



Denbigh Town Council — Financial Risk Assessment 2026/27



Agreed and accepted on:

Next review date:

Risk	Potential consequence	Inherent risk	Controls required by Financial Regulations	Residual risk	Further action / recommendation
Failure of overall financial control	Financial loss, audit qualification, governance failure, reputational damage	High	Council responsible for adequate financial management, safeguarding public money, prevention/detection of fraud and clear division of responsibilities. Annual review of internal controls required.	Low	Annual documented internal-control review before Annual Governance Statement
Inadequate accounting records	Incorrect accounts, inability to substantiate transactions, audit issues	High	RFO maintains accounting records, ensures proper practices, produces financial reports and administers VAT.	Low	Maintain documented year-end and monthly finance procedures
Failure to reconcile bank accounts	Errors/fraud remain undetected; inaccurate cash position	High	Bank reconciliation at least monthly by RFO and presented to all members monthly	Low	Keep dated reconciliation and continue with transparency to members monthly
Fraud or misappropriation	Direct financial loss, criminal	High	Division of responsibilities; independent reconciliation; Council authorisation of	Low	Include fraud-response procedure and annual

n of Council funds	investigation, public confidence damage		payments; dual cheque signatories; audit controls		check of fidelity guarantee
Payments made without proper authority	Unlawful or unauthorised expenditure	High	All payments authorised by Council or delegated committee; RFO prepares payment schedule.	Low	Resolution/minute reference recorded against payment schedule
Cheque fraud / incorrect cheque payment	Loss of public money	High	Current system requires two authorised Member signatories; cheque remains normal method until electronic payments are formally implemented.	Low	Signatories should check invoice/payee/amount rather than merely sign prepared cheque
Electronic banking fraud	Significant loss through compromised banking credentials or fraudulent payment	High	Dual authorisation, separation of initiation and approval, unique logins, no shared passwords, no saved credentials and MFA.	Medium	Formal electronic-banking procedure before implementation
Bank details changed fraudulently	Payment diverted to fraudster	High	Supplier bank-detail changes must be independently verified before amendment.	Low	Verify through previously-held telephone/contact details, never solely from change request
Use of personal cards for Council spending	Weak audit trail, reimbursement disputes, inappropriate expenditure	Medium	Personal credit/debit cards prohibited for Council purchases.	Low	Reinforce with staff/member guidance
Uncontrolled emergency expenditure	Spending outside Council-approved budget/authority	Medium	Clerk may authorise emergency expenditure only in consultation with Chair, up to £1,000, reported at next meeting.	Low	Record reason, legal power and Chair consultation

Overspending against budget	Depletion of reserves; inability to fund planned services	High	Expenditure restricted to approved budgets; Council approval required for virements; quarterly budget monitoring with variances above 15% or £500 highlighted.	Medium	For DTC this is monitored monthly by the RFO
Incorrect or insufficient precept/budget	Insufficient funds to deliver services or unnecessary taxation	High	RFO prepares estimates; Council approves budget and precept; earmarked reserves reviewed.	Low	Multi-year forecast for known large liabilities/projects
Inappropriate use of reserves	Lack of liquidity or excessive public money retained without justification	High	Council required to review earmarked reserves during budget-setting.	Medium	Annual reserves schedule identifying purpose, balance and anticipated use
Procurement without value for money	Excess costs, challenge from suppliers/public, reputational damage	High	All procurement must achieve value for money. Up to £3,000 reasonable value check; £3,001–£25,000 three written quotations; over £25,000 formal tender.	Low	Procurement checklist retained with each significant purchase
Contract splitting to avoid procurement requirements	Breach of FRs/procurement law and audit challenge	High	Contracts must not be artificially split to avoid thresholds.	Low	Assess aggregate/whole-project value before procurement begins
Lowest tender not selected without evidence	Allegation of favouritism or poor value	Medium	Council is expressly not obliged to accept lowest tender.	Medium	Minute objective reasons for selecting another supplier
Payroll error	Staff under/overpayment, recovery difficulties	High	Salary paid under contracts; PAYE, NI and pension rules; pay changes require Council approval; monthly totals reported.	Low	Independent check of salary/timesheets/changes and payroll totals

HMRC/PAYE/Ni failure	Interest, penalties, incorrect employee records	High	Payroll expressly required to comply with PAYE and NI.	Low	Periodic payroll-to-ledger reconciliation
Pension administration failure	Arrears, penalties, employee complaints	High	Payroll must comply with pension regulations.	Low	Monthly pension contribution reconciliation
VAT incorrectly accounted for/reclaimed	Financial loss, HMRC adjustment or penalties	Medium	RFO administers VAT; VAT returns at least annually.	Low	Quarterly VAT review is in place and gives a much stronger control than annual-only checking
Income not recorded or banked	Loss/theft of Council income; understated income	High	All income recorded and banked promptly.	Low	Two-person cash counts for events, signed count sheets and prompt banking
Fees and charges become outdated	Council subsidises services unintentionally	Medium	Fees and charges reviewed annually.	Low	Minute annual fee review even where no change is made
Bad debts written off improperly	Loss of public funds; inconsistent treatment	Medium	Bad debts require full Council approval.	Low	Maintain aged-debt schedule before any write-off
Borrowing undertaken improperly	Unlawful debt or unaffordable long-term liabilities	High	Borrowing requires full Council approval and necessary consents.	Low	Maintain loan register and repayment forecast
Investment loss	Loss of capital/public money	High	Annual Investment Strategy; investments in Council name, low risk and designed to preserve capital.	Low	Annual review of institution/exposure limits
Loss or omission of Council assets	Assets disappear, are uninsured or incorrectly accounted for	High	RFO maintains Asset Register; annual asset verification.	Medium	Physical verification recorded and signed annually

Asset disposal below value / without authority	Financial loss and potential challenge	High	Asset disposals over £500 require Council approval; land transactions require full Council approval and proper valuation.	Low	Disposal record including valuation and Council minute
Underinsurance	Major uninsured expenditure following loss/claim	High	Adequate insurance maintained and reviewed annually following risk assessment.	Medium	Reconcile asset register and insurance schedule annually
New projects commenced without assessing financial exposure	Unplanned ongoing costs, liabilities or insufficient budget	High	New activities require risk assessment before approval.	Low	Include whole-life cost, insurance, VAT, maintenance and exit liability
Charity/trust money mixed with Council funds	Accounting irregularity; breach of trustee responsibilities	High	Separate accounts required where Council acts as trustee.	Medium	Clear separate bank/accounting records for trust monies, currently in the process of accessing charity accounts as known by audit team DCC
Financial Regulations suspended without sufficient control	Controls bypassed and expenditure challenged	High	Suspension requires notice, Council resolution, reasons and documented risk assessment.	Low	Suspension should be exceptional and precisely scoped. Waivers formally asked for and minuted where applicable regarding quotes under £3000.00
RFO absence / loss of finance knowledge	Payments, payroll, banking and reporting delayed	High	Not explicitly dealt with in the Regulations	Medium	Add business-continuity procedure

					and secure handover arrangements
Cyberattack/data loss affecting financial records	Loss of records, delayed payments, possible fraud	High	Online banking security is covered, but wider finance-system continuity isn't explicit	Medium	Add backup, recovery and finance-system access controls