Mayfield & Five Ashes Parish Council

Risk Management and Assessment

1   Introduction

In all types of undertaking, there is the potential for events and consequences that may either be opportunities for benefit or threats to success. The Parish Council is no different and risk management is recognised as being central to its strategic management.

Risk management is the process whereby the Parish Council methodically addresses the risks associated with what it does and the services it provide. The focus of good risk management is to identify what can go wrong and take proportionate steps to avoid this or successfully manage the consequences.

Risk management is not just about financial management; it is about ensuring the achievement of objectives set by the council to deliver high quality public services. The failure to manage risks effectively can be expensive in terms of litigation and reputation, the ability to achieve desired targets, and, eventually, on the local community's Council Tax bills.

The local council audit approach seeks to address these issues by placing emphasis on the need to regularly review and, if need be, strengthen its own corporate governance arrangements, thereby improving their stewardship of public funds and providing positive and continuing assurance to taxpayers.

The importance of looking afresh at risk comes in the wake of a more demanding society, bold initiatives and more challenge when things go wrong. It also arises because of the significant changes taking place as a result of the Government's service improvement agenda, including, for example, Quality Parishes and encouraging the delegation of service delivery associated with attaining Quality status. Local authorities currently face pressures, including those associated with the powers around well-being, that potentially give rise to a range of new and complex risks and which suggest that risk management is more important now than at any other time.

The Full Council is ultimately responsible for risk management because risks threaten the achievement of policy objectives. As a minimum, at least once each year the council should:

• take steps to identify and update their record of key risks facing the council;

• evaluate the potential consequences to the council if an event identified as a risk takes place;

• decide upon appropriate measures to avoid, reduce or control the risk or its consequences; and

• record any conclusions or decisions reached.

It would be very easy to generate a long list of potential threats with no sense of their relative importance. For this reason the council should also evaluate the potential consequences of a risk occurring and consider how likely this is.

For example, a single large capital project will present a number of individual risks that will each require evidenced assessment and response to make the project manageable. The risk assessment in such a case may well lead to the very reasonable conclusion that the biggest risk is that the council does not possess the skills internally to successfully deliver the project and that outside assistance is required.

The consequences of an identified risk may include immediate financial loss but even if the immediate impact is non-financial (such as an adverse impact on the council's reputation) this can have financial consequences in the longer term if, for example, if this impedes the council's ability to bid for funds in future.

The assessment of potential impact need not be any more complex than classifying each impact as high, medium or low. At the same time it is a good idea to assess how likely a risk is to occur and this too can be done using high, medium and low categories. These value and probability assessments enable the council to decide which risks it should pay most attention to when considering what measures to take to manage them.

After identifying and evaluating risks it is necessary to decide upon appropriate measures to take in order to avoid, reduce or control the risks or their consequences. Examples of control measures relevant to some of the risk areas which councils are likely to face are given in the three tables at the end of this section of the guidance.

The council's internal auditor has a role in reviewing the effectiveness of control measures that the council decides to put in place. Examples of internal audit tests to confirm how effective are the measures and controls designed by the council in respect of identified risks are also set out in the three tables at the end of this section.

The tables are, for ease of reference, grouped into the four main types of decision that councils take in relation to managing risk, having considered the controls which they need to have in place. These are:

- _take out insurance (Table 1);
- _work with a third party to manage the risk (Table 2); or
- _self-manage the risk (Table 3).
- An assessment of the potential hazards in working alone in an office environment (Table 4)

The tables are not intended to be exhaustive and they cover topics which are not relevant to all councils. They are intended to create a starting point for the development of a bespoke system of risk management for each local council.

PART 1

Table 1 Areas where there may be scope to use insurance to help manage risk

Risk identification
Insurance cover for risk is the most common approach to certain types of inherent risks.   ✓ The protection of physical assets owned by the council – buildings, furniture, equipment, etc (loss or damage).   ✓ The risk of damage to third party property or individuals as a consequence of the council providing services or amenities to the public (public liability).   ✓ The risk of consequential loss of income or the need to provide essential services following critical damage, loss or non-performance by a third party (consequential loss).   ✓ Loss of cash through theft or dishonesty (fidelity guarantee).   ✓ Legal liability as a consequence of asset ownership (public liability).
Internal controls
A council's internal controls may include the following.   ✓ An up to date register of assets and investments.   ✓ Regular maintenance arrangements for physical assets.   ✓ Annual review of risk and the adequacy of cover.   ✓ Ensuring the robustness of insurance providers.

