

TENTERDEN TOWN COUNCIL - FINANCIAL RISK ASSESSMENT 2022/23

Approved at Internal Committee – 11th April 2022



Risks are assessed by scoring both the **likelihood** (L) of the risk occurring and the potential **impact** (I) should it occur.

The **likelihood** multiplied by the **impact**, provides an overall risk rating.

ACTIVITIES: Scoring of Likelihood and Impact		
LOW RISK = 1	MEDIUM RISK = 2	HIGH RISK = 3

OVERALL RISK RATINGS		
SCORE OF 1 – 3 = LOW RISK	SCORE OF 4 – 6 = MEDIUM RISK	SCORE OF 7 – 9 = HIGH RISK

	Activity	Risks Identified	Activity Risk Rating			Internal Controls	Additional checks and recommendations	Revised Activity Risk Rating		
			L	I	R			L	I	R
INCOME										
1	Receipt of cash, cheques and bank transfers	<ul style="list-style-type: none"> ➤ Misappropriation of funds ➤ Inaccurate invoices issued ➤ Funds received but not recorded and/or incorrectly recorded on accounting system ➤ Funds not collected ➤ Incorrect amounts received 	2	3	6	<ol style="list-style-type: none"> 1. All income recorded in duplicate receipt book 2. Six-monthly audit of selected transactions 3. All invoicing/cash received recorded in Rialtas accounting software in accordance with HMRC rules 'making tax digital' 4. Lettings have detailed/numbered documentation for comparison with diary 	<ol style="list-style-type: none"> 1. Weekly banking confirms takings 2. Independent internal auditor checking 3. Councillors carry out spot checks 4. Receipts checked against invoice issued 	1	2	2
2	Precept	<ul style="list-style-type: none"> ➤ Precept not submitted at all or on time ➤ Precept set is inadequate to meet council expenditure requirements 	2	3	6	<ol style="list-style-type: none"> 1. Future expenditure estimates based on six monthly actuals for current year and on previous year actuals 2. Draft budget presented to council for discussion, prior to approval meeting 3. Precept request calculated on need after other income taken from estimated expenditure. 4. Approval by full Council prior to submission to Ashford Borough Council (ABC). 	<ol style="list-style-type: none"> 1. Ensure precept is agreed by full council 2. Diarise to ensure demand is sent to ABC on time 3. Precept form checked by a second person before submission 	1	3	3

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3	Investment Income	<ul style="list-style-type: none"> ➤ Low return on investments 	3	2	6	<ol style="list-style-type: none"> 1. Reviewed annually at financial year end. 2. Interest earned is not treated as income. 	<ol style="list-style-type: none"> 1. Keep under review. 2. Seek professional advice as needed 	2	2	4
4	Lettings & Weddings Income	<ul style="list-style-type: none"> ➤ Hire charges failing to bring in sufficient funds to meet costs incurred ➤ Low usage/low level of bookings ➤ Income not collected 	2	2	4	<ol style="list-style-type: none"> 1. Review letting contracts on expiry and letting/wedding costs annually to ensure profits are maintained. 2. Invoices prepared in accordance with procedures. Using booking forms and calendars to ensure invoices are sent out in timely manner 	<ol style="list-style-type: none"> 1. Review annually. 2. RFO to check aged debtors report and balance sheet monthly. 3. Income reviewed by council quarterly. 	1	2	2
5	VAT	<ul style="list-style-type: none"> ➤ Failure to reclaim VAT ➤ VAT incorrectly claimed or charged 	2	2	4	<ol style="list-style-type: none"> 1. Undertaken in accordance with Financial Regs, claim paid directly into town council's bank account and noted as receipt in cashbook. Reclaims on quarterly basis. 2. Finance Officer prepares partial exemption records at end of financial year. 3. Rialtas used to accurately record VAT obligations. 	<ol style="list-style-type: none"> 1. RFO to check details held on HMRC Gateway. 2. Internal Auditor checks receipt of VAT reclaims. 3. External advice sought as needed 	1	2	2
6	Mayor's Charity	<ul style="list-style-type: none"> ➤ Funds not separately accounted for. ➤ Inadequate controls over expenditure and handling of income received. 	2	2	4	<ol style="list-style-type: none"> 1. All income and expenditure from mayoral fundraising activities to be handled through 'The Mayor's Charity' account. 2. Mayor's secretary to monitor costs carefully to ensure events do not run at a loss. 3. VAT on all income and expenditure to be treated as 'Outside the Scope'. 4. Cash handling at events kept to a minimum. Where raffle takes place cash handled by 2 people where possible and recorded in receipt book asap. 	<ol style="list-style-type: none"> 1. Keep under review. 	1	2	2

