

PRUDHOE TOWN COUNCIL

FINANCIAL AND MANAGEMENT RISK ASSESSMENT

This risk assessment systematically examines the Town Council's working practices, enabling the Council to identify all potential risks inherent in its financial and management systems. Based upon a completed assessment, the Council is able to take the practical and necessary steps specified to control, reduce or eliminate the risks. The risk assessment enables the Town Council to assess the risks that it faces and satisfy itself that it has taken all reasonable steps to minimise them. The risk assessment specifies the areas to be reviewed and the nature of the risks identified; evaluates the management and control of the risks; and reviews, assesses and revises procedures. The risks rating balances the likelihood of a given risk with the severity of the consequences associated with the risk in question. This assessment was adopted by the Council at its Ordinary Meeting on 29 June 2016, minute no. 1617/027 in response to the requirements of Regulation 4 of the Audit and Accounts Regulations 2003, as amended by the 2006 Regulations.

Richard Whinney, Executive Officer / Clerk to the Council (RFO) June 2016

SUBJECT	RISK IDENTIFIED	RISK RATING: (Probability : Impact)	MEASURES TO MANAGE / CONTROL / MINIMISE RISK	REVIEW / ASSESS / REVISE
<i>List of functions duties and responsibilities</i>	<i>List of risks associated with subject</i>	<i>Ratings: LOW (1) MEDIUM (2) HIGH (3)</i>	<i>List of measures/ controlling factors deemed appropriate in the circumstances, bearing in mind the degree of risk involved</i>	<i>Report</i>
1. Business Continuity	Risk of Council not being able to continue its business due to an unexpected or tragic circumstance.	1 x 2 = 2	A continuity plan must be in place to cover loss or long term incapacity of Town Council staff, loss or theft of records, loss of assets or office facilities, full or majority replacement of the Council at an election or other such instances. Although the likelihood of such events might be deemed <i>low</i> , not having strategies in place would leave the Council in a difficult position.	Revised business continuity plan to be considered by Council in the course of the year. The maintenance of sound contingency measures reduces the severity risk rating. Elections for the whole council took place in 2013. The next elections will take place in 2017.

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2. Precept	<p>Adequacy of precept / budget setting.</p> <p>Precept requirement not sent to Northumberland County Council.</p> <p>Amount not received by the Town Council.</p>	<p>1 x 3 = 3</p> <p>1 x 3 = 3</p> <p>1 x 3 = 3</p>	<p>At the Extraordinary Budget Meeting of the full Council held in January each year, a budget update report is received. This report assesses the current financial situation and forecasts the situation at year-end. Cost estimates for the next financial year in respect of specific budget heading are presented to the Council. With this information, the Council can forecast the funds required to cover standing costs and projects for the coming year. The total agreed budget, less balances carried forward, forms the basis for the precept request from Northumberland County Council. For 2016-17 NCC again decided not to pass on the compensatory grant for the reduction in the council tax base, resulting from the localisation of council tax benefit. The precept demand is submitted by the Clerk to Northumberland County Council in accordance with the Town Council's management and monitoring procedures. The Council is informed when the funds are received in the monthly financial monitoring reports submitted by its officers.</p>	<p>For 2016-17, the Chair of the Council and the Vice-Chair, assisted by the Council's officers, drafted a budget in the manner described <i>left</i>. For 2016-17 the major <i>project</i> is the play equipment re-provision at Eastwoods Park in partnership with NCC: the Asset Reserve Fund was increased in size to support this. Provision was also made for (1) inflationary increases in <i>service contract costs</i>, especially in environmental services, and (2) an increase in the <i>insurance premium</i>, partly reflecting the increased value of the play equipment at Highfield Park. The Statement of Budget & Expenditure now groups budget items under the headings used by NCC for comparison of town and parish council budgets. Following debate, the budget for 2016-17 was approved at the Extraordinary Budget Meeting in January 2016.</p>