Internal audit assurance
Internal audit testing may include the following.   ✓ Review of internal controls in place and their documentation.   ✓ Review of management arrangements regarding insurance cover.   ✓ Testing of specific internal controls and reporting findings to management.

Table 2 Areas where there may be scope to work with others to help manage risk

Risk identification
The limited nature of internal resources in most local councils means that councils wishing to provide services often buy them in from specialist external bodies.   ✓ Security for vulnerable buildings, amenities or equipment.   ✓ Maintenance for vulnerable buildings, amenities or equipment.   ✓ The provision of services being carried out under agency/partnership agreements with principal authorities.   ✓ Banking arrangements, including borrowing or lending.   ✓ Ad hoc provision of amenities/ facilities for events to local community groups.

✓ Markets management.
✓ Vehicle or equipment lease or hire.
✓ Trading units (leisure centres, playing fields, burial grounds, etc).
✓ Professional services (planning, architects, accountancy, design, etc).
Internal controls
A council's internal controls may include the following.
✓ Standing orders and financial regulations dealing with the award of contracts for services or the purchase of capital equipment.
✓ Regular reporting on performance by suppliers/providers/contractors.
✓ Annual review of contracts.
✓ Clear statements of management responsibility for each service.
✓ Regular scrutiny of performance against targets.
✓ Adoption of and adherence to codes of practice for procurement and investment.
✓ Arrangements to detect and deter fraud and/or corruption.
✓ Regular bank reconciliation, independently reviewed.
Internal audit assurance
Internal audit testing may include the following.
✓ Review of internal controls in place and their documentation.
✓ Review of minutes to ensure legal powers are available, and the basis of the powers recorded and correctly applied.
✓ Review and testing of arrangements to prevent and detect fraud and corruption.
✓ Review of adequacy of insurance cover provided by suppliers.
✓ Testing of specific internal controls and reporting findings to management.

Table 3 Areas where there may be a need to self-manage risk

Internal controls
A council's internal controls may include the following.
✓ Regular scrutiny of financial records and proper arrangements for the approval of expenditure.
✓ Recording in the minutes the precise powers under which expenditure is being approved.
✓ Regular returns to HM Revenue and Customs; contracts of employment for all staff, annually reviewed by the Council, systems of updating records for any changes in relevant legislation.
✓ Regular returns of VAT; training the responsible officer in matters of VAT and other taxation issues as necessary.
✓ Regular budget monitoring statements.
✓ Developing systems of performance measurement.
✓ Procedures for dealing with and monitoring grants or loans made or received.
✓ Minutes properly numbered and paginated with a master copy kept in safekeeping.

✓ Documented procedures to deal with enquiries from the public.
✓ Documented procedures to deal with responses to consultation requests.
✓ Monitoring arrangements by the council regarding Quality Council status.
✓ Documented procedures for document receipt, circulation, response, handling and filing.
✓ Procedures in place for recording and monitoring Members' interests and Gifts and Hospitality received.
✓ Adoption of codes of conduct for members and employees.

Internal audit assurance
Internal audit testing may include the following.
✓ Review of internal controls in place and their documentation.
✓ Review of minutes to ensure legal powers in place, recorded and correctly applied.
✓ Testing of income and expenditure from minutes to cashbook, from bank statements to cashbook, from minutes to statements etc. including petty cash transactions.
✓ Review and testing of arrangements to prevent and detect fraud and corruption.
✓ Testing of disclosures.
✓ Testing of specific internal controls and reporting findings to management.

Table 4 Self management of hazards in a lone working environment

Internal controls
Internal audit testing may include the following.
✓Increase employee awareness of safety issues relating to lone working.
✓ Ensure that the risk of lone working is assessed in a systematic and ongoing way, and that safe systems and methods of work are put in place to reduce the risk so far as is reasonably practicable
✓Ensure that appropriate training is available so that employees are able to recognise risk and to provide practical advice of safety when working alone.
✓Encourage full reporting and recording of any incidents relating to lone working ensuring that there are arrangements for identifying, evaluating and managing risk associated with lone working.
✓Providing resources for putting the policy into practice.
✓ensuring that there are arrangements for monitoring incidents linked to lone working and that they regularly review the effectiveness of the policy..

