

# TENTERDEN TOWN COUNCIL - FINANCIAL RISK ASSESSMENT 2023/24

Approved at the Internal Committee on 11<sup>th</sup> April 2023



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
<b>INCOME</b>										
1	Receipt of cash, cheques and bank transfers	<ul style="list-style-type: none"> <li>➤ Misappropriation of funds</li> <li>➤ Inaccurate invoices issued</li> <li>➤ Funds received but not recorded and/or incorrectly recorded on accounting system</li> <li>➤ Funds not collected</li> <li>➤ Incorrect amounts received</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>1. All income recorded in duplicate receipt book</li> <li>2. Six-monthly audit of selected transactions</li> <li>3. All invoicing/cash received recorded in Rialtas accounting software in accordance with HMRC rules 'making tax digital'</li> <li>4. Lettings have detailed/numbered documentation for comparison with diary</li> </ol>	<ol style="list-style-type: none"> <li>1. Twice weekly banking confirms takings</li> <li>2. Independent internal auditor checking</li> <li>3. Town Clerk or councillors carry out physical checks of cash balances, floats and petty cash at least every 30 days</li> <li>4. Receipts checked against invoice issued</li> </ol>	1	2	2
2	Precept	<ul style="list-style-type: none"> <li>➤ Precept not submitted at all or on time</li> <li>➤ Precept set is inadequate to meet council expenditure requirements</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>1. Future expenditure estimates based on six monthly actuals for current year and on previous year actuals</li> <li>2. Draft budget presented to council for discussion, prior to approval meeting</li> <li>3. Precept request calculated on need after other income taken from estimated expenditure.</li> <li>4. Approval by full Council prior to submission to Ashford Borough Council (ABC).</li> </ol>	<ol style="list-style-type: none"> <li>1. Ensure precept is agreed by full council</li> <li>2. Diarise to ensure demand is sent to ABC on time</li> <li>3. Precept form checked by a second person before submission</li> </ol>	1	3	3

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

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<b>EXPENDITURE</b>										
7	Purchases	<ul style="list-style-type: none"> <li>➤ Expenditure exceeding budget</li> <li>➤ Unauthorised purchases</li> <li>➤ Unauthorised/erroneous payments</li> <li>➤ Payments not made in a timely fashion incurring late payment penalty</li> <li>➤ Misappropriation of funds</li> <li>➤ Reputational damage</li> </ul>	3	3	9	<ol style="list-style-type: none"> <li>1. Standing Orders and Financial Regulations set out procedures and delegated powers.</li> <li>2. Where delegated powers used, decision recorded separately.</li> <li>3. Purchase order system in place.</li> <li>4. Town Clerk (TC) or Deputy Town Clerk (DTC) to ensure there is 'legal power to spend' on all purchases.</li> <li>5. All payments are checked by RFO or DTC &amp; 2 councillors prior to payment.</li> <li>6. Suppliers' orders recorded and checked against invoice.</li> <li>7. Check of arithmetic on invoices.</li> <li>8. Cheques signed by DTC and two Councillors.</li> <li>9. On-line payments entered by administrative staff and authorised by 2 councillors (on sight of an invoice).</li> </ol>	<ol style="list-style-type: none"> <li>1. Independent internal auditor twice yearly review.</li> <li>2. Councillors carry out spot checks.</li> </ol>	1	3	3
8	Staff costs	<ul style="list-style-type: none"> <li>➤ Inadequate budget to meet staff costs</li> <li>➤ Statutory requirements not met</li> <li>➤ Salaries incorrectly calculated</li> <li>➤ Misappropriation of funds</li> <li>➤ Reputational damage</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>1. Salaries and staff costs reviewed annually as part of precept/budgeting. Updated annually in line with NALC salary scales &amp; guidance.</li> <li>2. Payroll maintained on Sage.</li> <li>3. Time sheets kept for monitoring.</li> <li>4. RFO and Finance Officer prepare salaries - checking salary scales/rates, hours, overtime and expenses claimed. (contd. overleaf)</li> <li>5. Salaries paid via on-line banking, entered by administrative staff and authorised by 2 councillors</li> </ol>	<ol style="list-style-type: none"> <li>1. Review as part of precept</li> <li>2. Cast of payroll to be examined at least every 90 days by a councillor to check that the total amount drawn is correct and that there are no past or fictitious employees included</li> </ol>	1	3	3
9	Credit Card	<ul style="list-style-type: none"> <li>➤ Unauthorised purchases</li> <li>➤ Budgets exceeded</li> <li>➤ Misappropriation of funds</li> <li>➤ Reputational damage</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>1. Purchases authorised by TC or DTC before being placed and recorded on spreadsheet.</li> <li>2. Credit card reconciled monthly by Finance Officer and checked by TC</li> </ol>	<ol style="list-style-type: none"> <li>1. Independent internal auditor checks.</li> <li>2. Councillors carry out spot checks.</li> </ol>	1	3	3

