

# KENTS HILL & MONKSTON PARISH COUNCIL FINANCIAL RISK ASSESSMENT 2023-24

## Introduction

This document details financial risks to Kents Hill & Monkston Parish Council, work undertaken to reduce / mitigate the risk and details the processes in place whereby the council methodically and systematically manages risk. This document uses an approach which identifies and classifies the risk, the likelihood of the risk occurring and the severity of the outcome if the risk occurs. This then enables the council to take preventative measures, agreed to key actions and ensure that the council's funds are managed in accordance with best practise.

The matrix used is:

|             |                   |   |               |          |             |          |              |
|-------------|-------------------|---|---------------|----------|-------------|----------|--------------|
| PROBABILITY | Very likely       | 5 |               | <b>B</b> |             | <b>D</b> |              |
|             | Likely            | 4 |               |          |             |          |              |
|             | Unlikely          | 3 | <b>A</b>      |          |             |          | <b>C</b>     |
|             | Very unlikely     | 2 |               |          |             |          |              |
|             | Almost impossible | 1 |               |          |             |          |              |
|             |                   |   |               | 1        | 2           | 3        | 4            |
|             |                   |   | Insignificant | Minor    | Significant | Major    | Catastrophic |
|             |                   |   | IMPACT        |          |             |          |              |

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Based upon the matrix, example risks assessed would be:

A – Unlikely to happen and insignificant risk = No action needed (3)

B – Very likely to happen, but minor impact = review and change if possible (10)

C – Unlikely to happen, but catastrophic if it did = change necessary (15)

D = very likely to happen and major impact = change essential (20)

Each risk is 'scored' – probability x impact = score (in brackets above), with the following thresholds for action:

Below 10 – no action needed

10 – 14 – review and adjust if possible, but tolerable

15 – 19 – review needed and actions to be taken to mitigate

20 or above - immediate action needed

The following pages details the risks identified, any controls in place, and further actions needed, date for review and officer / committee responsible.

This document was approved by Council on 18<sup>th</sup> May 2020. Minute ref: 11/2020(I).

This document should be reviewed annually **before** 31<sup>st</sup> March.

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| Ref | Financial Risk  | Potential Consequence  | Probability | Outcome | Score | Risk area                                 | Controls in place   | Further action   | Implementation / check  | Officer / committee responsible |
|-----|---|--|-------------|---------|-------|---|---|--|---|---------------------------------|
| 1   | Loss of monies through theft, fraud or dishonesty   | Financial loss, potentially to a level that would impact on the viability of the council   | 2           | 4       | 8     | Financial, legal                          | Robust and regularly updated / reviewed financial policies and processes. Two-person authorisation for any payment by BACS or cheque. Monthly reconciliation, oversight by both officers and members. Fidelity insurance in place and reviewed annually | Annual review of financial regulations, annual internal audit / annual external audit, monthly accounts sign off | Quarterly sign off and audit updates  | RFO / Full Council              |
| 2   | Failure of bank, inadequate banking arrangements / difficulties with banking communication / arrangements | Inability to make payments in a timely manner, loss of monies, loss of confidence in bankers   | 1           | 4       | 4     | Financial, reputation, operational        | Review of banking arrangements recently undertaken, assessment of viability and suitability undertaken  | Review bi-annually, address concerns as and when they arise, monitor effectiveness of new bankers                | Reviewed Feb 2023   | RFO / Full Council              |
| 3   | Failure of sufficient controls leading to inadequate reserves / insolvency                                | Council becomes financially stretched, leading to service cuts, inability to pay suppliers and insolvency  | 1           | 5       | 5     | Financial, operational, reputation, legal | Regular budget monitoring, reporting to Council, oversight by a number of officers / members, robust procedures in place  | Review of processes, regular reviewing / monitoring  | Reviewed Quarterly  | RFO / Full Council              |
| 4   | Inappropriate accounting processes / management / recording   | Loss of money, failure at audit, loss of trust in KHMPCC, inability to effectively report financial situation,   | 2           | 4       | 8     | Financial, reputation, legal              | Quarterly reviews and reports, annual policy review, regular training of staff / members,   | Continue to review regularly and identify any issues early   | Reviewed Quarterly  | RFO / Full Council              |
| 5   | Inappropriate payments / transfers / spending   | Loss of money through wrongful use of council resources, via unauthorised, fraudulent or mistaken payments via cheque, BACS, online transfers or similar | 1           | 3       | 3     | Financial, legal                          | Two-officer authorisation for all payments (with the exception of debit card), debit card payments held by RFO only, monthly reconciliation, internal and external audit, clear policies in place   | Annual review of Financial Regs, continued quarterly monitoring of all expenditure.                              | Quarterly reviews and ongoing reporting. Annual audits and monthly reconciliations. | RFO / Full Council              |
| 6   | Incorrect / non-compliance with regulatory / HR related financial providers (e.g.                         | Financial loss (e.g. VAT claims, fines for non-compliance), loss of financial integrity, loss of confidence in systems and processes,                    | 2           | 3       | 6     | Financial, legal, reputation              | RFO competent and working within agreed SLA's, etc. Policies in place for ensuring compliance and processes well known and used   | Review of all processes, diarised timings for actions, regular reporting   | Quarterly reviews and ongoing reporting   | RFO / Full Council              |

