

Guilden Morden Internal financial controls, risk assessment and register

Table 1 Document version

Version	Date	Notes
V01	27 May 2014	First draft created by Councillors Geoff Harper and Janet Townsend-Stojic (Financial Officers) in response to action agreed at Council meeting, May 2014
V02	29 May 2014	First draft refined by Councillor Janet Townsend-Stojic as agreed at meeting of the Financial Officers 27th May 2014
V03	2 June 2014	Revised after review by Councillors Geoff Harper and Janet Townsend-Stojic (Financial Officers), 2 June 2014
V04		

Table 2 Definitions and acronyms

Acronym	Definition
FO	Financial Overseer, Member appointed by PC to the role. If not present another member may be selected to carry out the functions
Quarterly	Quarterly events align with the financial year, unless otherwise stated i.e. June, September, December and March
Signatories	Any two Members, appointed by PC to the role

1 Internal controls

The purpose of the internal controls is to ensure there is adequate oversight and control over activities with a potential financial implication for the Parish.

Day-to-day management rests with the Clerk who is also the Responsible Financial Officer (RFO), who manages the Parish Council's accounts and risks and who reports to the Parish Council and makes recommendations as appropriate.

The ultimate responsibility for the Parish Council's accounts, assets and risk assessment rests corporately with the Parish Council, who must identify if any aspect of this procedure is weak or not being delivered effectively and must take steps to rectify the situation.

Table 3 lists the internal controls which the Parish Council adopts to meet its obligations relating to financial probity, health and safety and other risk management.

The appropriate frequency of checks of the internal financial controls are risks assessments are detailed in the table below and are carried out by nominated functions or roles, namely:

1. Parish Councillors (Members)
2. Financial Overseer (FO). This is one or more Parish Councillors appointed to carry out checks on the financial controls and risks and to make recommendations to the Parish Council
3. Parish Council appointed Internal Auditor (IA), who must remain independent and must not offer any advice or make recommendations

Table 3 Summary of internal control policy and procedures

Subject	Checks	Responsible	Minimum checking frequency
<p>1. GENERAL FINANCIAL MANAGEMENT</p>	<p>Review and report on general financial management for the PC, ensure PC's conclusions are minuted and actions followed up as appropriate. The review and report to include:</p> <ol style="list-style-type: none"> 1) Check the cash book is maintained, up-to-date and arithmetically correct 3) Check all records agree with invoices and receipts 4) Check statements provided by the RFO 2) Verify balances against bank statements 5) Review the bank reconciliation for each account and check that reconciliation is carried out regularly on receipt of statements 	FO	Quarterly
	<p>Review Internal Auditor's annual report, report to PC and ensure PC's conclusions are minuted</p>	FO	Annually (First full meeting after the Annual General Meeting)
	<p>Ensure all internal financial controls are documented. Check that they are appropriate and report to the PC, with recommendations if appropriate</p>	FO / PC	Annually
<p>2. STANDING ORDERS (FINANCIAL REGULATIONS)</p>	<p>Formally adopt Standing Orders</p>	PC	Annually (First full meeting after the Annual General Meeting)
	<p>Check that Financial Regulations meet current regulations and guidelines</p>	RFO Auditor??	Annually (First full meeting after the Annual General Meeting)
<p>3. PAYMENT CONTROLS INCLUDING FINANCIAL REGULATIONS</p>	<p>Ensure that the correct number of estimates, quotes or tenders are obtained to demonstrate effective competitive purchasing procedures</p> <p>Review all contracts placed by the Council to ensure they comply with the procurement process and meet the PC's objective, report to PC and ensure PC's conclusions are minuted</p>	FO	As required to procure services
		FO	Annually

Subject	Checks	Responsible	Minimum checking frequency
	Check that proper purchasing authority exists and procedures are followed in procurement	FO	As required to approve payment or procure services
	Check that proper legal power has been identified for expenditure	FO	As required to approve payment or procure services
	Ensure that any payment is supported by a fully approved invoice consistent with the services procured. This includes re-imburement for the clerk where payment will be on receipt of an invoice which meets clerk's contract and authorisation requirements	FO	As required to approve payment or procure services
	Authorise all payments by formal resolution at a PC meeting in advance and at least two authorised signatories to sign all cheques at the meeting. In an emergency, payment will be authorised by the Clerk and or Chairman in accordance with Standing Orders and will be reported at the next PC meeting	SIGNATORIES & FO	As required to approve payment or procure services
	Only in exceptional circumstances may a member pay for services and claim for re-imburement. The emergency procedure described elsewhere in this section should be applied in preference. However should those exception circumstances arise, the member must obtain approval from the PC in advance on a written request for payment of out of pocket expenses (this may require evidence of value for money purchasing). The re-imburement will be made only where a receipt is provided.	PC	As arising
	Ensure that an officer or member having an interest in a payment is excluded from the approvals processes by leaving the part of the meeting during which the payment is considered and recommendation agreed (approval or otherwise)	PC	As arising
	Check that funds are available to meet all liabilities as they fall due	FO	As required to approve payment or procure services

