

## RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

### RESPONSIBILITY

The Accounts and Audit Regulations 2015 require Councils to have a sound system of internal control which:

- a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives
- b) Ensures that the financial and operational management of the authority is effective and
- c) Includes effective arrangements for the management of risk.

Councils are also required to undertake an effective internal audit, to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Each financial year, an authority must conduct a review of the effectiveness of its system of internal control, prior to completion of the annual governance statement.

This requirement is reflected in the Town Council's Financial Regulations at 1.6.

### PURPOSE OF STATEMENT

The purpose of the Risk Management and Internal Control Statement is to evidence that risks are being managed to a reasonable level. It cannot provide an absolute assurance of effectiveness but through its ongoing review, will identify and prioritise potential risks and the measures required to minimise these. Risks may be strategic, operational, financial or in respect of compliance.

The Town Council's policy on risk management is as follows:

***Leighton-Linslade Town Council recognises that it has a responsibility to manage risks effectively in order to protect its employees, assets, liabilities and community against potential losses, to minimise uncertainty in achieving its aims and to maximise opportunities to achieve its vision and objectives.***

The Risk Management and Internal Control Statement will be reviewed annually by the Town Council's Policy and Finance Committee.

### ROLES

Risk management is embedded in the day to day culture and operation of the Town Council and as such, responsibility rests with all those who have a key role within the Council. The primary role of elected Members is in setting both budget and policy, such that day to day operational decisions may be made by the Town Clerk and his staff.

**COUNCIL** – to ensure compliance with Town Council policies and legislative responsibilities and to set the annual budget.

**COMMITTEES** (all Committees, with an overarching responsibility sitting with the Policy and Finance Committee) – to set policy, to scrutinise and approve proposed expenditure beyond delegated limits, to monitor budgets, to assess risks and to make decisions accordingly.

**BANK SIGNATORIES** – to review proposed expenditure.

**TOWN CLERK AND RESPONSIBLE FINANCIAL OFFICER** – to provide advice to Council/Committees on matters of compliance, to oversee budgetary planning and control, to ensure compliance with policies and legislative requirements, to authorise expenditure in accordance with Financial Regulations.

**HEADS OF SERVICE AND BUDGET HOLDERS** – to ensure best value, to authorise expenditure within agreed budget lines and parameters, to ensure policies and procedures are followed.

**ALL EMPLOYEES** – to comply with Council-wide policies including health and safety, data protection, financial regulations and standing orders.

## **INTERNAL CONTROL**

Internal control is the range of policies, procedures and other arrangements designed to safeguard the assets of the Town Council and to reduce the potential for losses through fraud or error.

As a Parish Council, the Town Council has no constitution as such but its two key governing documents are its Standing Orders and Financial Regulations. These documents are primarily based on the model issued by the National Association of Local Councils and are reviewed annually.

A suite of other policies and procedures cover operational matters in terms of staffing, budgetary control, expenditure approvals, health and safety, data protection and risk management.

## **FINANCIAL CONTROL**

A significant number of policies and procedures govern the financial arrangements of the Town Council, as set out in the Financial Regulations. Policies are reviewed and endorsed by Council and implemented by Officers.

In setting the annual revenue budget, standing Committees and Full Council have a responsibility to review, evaluate and approve budget recommendations. In approving the final budget, authorisation is given for expenditure according to the constraints and procedures set out in Financial Regulations.

As a larger Town Council, it is essential that authority be delegated to a number of functions in order to ensure operational effectiveness on a day to day basis. The **attached** diagrams provide an overview of the different roles and responsibilities of all involved, from Full Council to Committee to cheque signatories and to a number of officers.

The Town Clerk is also appointed Responsible Financial Officer and is supported in this role by the Finance Officer and Finance Assistant.

By way of ongoing scrutiny, each standing Committee will receive a quarterly budget monitoring report throughout the year. The Policy and Finance Committee receives reports outlining all expenditure on a monthly basis as well as quarterly budget monitoring reports for all budget lines. The purpose of monitoring reports is not to question expenditure which has already been incurred but to provide assurance.

Budget management for capital projects is undertaken through the development of a five year financial plan. The plan is subject to ongoing review through standing Committees and Council.

## **RISK MANAGEMENT**

The Town Council uses a bespoke system (LCRS: Local Council Risk System) to assess risks across all Council services. The system is pre-loaded with more than 390 risks and 1100 controls across a spectrum of services areas, for local councils to select those which apply to them and assess the potential risk for each element. The Town Clerk and Heads of Service review the Risk Register line by line each municipal year and identify areas of potential risk for which actions must be taken. The resulting Action Plan is brought to Committee and Council each year for approval.

A report is provided to the Policy and Finance Committee half-way through the year to provide a progress update on the Risk Register Action Plan.

In addition to the full annual review, the Risk Register will be updated throughout the year as appropriate, as a result of new services, assets or functions.

