



North Walsham Town Council

Financial Risk Management Policy

1 Introduction

1.1 Financial risks can be managed by effective internal controls, Standing Orders and Financial Regulations, and by insurance.

2 Internal financial controls

2.1 Cash Handling:

- The amount of Petty Cash held is limited to a maximum of £150 at any one time.
- Any such cash is held in a secured cupboard. Petty cash is balanced on a monthly basis.
- This cupboard is accessible only through multiple locked doors, including code locks which use different codes. In addition the office is protected by a fire alarm system, and the frontage can be picked up on the Council-owned motion tracking CCTV-system.
- A receipt is obtained for each payment made in cash.
- Larger payments are made by cheque.
- Cash is banked regularly.

2.2 Cheque receipts:

- Cheque receipts are banked regularly.
- The Council does have the facility for larger payments to be paid directly by BACS into its bank accounts, and such receipts are checked on receipt of the monthly bank statements and at intervals using online read-access to the accounts.

2.3 Cheque payments:

- In accordance with the Council's Standing Orders, all cheques require two signatures from a list of signatories approved by the Council and lodged with the bank.

- Cheque payments are authorised by the Town Clerk after the invoice or other documentation has been verified against order/quotations or minutes, or has been approved by the appropriate Committee Chairman, as appropriate.
- Members signing the cheque also have sight of the invoice/documentation and must initial the cheque counterfoil and invoice.
- When Direct Debits are used, two members' signatures are required on the direct debit paperwork. Payments by Direct Debit will show in the list of payments presented to the Council at each monthly meeting.
- All payments are presented to full Council for approval on a monthly basis. This includes those occasions requiring ratification but for which the Council has already approved the expenditure or where expenditure has been approved by a Committee, the invoice is as expected (in line with the original estimate) and the expenditure is within that Committee's budget.
- All cheques should be issued promptly after approval by the Council.
- **Unusual payments over £1,000 require the approval of the Council at its monthly meeting.**

2.4 Salary payments:

- Payment of salaries is carried out by the Town Clerk using the phone banking system to phone details through to the bank for action on or on the nearest date before the 20th day of each month.
- A list of salary payments is prepared by the Assistant Clerk – Finance for approval and action by the Town Clerk in accordance with pay rates approved by the Personnel & Grants Committee and ratified by the full Council.
- The salaries are paid from the Wages Account.

2.5 Transfer of monies between Council accounts:

- The Council maintains four bank accounts:
 - Current account,
 - Wages account,
 - Business reserve account, and
 - Bonus saver account.

- The retained balance for the current account is kept at £5,000 by automatic transfer between this account and the business reserve account. Similarly, the wages account balance is retained at £500.

A full reconciliation is carried regularly, and details are retained for inspection.

2.6 Bank reconciliations:

- These are monitored regularly by the Assistant Clerk-Finance to ensure that they agree with the monthly bank statements, with discrepancies reported to the Town Clerk. Nominated Councillors (non-signatories) also check these reconciliations on a regular basis as part of the internal financial monitoring process, and sign to confirm they have been checked.

2.7 Reporting to Members:

- A list of all payments and receipts is made available to all members at every full Council meeting.

- At every Council meeting Members receive a report detailing expenditure to date against budget.

- A similar report for each Committee is provided to Members at meetings of those Committees.

2.8 Income:

- The risk of non-receipt of anticipated income is managed in the following manner:

- The Town Clerk ensures that budgets are prepared in time to make a recommendation to the Council's Estimates meeting, so that the Council can submit its Precept on time.
- Sufficient funds are held in the General Reserves to ensure that payment of all necessary expenditure can be met for three months. This includes the office service charge, rates, utilities and salaries.
- The Precept payment is usually received by BACS on or before 30 April and 30 September each year, and the Assistant Clerk – Finance ensures that the payment is received as expected and reports to the Town Clerk.
- Rental income: Rental income from the Cemetery Lodge and Spa Common grazing land is monitored regularly and reported immediately if the accounts are in arrears. Income from market pitches is invoiced on a regular basis, and non-payment is covered in detail in the market Rules & Regulations.
- Recovery of VAT: VAT is claimed quarterly, against a VAT reconciliation prepared by the Assistant Clerk – Finance. This is checked by the Responsible Finance Officer, and also forms part of the regular internal financial checks conducted by Members.

2.9 Expenditure:

- The largest expenditure item is the payment of salaries.
 - The payroll system is administered by the Assistant Clerk – Finance and overseen by the Responsible Finance Officer.
 - Variations to salaries, including any increases or bonus payments, are only actioned following approval of the Personnel & Grants Committee AND ratification by the full Council.
 - Payment of salaries is in accordance with details produced by the payroll system, and is checked by the Responsible Finance Officer to ensure that the correct salary is paid and that the correct deductions are made.
 - Access to the computer system and payroll system is password-protected to ensure security of data.
 - The risks include not returning Right Time Information correctly, ensuring that tax and National Insurance Contributions are deducted correctly, and that the payroll system is administered in line with policy.
- Purchases:

- Risks include the non-supply of goods, incorrect charge on invoices, incorrect payment. Risks are managed by thorough checks of invoices, which are signed off by the Responsible Finance Officer, and through the system of verification of cheques including dual signatures.
- Other Risks include:
 - Adequate reserves: The level of reserve funds is assessed annually as part of the budget-setting process
 - Loss of/damage to assets: Assets are inspected regularly. Loss or damage is included in the Council's insurance cover.
 - Fraud by staff: This managed through the requirement for dual signatories, internal finance checks carried out by nominated Members of the Council, and split of role between Responsible Finance Officer and Assistant Clerk – Finance. Fraud is included in the Council's insurance cover.
 - Office security: The Council Offices at New Road, North Walsham are protected by a fire alarm system, with the frontage also covered within the Council-owned motion-tracking CCTV system.
 - Security of documents: Important documentation is stored securely. Office staff are also trained on matters concerning Freedom of Information and Data Protection.
 - Security of computer-based information: Access to office IT systems is by password only. Essential documents are saved regularly to a secure external drive installed for backup purposes.

2.10 Financial risk management through insurance:

- Fraud by staff: Potential losses arising as a result of dishonesty by staff (fraud) are managed through the Fidelity Guarantee which forms part of the Council's insurance policy. The guarantee is set at a limit which is the equivalent of 50% of the reserves plus 50% of the annual budget. This figure is reviewed annually.
- Loss of/damage to assets: This is managed through the Council's insurance, with the value reviewed annually.

This Financial Risk Management Policy shall be reviewed annually.

This version of the Financial Risk Management Policy was adopted on 30 June 2015

- **Minute Ref .150630_Council Minutes_Para 6(a)**