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RISK MANAGEMENT SCHEME

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Introduction

Risk management has been identified by the National Audit Office as an essential part of effective corporate governance and the Council has a statutory duty to make arrangements for managing risk.

The principles of good governance are integrity, accountability, and openness. This approach is essential to improve confidence in the Council.

This document sets out the framework on which risk management processes at the Council are based. This framework should assist in ensuring that a consistent approach is taken across the Council for the identification, assessment and evaluation of risks, and for ensuring that actions are proportionate to identified risks, thereby efficiently and effectively utilising resources and maintaining a balance between risks and controls. Risk management will strengthen the ability of the Council to achieve its objectives and enhance the value of services provided.

Risk Management

Risk - *'Risk is the combination of the probability of an event and its consequence. Consequences can range from positive to negative'*.

Risk Management - Risk management is the *'process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure.'* [Institute of Risk Management (IRM)]

Risk management is an essential feature of good management and applies to all aspects of the Council's business.

There is an Audit requirement under the Accounts and Audit (England) Regulations 2015 s.3 to establish and maintain a systematic strategy, framework and process for managing risk. Risks and their control will be collated in the appended Risk Register.

A statement about the system of internal control and the management of risk will be included as part of the Annual Statement of Accounts.

Implementing the strategy involves identifying, analysing/prioritising, managing and monitoring risks.

Types of Risk

Strategic Risk

Long-term adverse impacts from poor decision-making or poor implementation. Risks causing damage to the reputation of the Council, loss of public confidence, or statutory intervention.

Compliance Risk

Failure to comply with legislation, or laid down procedures or the lack of documentation to prove compliance. Risks exposure to prosecution, judicial review, employment tribunals, inability to enforce contracts etc.

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 precept 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.

Not all the risks are insurable and for some the premiums may not be cost-effective. Even where insurance is available, money may not be an adequate recompense. The emphasis should always be on eliminating or minimising risk. Risk can be connected to opportunities as well as potential threats.

Risk Identification

Identifying and understanding the hazards and risks facing the Council is crucial if informed decisions are to be made about policies or service delivery methods. The risks associated with these decisions can then be effectively managed.

Risk Analysis

Identified risks need to be systematically and accurately assessed using proven techniques. Analysis should make full use of any available data on the potential frequency of events and their consequences.

Risk Prioritisation

An assessment should be undertaken of the impact and likelihood of risks occurring, with impact and probability being scored Low, Medium and High. The scores for both impact and probability are scored in this manner. Risks scoring 6 and above will be subject to detailed consideration and preparation of a contingency/action plan to appropriately control the risk.

Risk Control

Risk control is the process of taking action to minimise the probability of the risk event occurring and/or reducing the severity of the consequences should it occur. Typically, risk control requires the identification and implementation of revised operating procedures, but in exceptional cases more drastic action will be required to reduce the risk to an acceptable level.

Options for control include:

Tolerate

Documenting a conscious decision after assessment of areas where the Council accepts or tolerates risk.

Treat

Loss control measures are implemented to reduce the impact/probability of the risk occurring.

Transfer

Passing the financial impact to a third party or by way of insurance (this is good for mitigating financial risks or risks to assets).

Terminate

The circumstances from which the risk arises are ceased so that the risk no longer exists.

Risk Register

Details on the impact and probability matrix are included below. Health and Safety risks are assessed in a similar manner but are assessed, recorded and managed separately.

Risk Monitoring

The risk management process does not finish with putting risk control procedures in place. Their effectiveness in controlling risk must be monitored and reviewed. It is also important to assess whether the nature of any risk has changed over time.

The information generated from applying the risk management process will help to ensure that risks can be avoided or minimised in the future. It will also inform judgements on the nature and extent of insurance cover and the balance to be reached between self-insurance and external protection.

Roles and Responsibilities

Councillors

Risk management is seen as a key part of the councillors' stewardship role and there is an expectation that elected members of public office will lead and monitor the approach adopted. This will include:

- Approval of the Risk Management Scheme
- Consideration of the Risk Register Matrix

The Council has a responsibility to undertake an annual audit on financial procedures, other governance and operational procedures, and to ensure recommendations from internal and external audits are implemented.

Officers

When developing projects or recommending service changes, officers will ensure that risks are identified and the measures to eliminate or control risks are documented in agenda reports/briefing papers to be considered by Council and committees.

All employees will undertake duties within risk management guidelines ensuring that risk management knowledge is used effectively.

Role of Internal Audit

The Internal Auditor, appointed by the Council, provides an important scrutiny role carrying out audits to provide independent assurance to the Council. Internal Audit assists the Council in identifying both its financial and operational risks and seeks to assist the Council in developing and implementing proper arrangements to manage risks, including adequate and effective systems of internal control to reduce or eliminate the likelihood of errors or fraud.