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3. Financial Regulations	Regulations validly adopted by Council	1 x 2 = 2	Financial regulations <i>must</i> be formally approved and adopted at the Annual General Meeting and this must be properly minuted.	Financial Regulations will be presented for formal adoption at the Ordinary Meeting on 29 June 2016. An Audit Plan is to be drawn up, detailing formal governance and compliance requirements annual or otherwise.
Financial records	Inadequate records. Financial irregularities	1 x 2 = 2 1 x 2 = 2	The Council has Financial Regulations setting out the requirements.	Review the Financial Regulations annually to assess compliance and implement improvement as required.
4. Bank and banking issues	Inadequate checks	1 x 2 = 2	The Council has Financial Regulations setting out the requirements for banking, cheques and the reconciliation of accounts. It has three bank accounts (a current account, a savings account with instant access, and a higher interest account). Cheques require two signatures: there are four councillors nominated as signatories. Any errors in processing cheques are discovered when the bank accounts are reconciled every month. These are dealt with immediately. Checks are made is to ensure that required levels of funds are held in / transferred to the current account to meet the Council's financial obligations, thereby avoiding the possibility of bank charges being levied on the Council.	Review the Financial Regulations and signatory list annually and continue to monitor the bank statements monthly.
	Fraud causing loss.	1 x 2 = 2		An Asset Reserve Fund is held in the higher interest account, to achieve an optimal rate of return on this capital sum. Monitor the performance of this account, giving consideration to (1) other savings instruments (2) increasing sums held in higher interest-bearing forms, while ensuring adequate funds for the Council's business activities.
	Bank mistakes.	1 x 1 = 1		
	Bank charges.	1 x 1 = 1		

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Bank and banking issues (cont)	Instant access to accounts	1 x 3 = 3	From 2013-14, the Council has had the ability to view its bank accounts online, and to transfer funds between accounts. This allows money to be kept for as long as possible in interest-bearing accounts. Staff have a PIN sentry machine to allow access for the above purposes.	The facility only permits funds to be transferred <i>between</i> accounts. ensuring fidelity. Finance reports to the Ordinary Meeting shows (1) the funds held in each account at a given date (2) all inter-account transfers.
5. Cash	Loss through theft, dishonesty or fraud.	1 x 1 = 1	The Council's Financial Regulations set out the requirements. Cash received is banked immediately. Following the revision in arrangements for the Council's TV Licence Support Scheme, up to £1000 in cash may be withdrawn, held, and disbursed, all subject to a security protocol agreed by councillors and approved by the internal auditor.	Existing procedures, involving security procedures vetted by mandated councillors, are considered adequate by the RFO. Regular checks are carried out to ensure fidelity. Review the Financial Regulations annually.
6. Reporting and auditing	Information and communication.	1 x 2 = 2	Monitoring statements are produced and circulated with the agenda for each Ordinary Meeting of the Town Council. These include (1) a full bank reconciliation, including the Council's current bank holdings, listing any movements between accounts and recording any uncleared cheques in the current accounts (adjusting the closing balance to account for these) (2) the statement of expenditure for the year to date, (3) a schedule of accounts to be paid received since the previous meeting, specifying those requiring endorsement by Council.	The RFO considers existing procedures to be adequate. The statement of expenditure, draws on the electronic cash book (ECB) to show (1) the outcomes of all receipts, payments and commitments, (2) unallocated cash balances, and accounts (3) for sums authorised under LGA 1972, s. 137 (the 'free resource'). The ECB also supplies data for the monthly bank reconciliations.

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Reporting and auditing (cont)	Compliance.	1 x 2 = 2	The Town Council's internal auditor's annual review of accounts is believed to comply with financial requirements.	Monitor compliance of internal audit work with requirements of Accounts & Audit Regulations, providing the assurances necessary for public bodies.
7. Direct costs	Goods supplied but not invoiced. Incorrect invoicing.	1 x 1 = 1	The Council has Financial Regulations that set out the requirements. At each Ordinary Meeting of the Council the list of invoices awaiting payment is circulated to councillors for approval.	Existing procedures are considered adequate by the RFO. Despite the recent relaxation of the rules regarding multiple cheque signatories, the existing methods are considered to desirable to permit proper scrutiny and to ensure fidelity. Review the Financial Regulations annually.
Overhead expenses	Cheque payable incorrect.	1 x 1 = 1	Cheques / electronic bank transfers are verified and signed by two of the authorised signatories, along with the invoices pertaining to each payment. The Council's assets and stocks: are checked and monitored by the RFO.	
Debts	Loss of stock.	1 x 1 = 1	Unpaid invoices to the Council for services given are pursued: wherever possible, payment is obtained in advance.	
	Unpaid invoices.	1 x 1 = 1		
8. Grants and support - payable	Power to pay. Authorisation of Council to pay.	1 x 2 = 2	All such expenditure goes through the required Council process of approval: this is recorded in the Council's minutes. All payments made using the section 137 of LGA 1972 power of expenditure are recorded as such and summarised in the monthly statement of budget and expenditure, as required by audit regulations.	The requirement to state the power when expenditure is approved <i>in principle</i> must be adhered to. Regular monitoring takes place to ensure the transactions are not <i>ultra vires</i> and that the correct powers are being used / cited.

