Financial Risk Assessment

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Policy Purpose

Meriden Parish Council has a number of financial controls in place to ensure safekeeping of public money and careful allocation of financial resources. This document has been produced to enable Meriden Parish Council to assess the risks to the Council's finances and to undertake actions necessary to eliminate or minimise the risk, insofar as is practically possible.

Other policies which are relevant to the careful management of the Council's finances are the Financial Regulations Policy, the Reserves Policy and the Statement of Internal Controls.

Financial Risk Assessment

Financial Area	Risk Identified	Risk Level (H, M, L)	Management/Control of Risk	Review/Assess/Revise
Precept	**1.** Inadequate precept in order for the Council to carry out its Statutory duties.	L	**1.** To determine the precept amount required, the Council and FGP Committee receive budget reporting data quarterly (expenditure to date, year-end forecast and performance against the annual budget). The Council determines the required funds for annual essential operating costs and projects for the next financial year, considers the level of the forecast general reserve at year end and determines the precept figure. Financial management training is available to all staff and Councillors.	The procedures in place to determine the annual precept demand are adequate and monitoring of the budget will continue.
	2. Non-payment of the precept by Solihull MBC.	L	**2.** Precept is paid in two instalments in April and September and SMBC is legally required to pay the Council's precept demand. Clerk monitors the bank account to ensure payment. If a delay occurred to the payment the Parish Council would use the reserves until payment made.	
Reserves	**1.** Inadequate general reserve held to pay invoices.	L	**1.** The Council has a Reserves Policy stipulating 12 months of essential gross expenditure to be held (6.2 - Reserves Policy) as a general reserve. General reserve can be increased or	Council to continue the quarterly and annual budget reviews which examine the level of the general reserve and

			decreased as required following a financial risk assessment. Earmarked reserves can also be maintained for specific projects/needs. The Council can raise funds through the precept and also borrow through the PWLB. Quarterly and annual budget management ensures sufficient reserves.	earmarked reserves. Continue with the implementation of the Reserves Policy and modify where necessary, supported by financial data and Meriden Parish Council meeting resolutions.
	2. Depletion of the general reserve below 12 months operating costs.	**L**	**2.** The Council and RFO are responsible for careful budget planning and determining the precept. SMBC has a legal responsibility to pay the Council's precept demand. Non-essential activities could be removed (Christmas lights, events etc) to prioritise essential payments. Grant funding opportunities could be explored. Best practice is 3-12 months operating costs held as a general reserve; the auditor would raise concern if the general reserve was less than 3 months costs.	
	3. Large <u>general</u> reserve investigated by the Auditor and a requirement to return funds through not setting a precept.	**L**	**3.** The Reserves Policy and a financial risk assessment would prevent a large <u>general</u> reserve being held. Large reserves can be held (earmarked) for specific projects or financial needs.	
Bank Account Balances	**1.** Fraud and loss of funds.	**L**	**1.** Bank accounts held with a reputable bank and monies guaranteed under	Continue with financial controls and existing bank.

	2. Banking errors.	**L**	Financial Services Compensation Scheme. Financial Regulations adopted and financial controls in place – staff cannot authorise payments from the accounts and two Councillors required to make payments. All Councillors can view invoices and payments details. Monthly bank balances presented to Council. MPC Chair and FGP Chair can view the accounts and bank statements. **2.** All items of income and expenditure are cross-referenced against the bank statements and a monthly reconciliation report created for authorisation. Both records are examined and authorised monthly by the FGP Committee and noted by Council monthly.	
Cash / Cheques	**1.** Loss of cash.	**L**	**1.** The Council does not operate a petty cash system. All donations are requested via transfer to the bank account. In the unlikely event of cash donations, a cash donation form would be completed, signed and dated by the donor, presented to the FGP Committee or Council and funds banked by the Clerk to the value on the donation form.	Current procedures sufficient as the Council uses online banking for suppliers and any customers.

	2. Loss of cheques.	**L**	**2.** Cheques are discouraged as they require posting to the bank via Royal Mail. Any cheques received to be posted in a timely manner to the bank (the same day where possible).	
Credit Card	**1.** Incorrect use. **2.** Theft of the card.	**M** **M**	**1.** Use of the credit card is restricted to the Clerk(s), in line with Financial Regulations. Records of use are provided through invoices for Councillors to view. All debit card purchases are included in the monthly Agenda for review and approval by Council. A maximum limit of £500.00 is in place. **2**. Card is securely stored, a PIN and security questions in place. Card to be cancelled and police informed if stolen.	Continue with the procedures in place and annually review the credit card limit.
VAT	**1.** Errors with the VAT claims submitted to HMRC.	**L**	**1.** Clerk requests a VAT invoice displaying VAT amount and GB VAT number. Edge IT accounts calculate VAT. VAT claim amount checked by a second staff member/Councillor. Checks on VAT by internal auditor.	The procedures in place to determine the VAT refund are adequate.
Payroll	**1.** Payroll salary errors or fraud with salary increases.	**L**	**1.** Salaries approved by the Council. Payroll outsourced to a professional company. Chair of the Council informs the payroll provider of changes to annual salary as per Council resolutions.	The Council to continue with the procedures in place.