Subject	Checks	Responsible	Minimum checking frequency
	Check whether VAT has been identified and reclaimed at appropriate intervals by the RFO	FO	Quarterly or as required by regulations, whichever is the most frequent
	Monitor and record Section 137 expenditure to ensure it complies with the total spending limit; limit per elector and approved purposes	FO	Quarterly or as required by regulations, whichever is the most frequent
4. BUDGETARY CONTROLS	Review the PC's budget, make recommendations and ensure conclusions are minuted	FO	Annually
	Ensure the Precept is as recorded in the budget	FO	Half yearly
	Report to PC on expenditure, variances in budget, make recommendations and ensure conclusions are minuted	FO	Half yearly
	Ensure adequate general reserves are maintained		Half yearly
5. INCOME CONTROLS	Collect income, including Precept, when it is due, record it accurately in the cash book and bank income promptly, normally within two days. Ensure that the income received is in agreement with the notification, if any (for example the District Council's notification of the Precept).	RFO	As arising (normally half yearly for the Precept)
	Check that cash security controls are adequate and effective	FO	Quarterly or in response to changed circumstances, whichever is the most frequent
6. PETTY CASH PROCEDURES	Any Councillor receiving cash on the PC's behalf must notify the RFO, promptly, normally within 1 working day, and make arrangements for the funds to be banked promptly, normally within 2 working days	Councillors	As arising
	Check that no petty cash is used.	FO	Quarterly

Subject	Checks	Responsible	Minimum checking frequency	
7. PAYROLL CONTROLS	Check that PAYE is being operated as required by HMRC for employers	FO	Annually or as required by regulations, whichever is the most frequent	
	Review the contract and performance against contract of the clerk and any other employee	PC	Annually, or as defined in the contract, whichever is the most frequent	
	Check that salaries paid agree with those approved by PC	FO	Quarterly	
	Agree, in advance additional hours and expenses which clerk or other employees may work in addition to those contracted on a case by case basis, normally only for defined large projects or to service additional PC meetings (attendance, minutes etc.).	Chairman	As arising	
	Review payroll and administration costs against those of comparable Parish Councils, make recommendations to the PC and ensure conclusions are minuted	FO	Annually	
	Ensure that any other payments to the clerk or other employees are reasonable based on the hours worked and expenses incurred.	FO	Annually	
	Maintain an up-to-date register of risks. Identify and consider all risks as they occur and record them in the Risk Register	PC	As arising	
	Review the Risk Assessment policy and the Risk Register; act on mitigation	PC	Annually, or when a change in circumstances is identified, whichever is the more frequent	
	8. RISK MANAGEMENT	Check that the financial and investment risk profile is appropriate, balanced and recorded in the investment register. Make recommendations to PC, ensure decisions are minuted and actions followed up	FO	Annually

Subject	Checks	Responsible	Minimum checking frequency
	Check the status of assets recorded in the Assets Register and report findings from checks, including any change in risks associated with those assets	FO, Groundsman, tree representatives, clerk or other nominated individuals or groups as defined on the asset register or PC minutes	Annually or as defined in the asset register, whichever is the more frequent
	Check that the Register of Members' Interests is accurate	Members	Ongoing
	Maintain an up-to-date register of all material assets owned by the Parish Council in an Assets Register	FO	Annually
	Review the Asset Register and determine appropriate insurance values, make recommendations to the PC on insurance valuation and ensure valuations are revised according to PC decisions	Vice Chairman	Annually (November)
9. ASSET CONTROLS	Ensure that asset insurance agrees with the valuations in the asset register	FO	Annually
	Review the investment register	Quarterly	Quarterly
	Review logs of deeds etc. archived	FO	Half yearly
	Check that all original minutes are numbered in accordance with the PC's documentation numbering guidelines, as signed as a true record and that that the originals are kept safely	FO	Half yearly
10. YEAR-END PROCEDURES	Check that the year-end account has been prepared in accordance with the correct accounting basis	FO / PC	Annually