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EXPENDITURE										
7	Purchases	<ul style="list-style-type: none"> ➤ Expenditure exceeding budget ➤ Unauthorised purchases ➤ Unauthorised/erroneous payments ➤ Payments not made in a timely fashion incurring late payment penalty ➤ Misappropriation of funds ➤ Reputational damage 	3	3	9	<ol style="list-style-type: none"> 1. Standing Orders and Financial Regulations set out procedures and delegated powers. 2. Where delegated powers used, decision recorded separately. 3. Purchase order system in place. 4. Town Clerk (TC) or Deputy Town Clerk (DTC) to ensure there is 'legal power to spend' on all purchases. 5. All payments are checked by RFO or DTC & 2 councillors prior to payment. 6. Suppliers' orders recorded and checked against invoice. 7. Check of arithmetic on invoices. 8. Cheques signed by DTC and two Councillors. 9. Invoices signed by RFO and two Councillors. 10. On-line payments entered by administrative staff and authorised by 2 councillors. 	<ol style="list-style-type: none"> 1. Independent internal auditor twice yearly review. 2. Councillors carry out spot checks. 	1	3	3
8	Staff costs	<ul style="list-style-type: none"> ➤ Inadequate budget to meet staff costs ➤ Statutory requirements not met ➤ Salaries incorrectly calculated ➤ Misappropriation of funds ➤ Reputational damage 	2	3	6	<ol style="list-style-type: none"> 1. Salaries and staff costs reviewed annually as part of precept/budgeting. Updated annually in line with NALC salary scales & guidance. 2. Payroll maintained on Sage. 3. Time sheets kept for monitoring. 4. RFO and Finance Officer prepare salaries - checking salary scales/rates, hours, overtime and expenses claimed. (contd. overleaf) 5. Salaries paid via on-line banking, entered by administrative staff and authorised by 2 councillors 	<ol style="list-style-type: none"> 1. Review as part of precept 	1	3	3
9	Credit Card	<ul style="list-style-type: none"> ➤ Unauthorised purchases ➤ Budgets exceeded ➤ Misappropriation of funds ➤ Reputational damage 	2	3	6	<ol style="list-style-type: none"> 1. Purchases authorised by TC or DTC before being placed and recorded on spreadsheet. 2. Credit card reconciled monthly by Finance Officer and checked by TC 	<ol style="list-style-type: none"> 1. Independent internal auditor checks. 2. Councillors carry out spot checks. 	1	3	3

