

RISK ASSESMENT AND MANAGEMENT – EATON PARISH COUNCIL MARCH 2016

Introduction

Parish Council's should have in place a system to help it manage risk. This system needs to be simple for the smallest parishes and more complex for the larger parish and town councils. A council's internal auditor can use this risk management system to help identify what tests to carry out as part of the audit.

Risk management is important. The failure to manage risks effectively can be expensive in financial terms and also in terms of service delivery. Most parish council clerk's will already be assessing and managing risks in some way or other, but there may be room to improve and document existing practices.

Parish council clerks are ultimately responsible for risk management because risks threaten a council's ability to achieve its objectives. They should therefore ensure that they:

- Identify key risks facing the council
- Evaluate the potential to the council of one of these risks taking place; and
- Agree measures to avoid, reduce or control the risk or its consequence.

Every council is different and there is no such thing as a standard list of risks. There are however a number of common themes that are likely to emerge. These might include:

- Physical assets – buildings, equipment, IT hardware etc
- Finance – banking, loss of income, petty cash etc
- Injury to the public – in playgrounds and recreation grounds, in village halls, at burial grounds etc
- Complying with legal requirements – agendas and minutes, burial records etc
- Councillor propriety – declarations of interests, gifts and hospitality etc

The clerk needs to consider each of the possible risks under each of the identified schemes. For example physical assets could be lost as a result of fire or flood, damaged by vandals, stolen or simply deteriorate through lack of maintenance. All these risks can be minimized or transferred by various means, such as taking out insurance, securing alarms or by regular inspection and maintenance. In addition to identifying risk it is a good idea to make a judgment about likelihood of the risk occurring and it's potential impact. Classification need be no more complicated than high, medium or low.

There are three main ways of managing risk:

- Take out insurance
- Work with another party to reduce the risk; or
- Manage the risk yourself

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RISK AREA	POTENTIAL RISK IDENTIFIED	LIKLIHOOD OF OCCURANCE	POTENTIAL IMPACT	STEPS TO MITIGATE RISK (CONTROL)	EVIDENCE	ACTION (AGREED IMPROVEMENTS)
Assets	Protection of physical assets	Low 1	Cost of replacing damaged, destroyed or missing assets. Loss of facilities.	The Parish Council holds buildings and contents insurance with a level of cover applicable to the total current value of all material assets held.	Current building and contents insurance schedule. Hiscox	When applicable, determine cost of rebuilding main assets and update insurance policy.
Assets	Security of buildings, equipment etc	Medium 3	Cost of replacing damaged, destroyed or missing assets. Facilities out of use for a period.	Security cameras placed around the parish offices. Caretaker employed as key holder. Regular external backup	Current insurance policy. Hiscox.	Review level and adequacy of insurance cover. Review effectiveness of backup system.
Assets	Maintenance of buildings etc	Not Applicable				
Finance	Banking	Medium	Cash flow problems. Increased potential for fraud	Regular banking and reconciliation of statements. Mandate kept up to date.	Reconciled bank statements. Current bank mandate.	Review bank mandate to ensure cheque signatories are up to date.

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Finance	Risk of consequential loss of income	Low 1	. Loss of key data.	Adequate level of insurance cover. Any important documents backed up, kept in locked filing cabinet. Regular external backup.	Hiscox Back up to External Hard Drive.	Review the need for consequential loss insurance cover. Storage of key documents when obtained should be in a fireproof lockable cabinet. Fireproof cabinet kept at the Kings Arms, King Street, Scalford.
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Finance	Loss of cash through theft or dishonesty	Medium 3	Adverse publicity for the council on disclosure. Reputational risk. Financial loss.	Adequate level of fidelity insurance cover, with a minimum of £150,000.	Insurance policy document Hiscox	Review level of fidelity insurance relevant to size/ activity of council. Annually
Finance	Financial controls and records	Medium 3	Lack of control over the Council's assets. Higher likelihood of fraud or misappropriation of assets. Ineffective reporting. Qualified internal and external audit reports.	Accounts and asset register prepared on appropriate computerised accounting system. Bank reconciliations undertaken on a regular basis. Expenditure payments approved by council. Minimum 2 council signatories on cheques.	Monthly bank accounts statements. Bank reconciliation statements. Signed expenditure payments reports. Approved signatories on bank mandate.	Set up of computerised asset register and reconcile to agreed insurance values. Update asset register for all future assets purchased.