Risk management for ad-hoc or short term projects and activities (e.g. community events) is undertaken by way of risk assessments. Hirers of Town Council facilities are required to provide risk assessments and insurance documentation. All risk assessments are signed off by the Head of Grounds and Environmental Services.

## **INTERNAL AUDIT**

The Town Council appoints an Internal Auditor and receives two reports each year, an interim report and an end of year report. The Internal Auditor has access to all documentation and undertakes some work remotely and some from within the office.

The internal audit report will always include an assessment on accounting arrangements, bank reconciliations, corporate governance, expenditure, risk assessment/management, budgetary control, investments and reserves and review of income, petty cash and salaries.

A five-year plan is developed for the internal auditor to focus on specific areas of the Town Council's operations.

The Internal Auditor is independent and fulfils no other role within the Town Council.

Any recommendations made in the internal audit reports will be brought to the attention of the Policy and Finance Committee and actions agreed.

## **EXTERNAL AUDIT**

An external auditor is appointed for the Town Council and submits an annual External Auditor's Report to Council. Any matters raised on the Annual Return statement are reviewed by Council with any necessary actions duly minuted for officers to implement.

## **BUSINESS CONTINUITY**

The Town Council has a Business Continuity Plan for its primary office site. This is reviewed and updated on an annual basis. Copies are held by the Town Clerk and the Head of Democratic and Central Services.

Employee contact details are held on a cloud based system which can be accessed remotely by Heads of Service.

Town Council data is held partly on site and partly in the cloud. Robust back-up procedures are in place for both and these procedures are reviewed on a regular basis.

## **SECURITY**

The Town Council has a range of security measures in place to protect its physical assets including buildings and equipment.

Security of data is also protected by a range of policies including IT Security, Privacy Policy, Data Protection Policy.

Cyber security is reviewed annually with providers of IT or software management services.

## **ASSETS**

The Town Council maintains an Asset Register which is updated on an ongoing basis and is reviewed by the Policy and Finance Committee once per year.

A planned maintenance programme has been developed for assets including play areas and pavilion buildings. This is kept under review by the Grounds and Environmental Services Committee.

## **INSURANCE**

The Town Council reviews its insurance arrangements every three years to ensure best value and best protection. Insurance policies cover physical assets but also public liability, employee liability and a fidelity guarantee (indemnity to an organisation against any monetary loss sustained as a result of an act of fraud or dishonesty committed by their employees).

## **EMPLOYEES**

The Town Council has in place a suite of policies and procedures relating to employees, including an Employee Handbook, Sickness Absence procedure, Prevention of Bullying and Harassment procedure, Grievance management, Performance management, Appraisal procedure, Disciplinary procedure and Whistle Blowing procedure.

The Town Council retains the services of a qualified Human Resources provider to safeguard against issues arising from disputes with employees.

The Town Council operates a policy of encouraging ongoing training and personal development in order to meet targets, maximise effectiveness and to build ongoing job satisfaction. Training in Health and Safety and Data Protection is mandatory to ensure compliance with policies.

A wide range of operational procedures are developed in order to safeguard against loss of knowledge following the departure of key employees.

## **COUNCILLORS**

The Town Council operates a policy of encouraging ongoing training for Councillors in order to increase understanding and awareness, improve effectiveness, ensure compliance with legislative requirements and to increase role satisfaction.

The Town Council has in place a suite of policies and procedures to guide and safeguard Councillors including the Code of Conduct, Declaration of Interests, Dispensations Procedure, Gifts and Hospitality, Councillor/Officer protocol and Press protocol. In addition to the requirement to submit a Register of Interests, the

declaration of interests is an agenda item for every Town Council meeting and is included in the minutes as a matter of public record.

**Approved by Policy and Finance Committee on XXXXXX**

**Review period: annual**

DRAFT

## FINANCIAL MANAGEMENT: ROLES OF COUNCILLORS

**The Council as a corporate body is responsible for controlling expenditure through the setting of the annual budget and ensuring that an adequate system of internal control is in place.**

### COUNCIL

TO SET THE ANNUAL BUDGET, DETERMINE THE PRECEPT  
APPROVE YEAR END ACCOUNTS, WRITE OFF BAD DEBTS  
AUTHORISE THE PURCHASE OR DISPOSAL OF LAND  
AUTHORISE CAPITAL EXPENDITURE, APPROVE TAKING OUT A LOAN.

