

Linton on Ouse Parish Council Risk Management

Definition of Risk Management

Risk is 'the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements.' *Audit Commission, Worth the Risk: Improving Risk Management in Local Government, (2001:5)*

Risks can be classified into various types categories. The direct financial losses however may have less impact than the indirect costs such as disruption of normal working. Examples of different risks are:

- Strategic Risk - long-term adverse impacts from poor decision-making or poor implementation. Risks of damage to the reputation of the Council, loss of public confidence, and in a worst case scenario legal intervention;
- Compliance Risk - failure to comply with legislation, laid down procedures or the lack of documentation to prove compliance. Risks expose to prosecution, judicial review, employment tribunals and the inability to enforce contracts;
- Financial Risk - fraud and corruption, waste, excess demand for services, bad debts. Risk of additional audit investigation, objection to accounts, reduced service delivery, dramatically increased Council Tax levels/impact on Council reserves;
- Operating Risk - failure to deliver services effectively, malfunctioning equipment, hazards to service users, the general public or staff, damage to property. Risk of insurance claims, higher insurance premiums, lengthy recovery processes.

This document has been produced to enable the Parish Council to assess the risks that it faces and satisfy itself that it has taken adequate steps to minimise them. In conducting this exercise the following processes were considered:

- Identify the areas to be reviewed
- Identify what the risks maybe
- Evaluate the management and control of risk and record findings
- Review, assess and revise as necessary.

There are four recognised ways of dealing with risk:

- Remove the risk
- Reduce the risk to an acceptable level
- Transfer the risk (eg. to a contractor) or insure against it
- Accept the risk

This Risk Management Policy forms part of the Parish Council's internal control and corporate governance arrangements.

The policy explains the Parish Council's underlying approach to risk management and documents the roles and responsibilities of Councillors and the Clerk. It also outlines the key aspects of the risk management process and identifies the main reporting procedures.

Key Principles

The following key principles outline the Parish Council's approach to risk management and internal control:

- The Parish Council, as a whole, has responsibility for overseeing its own risk management
- An open and receptive approach to managing risk is adopted by the Parish Council

- The parish clerk supports, advises and implements policies approved by the Parish Council
- The Parish Council makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risk

Role of the Clerk

The role of the Clerk and Responsible Finance Officer in relation to risk management is as follows:

- To implement policies on risk management and internal control
- To identify and evaluate the significant risks faced by the Parish Council for its consideration
- To provide adequate information in a timely manner to the parish council on the status of risk and controls
- To arrange for the internal auditor to undertake an annual review of effectiveness of the system of internal control and provide a report to the Parish Council. The auditor should check the minutes for any suggestion of unusual activity and evidence that risks are being identified and managed.

Risk Management as part of internal Control

The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the Parish Council to respond to operational, financial and commercial risks. These elements include:

- Policies and procedures
- Monthly reporting
- Planning and budgeting
- Internal Auditor (responsible for aspects of the annual review of effectiveness of internal control systems)
- Third party reports (eg external consultants)

The Parish Council will be managing many risks when it reviews its insurance and its systems. The minutes will record such reviews. Budget setting and insurance review are annual activities but the review of systems should be carried out every four years, unless triggered by internal or external audit reports, or when a risk changes or if

Annual Review of Effectiveness

On production of the Internal Auditor's annual report, the Parish Council will:

- Review the previous year and examine the Parish Council's track record on effectiveness on risk management and internal control to assess if any changes need to be made
- Consider the internal and external risk profile of the coming year, noting any new areas of risk, and consider whether current internal control arrangements are likely to be effective
- Evaluate the potential consequences to the Parish Council if an event that has been identified as a risk takes place and consider measures to avoid, reduce or control same
- Make recommendations to the Parish Council on its findings

In making any recommendations, the Parish Council will consider the following aspects:

- Timely identification and assessment of risks
- Prioritisation of risks and allocation of resources to address areas of high exposure
- Quality and timeliness of information on significant risks
- Time it takes for control breakdowns to be recognised or new risks to be identified
- Ability of the Parish Council to learn from its problems
- Commitment and speed with which corrective actions are implemented

Linton on Ouse Parish Council Risk Assessment

The following risk assessment covers all general functions/activities undertaken by the Parish Council.

Individual risk assessments are undertaken for specific activities.

