

# PAPPLEWICK PARISH COUNCIL

## Financial Risk Management Policy



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## CONTENTS

<b>Financial Risk Management Policy</b>	Page 3
<b>SECTION 1</b>	
<b>Areas where there may be scope to use insurance to help manage risk</b>	
1.A Risk Identification	4
1.B Internal Controls	4
1.C Internal Audit Assurance	5
<b>SECTION 2</b>	
<b>Areas where there may be scope to work with others to help manage risk</b>	
2.A Risk Identification	6
2.B Internal Controls	7
2.C Internal Audit Assurance	7
<b>SECTION 3</b>	
<b>Areas where there may be a need to self manage risk</b>	
3.A Risk Identification	9
3.B Internal Controls	10
3.C Internal Audit Assurance	11

# PAPPLEWICK PARISH COUNCIL

## Financial Risk Management Policy

Papplewick Parish Council is committed to identifying and managing risks, using the following procedures, and to ensuring that risks are maintained at an acceptable level. Any action that is felt necessary will be taken by Papplewick Parish Council.

The Clerk will review risks on a regular basis, including any newly identified risks, and will report to the Council. The review will include identification of any unacceptable levels of risk.

The Local Councils Governance and Accountability Guidance makes the following observations regarding risk management.

1. Risk management is not just about financial management: it is about setting objectives and achieving them in order to deliver high quality public services.
2. The new approach places emphasis on local councils strengthening their own corporate governance arrangements, improving their stewardship of public funds and providing positive and continuing assurance to taxpayers.

It goes on to make the point that Councillors are ultimately responsible for risk management because risk threatens the achievement of policy objectives. Members should, therefore –

- a) take steps to identify key risks facing the Council,
- b) evaluate the potential consequences to the Council if an event identified as a risk takes place,
- c) decide upon appropriate measures to avoid, reduce or control the risk or its consequences, and
- d) record any conclusions or decisions reached.

To identify the risks facing a council, the Guidance recommends beginning by grouping the three main types of decisions that have to be taken into the following areas:

- i) Areas where there may be scope to use insurance to help manage risk
- ii) Areas where there may be scope to work with others to help manage risk
- iii) Areas where there may be need for self-managed risk.

## **SECTION 1**

### **AREAS WHERE THERE MAY BE SCOPE TO USE INSURANCE TO HELP MANAGE RISK**

#### **1 A. RISK IDENTIFICATION**

- a) Protection of physical assets e.g. buildings, furniture, equipment and regalia. All physical assets are insured via a third party insurance policy
- b) Risk of damage to third party property or individuals as a result of the Council providing services or amenities to the public.
  - i) In accordance with statutory requirements risk assessments will be compiled and used to reduce risks as far as reasonably practicable.
  - ii) The HSE guidance on Event Safety and the Purple Guide will be followed during all events organised by Papplewick Parish Council or in which the Council takes part.
  - iii) Papplewick Parish Council has public liability indemnity cover. It also has employer's liability cover for employees and volunteers under the above policy.
- c) Loss of cash through theft or dishonesty (fidelity guarantee). The Council has Fidelity Guarantee cover for both councillors and employees.
- d) Legal liability as a result of actions by councillors or employees. The Council has Officials Indemnity insurance cover.
- e) Legal liability as a consequence of asset ownership (public liability). See b) above.

#### **1 B. INTERNAL CONTROLS**

- a) Maintain an up-to-date register of Assets and Investments. An Asset Register is compiled annually by the Responsible Financial Officer and presented to Council with Annual Accounts each year.
- b) Regular maintenance for physical assets. The Councillors undertake regular inspections of the Playing Field and its equipment and Church Lane. Playground equipment is checked independently by RoSPA on an annual basis. Maintenance of equipment is undertaken on a responsive basis. The notice boards and seats are regularly checked by Councillors, or a nominated person.

- c) Annual Review of risk and the adequacy of insurance cover. The Clerk as Responsible Financial Officer (RFO) reviews the insurance cover annually, makes recommendations, as necessary, to the Finance Committee and updates cover as required.
- d) Ensuring robustness of insurance providers. Papplewick Parish Council reviews the cover provided each year to ensure insurance cover is sufficiently robust.

#### 1 C. INTERNAL AUDIT ASSURANCE

- a) Review of internal controls in place and their documentation. Internal controls are reviewed as necessary by the Clerk and Internal Auditor. Recommendations from the Clerk and Internal Auditor are submitted to Council.
- b) Review of management arrangements regarding insurance cover. This forms part of the Finance Committee review at time of annual renewal.
- c) Testing of specific internal controls and reporting findings to management. This is undertaken as part of the audit process. Reports are presented to the full Council and minuted accordingly.