Part 2 Parish Council Risk Assessment
Table 1 Areas where there may be scope to use insurance to help manage risk

No.	Category	Sub-category	Identified risk	Likeli hood	Severity	Overall Risk	Measures in place	Risk mitigation	Responsible person	Periodic review	Notes
1.1	Physical assets	Buildings	Fire, water leakage	Low	High	Medium	Building insurance of £1,969,875 held by Landlord	Adequate insurance	Clerk + Council	Annual	See asset register
		Office Furniture	Fire, water leakage, theft	Medium	Medium	Medium	Insured -Asset register updated annually.value increased by RPI	Adequate insurance	Clerk + Council	Annual	See asset register
1.3		Equipment (non computer)	Fire, water leakage, theft	Medium	Medium	Medium	Insured -Asset register updated annually.value increased by RPI	Adequate insurance	Clerk + Council	Annual	See asset register
1.4		Computer equipment	Fire, water leakage, theft, Virus attacks etc	Medium	High	Medium	Insured -Asset register updated annually.value increased by RPI	Adequate insurance Virus s/w; off-site data back-up (AVG 2011)	Clerk + Council	Annual	See asset register
1.5		Documents	Loss, fire, water leakage	Low	Low	Low	Key documents copied electronically.	Investigate storage in fireproof filing cabinet	Clerk + Council	Annual	
1.6		Play areas	Damage	Medium	High	Medium	Insured -Asset register updated annually.value increased by RPI	Adequate insurance Annual RoSPA report	Clerk + Council	Annual	See asset register
1.7		Street Furniture	Damage, theft	Medium	High	Medium	Insured -Asset register updated annually.value increased by RPI	Adequate \insurance			
2.1	Third parties	Damage to physical property	Damage	Medium	High	Medium	£12,000,000 public liability in place	Adequate insurance	Clerk + Council	Annual	See asset register
2.2		Damage to people	In office Play areas Court Meadow	Medium	High	Medium	£12,000,000 public liability in place Annual RoSPA report £50,000 Personal Accident in place	Adequate insurance	Clerk + Council	Annual	See asset register
3.1	Loss of income	Grants	Reduced income	Low	Low	Low	Budgeting that allows for such events	Adequate reserves	Clerk + Council	Annual	
3.2		Donations	Reduced income	Low	Low	Low	Budgeting that allows for such events	Adequate reserves	Clerk + Council	Annual	
3.3		Precept	Reduced or delayed income	Low	High	Low	Precept comes from WDC	Adequate reserves	Clerk + Council	Annual	
4	Ability to provide essential services in event of calamity	Bus service	Low	Low	Low	Low	Insurance	Adequate insurance	Clerk + Council	Annual	See asset Register
		Streetlighting	3rd Party Impact	Low	Low	Low	Uninsured	Claim from third party insurance	Clerk + Council	Annual	See asset register
5.1	Loss of cash	Fraud / theft	Low	Low	Low	Low	No cash held Two Councillors signatures Fidelity Guarantee £100,000	Monthly monitoring of bank cash balances, income + expenditure	Clerk + Council	Annual	

No.			Identified risk	Likelihood	Severity	Overall Risk	Measures in place	Risk mitigation	Responsible person	Periodic review	Notes
5.2			Incompetence	Low	Low	Low	Low	No cash held Two Councillors signatures Monthly bank reconciliation	Monthly monitoring of bank cash balances, income + expenditure Chairman F&GP oversees transactions	Clerk + Council	Annual	
6		Legal responsibility	Due to asset ownership	Medium	Medium	Medium	Medium	Insurance Legal advice	Third party insurance	Clerk + Council	Annual	

Table 2 Areas where there may be scope to work with others to help manage risk

No.	Category	Sub-category	Identified risk	Likelihood	Severity	Overall Risk	Measures in place	Risk mitigation	Responsible person	Periodic review	Notes
1.1	Security	Buildings	Theft	Low	Medium	Medium	2 locks on door	Insurance	Clerk	Annual	
1.2		Equipment	Theft	Low	Medium	Medium	Data stored off-site	Insurance	Clerk	Annual	
2.1	Maintenance	Play areas	Damage	Medium	Medium	Medium	Robust play equipment	Insurance	Clerk	Annual	
3.1	Services	Outsourced	WDC and /or ESCC withdrawing services eg grass cutting, litter bin emptying, bus service	Medium	Low	Low	Alternative providers list available	Transfer of funding from WDC or ESCC towards costs incurred by Parish Council	Clerk	Annual	
4	Banking	Borrowing	PWLB loan default	Low	High	Low	Ensure adequate budget each year	None	Clerk	Annual	
5.1	Provision of facilities	Memorial Hall (land leased)	Land grab	Low	Medium	Low	Legal documentation	None	Clerk	Annual	
5.2		Court Meadow	Land grab	Low	High	Low	Trust Deeds	None	Clerk	Annual	