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9. Grants - receivable	Receipts of grants	1 x 1 = 1	The Town Council does not presently receive regular grants. One-off grants come with terms and conditions that have to be satisfied.	The Council complies with the conditions set by grant-awarding bodies. Reports are made to Council to confirm receipt and correct use of grants.
10. Charges - rents payable	Payments of charges, leases, rentals	1 x 1 = 1	The Town Council puts invoices for the rental amounts into the normal payment process for approval.	Existing procedure considered adequate by RFO.
11. Charges – rents receivable	Receipt of rental Insurance implications	1 x 2 = 2 1 x 2 = 2	As landlord, the Council receives rent annually for the Kimberly Park Football Ground and for the allotments. The rents for the allotments are collected by Prudhoe Gardeners' Association (PGA) which manages the allotment sites on behalf of the Town Council. Cheques or cash are received and banked and the Town Council is notified accordingly. Prudhoe Town AFC and the PGA arrange their own insurance, but the Town Council supplies the funds for the PGA's insurance.	Existing procedures in respect of the allotments are considered adequate by the RFO. Review fees and agreements annually. Ensure that payments and copies of insurance documents are received. Following review, allotment rents are increasing in stages up to 2017-18. A new allotments management agreement has come into effect. The new agreement has strengthened accountability, while removing ambiguities and contradictions present in the previous version.

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12. 'Best value' principles and accountability	Work awarded incorrectly. Overspend on services / Contractual issues.	1 x 2 = 2 1 x 2 = 2	Financial Regulations require that at least three quotations are sought for the procurement of substantial work or supply of goods. The Regulations, reviewed annually, determine when formal competitive tenders or quotations should be sought. If a problem is encountered with a contract the Clerk would investigate the situation, check the quotation/tender, research the problem and report to the Council. Specifications for works or supply of goods are drawn up by officers in consultation with relevant Council committees / working groups. Tenders, including those for Contracts for Services, are sought on the basis of specifications and contracts awarded on a 'value for money' basis.	Contracts and orders are precisely drafted: clear itemisation allows reconciliation with invoices submitted. Monitoring of contracts for services includes monthly review of spending on each budget. The Council's services contracts continue to be let on a three-year basis, subject to annual review of performance. This policy was adopted by the Council following advice from the Northumberland Association of Local Councils and completion of the procurement process set out in Financial Regulations,
13. Salaries and associated costs, including staff pensions	Salary paid incorrectly. Wrong hours paid. Wrong rate paid. Complaints, Grievance & Disciplinary Procedures	1 x 2 = 2	Employees are appointed following a recruitment process supervised by the Personnel Committee, leading to interview by a panel of at least three councillors. The Personnel Committee's remit is approved by NALC to include recruitment, employee terms and conditions, internal disciplinary and grievance matters, compliance with equality legislation, and complaints made to the Council. The Council has (formally adopted) Complaints and Grievance & Disciplinary Procedures.	Existing appointment and payment systems are considered adequate by the RFO. Salaries are paid in accordance with contracts of employment and are in line with NJC pay scales for local council staff. Following review by the Council of staff job descriptions and responsibility gradings, staff salaries were increased, effective from 2014-15.