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|    |  |  |   |   |   |                                     |  |   |  |                    |
|----|--|--|---|---|---|-------------------------------------|--|---|--|--------------------|
|    | HMRC, pensions administrator, childcare vouchers, bike loans)                      |  |   |   |   |                                     |  |   |  |                    |
| 7  | Failure to set appropriate precept   | Loss of financial control, impact on service provision / operational elements, reputation impact on KHMPCC, potential for multi-year impact                          | 2 | 4 | 8 | Financial, operational, reputation, | Robust budget setting process, with involvement from full council.   | Clear process for budget setting. Link to service aspirations. Create M/LTFP                | Review annually. Budgetary process in place. Plan alongside Service Plan aspirations | RFO / Full Council |
| 8  | Failure to set a realistic budget – either income or expenditure                   | Financial loss, lack of sustainability, potential impact on service provision, impact on local residents   | 2 | 4 | 8 | Financial, reputation, operational  | Robust budget setting process in place, with oversight from Full Council. Linked to service delivery and Service Plan, so reflective of realities                  | Quarterly review against current budget, enabling effective planning based on current year. | Quarterly checks / reviews   | RFO / Full Council |
| 9  | Failure to spend / account for specific funding correctly (e.g. grants, S106, etc) | Clawback of monies, loss of spending power, inability to drawdown additional funding,  | 2 | 3 | 6 | Financial, operational, reputation  | Specific budget codes for specific funding, suitable record keeping in place, policy and process for grant management  | Review of policy and process, specific coding and accounting within monthly reporting,      | Annual review. Quarterly reporting.  | RFO / Full Council |
| 10 | Insurance  | Insurance is insufficient or inappropriate, leading to a lack of suitable coverage in the event of a need to make a claim – public, employees or otherwise.          | 1 | 5 | 5 | Financial, reputation, legal        | Insurance is reviewed annually, with relevant discussions taking place to ensure suitability and specialist insurance used.  | Annual review   | Checked via competitive tendering / reviewing of all options each year               | RFO / Full Council |
| 11 | Ensuring best value / spending of public money                                     | Additional monies are spent on poorer quality providers, inadequate provision or otherwise sub-par resources. That contractors take action if not followed correctly | 2 | 2 | 4 | Financial, reputation, operational  | Processes laid in Council's Financial Regulations and policy and processes in place to ensure spending is controlled, planned and follow best practice guidelines. | Review of policy. Ongoing monitoring of processes. Internal and external audit              | Annual checks to ensure compliance. RFO oversight with                               | RFO / Full Council |
| 12 | Loss of monies through bank collapse/bankruptcy                                    | Financial loss, potentially to a level that would impact on the viability of the Council   | 2 | 4 | 8 | Financial, operational              | Monies held in multiple accounts across a range of banking providers   | Keep level below £85k with any one bank   | Review annually  | RFO/Full Council   |

### Change control

Annual version approved at each AGM.

Other triggers: Significant change in the quantity or nature of the activities of the Parish Council. Change in regulations about financial controls or banking guarantees.