Table 3 Areas where there may be a need to self-manage risk

No.	Category	Sub-category	Identified risk	Likelihood	Severity	Overall Risk	Measures in place	Risk mitigation	Responsible person	Periodic review	Notes
1.1	Finance	General Oversight	Fraud, errors etc	Low	High	Low	Monthly reviews; 2 councillors checking	Regular scrutiny of records	Clerk & Councillors	Monthly	
1.2		Expenditure authority	Unauthorised expenditure	Low	High	Low	Monthly reviews; 2 councillors checking	Regular scrutiny of records	Clerk & Councillors	Monthly	
1.3		HMRC returns NI and VAT	Returns not completed on time or inaccurate	Low	Medium	Low	Monthly reviews; 2 councillors checking	Training; regular scrutiny by F&GP	Clerk & Councillors	Quarterly	
1.4		Budget monitoring	Overspend	Low	Medium	Medium	Monthly reviews; 2 councillors checking	regular scrutiny by F&GP	Clerk & Councillors	Monthly	
1.5	Performance measure-ment	Achievement of PC objectives inc financial	Non-achievement	Medium	Medium	Medium	Qtly reviews	Regular monitoring	Clerk & Councillors	Quarterly	
1.6		Grant procedures	Overspending on grants	Low	Low	Low	Annual review Official Grants procedure	Review by F&GP	Clerk & Councillors	Annually	
2	Staff	Contract of employment	Becomes out of date	Low	Medium	Low	Annual review	Reviewed annually by staff sub-committee	Clerk & Councillors	Annually	
3	Minutes recording		Improper records	Low	Low	Low	Check by Council at next meeting	Clerk training and monitoring by Council etc	Clerk & Councillors	Annually	
4	Public inquiries procedures		Inadequate procedures and records	Low	Low	Low	Clerk aware of procedures FOI procedure	Clerk training and monitoring by Council etc	Clerk & Councillors	Annually	
5	Quality Council review	Not meeting QC requirements	Not meeting QC requirements	Low	Low	Low	Clerk aware of procedures	Clerk training and monitoring by Council etc	Clerk & Councillors	Annually	
6	Members interests and gifts/hospitality	Inadequate declaration	Inadequate declaration	Low	Low	Low	Clerk aware of procedures	Regular reminders to Councillors	Clerk & Councillors	Annually	
7	Code of Conduct	Not following	Not following	Low	Medium	Medium	All Councillors advised annually Libel & Slander £250,000 ins	Regular reminders to Councillors	Clerk & Councillors	Annually	

able 4 Lone working risk management

No.	Category	Sub-category	Hazard	Likelihood	Severity	Overall Risk	Measures in place	Risk mitigation	Responsible person	Periodic review	Notes
1	Workplace	Slips & Trips	torn carpets, cables etc	Low	Low	Low	Regular self-inspection of office premises. First aid kit	Continual monitoring	Clerk	During building occupancy	
2	Workplace	Fire/ Emergency	Electircal equipment/ external incident	Low	Low	Low	Fire safety training for extinguisher/ blanket. First aid kit. Safe access and exit	Regular monitoring	Clerk & Council	Annual	
2	Workplace	Electrocution	Electrical equipment	Low	Low	Low	Patent/ wiring testing, visual inspection	Regular monitoring	Clerk	Annual	
3	Workplace	Equipment	Heavy loads	Low	Low	Low	Do not lift any load single handed likely cause injury	Request assistance when required	Clerk	Continual	
4	Workplace	Violence	Intruder	Low	Low	Low	Personal alarm, self defence spray, mobile/ telephone	Continual monitoring	Clerk & Council	During building occupancy	
5	Work place	Work pattern	Lone working after hours	Low	Low	Low	Avoid lone working after normal office hours	Ongoing	Clerk	Continual	
6	Workplace	Health	. Personal medical conditions	Low	Low	Low	Discuss any medical conditions that might be a risk for lone working with GP & Chairman. Avoid lone working if risk increases	Regular monitoring	Clerk	Continual	
7	Locations outside office	Risk of accident	Slips, trips, falling debris, vehicle accident	Low	Low	Low	Avoid working externally in adverse weather conditions. Vehicle insurance, accidental risk insurance	Ongoing	Clerk/ lone contractors	Continual	
8	Locations outside office	Violence		Low	Low	Low	Personal alarm, self defence spray, mobile phone	Ongoing	Clerk	Continual	
9	Locations outside office	External meetings with contractors or residents	Confrontations, assault	Low	Low	Low	Personal alarm, self defence spray, mobile phone Record meeting date, time and person in office diary. Inform Chair or Cllr of engagement details Avoid lone meeting if not already aquainted	Ongoing	Clerk	Continual	

---------------- End of Risk management Document ------------