Peasenhall Parish Council

Financial Risk Assessment

Rating Definition

Rating	Likelihood
Low	Unlikely to occur within the next ten years
Medium	Likely to occur within the next ten years
High	Likely to occur within the next two years

Rating	Severity
Low	Limited inconvenience, no impact on reserves, no legal challenge
Medium	Some public censure or small impact on reserves (less than 10%), no legal challenge
High	Impact on reserves greater than 10%, legal challenge, or severe public censure

	Severity		
Likelihood	**Low**	**Medium**	**High**
High	🟠	🔴	🔴
Medium	🟢	🟠	🔴
Low	🟢	🟢	🟠

Financial Control

Ref	Risk	Hazard / Consequence	Current Control Measures	Likelihood	Severity	RAG	Revised / Further Actions	Resp.	Date Complete
Payments									
1	Risk of incorrect invoicing	Financial loss due to settlement of double or false invoices	All invoices are checked by the RFO against work done/goods and services received, are marked with an individual voucher number and marked Paid with a date when they have been paid. RFO periodically checks the cashbook using AI to identify duplicate payments.	M	L	G	None		

2	Risk of incorrect payments	Financial loss due to payment made for incorrect amount or incorrect payee	Invoices are checked and initialled by two non-signatory councillors. Two people are always involved in making a payment, with reference to those invoices	M	L	G	None		
3	Risk of late payments	Late payment could incur a financial penalty	Invoices are printed out and filed when received. That file is used to complete the 'authorisation for payment' form and is taken to council meetings for cllrs to check – meetings are held ten times a year. Fin Regs allow RFO to make a payment where that is necessary to avoid financial penalties.	M	L	G	None		
4	Incorrect salaries paid	Staff over or underpaid	Salary is agreed between the clerk and the chair and ratified by the council. The salary is recorded in the contract but is not checked for accuracy. SALC is used for payroll services. The clerk is currently receiving an incorrect salary	H	L	A	The salary should always be checked against the NJC pay scale.	RFO and council	
5	Incorrect National Insurance and PAYE	HMRC over or underpaid	SALC provides the payroll service.	L	L	G	None		
6	Expenses incorrectly claimed	Members over or underpaid; financial loss to Council	The council has an expenses policy, which claims are checked against. Itemised receipts are required and all payments are authorised in accordance with the fin regs. No cllr can authorise a payment to themselves. Legal powers for spending are recorded against payments.	L	L	G	None		
7	Value for money not obtained	Financial loss	The clerk obtains estimates or quotes in line with the financial regulations. However, it might not always be possible to find suppliers prepared to give quotes or estimates.	M	L	G	The council might have to vary the financial	Council	

							regulation to allow other evidence of value for money, such as internet or AI research		
8	Theft or dishonesty, including cash and cheques Fraud or misappropriation of funds	Financial loss and reputational damage	Fidelity Guarantee Insurance; Internal Controls: • All payments authorised by council, or indirectly through delegated authority, in line with fin regs • All invoices checked and initialled by two non-signatory councillors • Two people involved in making all payments. • No councillor authorises a payment to themselves All payments backed up by appropriate legal power.. Cash and cheques are very rarely handled. No petty cash is kept.	L	H	A	The council could consider a regime of inspection of financial records by non-signatory councillors	Council	
9	Unlawful payments: no power to pay or no evidence of agreement of Council to make payments.	Breach of legislation or governance requirements. Financial loss. Loss of reputation	All decisions about purchases voted on and minuted. Power used for payment recorded on authorisation to pay form and cash book.	M	L	G	None		
10	Conditions of donations not adhered to.	Reputational damage. Financial loss	Any conditions of donations are minuted and reviewed by a designated Councillor.	M	L	G	The council could consider adopting a Donations/Grants policy for clarity	Council/ Clerk	

Receipts									
11	VAT return is incorrect	Loss of income; HMRC challenge	The council is not VAT registered. It only claims back VAT paid. All purchases are listed in the cash book with a separate VAT column. VAT is detailed on invoices in the Council's name.	M	L	G	None		
12	Untimely receipt of precept/grants	Lack of cash flow	The council holds reserves amounting to 12 months of income	L	H	A	None		
13	Loss of cheques/ Income not banked	Financial loss	Property Damage and Business Interruption Cover; Money Cover (Section 1A) The council very rarely handles cheques. Almost all income is paid by bank transfer. Receipt of all income is minuted.	L	L	G	None		
14	Loss of income from unpaid invoices	Financial loss	The council's only non-precept/grant income is from occasional interments, which are organised by a churchwarden. It is possible that a miscommunication between the churchwarden and the clerk could cause a payment to be missed, though the sums involved are small.	M	L	G	Better communication between the clerk and church-warden	Clerk	
Reconciliation									
15	Inaccurate or incomplete financial records	Potential financial loss; Internal Auditor would issue a "Requires Improvement" report	The RFO continues to top up her training and takes advice from SALC. The RFO draws up a plan to remedy any failings found by the internal auditor. Fin Regs are reviewed annually.	M	L	G	Further training for the RFO	RFO	ongoing