Role of External Audit

External auditors are responsible for checking accounts comply with relevant enactments, proper practices, the council's annual statement is true and fair and the authority has proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The external audit approach is based on completion of the annual return by the Council and relies heavily on the cooperation of the Council with the external auditor and a significant amount of self-certification by the Council.

Training

All members and officers should undertake risk management training.

Review

The Council shall review this scheme no less than annually.

Risk Register

	RISK	PROBABILITY	IMPACT	MITIGATION	CONTROL	RESPONSIBILITIES
1	Personal injury or damage to member (s) of the public or their property arising from defect (s) in Council property.	Low – Council property comprises fixed installations as set out in the Asset Register.	Claims for compensation and costs to the Council in defending claims where appropriate.	Covered under the Council’s Public Liability insurance policy.	Regular maintenance and prompt repair of any damage.	Council
2	Compensation claim by employee (or contracted person) in respect of injury sustained in the cause of his/her employment/ engagement.	Low – given the nature of the Clerk’s duties.	Claims for compensation and associated costs.	Covered under the Council’s Employer’s Liability insurance policy. Adherence to Health and Safety at Work Act - risk assessments in place for activities undertaken by employees / contractors.	Maintain adequate insurance cover.	Council

3	Loss of cheques, cash etc. held on the Council's behalf.	Low – Receipts are rarely in cash. More usually by cheque, but infrequent.	Reduction in Council's financial resources.	Such losses are covered by insurance policy – include theft. (Extent of cover depends on circumstances). Prompt payment of receipts into bank. Precept & VAT refund paid direct into bank account.	Maintain adequate insurance cover. Prompt payment of receipts into bank.	Officers / Council
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	RISK	PROBABILITY	IMPACT	MITIGATION	CONTROL	RESPONSIBILITIES
4	Financial loss due to banking error (e.g. leading to loss of interest or bank charges levied).	Low	Reduction in Council's financial resources.	Regular monitoring & review and reconciliation of bank accounts.	Application of financial regulations, including scrutiny of all bank statements upon receipt. Periodic review of banking arrangements to secure best possible terms and conditions.	Officers / Council

5	Loss of monies due to fraudulent action by employee(s) and/or supplier(s).	Low – any significant incident should be easily detected. Council must employ officers who are trustworthy and have the upmost integrity.	Reduction in Council's financial resources.	All payments authorised by two Councillors, against invoices. All expenditure approved by Council or via delegation. Any change in remuneration of Head of Paid Service to be notified to payroll agent by signed minute. Accounts subject to scrutiny by Internal Auditor, and overview by External Auditor. Bank details for payments scrutinised against invoices. Supplier onboarding controls in place to ensure checks are undertaken by signatories for the first payment made to a supplier, or a supplier that has changed bank accounts.	Application of financial regulations.	Council
6	Damage to Council property by a third party.	Low – confined to items listed on Asset Register	Repair costs to be covered.	Council's insurance policy covers registered assets.	Maintain property in good condition with regular monitoring for damage.	Officers / Council

	RISK	PROBABILITY	IMPACT	MITIGATION	CONTROL	RESPONSIBILITIES
7	Compensation claim resulting from (alleged) negligent act or accidental omission by the Council or its employee(s).	Medium – given the activities of the Council.	Potentially substantial cost to the Council.	Risk covered by Council's insurance policy.	Maintain adequate insurance cover. Ensure Council decisions are based on full information, including professional advice when necessary.	Officers / Council

8	Actions against the Council for libel or slander.	Low – proper conduct of Council meetings and officer’s professional judgement regarding correspondence.	Potentially substantial cost to the Council.	Risk covered by the Council’s insurance policy.	Members’ awareness. Proper management of conduct during meetings by Chairman. Professional advice from officers.	Officers / Council
9	Failure to represent community interest adequately in relation to matters likely to impact significantly on the community.	Low – Council well established as consultee.	Reduction in local facilities and/or quality of life, or missed opportunity to benefit from external funding or advice.	Council recognised by other agencies for consultation and information. Membership of NALC/LALC.	Threats and opportunities reported to Council meetings. Special meetings to be called as required. Representatives provide feedback as appropriate.	Council