### POLICY AND FINANCE COMMITTEE

FIRST AND LAST COMMITTEE TO REVIEW DRAFT BUDGET FOR FOLLOWING YEAR:  
RECOMMENDATION TO COUNCIL IN TERMS OF BUDGET AND PRECEPT  
OVERSIGHT OF ALL BUDGET EXPENDITURE (QUARTERLY MONITORING)  
APPROVAL OF EXPENDITURE OVER £5,000 FROM COMMITTEE REVENUE BUDGET OR  
EARMARKED RESERVES  
TO RECEIVE AND CONSIDER INTERNAL AND EXTERNAL AUDITOR'S REPORTS

### STANDING COMMITTEES

TO REVIEW DRAFT COMMITTEE BUDGET FOR FOLLOWING YEAR AND MAKE A  
RECOMMENDATION TO POLICY & FINANCE COMMITTEE  
QUARTERLY BUDGET MONITORING OF COMMITTEE BUDGETS  
APPROVAL OF EXPENDITURE OVER £5,000 FROM COMMITTEE REVENUE BUDGETS OR  
EARMARKED RESERVES

### SUB-COMMITTEES

TO MAKE RECOMMENDATIONS TO PARENT COMMITTEE FOR EXPENDITURE, EXCEPT WHERE  
SPECIFIC DELEGATED AUTHORITY HAS BEEN GIVEN (GRANTS, POLICE LIAISON)

### CHEQUE SIGNATORIES (INDIVIDUAL COUNCILLORS)

TO SCRUTINISE PROPOSED SCHEDULES OF PAYMENTS, QUESTION WHERE APPROPRIATE,  
CHECK RELEVANT PAPERWORK IS CORRECT & PROCEDURES FOLLOWED, TO SIGN OFF CHEQUE  
OR BACS PAYMENT IF SATISFIED THAT ALL IS IN ORDER.

## FINANCIAL MANAGEMENT: ROLES OF OFFICERS

It is the responsibility of all officers to seek best value for the product or service, through obtaining comparative quotes or through a tender process

### TOWN CLERK & RFO

- TO OVERSEE DEVELOPMENT OF THE ANNUAL BUDGET
- TO ENSURE THE COUNCIL HAS A FIVE YEAR FINANCIAL PLAN
- TO AUTHORISE EXPENDITURE OF UNDER £5,000 FROM APPROVED REVENUE BUDGETS OR EARMARKED RESERVES (OR UNDER £2,500 OUTSIDE APPROVED BUDGETS)
- TO AUTHORISE USE OF TOWN COUNCIL CREDIT CARD AS PER PROCEDURE
- TO AUTHORISE SALARY PAYMENTS AND AMENDMENTS

### BUDGET HOLDERS – HAVE DELEGATED AUTHORITY FROM THE TOWN CLERK & RFO

- TO APPROVE EXPENDITURE OF UNDER £5,000 FROM SERVICE AREA REVENUE BUDGET OR EARMARKED RESERVES
- TO MONITOR BUDGET EXPENDITURE THROUGHOUT THE YEAR
- TO APPROVE PAYMENT OF INVOICES FROM SERVICE BUDGET EACH MONTH
- TO ASSIST IN DEVELOPING THE ANNUAL DRAFT BUDGET

### ACCOUNTANT

- SCRUTINY OF MONTH END AND YEAR END PROCESSES
- DEVELOPMENT AND REGULAR REVIEW OF FIVE YEAR FINANCIAL PLAN
- PROFIT AND LOSS MONITORING FOR TOWN COUNCIL SERVICES
- RECONCILE MONTHLY PAYROLL

### FINANCE OFFICER

- TO PREPARE A DETAILED ANNUAL BUDGET AND PRECEPT RECOMMENDATION FOR SUBMISSION TO COMMITTEE
- TO PREPARE AND SUBMIT ANNUAL PENSION RETURN
- RECONCILIATION OF CREDIT CARD PAYMENTS AS PER PROCEDURE
- TO MANAGE PAYROLL AND THE LOCAL GOVERNMENT PENSION SCHEME
- TO OVERSEE MONTH END AND YEAR END PROCESSES



FINANCE OFFICER (CONT'D)

TO VIRE PAYMENTS BETWEEN BUDGETS UPON AUTHORISATION OF CLERK OR COMMITTEE

TO INVESTIGATE AND MAKE RECOMMENDATIONS FOR INVESTMENTS IN ACCORDANCE WITH COUNCIL POLICY

OVERSEE YEAR END ACCOUNTS AND COMPLETE ANNUAL RETURN (AND ANY OTHER RELEVANT REQUIREMENTS IN ACCORDANCE WITH LEGISLATION) IN ACCORDANCE WITH THE REGULATIONS.

TO PERIODICALLY REVIEW BANK ACCOUNT AND ENSURE BANK MANDATE IS UP TO DATE

TO ENSURE COMPLIANCE WITH FINANCIAL REGULATIONS & OTHER PROCEDURES

TO REVIEW FINANCE RELATED PROCEDURES AND POLICIES AS APPROPRIATE

TO MANAGE THE FINANCE ASSISTANT

FINANCE ASSISTANT

RAISE PURCHASE ORDERS ON RECEIPT OF APPROVED ORDER REQUISITIONS

LOG AND CHECK INCOMING INVOICES; MATCH TO PURCHASE ORDERS

INPUT INCOME AND EXPENDITURE TRANSACTIONS ON FINANCE SYSTEM

PREPARATION OF BANKING TRANSACTIONS

REIMBURSE PETTY CASH EXPENSES TO STAFF

MONTHLY FILING OF PAPERWORK

### FINANCIAL EXPENDITURE PROCESS

