1. Overview

Risk management definition - 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).*

The overarching risk facing a local council is not being able to deliver the activity or service that the local population expect to be delivered by the Council. Risk management is an essential feature of good governance; an organisation that manages risk well is more likely to achieve its objectives.

Dean Parish Council (“The Council”) should be seen to be managing risks when it reviews its insurances and its systems of governance including both financial regulations & standing orders. The minutes of the Council are evidence of these reviews. Budget setting, asset register review, risk assessments and insurance reviews should all be undertaken annually.

Council minutes should be checked by the Internal Auditor for evidence of any non-standard or 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.

Many of these risks are covered by the Council’s Standing Orders & Financial Regulations, but there is a need to identify any issues not covered by these documents and then indicate, via Council Minutes, the way they have been considered and managed.

Risks are managed in one of three ways:

1. Insurance
2. Managed risk through third parties
3. Managed risk in-house.
4. **Legal Basis and Guidance:**

In terms of the Legal Background there are several laws that cover risk management and local councils.

* + **Local Audit & Accountability Act 2014**

This covers the requirement for Local Councils to prepare accounts annually and to subject them for external audit (depending on the organisation size). This 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 law to appoint a responsible financial officer (RFO) to manage their financial affairs. For the purpose of Dean Parish Council, the Clerk is also appointed to the role of RFO.

* + **Accounts & Audit Regulations 2015:**
  + **Accounting records & control systems**

(4) The financial control systems determined in accordance with paragraph (1)(b) must include-

measures-

* + - to ensure that financial transactions of the authority are recorded as soon as, and as accurately as, reasonably practicable;
    - to enable the prevention and detection of inaccuracies and fraud, and the reconstitution of any lost records;
    - to ensure that risk is appropriately managed by the identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.
  + **Internal Audit**

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 systems**

A relevant authority must, each financial year, conduct a review of the effectiveness of the systems of internal control and 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 Chairman and the Clerk/RFO and refers to the minutes covering the Council’s consideration of the risk assessment. This requires that at least once a year the Council must formally consider risks.

1. Risk Management Policy Statement

Dean Parish Council recognises that it has a responsibility to manage risks effectively in order to protect its employees, assets, liabilities and community against potential loses, to minimise uncertainty in achieving its aims & objectives and to maximise the opportunities to achieve its vision.

The Council is aware that some risks can never be eliminated fully and it has in place a strategy that provides a structured, systematic and focussed approach to managing risk.

Risk management is an integral part of the Council’s management processes.

1. Risk Management by Insurance

The Council’s assets are protected against loss or damage by insurance. The Council holds Public Liability Insurance which covers the risk of damage to third party property, the level of cover currently provided is [£10,000,000].

The loss of cash through theft, dishonesty or fraud is covered by fidelity guarantee. This level insured currently stands at [£250,000].

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

1. Risk Managed by Third Parties

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

1. Risk Management Internal

Many of the Council’s duties will be carried out by directly employed staff, contractors, Councillors, or volunteers. In these circumstances the Council needs to ensure that appropriate risk management systems are in place and that these are reviewed regularly.

The Audit Commission recommends that when spending is budgeted and agreed (Nov-Jan Annually), Councillors should consider under what powers the Council would be spending the public funds involved. In case of non-standard expenditure, the power used to justify the expenditure should be minuted.

1. Internal Control- Risk Assessments

The Council is required to maintain risk assessments. Risk assessment is a continual and ongoing process which should be reviewed on a regular basis.

The risk assessment identifies 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. It details monitoring & review procedures, proposing means of managing the assessed risks.

The Council’s risk assessment format should be compliant with the standard required by the external auditing body.

The Core Risk Assessments are:

1. Finance
2. Governance
3. Business Continuity
4. Website & IT
5. Reviews
6. The Council will review the effectiveness of internal control on an annual basis
7. The Review Schedule records the frequency of review and the nature of the review to remain compliant
8. This is not an exhaustive list; it ensures the Council’s main compliancy goals/targets are met.
9. Internal Audit

The Council complies with all governance requirements and has an audit plan and will on an annual basis recruit an internal auditor.

1. Governance

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

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

1. How accounts should be kept;
2. The form of the accounts, how, when and for how long taxpayers can view the accounts and the supporting information behind them;
3. 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 is also appointed to the position of the Responsible Financial Officer and the Financial Regulations will apply accordingly. The RFO holds a statutory office

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

1. Internal Audit

Internal Audit is a key part of the system of internal control. The purpose of Internal Audit is to review whether the systems of financial & other controls over a Council’s activities and operating procedures are effective. It is crucial that the internal audit function is independent of the other financial controls and procedures of the Council. The person/s carrying out internal audit must be competent to carry out the role in a way that will meet the business needs of the Council. Internal audit is an on-going function reporting to the Council.

1. Risk Management & Insurance: Steps to be taken
2. Identify the key risks facing the council.
3. Damage/replacement of cost of Council owned property- Physical Assets
4. Financial risk
5. Records risk (Hard copy or electronic)
6. Injury to the Public in connection with owned/managed property
7. Website Risk
8. Injury to Councillors or attendees at meeting in various village halls
9. Litigation risk as a result of council’s actions or decisions
10. Illness of Clerk
11. Evaluate the potential risk to the council regarding each risk heading
12. Agree measures to avoid, reduce or control the risk.
13. Physical Assets

These should be listed on the Council’s Asset Register

1. Finance

The Council is financed by Precept (via Cumberland Council) paid directly in to the Council’s current account.

* Bank account. The Clerk performs a reconciliation on a monthly basis against the Bank Statement. All cheques/Standing Orders/Direct Debit mandates and alterations have to be signed by two signatories.
* Expenditure is monitored/approved at each meeting. The Council does not use Petty Cash. All expenses are reimbursed on a receipt provided basis.

The Annual budgetary process is commenced in November.

1. Records Risk (Electronic or hard copy)

Hard copy records are minimised where possible in line with the Retention Policy & General Data Protection Regulations.

Hard copy records should be reviewed on a yearly basis and any historic/redundant records are transferred to the Cumberland Council Archives Service for historical records purposes.

1. Injury to the public (including attendees at meetings)

This is covered by Public Liability Insurance. Any contractors should be requested to supply a copy of their public liability insurance each year to the Parish Council.

1. Website security risk

Privacy and Data Management Policies are in place and displayed on the website. The website should be regularly updated and managed.

1. Litigation Risk; Councillor propriety/Council decisions/legal requirements of record keeping.

Declarations of interest/request for dispensation should be a standing item on every Parish Council Agenda. Councillors are reminded of the need to declare any new pecuniary interest, or any existing/new dispensation.

Councillors are provided with a copy of the Code of Conduct on appointment to the Council.

Changes to the law are circulated with guidance where necessary by the Clerk.

The Council is a member of Cumbria Association of Local Councils.

All Agendas are circulated by email to all Councillors at least 3 working days prior to each meeting. The Agenda & papers are also uploaded to the Council’s website, and the Agenda is placed on the Council’s noticeboards.

Minutes & Agendas are kept on a computer by the Clerk, with copies on the Parish Council website. Any hard copies should be retained in a in a Minute file.

Any confidential matters held electronically should be password protected.

Content of website/press coverage should be vetted for accuracy/libel risk and if there is any doubt not published (where the Council has control over the publication of an item). Libel & slander are covered by insurance to a maximum sum of [£250,000].

1. Illness of Clerk

Members of the Council would step in to help pending the appointment, if necessary, of a temporary stand-in.

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Insurers should be notified of any changes in circumstances that would affect insurance policies connected with Parish Council work.