	RISK	PROBABILITY	IMPACT	MITIGATION	CONTROL	RESPONSIBILITIES
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10	<p>Loss of council paper records and computer files due to accident or otherwise.</p> <p>Unauthorised release of personal data contrary to the GDPR 2018.</p>	<p>Low - Council records are maintained in secure environment.</p> <p>Low – amount and type of data is limited mainly to contact details of some residents on either hard copy or in electronic form.</p>	<p>Poor efficiency in tracing information particularly legal and historical records.</p> <p>Risk of fine by ICO if data breach is occasioned.</p>	<p>Paper records maintained in metal cabinet providing a degree of fire protection.</p> <p>Computer records regularly backed up remotely.</p> <p>Data maintained to be reviewed on a regular basis and removed where no longer required.</p>	<p>Legal / Historical records are archived.</p> <p>Member awareness of Council responsibilities including their own where data is provided to them whilst undertaking Council duties.</p>	<p>Officers / Council</p> <p>Officers / Council</p>
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	RISK	PROBABILITY	IMPACT	MITIGATION	CONTROL	RESPONSIBILITIES
11	Precept is not submitted on time, not paid by Principle Authority or is inadequate for purpose or does not provide sufficient reserves.	Low - the council has appropriate time to ensure proper facilitation of precept request.	Reduction in Councils financial resources. Inability to deliver services.	Budget and Precept considered each year in line with standing orders and statutory requirements. Resolution is minuted and officers place precept request and check receipt. Finances reviewed regularly against budget.	Diarised by RFO. Reminder normally sent by Principle Authority.	Officers / Council
12	Salaries wrongly calculated and paid. False employees. Tax and NI deductions incorrect.	Low - payroll software reduces calculation errors. Low - payroll is checked by members. Low - payroll software reduces calculation errors.	Reduction in Council's financial resources.	Payment is by on line payment or cheque in accordance with Contract of Employment and Financial Regulations. Staff paid under Inland Revenue Tax deduction scheme.	Procedures in place and cheques signed / payment authorised in accordance with Financial regulations. Quarterly budget comparison reviewed by Council. Individual payments documented and recorded.	Council

	RISK	PROBABILITY	IMPACT	MITIGATION	CONTROL	RESPONSIBILITIES
13	Payment made for goods not received.	Low	Reduction in Council's financial resources.	Purchases made from reputable known suppliers and generally only paid after receipt of goods/service has been confirmed.	Payment after receipt.	Officers / Council
14	Councillors / Officers allowances / expenses overpaid.	Low	Reduction in Council's financial resources.	All allowances and expenses retained on a register.	Payment only after detailed claim submitted in respect of expenses.	Officers / Council
15	Reserves too low	Low	Reduction in Council's financial resources. Inability to deliver services.	Annual Budget approved. Regular review against budget headings. New expenditure only undertaken where reserves allow. Reserves maintained at level commensurate with expenditure commitments and historical experience.	Careful budget monitoring and formal approval and costings for new services and /or projects whilst maintaining reserves in line with past practical experience.	Officers / Council

	RISK	PROBABILITY	IMPACT	MITIGATION	CONTROL	RESPONSIBILITIES
16	Loss of key personnel.	Medium	Inability to operate and deliver services.	<p>Ensure officers have adequate training, support and hours to undertake role to avoid stress, leading to long term sickness or early departure.</p> <p>Ensure regular back up of computer based work is maintained and sufficient notice periods are provided within contract to allow replacement to be obtained if necessary.</p>	<p>Maintain regular contact and approve training and support mechanisms as appropriate.</p> <p>Review contract terms if appropriate and back up computer files on regular basis.</p>	<p>Council</p> <p>Council</p>
17	Financial Records inadequate and not archived as required by legislation leading to potential fraudulent activity.	Low	Loss of ability to prove payments, failure to comply with statutory legislation and loss of monies.	Ensure Financial Regulations are maintained and reviewed on a regular basis and that due governance is undertaken by Council.	<p>Internal Controls are in place and reviewed as required.</p> <p>Internal Audit report confirms Controls are adhered to with no adverse comment.</p>	Officers / Council
18	Banks and Banking (including online).	Low	Loss through lack of governance and control.	<p>Bank accounts managed in accordance with legislation and reconciled on a regular basis.</p> <p>All payments require two signatories.</p>	Financial Regulations and internal controls adhered to, and reviewed regularly.	Officers / Council

19	Council Organised Activities.	Low	Risk of Financial Loss. Failure to follow legal procedures resulting in claim against Council.	All activities organised by the Council must have full risk assessment undertaken and comply with any statutory requirements with permissions being obtained as and when required thereby ensuring Public Liability insurance is complied with.	Documented Risk Assessments undertaken.	Officers / Council
20	VAT	Low	Risk of Financial Loss.	Ensure VAT reclaims are made in a timely fashion.	Regular budget monitoring by Council at meetings.	Officers / Council
21	Internal and External Audit, HMRC returns.	Low	Risk of Financial Loss including late return penalties.	Compliance with regulatory requirements.	Member awareness of governance responsibilities and undertaking of training as required.	Council

22	GDPR Compliance	Low	Risk of Financial Loss due to penalties and reputational damage to Council.	Compliance with regulatory requirements of the Data Protection Act 2018 and regular reviews of information held by the authority.	<p>Member awareness of legal requirements.</p> <p>Audit, policies and appropriate privacy statements and notices in place.</p> <p>Retention of records policy in place.</p> <p>Personal data only retained for purpose for which it was required in the first place.</p>	Council
23	Damage to Council Assets as defined on Asset Register by third party.	Low / Medium	Financial loss or repair costs to be covered.	Council's insurance policy covers risks to assets within the asset register.	Maintain property in good condition with regular monitoring for damage – ensure electrical equipment is PAT tested at required intervals.	Officers / Council