Subject	Checks	Responsible	Minimum checking frequency
	Check that accounts agree with the cash book	FO / PC	Annually
	Check that there is an audit trail from the underlying financial records to the accounts	FO / PC	Annually
	Check that all debtors and creditors are recorded properly in the year end account	FO / PC Check with Gail. Is this recorded, does it need to be?	Annually
	Notify the public of its right to inspect the accounts	PC	Annually
	Display a copy of the statement of accounts following the completion of the audit	Clerk	Annually following PC approval of audit
	Review, approve (or make recommendations for changes if required) and sign year-end accounts to confirm approval	PC (Chairman to sign)	Annually (by end June)
	Consider the Statement of Assurance / Governance statement, complete in accordance with the requirements and sign	PC (Chairman to sign)	Annually
	Consider the observations by internal or external auditors, review any requests relating to the accounts and recommendations on appropriate measures, ensure these are minuted and implemented	PC	Annually
11. GENERAL	Review the Health and Safety policy to ensure it meets regulatory requirements (mandated for councils with more than 5 employees), make recommendations to PC and ensure conclusions are minuted and acted on as appropriate	PC	Annually, or in response to a health and safety issue arising, whichever is the more frequent

Subject	Checks	Responsible	Minimum checking frequency
	Ensure that an up-to-date record of accidents which occur on PC land, assets or to staff or contractors during their work for the Council on PC land, is held in an accident book	Clerk	Ongoing
	Review the accident book and make recommendations to PC for improved procedures, if appropriate, and ensure conclusions are minuted and acted on		Annually, or in response to an accident being reported, whichever is the more frequent
	Appoint such professional advisors as required to advise PC on matters which are deemed to be beyond the remit of the Clerk or other employees.	PC	Ongoing

2 Risk register

The purpose of a risk register is to record risks which would have a sufficient impact to the Parish or the Council that it is appropriate to plan for the risk to arrive and to prepare mitigation measures.

- Registering a risk does not indicate that the Council believes the risk will arise. It only indicates that the Council believes it is prudent to consider such an eventuality.

Impact is a combination of the severity if the risk occurred and the likelihood of that risk occurring.

Some adopt a matrix based approach to assessing impact¹

Guilden Morden Parish Council has chosen not to use a matrix but to assess each risk on its own merits and to prepare a proportionate action plan.

Table 4 is the register of risks identified and mitigations to reduce the impact, where practicable, of those risks

¹ See for example, Health and Safety Executive, www.hse.gov.uk/risk/faq.htm

Table 4 Risk register

Unique Risk ID	Date recorded	Description of the risk	Impact of risk if it occurred	Mitigations	Responsible	Next steps
#001	27 May 14	Services of clerk unavailable at short notice, indeterminate time (e.g. death, loss of building, withdrawal of services/ contractual dispute)	Council unable to carry out any financial transactions as cheque book; contracts etc. all reside with the Clerk Council fails to comply with legal/regulatory requirements as Councillors are heavily dependent on the clerk Significant loss of knowledge of Parish Council history and decisions, etc. resulting in significant additional or duplicated effort, mistakes being repeated	Publish council minutes on the village website Maintain an up-to date record of the following; 1) copies of council minutes 2) electronic copies of all contracts with a duration of more than 6 months 3) up-to-date log of all contracts with a duration of more than 6 months, or a value in excess of £2,500, and their renewal dates Back up that record at minimum quarterly and make it accessible to nominated Councillors (e.g. via protected Cloud based storage)	Clerk & Chairman	Ask Gail what her other parishes do?

Unique Risk ID	Date recorded	Description of the risk	Impact of risk if it occurred	Mitigations	Responsible	Next steps
#002	27 May 14	Irrecoverable loss of accounts, contracts, etc. (Loss of unbacked up hard drive. Destruction of original record e.g. fire, flood etc.)	Council can not full fill commitments Council is vulnerable to fraud as invoices/ contracts cannot be substantiated from its own records	Maintain an up-to-date separate and secure record of accounts Make copies of all deeds, leases or other legal documents and archive originals with the County Records Office or the PC's solicitor Maintain a current log of all deeds, leases, other legal documents and contracts held separately or archived Back up the record and log at minimum quarterly and make them accessible to nominated Councillors (e.g. via protected Cloud based storage)	Clerk & FO	File contracts of more than one month duration with
#003	27 May 14	Council unable to operate (e.g. dysfunctional, non-quorate meetings or insufficient councillors)	The council is not able to make decisions resulting in a degradation of services, failure to meet contractual commitments			Ask Gail what her other parishes do?

