 = **1 LOW**

Multi-Factor Risk

Pandemic or Epidemic Disease. Lack of services. Loss of income, offset by reduction in expenditure. Sick absence of Clerk and/or Asst Clerk/RFO.

Control. Fixed income (mainly Precept) exceeds fixed costs (mainly salaries). Adequate reserves maintained. Application of official restrictions and advice to avoid infection of staff. Segregation of staff to avoid cross-contamination. Emergency assistance from Borough Council, NALC etc if both members of staff become disabled.

Risk 2 x 3 = **6 HIGH.**