Administration				
Topic	Risk Identified	Level	Management of Risk	Action
Risk of Council not being able to continue its business due to an unexpected or tragic circumstance	Unavailability of signatories	L L L	Three independent authorised signatories needed – cheques require only two signatories >	Annually
	Village Hall unavailable for meeting	L L	Relocation to alternative venue or rearrangement of meeting to convenient date	Annually
	Non Quorum		Rearrangement of meeting if necessary –To inform Clerk of non-attendance in advance and Clerk to rearrange meeting.	Annually
	Parish Clerk not available for meeting		Member to take on role temporarily	Annually
	Parish Clerk not available and unable to access to information		Back up information to be kept.	
Legal Powers	Ensure Council is acting legally including payments	M	Councillors to be aware of Council’s legal powers. Powers to be listed on accounts.	Annually Monthly
Minutes	Accurate & Legal Loss	L L	Approved at following meeting Copy of minutes to be retained & on website. Completed minutes’ books to be archived	Monthly at parish meetings Minutes copied annually – March/April (for Audit).

Financial Records	Inadequate records/ financial irregularities Invoices received late or incorrect	L	Accounts approved by council regularly & minuted Subject to internal audit	Monthly bank rec; prepare & present financial report to council - quarterly Internal Audit annually – March/April
Members Interests	Conflict of Interests	L	All councillors to receive code of conduct training. All councillors to complete register of interests and to keep up to date Interests to be declared and minuted	Annual reminder - May AGM
Staff	Loss of key personnel Fraud by Staff	L L	Hours, health/long term illness, training, resignation: long term incapacity of Clerk (more than 3 months) would be covered by appointment of temporary Clerk. Short term illness covered by re-schedule of meeting or if urgent, urgent business's transacted and minutes taken by a Councillor. Monitor and manage as appropriate. Fidelity guarantee value set at appropriate level (insurance)	Annual review – January Annual review – Sept (renewal Oct)
Loss of Property	Due to critical damage or third party performance	L	Review adequacy of Insurance Cover	Annual review – Sept (renewal Oct)

Assets & Maintenance	Assets valued correctly	L	Annual inspection Review adequacy of Insurance Cover for assets Ensure adequate public liability insurance	Annual review – Sept (renewal Oct) Annual review – Sept (renewal Oct)
	Damage to third party	M	Inspection regime established for playing field / playground – inspection reports kept on file	Council to review annually in March/ April with risk assessment review
Contractors	Risk of damage to property or injury by contractor appointed by the Council	L	All contractors to provide copy of valid insurance policy & risk assessment of work to be undertaken (copies to be filed for future reference)	To be reviewed when contractors are appointed.
Risk Assessment	Risk Assessment adequate; amended to take into account changes in circumstance	L	Annual review by council & internal auditor	March/April as part of internal audit
Data protection	Policy Provision	L L	Registration with the Data Protection Agency. Working towards GDPR compliance	Due annually 11 September Reviewed Sept 2019 and Annually

Financial

Financial				
Topic	Risk Identified	Level	Management of Risk	Action

Other income	Cash handling & Banking	L	Minimal cash handling – payments / amounts to be confirmed by receipt Quarterly review to check bank reconciliation against statements	Reviewed annually by internal audit in March/April. Quarterly in April, July, Oct & Jan – RFO & present at respective Parish Council meeting
Grants (making applications)	Claims procedure followed	M	RFO to monitor	As required
	Payments received	L	Confirmation of payment to be obtained & filed	
Grants & Donations (making payments)	No power to pay	L	Statutory power to be identified. Payments to be agreed by resolution of council Applicants to complete grant application form	
Salaries	Wrong salary / hours / rate paid Wrong deductions – NI & Income Tax	L	Members to verify RFO to check PAYE Calculations & members to verify	Internal Audit annually – March/April
Direct Costs & Overhead expenses	Goods not supplied to Council	M	Follow up on all orders by RFO	Internal Audit annually – March/April
	Invoice incorrectly calculated or recorded & correct Payments made	L	All payments / invoices to be confirmed / checked by minimum two councillors by email or signed invoice & checked against statements by RFO Cheque payments – 2 signatures & stub to be signed and dated by 2 councillors Where no invoice exists (donations/grants) recipient to sign receipt of payment slip.	

Election Costs	Inadequate resources to pay for election	L	Quarterly review of budget; risk is higher in an election year. When an election is due the Clerk will obtain an estimate of costs from the Borough Council for a full election and an uncontested election. There are no measures which can be adopted to minimise the risk of having a contested election as this is a democratic process and should not be stifled. Budgeted allocation to be earmarked for elections	RFO to Review in April, July, Oct, Jan & present to respective Parish Council meeting
VAT	VAT analysis Claimed within time limits	L L	VAT receipts to be request and filed. VAT to be listed on accounts. Vat to be reclaimed annually by RFO	Internal Audit annually – March/April Internal Audit annually – March/April
Reserves: General & Earmarked	Adequacy	L	Consider at Budget setting and as part of quarterly review of budget Earmarking to be minuted at Budget setting. Amendments to budget during year to be approved & minuted	April, July, Oct, Jan – RFO Annually in January