Unique Risk ID	Date recorded	Description of the risk	Impact of risk if it occurred	Mitigations	Responsible	Next steps
#004	27 May 14	Collusion between councillors and or clerk (examples, cheque book signatories and clerk collude to transfer funds; chairman authorises additional work by the clerk which is not carried out)	Council defrauded of funds	All payments need 2 signatories. All claims require a receipt. There is no petty cash. Clerk holds the chequebook. All invoices may be viewed by Councillors Other than exceptional circumstances cheques are signed only at full council meetings		Consider whether it would be appropriate to require the signatories to be changed periodically, for example 2-3 years.
#006	27 May 14	Collusion between third party contractor and councillor (e.g. invoice submitted for work not carried out)	Council is defrauded of funds	Work above a certain value is always tendered Invoices are required for all claims		Decide on the value of contracts which should be reviewed by councillors. Consider whether more than one councillor should check that the work has been carried out in accordance with the contract; and different councillors should be nominated

Unique Risk ID	Date recorded	Description of the risk	Impact of risk if it occurred	Mitigations	Responsible	Next steps
#007	27 May 14	<p>Non-operational village hall management committee results in failure to meet commitments relating to insurance and maintenance of the building. The risk is exacerbated because 1) The terms require all committee members to resign at the Annual General Meeting, so the likelihood peaks in April each year. 2) The Parish Council only has the right to retake the lease if a) the agreed rent (£1) is demanded by the council and b) that rent is not paid after 21 days. 3) Full Council meetings held only every 2 months. The Council may not be able to take action for at least one quarter.</p>	<p>Building becomes non-functioning (i.e. no access or control over keys held) resulting in loss of access of facility or inappropriate use. Claim against the Parish for injury or repairs</p>	<p>Parish Council's representative reports regularly to the Council on current status of the hall management committee. Parish Council requests a copy of hall insurances annually.</p> <p>According to the Hall Declaration of Trust, the Parish Council has the right to "do all things necessary to effect or maintain such insurance and any moneys ... shall be repayable by the lessees"</p>		<p>Define a time limit after which the Parish Council will automatically take action to take out insurance. This is suggested to be 21 days after a copy of the insurance is requested (in line with the rent demand). Parish Council to review the insurance policy in order to assure itself that cover is adequate. Request the rent payment annually. Time the rent request to that the Council can act quickly after any failure to appoint a new committee at the April AGM.</p>
#008	27 May 14	Historic exposure to asbestos in village hall	Parish Council may incur significant costs for claims.			

Unique Risk ID	Date recorded	Description of the risk	Impact of risk if it occurred	Mitigations	Responsible	Next steps
#009	27 May 14	Parish scale disaster Examples may include a plane crash or arson on a large scale	Limited impact on physical assets which are the responsibility of the Parish (see asset register)	Rely on third party's insurance and Parish Council's own insurance		
#010	27 May 14	Critical injury event involving a parish asset (e.g. hit by a tree, toxoplasmosis from the recreation ground causing a child's blindness, crash caused by pothole in Parish Car Park)	Financial claim against the Parish Council	Obtain suitable insurance		Check with Gail.
#011	27 May 14	Loss of funds via internet banking. E.g. inadequate controls on approving transactions	Only one person needed to transfer funds. Less oversight over transactions.	Avoid using internet banking until two person controls can be implemented		
#012	27 May 14	Loss of funds via internet banking e.g. Inadvertent security breach/ phishing	Inadvertent disclosure of security details	Avoid using internet banking until two person controls can be implemented		

Unique Risk ID	Date recorded	Description of the risk	Impact of risk if it occurred	Mitigations	Responsible	Next steps
#013	27 May 14	Poorly executed works and/ or payment dispute with contractors due to poor or ambiguous specification of works	Financial impact on Council due to rework/ re-contracting Impact on Council's reputation resulting in good quality, value for money suppliers no longer wishing to provide services	More formal quotes. Seek fixed price contracts Two or more councillors to review contracts of more than a defined value		