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Salaries and associated costs, including staff pensions (cont)	Wrong deductions of NI or Tax. Unpaid NI or Tax contributions to the Inland Revenue. Pension contributions.	1 x 2 = 2	Tax and NI contributions are worked out using information supplied by the Inland Revenue. The annual tax and NI returns are submitted online. The Clerk and Administrator keep timesheets that are available for inspection by the Town Council. In accordance with new <i>pensions</i> legislation, the Council's employees have been enrolled with NESTS, the new state pension fund provider. Provision must be made in the budget for employers' contributions to staff pensions.	The Council uses the HMRC online PAYE real time (RTI) information system allowing tax and NI to be correctly calculated. Tax and NI deductions are paid monthly to HMRC. From April 2015, staff and employers' pension contributions have been paid monthly. Provision is made in the budget for employers' pension contributions.
14. Employees	Loss of key personnel. Fraud by staff. Actions undertaken by staff. Health and safety at work Professional support and development.	1 x 2 = 2 1 x 2 = 2 1 x 2 = 2 1 x 1 = 1 1 x 1 = 1	Refer to the Continuity Plan (item 1 above) in the event that key personnel become unavailable. The Council's fidelity guarantee insurance policy (see Insurance, below) must be adhered to. Officers' actions follow consultation with / authorisation by the Chairman, followed by reporting to Council for endorsement. Review Health & Safety provision to ensure compliance with current legislation. The Clerk is a paid-up member of the Society of Local Council Clerks (SLCC). Council officers are required to be fully conversant with the requirements of their job descriptions, and capable of demonstrating the stipulated levels of competence.	Business Continuity Plan to be submitted for approval by Council. Existing procedures are considered adequate by the RFO. Existing procedures are considered adequate by the RFO. Monitor working conditions and verify adequacy of insurance provision. Maintain SLCC membership. Access training programmes to permit staff development and capacity to fulfil Council's responsibilities. Staff receive annual appraisal and performance reviews.

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15. Councillor allowances	Councillors overpaid.	1 x 1 = 1	No allowances are allocated to Town Councillors other than Chairman's allowance. This is supplied to support the civic obligations of the Chairman's office for purchase of gifts, attendance at civic functions, etc.	The Chairman has declined to receive the allowance for 2016-17: the heading will instead be used to directly defray civic expenses.
16. VAT	Reclaiming /charging	1 x 2 = 2	The Council has Financial Regulations which sets out the requirements. VAT is reclaimed every six months in accordance with the regulations.	Existing procedure considered adequate by RFO.
17. Annual return	Submit within time limits Online submission	1 x 2 = 2	The Council's annual tax return is submitted to HMRC within the prescribed time frame. The Council's Annual Return cannot currently be submitted online to the External Auditor.	Existing tax procedure considered adequate by RFO. The Annual Return for 2015-16 is to be approved by the Council for return to the External Auditor by 15 July 2016, subject to the granting of an extension owing to the absence on sick leave of the outgoing RFO.
18. Legal Powers	Illegal activity or payments	1 x 2 = 2	All activities and payments within the powers of the Town Council are resolved and minuted (1) at the Council's Ordinary Meetings, including reference to the powers used, or (2) by the Planning Contract and Works Committee, using the powers delegated to it by virtue of the remit for the Committee, which is reviewed annually by full Council.	Existing procedures considered adequate by RFO. The requirement to state the power when expenditure is approved <i>in principle</i> is applied.

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19. Minutes/ Agendas/ Notice and Conduct of Meetings, Members Interests	<p>Accuracy and legality of Council records.</p> <p>Business conducted in accordance with statute, standing orders, and the Code of Conduct.</p> <p>Members' Interests</p>	<p>1 x 2 = 2</p> <p>1 x 2 = 2</p> <p>1 x 2 = 2</p>	<p>Minutes and agendas are produced in the prescribed manner by the Clerk / Administrator and adhere to the legal requirements. Minutes are approved and signed at the next meeting. Minutes and agendas are displayed according to the legal requirements.</p> <p>Business at the Council should be managed by the Chairman of the Meeting in accordance with the law and the Council's standing orders.</p> <p>Under the Localism Act 2011, councillors are required to declare their own interests, for these to be registered with the principal authority (Northumberland County Council).</p>	<p>Existing procedure considered adequate by RFO.</p> <p>Guidance is given to the Chairman if and when required. Members should adhere to the Code of Conduct currently in force. Following the abolition of the national Standards Board and its apparatus, the Town Council adopted the new Code in accordance with the provisions of the Localism Act 2011 (version recommended by the National Association of Local Councils). This Code has been in force since 1 July 2012.</p> <p>All serving councillors' interests are registered with NCC who are responsible for publishing them online.</p>