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10	Expenses	<ul style="list-style-type: none"> <li>➤ Excessive/ inappropriate expenditure</li> <li>➤ Budgets exceeded</li> <li>➤ Misappropriation of funds</li> <li>➤ Reputational damage</li> </ul>	1	2	2	<ol style="list-style-type: none"> <li>1. All staff and councillor expenses claims to be authorised by Town Clerk (or Deputy)</li> <li>2. Staff claims to be recorded on overtime/expenses sheets with receipts. Reimbursement to be included in monthly salary.</li> </ol>	1. Town Clerk to monitor	1	2	2
11	Direct Debits / Standing Orders	<ul style="list-style-type: none"> <li>➤ Expenditure is unmonitored</li> <li>➤ Budgets exceeded</li> </ul>	2	2	4	<ol style="list-style-type: none"> <li>1. Mandates to be signed by RFO or DTC and two other authorised signatories</li> <li>2. A list of standing orders and direct debits to be reviewed annually by the council</li> <li>3. RFO check of payments against invoices</li> </ol>	1. Review Standing Order lists annually	1	2	2
12	Borrowing	<ul style="list-style-type: none"> <li>➤ Borrowing undertaken without proper authority</li> <li>➤ Inadequate funds to meet repayments</li> </ul>	1	3	3	<ol style="list-style-type: none"> <li>1. All borrowing to be authorised by full Town Council</li> <li>2. Ensure adequate budget provision made for repayment</li> </ol>	1. Ensure adequate budget provision each applicable year	1	2	2
13	Assets	<ul style="list-style-type: none"> <li>➤ Loss or damage to assets</li> <li>➤ Failure to record existence/value of assets</li> <li>➤ Assets not insured or under-insured</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>1. Assets inspected and maintained</li> <li>2. Asset register maintained and updated manually</li> <li>3. New purchases added to insurance schedule.</li> <li>4. Archive records maintained</li> </ol>	<ol style="list-style-type: none"> <li>1. Monitored by RFO</li> <li>2. Independent internal auditor checks</li> <li>3. Seek professional valuations for significant assets on a scheduled basis</li> </ol>	1	2	2
14	Grants to outside organisations	<ul style="list-style-type: none"> <li>➤ Funds awarded not in line with council policies/objectives</li> <li>➤ Funds used inappropriately</li> <li>➤ Reputational damage</li> </ul>	2	2	4	<ol style="list-style-type: none"> <li>1. Review of merits of grant and ensure within budget before approval</li> <li>2. Applications considered by sub-committee prior to approval by standing committee</li> </ol>	1. Pay on completion, on invoice/receipt	1	2	2

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<b>ACCOUNTING</b>										
15	Maintenance of Records	<ul style="list-style-type: none"> <li>➤ Unable to submit accurate and timely end of year accounts</li> <li>➤ Poor Internal Audit report</li> <li>➤ Qualified external auditor report</li> <li>➤ Unable to maintain proper financial controls.</li> <li>➤ Reputational damage</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>1. Weekly update of accounts system</li> <li>2. Budget/quarter end reports presented to council</li> <li>3. Bank accounts and cash reconciled monthly.</li> <li>4. Six-monthly internal audit</li> <li>5. Contingency cash reserves maintained</li> <li>6. Two councillors to carry our random checks at least twice a year</li> </ol>	<ol style="list-style-type: none"> <li>1. Independent internal auditor checks</li> <li>2. Councillors carry out spot checks – check cash book entries at least once every 30 days against bank statement, receipts, and other supporting documents. Testing balance against un-presented cheques.</li> </ol>	1	2	2
<b>FINANCIAL PLANNING</b>										
16	Budget	<ul style="list-style-type: none"> <li>➤ Budget provides an inaccurate picture of levels of income and expenditure</li> <li>➤ The council is unable to meet financial obligations and achieve its ambitions</li> <li>➤ Reputational damage</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>1. Budgets prepared annually</li> <li>2. Precept request calculated on need after other income taken from estimated expenditure. Approval by full Council prior to submission to ABC.</li> <li>3. Relevant budget reports presented to each committee by RFO and discussed in public meetings</li> </ol>	<ol style="list-style-type: none"> <li>1. Ensure draft budgets are prepared and checked by end Nov for approval in Dec.</li> </ol>	1	2	2
17	Medium Term Planning (MTP)	<ul style="list-style-type: none"> <li>➤ Without a plan, long term priorities and objectives may not be realised</li> <li>➤ The implications of policies/spending decisions may not be recorded or planned for</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>1. MTP to be drawn up to plan for the next 3-5 years of anticipated expenditure</li> <li>2. Planning for project expenditure to be planned, monitored, and reported to council.</li> <li>3. Any ongoing costs of goods/services to be identified and considered at the point of decision making process.</li> </ol>	<ol style="list-style-type: none"> <li>1. Strategic Plan to be drawn up for the new electoral year, setting out council aims and objectives.</li> </ol>	1	2	2
18	General Reserves	<ul style="list-style-type: none"> <li>➤ Reserves not maintained at an adequate level</li> </ul>	2	3	6	<ol style="list-style-type: none"> <li>1. General Reserve to be maintained at between three (3) and twelve (12) months net revenue expenditure. (contd. overleaf)</li> </ol>	<ol style="list-style-type: none"> <li>1. Independent internal auditor checks and advice.</li> </ol>	1	2	2

	Activity	Risks Identified	Activity Risk Rating			Internal Controls	Additional checks and recommendations	Revised Activity Risk Rating		
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						2. Reserve levels to be monitored at year end and reviewed when setting the budget.				
19	Ear-marked Reserves	➤ Ear marked reserves not maintained at an adequate level	2	2	4	1. EMRs to be monitored at the end of the financial year and reviewed when setting the budget.	1. EMRs presented to council with quarterly figures.	1	1	1
<b>COUNCIL POLICY</b>										
20	Financial procedures	<ul style="list-style-type: none"> <li>➤ Policy not followed.</li> <li>➤ Procedures which are out of kilter with working practices</li> <li>➤ Lack of awareness as to council policy</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>1. Standing Orders and Financial Regulations maintained and regularly reviewed.</li> <li>2. Financial Regulations referred to when devising systems and as guidance for actions.</li> <li>3. Policies widely available through publication on council website.</li> </ul>	<ul style="list-style-type: none"> <li>1. Changes in legislation and good practice followed.</li> <li>2. Officers provide advice and guidance.</li> </ul>	1	3	3