

# Killamarsh Parish Council

## KPC 64 Risk Management and Internal Control Policy

DETAILS OF POLICY	
Policy No	KPC 64
Policy Title	Risk Management and Internal Control Policy
Committee/Working Party Responsible	Finance Committee / Full Parish Council
Last Reviewed	29 <sup>th</sup> April 2024
Next Review Date	April 2025

### The Policy

#### 1. Purpose of this Policy

1.1. Killamarsh Parish Council recognises the importance of risk management to maintain the ability to deliver the activities and services expected of the council. Risk management is a factor that enables the Council to satisfy its objective to deliver high quality public services.

1.2. The purpose of this policy is to set out the governance and management arrangements for the effective management of risk and to inform the councils responses to assertions (2) and (5) as set out in the Annual Governance and Accountability Return (AGAR).

#### 2. Background

2.1. Killamarsh Parish Council is responsible for ensuring that its business is conducted in accordance with the law and proper practices, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk and for reviewing the effectiveness of internal audit. The arrangements that the Council has in place for reviewing the effectiveness of internal audit are set out in a separate policy.

2.2. Killamarsh Parish Council is to be fully committed to effective risk management, adopting best practices in the identification, evaluation and control of risks, in order to;

- integrate risk management into the culture of the Council,
- eliminate or reduce risks to an acceptable level,
- anticipate and respond to changing social, environmental and legislative requirements,
- prevent injury and damage and reduce the cost of risk, and
- raise awareness of the need for Risk Management.

2.3. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

2.4. This policy is supported by the listed Council approved policies:

- Asset Register Policy
- Risk Assessment Policy & Risk Assessment
- Internal Audit Policy: Reviewing the Effectiveness of Internal Audit
- Other Council approved policies, procedures and protocols

### 3. Legal Framework and Compliance

3.1. The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement with proper practices in relation to the accounts. Risk management is part of the review and when completing the AGAR for the external auditor, the Council is confirming the following assertions.

#### 3.2 Internal Control: Assertion 2

- *'We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.'*

3.3 In order to warrant a positive assertion, the council must comply with several processes that need to be in place and effective as set out in page 9 of the Accountability and Governance Practitioners Guide 2020. Using this guidance, Killamarsh Parish Council has developed an internal controls checklist (Appendix A). This checklist will be used by a working group of three councillors, at least once a year, to review the effectiveness of the internal control procedures. The outcome of the review will be formally reported and minuted at a council meeting.

3.4 As internal audit forms part of risk management and internal control, internal audit report(s) should inform the authority's responses to (Assertions 2 and 6) in the annual governance statement. Internal audit reports will therefore be made available to support and inform members considering the authority's approval of the annual governance statement. Killamarsh Parish Council has adopted a separate 'Internal Audit Policy' that reviews the effectiveness of Internal Audit and sets out the detailed arrangements in place to meet legislative requirements.

#### 3.5 Risk Management: Assertion 5

- *'We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required'*

3.6 In order to warrant a positive response to this assertion, the authority needs to have the following arrangements in place:

- **Identifying and assessing risks** — the authority needs to identify, assess and record risks associated with actions and decisions it has taken or considered taking during the year that could have financial or reputational consequences.
- **Addressing risks** — having identified, assessed and recorded the risks, the authority needs to address them by ensuring that appropriate measures are in place to mitigate and manage risk. This might include the introduction of internal controls and/or appropriate use of insurance cover.

3.7 To meet this assertion, Killamarsh Parish Council has adopted a Risk Assessment Policy and Risk Assessment document that is reviewed by the council at least on an annual basis or when the risks are subject to change. Where required Killamarsh Parish Council will appoint external contractors to assist with the risk management arrangements.

3.8 Additionally, to meet this assertion, the detailed arrangements for asset management and insurance are set out in section 3.9 of this policy.

#### 3.9 Asset Management and Insurance

The Council has adopted an Asset Register Policy for insurance and asset management purposes. As insurance forms part of risk management, Killamarsh Parish Council will review the insurance policy at least annually or around the time of renewal. Changes will be made to the insurance policy as and when circumstances require such as the acquisition of a new item of equipment.