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Finance	Compliance with HMRC regulations	Medium 2	Penalties and/or fines for late returns, errors on submissions etc. Reputational risk and adverse publicity.	Use external advice when necessary. Submit VAT return at least annually. Submit payroll end of year returns online, on time. Internal and external audit review.	VAT returns and workings. Payroll submission confirmations external pay roll services. Ladywell Accountancy Services.	Ensure VAT period in the accounts is fully closed off after preparing the VAT return.
Finance	Budgets supporting annual precept	Medium 2	Council receives less funding than is required to meet its obligations and objectives.	Council prepares detailed budget in late Autumn. Precept determined directly from this budget. Actual expenditure versus budget reported to Council twice a year.	Annual budget statements of council, with minuted approval. Budget versus actual statements with minuted approval.	.
Liability	Risk to third party, property or individuals	Medium 3	Funding cost of a successful action or claim against the Council. Reputational risk.	Public liability insurance cover (£10M).	Current insurance policy. Hiscox	
Liability	Legal liability as a consequence of asset ownership (e.g. burial grounds, play grounds, community centres. Parks etc)	Medium 3	Funding cost of a successful action or claim against the Council.	Public liability insurance cover (£10M).	Current insurance policy. Hiscox	
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Employer Liability	Non-compliance with employment law	Medium 3	Employee dissatisfaction and disputes, potentially leading to industrial tribunal.	Relevant staff training and experience. Advice from relevant professional advisers and membership bodies e.g. LRALC Code of Conduct training for members. Employers liability insurance (£10M)	Staff qualifications and training records. Membership confirmation. Contractual arrangements with professional advisers. Current Employers Liability insurance certificate.	
Employer Liability	Non-compliance with HMRC requirements	Medium 3	Fines and penalties for late returns, errors etc. HMRC investigations.	Relevant staff training and experience. Advice from HMRC as required. Internal and external audit reviews.	Records of HMRC returns and submissions.	
Employer Liability	Safety of staff and visitors	Low 1	Funding cost of a successful action or claim against the Council. Reputational risk.	Adequate insurance. Health & safety policy in force	Current insurance policy. Health & safety policy document. Hiscox	
Legal liability	Ensuring activities are within legal powers	Low 1	Potential reputational and financial risk.	Parish Clerk clarifies the legal position on any new proposal put before the Council. Legal advice to be taken when necessary. Standing orders and financial regulations up to date and fully complied with.	Council minutes. Standing orders and financial regulations document.	Review annually and Council to minute this (irrespective of any changes made).
Legal liability	Accurate and timely reporting via the minutes	Medium 3	Inappropriate or no actions undertaken. Reputational risk. Non compliance with the Freedom of Information Act	Full council meets regularly and receives and approves minutes of meetings. Minutes made available to public via the Council website.	Council minutes (hard copy and via the web)	Minutes of Council and committees to be uploaded onto website within 3 weeks of relevant meeting.

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Legal liability	Proper document control	Medium 2	Loss of key data. Confidential data compromised. Council unable to function effectively	Any key legal documents kept in locked cabinet. Computer backed up regularly using external hard drive.	Schedule of any documents contained in locked cabinet. Kept by Clerk	
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Cllr Propriety	Registers of Interests, Gifts and Hospitality in place	Low 1	Conflict of interest of councilors'. Corruption	Register of Interest completed and reviewed annually. Gifts and Hospitality Register available.		

This risk management paper was considered by the Council on 19th May 2016 Minute Ref: 16/2021 Refers

And will be reviewed again in 12 months.

Signed: M J Whiston

Position: Chairman

Date: 19th May 2016