16	Bank errors not identified	Monthly financial report would not reconcile	The council has a clear audit trail and internal controls that should identify that the error lies with the bank, including quarterly bank reconciliations. All differences and outstanding items identified during a bank reconciliation are investigated and corrected or carried forward with an explanation. A councillor who is not the RFO or a bank signatory independently checks and signs the reconciliation against the original bank statements quarterly.	L	M	G	The council should review the frequency of bank reconciliations.	RFO/ council	
Year-end Processing									
17	Annual return not submitted within time limits	Could result in qualified accounts	The clerk uses a calendar to ensure tasks are completed at the appropriate time and allows for margin of error when booking internal audit. A reputable internal auditor is used to ensure that the internal audit is finished on time.	M	L	G	None		
18	Ineffective internal audit	Could result in qualified accounts, reputational damage	Annual review of the effectiveness of the internal audit to take place between RFO/Clerk and Councillors, at a Parish Council meeting. The council currently uses internal auditors provided by SALC.	L	L	G	None		

Financial Management

Ref	Risk	Hazard / Consequence	Current Control Measures	Likelihood	Severity	RAG	Revised / Further Actions	Resp.	Date Complete
Budget Setting									

1	Inadequate budgeting/ annual precept insufficient	Insufficient funds available to meet Council commitments	RFO has undertaken training in budget setting. The whole council discusses and agrees the budget. Quarterly review of budget vs actual spend. Adequate general reserves are held. However, lack of attention to preventative maintenance (eg to the trees) increases the risk of unexpected expenditure	M	M	A	The council needs to improve its main-tenance schedules	Clerk and Council	
2	Precept rule changes, restricting spending	Insufficient funds available to meet Council commitments	The council has general reserves amounting to 12 months' precept income.	L	M	G	None		
3	Poor cash flow management	Inability to meet financial commitments when due	Quarterly budget vs actuals report to council and quarterly bank reconciliations presented to council. Adequate general reserve.	L	M	G	None		
4	Cemetery income does not match budget	Reduced funds available to council	Cemetery income forms a very small part of budgeted income and its loss can be easily absorbed by the general reserves.	M	L	G	None		
5	Failure to regularly review fees and services	Financial loss	Cemetery fees are regularly reviewed	L	L	G	None		
6	Necessary expenditure eg on allotments, exceeds budget	Insufficient funds available to meet Council commitments	The council keeps some earmarked reserves for particular projects or assets and also has a large general reserve.	M	M	A	None		
7	Council takes on more services without supporting funding	Insufficient funds available to meet Council commitments	Any new commitments are risk assessed and budget by the RFO and approved by the full council	L	M	G	None		
Financial Planning									

8	Insufficient reserves	Inability to respond to emergencies or unexpected expenditure	The council holds the maximum level of general reserves advised by the Practioners' Guide. It also maintains earmarked reserves for specific projects and assets.	L	M	G	None		
9	Investment strategy inadequate	Financial loss	The council currently keeps all its money in bank accounts, one of which is interest bearing	M	L	G	The council should review its investment strategy more frequently	Council and RFO	
Budget Monitoring									
10	Failure to monitor expenditure against budget	Overspending and financial instability	Quarterly reviews of budget vs actual spend are approved by the council. Adequate general reserves are held	L	M	G	None		
Financial Reporting									
11	Inaccurate financial reports	Poor decision-making by Council	The RFO regularly updates training, takes advice and implements internal audit recommendations. Financial regulations adhered to.	L	L	G	None		
Record Keeping									
12	Loss of accounting records	Inability to verify transactions or produce accounts	Documents back up to the cloud. Password protection used. Laptop also regularly backed up to a memory stick. Paper records filed.	L	L	G	The council could consider whether a member should be able to access the clerk's Microsoft account in an emergency	Council	
Governance and Audit									
13	Failure to comply with audit requirements	Qualified audit report and reputational damage	The RFO updates her training, takes advice from SALC and makes corrections based on previous internal audits. Councillors check and approve the annual return. Financial Regulations adhered to	L	L	G	None		
14	Financial Regulations no	Acting unlawfully	The RFO takes advice from SALC and keeps training up to date. Financial regulations are reviewed by the council annually.	L	L	G	None		

	longer in line with legislation								
15	Financial regulations not followed	Breach of legislation or governance requirements	The RFO updates training and takes advice from SALC and the internal auditor. Financial regulations are reviewed and adopted annually and available on website. The RFO follows procedures in Financial Regulations, and internal control mechanisms (councillor checks on invoices, authorisation to pay, dual authorisation for payments, bank reconciliations and budget reviews) confirm compliance.	M	L	G	None		
Insurance									
16	Insurance cover inadequate	Financial loss	Insurance cover reviewed annually by Council as part of annual risk review process and minuted.	L	H	A	Quality of insurance bought should be carefully scrutinised by council and RFO	Council and RFO	
17	Unable to recover costs from 3rd party insurers for damaged assets	Financial loss	The council has no provision for this, beyond taking legal advice and relying on reserves. The council has legal expenses cover.	L	H	A	None		
IT and Finance Systems									
18	Failure to safeguard electronic financial data	Loss of information or cyber fraud	Regular backups to memory stick. Automatic backups to cloud. Password Protection Use of anti-virus software on all devices involved in making payments	L	L	G	None		
Banking									
19	Banking arrangement failure	Delays in payments and receipts	Online Banking Controls; Dual Authorisation. A cheque book is retained in case electronic banking fails. Sufficient councillors are on the bank mandate to allow for unexpected resignations etc. The council only banks with reputable, low-risk institutions, to reduce the risk of banking insolvency.	M	L	G	None		

Adopted: 18 November 2026

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