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20. Insurance	<p>Adequacy. Cost.</p> <p>Assets</p> <p>Compliance. Fidelity Guarantee.</p>	<p>1 x 3 = 3 1 x 2 = 2</p> <p>1 x 2 = 2</p> <p>1 x 2 = 2 1 x 2 = 2</p>	<p>An annual review of all insurance arrangements in place is undertaken prior to the policy renewal. Employer's and employee liability insurance is a necessity and must be paid for.</p> <p>Register of Council Assets must be regularly checked and updated.</p> <p>Ensure compliance measures are in place. Ensure Fidelity checks are in place.</p>	<p>A review of the Council's insurance cover was carried out (2016). All buildings owned by the Council are insured in respect of material damage, and the Council's festive lights are insured in respect of loss and damage. A Register of Assets is reviewed annually. The Council's public liability cover was increased to £10 million (2010) at minimal additional cost. The thorough review of cover has ensured that the Council's insurance cover is obtained at a competitive price.</p> <p>Review of compliance. On the advice of the Internal Auditor, the Fidelity Guarantee is reviewed annually, and increased as necessary to reflect the increases in council tax precept and in the Council's approved financial reserves.</p>

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21. Data protection	Policy provision	1 x 1 = 1	The Town Council is not registered with the Data Protection Agency (DPA).	The Internal Auditor stated (2010), that, as the Council's relevant records were in respect of the deceased under the Council's functions as the Burial Authority for Prudhoe including Mickley, it was not necessary for the Council to register with the DPA. Ensure annual review of compliance.
22. Freedom of Information Act (FOIA)	Policy provision	1 x 2 = 2	<p>The Council has the model publication scheme for Local Councils in place. There have been no requests for information to date but the Clerk is aware that if a substantial request arrives then this might require many hours of additional work. The Council may request a fee if the work will take more than 15 hours but the applicant may re-submit the request, broken down into sections, thus negating the payment of a fee.</p> <p>The Local Government Transparency Code is subject to consultation (June 2016) on changes in respect of the publication of information, affecting local councils with annual budgets exceeding £200,000. Subject to the outcome, the Council may be therefore be obliged to comply with enhanced disclosure requirements.</p>	<p>Monitor and report impacts of requests made under the FOIA. The Council adopted procedures and drew up a publication scheme, following the revision of the FOIA provisions by HM Government (2008). The Council's increased role in the delivery of local public services could lead to greater interest in its activities. The Council works to comply with the Transparency Code promulgated by the Department of Communities & Local Government, for instance by ensuring online publication of all required financial information.</p>

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23. Asset Reserve Fund	Meets legal / audit requirements Safeguarding of reserve for intended purposes	1 x 3 = 3 1 x 3 = 3	The Council approved (2013) the formal creation of a capital reserve. Following the guidance of the Internal Auditor, the Fund must be shown to be necessary, and of a size appropriate, for the Council to fulfil its responsibilities of stewardship of fixed capital assets. In addition to the Cemeteries and Highfield Park, the Council is about to be the beneficial owner of four additional play areas in the Council area (previously owned by Northumberland County Council). (1) Monies may be transferred from the Fund to support capital works, and additions to the fund may be approved as part of the budget process before physical transfer at the start of the financial year (2) The annual resolution approving the transfer makes it clear that the Fund is reserved for the funding of approved capital works only.	(1) Review the justification for and scope of the Fund at least annually as part of the budget and audit processes. (2) Ensure fund is invested to maintain / improve its value (3) Keep full records, including bank statements. (4) Separately report all transactions concerning the reserve, with all authorisations to be minuted. Any proposals for the use of monies from the Fund must be subject to a resolution by the Ordinary Meeting approving the use of the funds and stating reasons therefor. Monitor the effectiveness of these procedures, and the use of the Fund.