

LAW - REGULATORY BACKGROUND Local Audit and Accountability Act 2014

The requirement for local Councils to prepare accounts annually and to subject them to external audit comes from the Local Audit and Accountability Act 2014. The Act describes the rights of taxpayers and other interested parties in relation to those accounts.

Section 151 of the Local Government Act 1972

Parish Councils are required by this Act to appoint a responsible financial officer (RFO) to manage their financial affairs.

Accounts & Audit Regulations 2015: Accounting records and control systems

- (4) The financial control systems determined in accordance with paragraph (1)(b) must include—
- (a) measures—
 - (i) to ensure that the financial transactions of the authority are recorded as soon as, and as accurately as, reasonably practicable.
 - (ii) to enable the prevention and the detection of inaccuracies and fraud, and the reconstitution of any lost records; and
 - (iii) **to ensure that risk is appropriately managed.**
 - (b) identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.

Internal audit

(5)— (1) A relevant authority must 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.

Review of internal control system

- (6)— (1) A relevant authority must, each financial year—
- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
 - (b) prepare an annual governance statement.

Section 1 of the Annual Return, Statement of Assurance, includes a statement that the Council has carried out an assessment of risks and taken appropriate action to manage them. The statement has to be signed by the Chair and the Clerk and refers to the minute covering the Council's consideration of the risk assessment. This requires that at least once a year the Council must formally consider risks.

OVERVIEW

The greatest risk facing a local council is not being able to deliver the activity or service that is expected of them by the local population. This Council should be seen to be managing all of these risks when it reviews its insurances and its systems (both financial regulations and standing orders) and the minutes of the Council are essential evidence of such reviews. Budget setting, asset register review, risk assessments and insurance reviews are annual activities.

Council minutes should be checked by the Internal Auditor for evidence of any unusual activity, along with evidence that risks are being identified and managed appropriately.

A schedule of the types of risks is identified by the Audit Commission in their guidelines.

The Parish Council's Standing Orders and Financial Regulations cover the vast majority of these risks, but there is a need to identify any issues not covered within these documents and then indicate, via the Council and Committee Minutes the way in which they have been considered and managed.

Risks are shown as being managed in one of three ways:

1. Insurance.
2. Managed risk through third parties.
3. Managed risk in-house.

RISK MANAGEMENT BY INSURANCE

The Council's assets are protected against loss or damage by insurance. Risk of damage to third party property is covered by public liability insurance.

The loss of cash through theft, dishonesty or fraud is covered by fidelity guarantee. This figure is normally taken as being the equivalent of the end of year reserves plus 50% of the Precept (which should approximate to the maximum amount of money kept in the Council's bank accounts).

Where outside contractors are employed, the Clerk should ensure that the contractor employed has adequate public liability insurance by seeing a copy of the Public Liability Insurance Certificate.

RISK MANAGED BY THIRD PARTIES

Some duties or responsibilities can be delegated in part or whole to outside bodies.

RISK MANAGEMENT INTERNAL

Many of the Parish Council's duties will be carried out either by directly employed staff, contractors, volunteers or by Councillors and in these circumstances the Council needs to ensure that appropriate risk management systems are in place and that these are reviewed on a regular basis.

The Audit Commission recommends that when spending is budgeted and agreed, Councillors should consider under what powers the Council would be spending the public funds involved. In case of unusual expenditure, the power used to justify such expenditure should be minuted.

INTERNAL CONTROL RISK ASSESSMENTS

The Council is required to maintain risk assessments. It should be borne in mind that risk assessment is a continual process and needs to be reviewed on a regular basis.

The risk assessments identify areas which need to be considered, together with observations on both the level of risk involved and the means currently used to manage that risk, and details monitoring & review procedures, proposing means of managing the assessed risks.

The Council's risk assessment format exceeds the current compliancy standard required by the external auditing body.

The Core Risk Assessments are:

1. Finance
2. Governance
3. Business Continuity
4. Website and IT

REVIEWS

- a. This Council will review the effectiveness of internal control annually.
- b. The Review Schedule records the frequency of review and the nature of the review to remain compliant.
- c. This is not an exhaustive list, but it ensures that the Council's main compliancy goals/targets are met.

INTERNAL AUDIT

The Council complies with governance requirements, has an audit plan and will annually recruit an internal auditor.

EXTERNAL SUPPORT

The Council employs the services of an external accountancy service to reduce the risk of fraud, to ensure accurate bookkeeping and compliance with changes in accounting legislation and to maintain business continuity.

The Council will submit its accounts annually to an external auditor.

GOVERNANCE

Two pieces of legislation set out how local Councils should behave when accounting for the public funds they manage and what rights local taxpayers have in relation to those accounts. These are the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations issued from time to time under the Act.