			Payroll provider calculates salary – invoices provided to Council and checked monthly by Clerk. All payments approved monthly by the Council, accompanied by invoices.	
HMRC	**1.** Non-payment of employer national insurance contributions.	**L**	**1.** All employer and employee contributions for tax and NI calculated by payroll provider. HMRC reports received from payroll and presented to Council, checked quarterly by the Clerk. Monthly HMRC invoices would detail inaccurate payments or non-contributions, with any errors corrected the following month.	The Council to continue with the procedures in place.
Pension Contribution	**1.** Pension contribution errors.	**L**	**1.** Pension contributions calculated by payroll provider and checked quarterly by the Clerk. Monthly pension report presented to the Council. Pension invoice viewed by the Council before payment. Pension fund provider advises of any errors.	The procedures in place to determine pension contributions are adequate.
Grants	**1.** Non-payment of grant or sponsorship funds to the Parish Council.	**L**	**1.** The Clerk/RFO to ensure all grant or sponsorship payments to the Council are supported by documentation or invoices. Bank account to be monitored to ensure receipt of correct payment. Request for payment to be made to the awarding body/sponsorship company if not received in a timely manner.	Continue with current procedures and review all grant applications at a Parish Council meeting. Annual sponsorship from Companies to be reviewed when

	2. Grant awards to external bodies are appropriate/accurate.	**L**	Reserves to be used, or precept increased, if annual ongoing sponsorship withdrawn. **2.** Policy and documentation in place for Meriden Parish Council to grant local organisations small grants award. The Council requests documentation, account balances, bank statement and purpose of grant. The Council approves all grant requests and amounts at a Parish meeting. Bank statement and Edge IT accounts display grants awarded.	determining the budget and precept.
Customer Invoices	**1.** Loss of income by non-payment of invoices from customers.	**M**	**1.** Contracts are signed by customers agreeing to the payment terms and conditions. Clerk checks customers have paid invoices on a monthly basis. Council informed and action taken i.e. termination notice.	Continue with current procedures.
Supplier Invoices	**1.** Invoice received without the supply of goods/services. **2.** Incorrect Invoices.	**M** **L**	**1.** The Council pays invoices on completion of satisfactory goods or services. Invoices are only paid before goods/services supplied to organisations the Council approves and has a long professional relationship with i.e. SMBC. The Council credit card to be used if a supplier requires immediate payment. **2.** All requests /orders for goods and services are confirmed in writing by the	To continue with existing financial controls and the Council to approve, in exceptional cases, any payments prior to the delivery of goods or services.

	3. Unpaid invoices.	**M**	Clerk/RFO, to agree all costs involved. The Clerk/RFO checks all invoices received for accuracy and ensures all information is entered into the financial system and presented to Council. **3.** The Parish Council raises a small number of invoices. Any unpaid invoices will be followed up by the Clerk as part of the month end routines and reported to Council for action to be taken.	
Employees	**1.** Fraud **2.** Health and safety or injury claims. **3.** Long-term absence.	**L** **L** **M**	**1.** Requirements of Fidelity Guarantee insurance adhered to with regards to fraud. FGP Committee and Council perform regular monthly financial controls. Internal and external annual audit in place. **2.** All employees to be provided adequate direction and safety equipment needed to undertake their roles. Insurance in place. **3.** Annual budget to be used to fund contractual salary obligations. Reserve to be used for potential additional hours from existing P/T staff and locum support.	To continue with existing financial controls, insurance protection and health and safety advice/policy/training.
Contractors	**1.** Short notice termination of a contract leading to a higher cost of goods and services.	**L**	**1.** Council awards contracts for a three year period with required notice periods. Services to be secured from alternative contractors until a tender process has	Continue ensuring all contractors have a valid signed contract in place, schedule of

	2. Goods and services not performed to standard for agreed fee.	**M**	been completed, in accordance with Financial Regulations. General reserve to be used if necessary if the cost of goods and services exceed the budget allocation. **2.** Schedule of works details activities and frequency. Clerk and Council holds regular meetings with contractors. Work is randomly spot checked. Payment to be withheld.	works and regular meetings.
Data Protection	**1.** Non-compliance with data protection legislation resulting in a fine.	**L**	**1.** The Council is registered with ICO and governed by their rules. The Council has adopted various policies and procedures concerning the 2018 General Data Protection Regulations. Staff trained on data protection regulations. Councillors offered training on data protection.	Continue reviewing information from ICO and attending training, where necessary.
Liability	**1.** Injury to staff, visitors, public due to negligence of the Parish Council or unforeseen events.	**L**	**1.** Public liability insurance in place. Contractors to advise of any hazards. Regular safety inspections in place for trees. Quarterly inspections at the allotments. Contractors have public liability insurance in place.	Continue with insurance protection and ensure all contractors have public liability insurance. Continue with tree surveys and safety inspections.
Assets	**1.** Financial loss or vandalism of assets and replacement costs.	**M**	**1.** Asset register maintained by Clerk and registered with insurers. Insurance in place for replacement costs, vandalism etc.	Clerk to continue maintaining asset register and review annually. Comprehensive

			Budget allocation for repairs to street furniture. General reserve can be used for repairs or replacement, if required.	insurance for losses to continue.
Insurance	**1.** Inadequate financial cover.	**L**	**1.** Asset register dictates the amount of cover required for assets. Asset register regularly updated and formally reviewed by FGP Committee annually. Public liability in place for a minimum of £5,000,000.00. Specialist Parish Council insurance in place.	Annual review of insurance level required for assets and public liability.
End of Financial Year Audit	**1.** Costs incurred due to incorrect information and late submission.	**L**	**1.** Clerk completes the audit submission using data from the Finance Package reports. Clerk advises Council of timescales. FGP Committee review audit documentation prior to submission. Council approve the audit before submission in the May or June Parish Council meeting. Clerk ensures the submission deadline is met. General reserve to be used if specialist advice is required by an accountant, outside the funds allocated for the audit in an annual budget.	FGP and Council to review audit data and timescales annually.