## **SECTION 2**

### **AREAS WHERE THERE MAY BE SCOPE TO WORK WITH OTHERS TO HELP MANAGE RISK**

#### **2 A. RISK IDENTIFICATION**

- a) Security for vulnerable premises or equipment.
  - i) The Council's Playing Field is inspected by the duty Councillor at least weekly. In the event of any criminal activity measures are taken as soon as practicable to repair the property or take it out of use. Crime reports are obtained for all damage to Parish Council property by contacting Nottinghamshire Police.
  - ii) Parish Council will arrange for inspection of Church Lane twice annually. A dog waste bin is provided to comply with requirements to keep the land free from dog faeces.
- b) Maintenance for vulnerable premises or equipment. All premises are maintained within approved budget. In-house maintenance is undertaken where possible and the lengthsman or contractors used as needed, with quotations received in advance of any work.
- c) Banking Services. These are reviewed periodically by Finance Committee. All cheques or on-line banking payments require two Councillors' signatures. The full Council reviews all payments.
- d) Provision of premises or equipment for local community groups.
  - i) The Council may approve the use of its Playing Field and other equipment on a charge basis. Users are advised to ensure their own public liability insurance cover.
  - ii) Where Papplewick Parish Council is a participant, see also 1 A.
- e) Professional services, contractors etc.
  - i) The Council endeavours to ensure that wherever possible it has the opportunity to select (from several) the provider of any professional service it requires, including approved contractors. Any professionals whose services it uses are well established and often selected on recommendation. Ideally a short-list of three is drawn up.
  - ii) The HSE "Using Contractors" guide will be followed as part of all contracts issued by Papplewick Parish Council.

## 2 B. INTERNAL CONTROLS

- a) Standing Orders and Financial Regulations deal with the award of contracts for services or the purchase of capital equipment. The Council has Standing Orders. These, together with the Council's Financial Regulations are regularly reviewed.
- b) Clear statements of management responsibility for each service. The Clerk is responsible for all services.
- c) Arrangements to detect and deter fraud and/or corruption. Invoices are subjected to scrutiny by both the RFO and the Council before authorisation for payment.
- d) Regular bank reconciliations, independently reviewed. Bank statements are received monthly and are seen by the Clerk as RFO. Details of all payments and receipts are presented at each Council meeting, at which time the bank balances are confirmed.

## 2 C. INTERNAL AUDIT ASSURANCE

- a) Non-compliance with internal audit requirements. An internal auditor is appointed.
- b) Internal Audit Terms of Reference
  - i) Internal Audit Terms of Reference annually approved in accordance with the minimum requirements suggested in "Governance and Accountability in Local Councils in England and Wales – The Practitioners guide
  - ii) Internal Audit takes into account the Council's risk management processes (this document) and internal controls.
  - iii) Terms of reference define audit responsibilities in relation to fraud (direct reporting to Chair of Council).
- c) Internal Audit Independence
  - i) The internal auditor has direct access with those charged with governance (Council).
  - ii) Internal audit reports are made in own name to management.
  - iii) The internal auditor to have no other role within the Council

d) Internal Audit Competence

i) There should be no evidence that the internal audit work has not been carried out ethically, with integrity and objectivity.

ii) Responsible officers (Clerk and RFO) are consulted on the internal audit plan and on the scope of each audit.

iii) Internal audit is expected to report on a “negative” basis (report only areas of concern/recommendations).

e) Review of internal controls in place and their documentation. Internal controls are reviewed as necessary by the Clerk and Internal Auditor. Recommendations from the Clerk and Internal Auditor are submitted to the full Council.

f) Review of minutes to ensure legal powers are available and the basis of the powers recorded and correctly applied. The Clerk undertakes to ensure that the Council does not act ‘Ultra Vires’ when a decision is taken. It is recorded if the Council decides against the Clerk’s advice. The precise powers under which expenditure is approved is only recorded for s.137 payments in accordance with Accounts and Audit Regulations 1996 and s.214 and Schedule 26 of the Local Government Act 1972. will be recorded in the minutes against decisions taken. The minutes of meetings are also reviewed during the audit process.

g) Review and testing of arrangements to prevent and detect fraud and corruption. The use of Standing Orders, internal controls, and consideration by Council are all methods which contribute to prevent and deter fraud and corruption.

h) Review of adequacy of insurance cover provided by suppliers. Any contractors working for Papplewick Parish Council are asked for proof of insurance cover.