3.10 As a minimum requirement, the council's insurance policy will cover:

- Public liability
- Employers liability
- Personal accident.
- Fidelity Guarantee: Theft of money including through staff dishonesty
- The protection of the physical assets owned by the Council i.e. loss, damage etc
- Loss of rental income
- Legal Liability: Including but not limited to Corporate Manslaughter and Corporate Homicide, Libel and Slander and other legal expenses.
- Cyber Liability

#### **4. Responsibility for Risk Management**

4.1 Killamarsh Parish Council as a corporate body is responsible for the effective management of risk. Members have ultimate responsibility for risk management as risks threaten the achievement of policy objectives. In the context of risk management members should;

- Exercise leadership,
- Consider and adopt current and future risk management policies and strategies, and
- Support and monitor the risk management process.

#### **5. Review of the Policy**

5.1 This policy will be reviewed at least on an annual basis or as required to comply with legislative changes.

Appendix A

**Killamarsh Parish Council: Internal Control Checklis**

Internal Control	Suggested Testing	Yes	No	Parish Council Controls / Comments
<b>Standing Orders &amp; Financial Regulations</b>	<ul style="list-style-type: none"> <li>• Has the Parish Council formally adopted Standing Orders and Financial Regulations?</li> <li>• Have these been reviewed against the latest model of NALC documents?</li> </ul>			
<b>Payment Controls &amp; Bookkeeping</b>	<ul style="list-style-type: none"> <li>• Has a Responsible Financial Officer been appointed with specific duties?</li> <li>• Have items or services been competitively purchased?</li> <li>• Is the cashbook maintained and up to date?</li> <li>• Is a bank reconciliation carried out regularly?</li> <li>• Are payments in the cashbook supported by invoices, authorised in accordance with a minute resolution or delegated authority within the Financial Regulations or Scheme of Delegation?</li> <li>• Has VAT on payments been identified, recorded and reclaimed?</li> <li>• Is s137 expenditure separately recorded and within statutory limits? If the Council has declared the General Power of Competence, this is no longer a requirement. Ensure power of GPC is declared.</li> </ul>			
<b>Receipts / Income Controls &amp; Petty Cash</b>	<ul style="list-style-type: none"> <li>• Is income properly recorded and banked?</li> <li>• Does the precept approved, agree to the Council Tax authority's notification?</li> <li>• Are the petty cash floats adequate in size to meet small expenditure and do not require reimbursement more frequently than a month?</li> <li>• Is all the petty cash recorded and supported by VAT invoices/receipts?</li> <li>• Is petty cash expenditure reported to a council meeting?</li> </ul>			

<b>Debt Collection</b>	<ul style="list-style-type: none"> <li>Does the Council have in place debt monitoring arrangements for the collection of sums of money owed to them for Allotments, Cemeteries and other council chargeable activities/services?</li> </ul>			
<b>Employment / Payroll Controls</b>	<ul style="list-style-type: none"> <li>Do all employees have contracts of employment with clear terms and conditions?</li> <li>Do salaries paid agree with those approved by the Council?</li> <li>Are other payments to employees reasonable and approved by the Council?</li> <li>Have PAYE/NIC been properly and operated by the Council as an employer?</li> </ul>			
<b>Asset Controls</b>	<ul style="list-style-type: none"> <li>Does the Council maintain an asset register of all material owned or in its care?</li> <li>Are the assets and investments registers up to date?</li> <li>Do asset insurance valuations agree with those in the asset register?</li> <li>Has the council carried out a physical audit of their assets to confirm their existence?</li> </ul>			
<b>Risk Management Arrangements</b>	<ul style="list-style-type: none"> <li>Does a review of the minutes identify any unusual financial activity?</li> <li>Do minutes record the council carrying out an annual corporate risk assessment?</li> <li>Is the insurance cover appropriate and adequate, including the arrangement for Fidelity Guarantee?</li> </ul>			
<b>Bank Accounts</b>	<ul style="list-style-type: none"> <li>Is the bank mandate up to date and have the list of authorised signatories been approved by the Council?</li> </ul>			
<b>Budget and Financial Statement</b>	<ul style="list-style-type: none"> <li>Has the Council prepared an annual budget in support of its precept?</li> <li>Is actual expenditure against the budget regularly reported to the Council?</li> <li>Are there any significant unexplained variances from budget?</li> </ul>			
<b>Year End Controls</b>	<ul style="list-style-type: none"> <li>Are yearend accounts prepared on the correct accounting basis (Receipts and Payments or Income and Expenditure) by the RFO or by a competent individual i.e. Accountant?</li> </ul>			

**The review of the effectiveness of the internal control system (underpinned by the internal controls checklist above) was carried out by:**

**Signed:** ..... **Print Name:**

**Dated:** .....

**Signed:** ..... **Print Name:**

**Dated:** .....