

Westbourne Parish Council: Financial Risk Assessment

Background

As part of the external audit process and the Annual Governance and Accountability Return, the Council is asked to consider and approve an annual governance statement. The Council will need to confirm that it carried out an assessment of the risks facing the smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required. Answering yes to this statement will mean that the Council has “considered the financial and other risks it faces and has dealt with them properly”.

This document provides part of the evidence that that assessment of risk was carried out and has itself been drawn up in accordance with the Council's Risk Management Policy. Members are encouraged to consider the risks identified below by the Clerk/RFO but also to explore other potential risks and to suggest amendments/additions to this risk assessment before it is passed to Full Council

Risk No	Description of Risk	Likelihood	Impact	Controls in place	Action required & by whom
STRATEGIC RISKS which may threaten the achievement of the Council's objectives					
1.	That the Council has insufficient funds to deliver its policies or meet its financial commitments	Low	Medium	Careful budget setting with three-year forecasts Budget monitoring reports to every Full Council meeting and published online quarterly Bank reconciliations reported to Council monthly and checked and verified monthly councillor and recorded in the minutes	Maintain and review existing controls – Clerk/RFO and Council
2.	That the Council sets a precept that brings it within “referendum principles” and has to meet the costs of a referendum. This risk has been deferred for three years but needs to be monitored.	Low	Medium	Clerk/RFO monitors advice from WSALC and NALC	Annual monitoring of budget advice from WSALC and NALC – Clerk/RFO
3.	Unforeseen incidents or legislative change with a financial impact on the Council. (Foreseen changes will be included in the budget process)	Low	Medium	Council maintains a good insurance policy and healthy reserves.	Aim to maintain unearmarked reserves at 50% of precept. Ensure total reserves are definitely at or above 50% of precept. – Council
4.	External threats, such as the Covid-19 pandemic, economic climate, local government devolution, rate of inflation, which may result in the Council receiving reduced funding or the allocation of resource to other urgent areas of work	Low	Medium	Council maintains healthy reserves. The Council is kept up to date by the government and principal authorities of changing legislation and the developing situation.	Aim to maintain unearmarked reserves at 50% of precept,

OPERATIONAL RISKS which Parish Councillors, the Clerk, contractors and volunteers may encounter in the daily course of their work					
4.	Fraud or theft of money by staff or councillors.	Low	High	Internal controls limit the opportunity for theft and/or fraud. Two-to-sign process set up on bank accounts. Fidelity guarantee insurance for £250,000 Debit card limit and policy. Safe storage of cards and pins.	Keep internal controls under review and follow advice of internal auditor – Council
Risk No	Description of Risk	Likelihood	Impact	Controls in place	Action required & by whom
OPERATIONAL RISKS which Parish Councillors, the Clerk, contractors and volunteers may encounter in the daily course of their work					
5.	Injury to user of the Council's grounds and subsequent claim; or injury to staff, councillor, volunteer or contractor when going about the Council's business. (Risk is both financial and reputational.)	Low	High	Council has adopted a Risk Management Policy and undertakes risk assessments of all activities Regular and documented inspections (weekly in summer, fortnightly in winter) are made of playgrounds. Council maintains a good and comprehensive insurance policy with both public liability and employers' liability insurance.	Maintain and review existing controls – Clerk/RFO and Council
6.	Uninsured loss (inevitably this risk is difficult to foresee or define because if it was foreseeable insurance etc would likely be in place).	Low	Low	Council has adopted a Risk Management Policy and undertakes risk assessments of all activities Regular and documented inspections (weekly in summer, fortnightly in winter) are made of playgrounds.	Maintain and review existing controls – Clerk/RFO and Council
7.	The failure of contractors to deliver services or goods to agreed costs and specifications	Low	Low	Council uses reputable contractors Council mostly pays for services or goods in arrears or at the time of delivery (not in advance). Where services are paid for in advance this risk is reflected in the lower price charged. Council follows Financial Regulations for obtaining competitive quotes.	Take references for new contractors – Clerk/RFO Ensure that specifications exist for all contracts – Council Ensure that Council understands when services are being paid for in advance (e.g. distribution of newsletter). – Clerk/RFO

				Specifications are drawn up and approved by Council for all new contracts. The Council monitors compliance with the contract. The Council maintains healthy reserves to cover unforeseen costs.	
Risk No	Description of Risk	Likelihood	Impact	Controls in place	Action required & by whom
OPERATIONAL RISKS which Parish Councillors, the Clerk, contractors and volunteers may encounter in the daily course of their work					
8.	The failure of operational equipment (computer, printer, projector) and/or unable to source parts for older play/fitness equipment	Medium	Low	Replacement of key equipment is planned and budgeted for. The Council maintains healthy reserves to cover unforeseen costs.	Maintain forecast of equipment life and scheduled replacement – Clerk/RFO
9.	Insufficient revenue is generated to fund operations. And/or insufficient current/liquid assets to cover current liabilities	Low	Low	The Council's budget is funded almost entirely by precept which is paid annually in two instalments (April and Sept/Oct) by CDC. CDC is legally obliged to make the payment and unlikely to default. The Council maintains healthy reserves sufficient to cover a delayed or missed precept payment.	Follow CDC's timetable for setting & notifying the precept – Clerk/RFO and Council
10	Unable to recover debtors' amount	Low	Low	Fee and charges payable to the Council are a very small part of the Council's budget. There are just three debtors in any one year.	Request amounts due promptly and notify Council promptly of any non-payments – Clerk/RFO
11.	Unable fulfil financial commitments because of the absence of the Clerk/RFO or a councillor.	Low	Low	Very few financial commitments are very pressing and those that are (e.g. the quarterly payment to HMRC) are highly predictable.	Ensure more than one councillor can access on-line banking (this action was planned some time ago) – Clerk/RFO Adopt brief Business Continuity Plan that clarifies action to be taken to address this risk – Council
12	Business continuity	Low	Low	Loss of members and being inquorate – legal processes to follow through the District Council.	Existing procedures adequate.
13.	Meeting location	Low	Low	Meetings held at The Meeting Place. Secure key entry to the building and other venues available if needed.	Existing procedures adequate.

14.	Council records	Low	Low	Loss through theft, fire or damage. Paper copies kept at The Meeting Place in a locked cupboard. Electronic records are backed up securely on a cloud hosted by Microshade VSM.	Existing procedures adequate.
15.	Freedom of Information Act	Low	Low	Policy in place. Awareness that substantial additional work may be necessary for Clerk to comply with request.	Existing procedures adequate.
16	Salaries	Low	Low	Clerk sole employee and paid in accordance with national scales and calculated by a third-party provider. Annual review and paid, including HMRC contributions, by BACS monthly.	Existing procedures adequate.
17	Election costs	Low	Low	In known election years, budget in accordance with the District Council's estimated cost. Earmarked reserve kept in case of contested election.	Existing procedures adequate.
18.	Emergency planning and winter management plan	Low	Low	Largely driven by principal authorities. Winter management plan in place.	Existing procedures adequate.

ⁱ Internal Controls on Finance

All payments reported to Council monthly (except August). Bank reconciliation reported to Council monthly (except August). Two councillors required to sign cheques, direct debit mandates and other instructions to bank. Online payments require dual authorisation – the Clerk/RFO and one Councillor (usually the Chairman). Bank reconciliations (including August) checked by a Councillor independent of the payments process. Financial regulations reviewed at least annually. Two internal audit visits annually. Budget monitoring reports to Council monthly.