## **SECTION 3**

### **AREAS WHERE THERE MAY BE A NEED TO SELF-MANAGE RISK**

#### **3 A. RISK IDENTIFICATION**

- a) Keeping proper financial records in accordance with statutory regulations. Financial records kept in accordance with the statutory requirements fall with the responsibility of the full Council and are reviewed as part of the Audit process.
- b) Ensuring all business activities are within legal powers applicable to Parish Councils. See Section 2 Internal Audit Assurance (b)
- c) Complying with restrictions on borrowing. The Council is within the current borrowing perimeters.
- d) Ensuring that all requirements are met under employment law and H.M. Revenue & Customs regulations. H.M. Revenue & Customs calculations are made by the Clerk and are subject to the audit process. Salary forecasts are undertaken as part of the budget setting process and incremental increases are recommended by the Finance Committee to full Council for adoption. Independent legal advice is taken as necessary.
- e) Ensuring all requirements are met under H.M. Revenue & Customs regulations (especially VAT and PAYE). All such requirements are met by the RFO and the Internal Audit process.
- f) Ensuring the adequacy of the annual precept within sound budgeting arrangements. Committee budgets are reviewed by the Finance Committee and approved by full Council in accordance with the Council's budget procedure.
- g) Ensuring the proper use of funds granted to local community bodies under specific powers or Section 137. Grant applications are considered by the full Council for approval. Section 137 grants are listed separately in the annual accounts.
- h) Proper, timely and accurate reporting of Council business in the minutes. Council minutes are prepared by the Clerk. They are distributed to Councillors in advance of the subsequent meeting, verified as a correct record as one of the first items of business of that meeting and signed at the meeting. Failure to do so is recorded. Committee minutes are presented to full Council for information and comment and are signed as a correct record at the subsequent Committee meetings.
- i) Responding to electors wishing to exercise their rights of inspection. The rights of inspection to electors is adhered to in accordance with current legislation. In accordance with the Freedom of Information Act, all relevant documents are available on demand by

post and in addition, meeting agendas and minutes, once approved, are published on the Council's website.

j) Meeting the laid down timetables when responding to consultation invitations. Every effort is made to meet specified timetables when responding to consultation invitations.

k) Proper document control. Paperwork and documents conveyed electronically are retained in accordance with national guidelines and relevant documents are available for viewing on request.

l) Register of Councillors' interests and gifts and hospitality is complete, accurate and up-to-date. The Councillors' register of interests is held by the Clerk and a copy is held by the Monitoring Officer at Gedling Borough Council. To the best knowledge of the Clerk these are accurate and up-to-date. It is the responsibility of Councillors to notify the Clerk of changes.

m) Loss of services of an employee. Temporary loss will be covered by councillors or consideration given to employing temporary cover. If the loss is recognised as permanent, the Council's recruitment process will begin

### 3 B. INTERNAL CONTROLS

a) Regular scrutiny of financial records and proper arrangements for the approval of expenditure. Comprehensive measures are in place for the internal and external approval of expenditure.

b) Recording in the minutes the precise powers under which expenditure is being approved. See Section 2 Internal Audit Assurance (b)

c) Regular returns to the H.M Revenue & Customs, contracts of employment for all staff; systems of updating records for any changes in relevant legislation reviewed by Council. H.M Revenue & Customs returns are completed and submitted by the Clerk. Salaries are calculated by the full Council on recommendation of the Finance Committee and are subject to internal audit. Staffing issues will be referred to the HR Committee established for this purpose for recommendation to full Council.

d) Regular returns of VAT. The Clerk as RFO is responsible for completion and submission of VAT returns. Presented to full Council and submitted as and when necessary according to level of reimbursement.

e) Developing system of performance measurement. In accordance with legislation, staff appraisals will be undertaken annually, by the HR Committee Chairman in the case of the Clerk, and by the Clerk in the case of other staff. These are reported to Council.

f) Procedures for dealing with and monitoring grants, or loans, made or received. Ad hoc procedures depending on requirements or grant making body. There are no outstanding loans.

g) Minutes properly numbered with a master copy kept in safekeeping. All Council and Committee minutes are correctly numbered and paginated. These are loose leaf. Original copies are kept in Minute books in the Clerk's possession.

h) Documented procedures to deal with enquiries from the public. Calls, letters and e-mails are dealt with as soon as practicable unless referred to Council or Committee. In such cases, acknowledgement of enquiry is made.

i) Documented procedure to deal with responses to consultation requests. Consultation requests are referred to full Council. They may be further delegated to a Committee or working group. The course of action taken is minuted. Copies of correspondence are available to all Councillors on request.

j) Monitoring arrangements regarding Quality Council status. Currently not applicable.

k) Documented procedures for document receipt, circulation, response, handling and filing. The Clerk receives and delegates all mail. All relevant mail is circulated amongst Councillors and listed with Council for consideration of information. Mail for action by administration is dealt with accordingly and filed when actions are completed.

l) Procedures in place for recording and monitoring members' interest and gifts and hospitality received. See Section 3 Risk identification (l.)

m) Adoption of Codes of Conduct for members and employees. The Council adopted the Code of Members Conduct in November 2019. Employees' Code of Conduct is in accordance with their individual contracts of employment. At present there is no other statutory code for employees.

### 3 C. INTERNAL AUDIT ASSURANCE

a) Review of internal controls in place and their documentation. Internal controls are reviewed as necessary by the Clerk and Internal Auditor. Recommendations from the Clerk and Internal Auditor are submitted to full Council.

b) Review of minutes to ensure legal powers in place, recorded and correctly applied. See Section 2 Internal Audit Assurance (b.)

- c) Review and testing of arrangements to prevent and detect fraud and corruption. See Financial Risk Assessment Strategy.
- d) Testing of specific internal controls and reporting findings to management. Where appropriate, the results of such testing as part of the internal controls will be reported to the full Council. Similar reporting to Council will be made as part of the internal audit.
- e) Computer data safety. All necessary procedures and documents are computerised and all relevant areas of Clerk's computer are backed-up regularly to an external hard drive.