The Act provides that the Secretary of State may make regulations covering:

- how accounts should be kept.
- the form of accounts and how and where and for how long taxpayers can view the accounts and the details behind them.
- and how taxpayers exercise their rights in relation to them.

The Parish Clerk is employed by the Council to oversee the administration of its affairs. The Parish Clerk, The Responsible Financial Officer (RFO) holds a statutory office to be appointed by the Council. The Clerk has been appointed as RFO for this Council and the Financial Regulations will apply accordingly. The Council does not have an external accountancy service but is responsible for all the Councils payroll and accounting systems and the Financial Regulations themselves.

It is the Council as a whole, however, that is responsible in law for ensuring that its financial management is adequate and effective, and that the Council has a sound system of internal control which facilitates the effective exercise of their functions, and which includes arrangements for the management of risk.

Under the regulations, all local Councils are required at least once a year to conduct in accordance with proper practices, a review of the effectiveness of their system of internal control

and publicly report the outcome. This annual governance review must include a separate review of internal audit.

INTERNAL AUDIT

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a Council's activities and operating procedures are effective. It is essential that the internal audit function is sufficiently independent of the other financial controls and procedures of the Council which are the subject of review. The person or persons carrying out internal audit must also be competent to carry out the role in a way that will meet the business needs of each local Council. Internal audit is an on-going function reporting to the Council.

Risk Management and Insurance: Steps taken:

Identify the key risks facing the council.

- i. Damage/replacement cost of council owned property – Physical Assets
 - ii. Financial risk
 - iii. Records Risk (IT or paper)
 - iv. Injury to the Public in connection with council owned/managed property
 - v. Injury to councillors or attendees at meetings in various village halls
 - vi. Litigation risk as a result of council's actions or decisions
 - vii. Illness of Clerk
- b. Evaluate the potential risk to the council re each risk heading.
 - c. Agree measures to avoid reduce or control the risk.

Physical assets

Listed on the Assets Register

Finance

The Parish Council is financed by Precept (via Westmorland and Furness Council), the proportion of the Council Tax Support Grant that Westmorland and Furness is prepared to pass on year by year, and a way leave - all paid directly into Business Money manager account. Clerk transfers whole precept payment to Current Account immediately on receipt (twice a year) to ensure monies available to meet all Standing orders & cheques drawn throughout the year.

- Cumberland Bank Accounts. Clerk keeps cheque book and checks account using internet banking (Password changed regularly).
- All online / cheques / Standing Order requests and alterations have to be signed by two signatories.
- Parish Councillors who are bank signatories have individual log on details to authorise any online payments.
- Expenditure is monitored/ approved at each meeting; no petty cash is kept.
- Quarterly budget reviews are undertaken to keep close budgetary control.
- Annual budget is begun well in advance to ensure awareness of issues

Records Risk (IT or paper)

- There is a back-up which is completed whenever items are updated. The password is known by the Clerk & Chair.
- The laptop content is copied on to an external hard drive whenever items are updated.

- In case of fire or flood most of the papers and records are kept in a safe place in clerks' home (out of flood risk area).
- Documents and details are regularly printed off the computer.

Injury to the Public (including attendees of meetings)

- This is covered by the relevant insurance policies. Any contractors are requested to supply a copy of their public liability insurance each year.
- Copies of public liability insurance are requested from each of the village halls attended when the annual booking is made.

Website Security Risk

- A disclaimer is in a prominent position on the website re content
- Only the Clerk and Chair are able to edit the website.

Litigation Risk: Councillor propriety/Council decisions/legal requirements of record keeping

- Declarations of interest/request for dispensation – Fixed item on every Agenda. Councillors are therefore reminded of the need to declare any new pecuniary interest.
- Councillors are provided with copy Code of Conduct on appointment/election
- Training updates available to, and encouraged, for all councillors
- Changes to the law circulated, appropriately highlighted, by Clerk
- Council is member of CALC.
- All agendas are circulated by e mail before meetings and printed out.
- Minutes and agendas are kept on computer with clerk but copies also on the parish council website. Hard copies kept in a locked fireproof cabinet.
- Any confidential matters on laptop are separately passworded.
- Content of website/news reports are vetted for accuracy/libel risk and if there is any doubt, not published. Libel and Slander are covered by insurance to a maximum sum of £250,000.

Illness of Clerk

- Members of the council would help (this is a rural area and help is given)
- Access to the clerk's house and computer and other records available.
- A clerk from one of the neighbouring rural parishes would oversee work.
- The Internal auditor would also advise.
- Insurers would be notified if any changes in circumstances affect the insurance policies connected with parish council work.

Approved: 28 October 2025

Review: Not later than October 2026