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10	Expenses	<ul style="list-style-type: none"> ➤ Excessive/ inappropriate expenditure ➤ Budgets exceeded ➤ Misappropriation of funds ➤ Reputational damage 	1	2	2	<ol style="list-style-type: none"> 1. All staff and councillor expenses claims to be authorised by Town Clerk (or Deputy) 2. Staff claims to be recorded on overtime/expenses sheets with receipts. Reimbursement to be included in monthly salary. 	1. Town Clerk to monitor	1	2	2
11	Direct Debits / Standing Orders	<ul style="list-style-type: none"> ➤ Expenditure is unmonitored ➤ Budgets exceeded 	2	2	4	<ol style="list-style-type: none"> 1. Mandates to be signed by RFO or DTC and two other authorised signatories 2. A list of standing orders and direct debits to be reviewed annually by the council 3. RFO check of payments against invoices 	1. Review Standing Order lists annually (February)	1	2	2
12	Borrowing	<ul style="list-style-type: none"> ➤ Borrowing undertaken without proper authority ➤ Inadequate funds to meet repayments 	1	3	3	<ol style="list-style-type: none"> 1. All borrowing to be authorised by full Town Council 2. Ensure adequate budget provision made for repayment 	1. Ensure adequate budget provision each applicable year	1	2	2
13	Assets	<ul style="list-style-type: none"> ➤ Loss or damage to assets ➤ Failure to record existence/value of assets ➤ Assets not insured or under-insured 	2	3	6	<ol style="list-style-type: none"> 1. Assets inspected and maintained 2. Asset register maintained and updated manually 3. New purchases added to insurance schedule. 4. Archive records maintained 	<ol style="list-style-type: none"> 1. Monitored by RFO 2. Seek professional valuations for significant assets on a scheduled basis 	1	2	2
14	Grants to outside organisations	<ul style="list-style-type: none"> ➤ Funds awarded not in line with council policies/objectives ➤ Funds used inappropriately ➤ Reputational damage 	2	2	4	<ol style="list-style-type: none"> 1. Review of merits of grant and ensure within budget before approval 2. Applications considered by sub-committee prior to approval by standing committee 	1. Pay on completion, on invoice/receipt	1	2	2
ACCOUNTING										
15	Maintenance of Records (contd. overleaf)	<ul style="list-style-type: none"> ➤ Unable to submit accurate and timely end of year accounts ➤ Poor Internal Audit report ➤ Unable to maintain proper financial controls. ➤ Reputational damage 	2	3	6	<ol style="list-style-type: none"> 1. Weekly update of accounts system 2. Budget/quarter end reports presented to council 3. Bank accounts and cash reconciled monthly. 4. Six-monthly internal audit 5. Contingency cash reserves maintained 6. Two councillors to carry out random checks at least twice a year 	<ol style="list-style-type: none"> 1. Independent internal auditor checks 2. Councillors carry out spot checks 	1	2	2

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FINANCIAL PLANNING										
16	Budget	<ul style="list-style-type: none"> ➤ Budget provides an inaccurate picture of levels of income and expenditure ➤ The council is unable to meet financial obligations and achieve its ambitions ➤ Reputational damage 	2	3	6	<ol style="list-style-type: none"> 1. Budgets prepared annually via committees 2. Precept request calculated on need after other income taken from estimated expenditure. Approval by full Council prior to ABC 3. Relevant budget reports presented to each committee by RFO and discussed in public meetings 	1. Ensure draft budgets are prepared and checked by end Nov for approval in Dec.	1	2	2
17	Medium Term Planning (MTP)	<ul style="list-style-type: none"> ➤ Without a plan, long term priorities and objectives may not be realised ➤ The implications of policies/spending decisions may not be recorded or planned for 	2	3	6	<ol style="list-style-type: none"> 1. MTP to be drawn up to plan for the next 3-5 years of anticipated expenditure 2. Planning for project expenditure to be planned, monitored, and reported to council 	1. Further actions to be addressed by Town Clerk	1	2	2
18	General Reserves	<ul style="list-style-type: none"> ➤ Reserves not maintained at an adequate level 	2	3	6	<ol style="list-style-type: none"> 1. General Reserve to be maintained at between three (3) and twelve (12) months net revenue expenditure. (contd. overleaf) 2. Reserve levels to be monitored at year end and reviewed when setting the budget. 	1. Independent internal auditor checks and advice.	1	2	2
19	Ear-marked Reserves	<ul style="list-style-type: none"> ➤ Ear marked reserves not maintained at an adequate level 	2	2	4	<ol style="list-style-type: none"> 1. EMRs to be monitored at the end of the financial year and reviewed when setting the budget. 		1	1	1
COUNCIL POLICY										
20	Financial procedures	<ul style="list-style-type: none"> ➤ Policy not followed. ➤ Procedures which are out of kilter with working practices ➤ Lack of awareness as to council policy 	3	3	9	<ol style="list-style-type: none"> 1. Standing Orders and Financial Regulations maintained and regularly reviewed. 2. Financial Regulations referred to when devising systems and as guidance for actions. 3. Policies widely available through publication on council website. 	<ol style="list-style-type: none"> 1. Changes in legislation and good practice followed. 2. Officers provide advice and guidance. 	1	3	3