

# Broughton Parish Council

## Risk Management Policy & Protocol

### 1. Overview

Risk management- 'Risk is the threat that an event or action will adversely affect an organisations 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).

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, as an organisation that manages risk well is more likely to achieve its objectives.

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

Council minutes will 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 Councils 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:

- i. Insurance
- ii. Managed risk through third parties
- iii. Managed risk in-house.

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 Broughton Parish Council the Clerk has also been 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-

(a) measures-

(i) to ensure that financial transactions of the authority are recorded as soon as, and as accurately as, reasonably practicable;

(ii) to enable the prevention and detection of inaccuracies and fraud, and the reconstitution of any lost records; and

(iii) to ensure that risk is appropriately managed;

(b) identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers.

## **Internal Audit**

(5)-(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance process, taking into account public sector internal auditing standards or guidance.

## **Review of internal control system**

(6)-(1) A relevant authority must, each financial year-

(a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and

(b) 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.

## **2. Risk Management Policy Statement**

Broughton Parish Council recognises that it has a responsibility to manage risks effectively in order to protect its employees, assets, liabilities and community against potential losses, 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.

## **3. 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.

#### **4. Risk Managed by Third Parties**

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

#### **5. Risk Management Internal**

Many of the Council's duties will be carried out by directly employed staff, contractors, Councillors, or volunteers, and 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 will be minuted.

#### **6. Internal Control- Risk Assessments**

The Council is required to maintain risk assessments. Risk assessment is a continual and ongoing process which will 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, and details monitoring & review procedures, proposing means of managing the assessed risks.

The Council's risk assessment format is compliant with the standard required by the external auditing body.

The Core Risk Assessments are:

- a. Finance
- b. Governance
- c. Business Continuity
- d. Website & IT

#### **7. Reviews**

- a. The Council will review the effectiveness of internal control on an annual basis
- b. The Review Schedule records the frequency of review and the nature of the review to remain compliant
- c. This is not an exhaustive list, it ensures the Council's main compliancy goals/targets are met.

#### **8. Internal Audit**

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

#### **9. External support**

The Council employs an external PAYE service to ensure that there is a separation of duties between the Clerk & the Payroll System.

#### **10. Governance**

There are two pieces of legislation 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 (2015 being the most recent).

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

- i. How accounts should be kept
- ii. The form of the accounts, how, when and for how long taxpayers can view the accounts and the supporting information behind them
- iii. 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 (who is also appointed to the position of the Responsible Financial Officer and the Financial Regulations will apply accordingly) (RFO) holds a statutory office. The Council has an external PAYE service that supports the Responsible Financial Officer and is responsible for the Council's payroll.

It is the Council as a whole, who are 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 their functions and which includes arrangements for the management of risk.

## **11. Internal Audit**

Internal Audit is a key part of the system of internal control. The purpose of Internal Audit is to review if 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.

## **12. Risk Management & Insurance: Steps taken**

- a. Identify the key risks facing the council.
  - i. Damage/replacement of cost of Council owned property- Physical Assets
  - ii. Financial risk
  - iii. Records risk (IT or electronic)
  - iv. Injury to the Public in connection with owned/managed property
  - v. Website Risk
  - vi. Injury to Councillors or attendees at meeting in various village halls
  - vii. Litigation risk as a result of council's actions or decisions
  - viii. Illness of Clerk
- b. Evaluate the potential risk to the council regarding each risk heading
- c. Agree measures to avoid, reduce or control the risk.

## **13. Physical Assets**

These are listed on the Council's Asset Register (on the Parish Council website [www.broughtonparishcouncil.co.uk](http://www.broughtonparishcouncil.co.uk) )

## **14. Finance**

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

Lloyds TSB accounts. The Clerk keeps the cheque book and performs a reconciliation on a monthly basis against the Bank Statement. All cheques/Standing Orders/Direct Debit requires and alterations have to be signed by two signatories.

Expenditure is monitored/approved at each meeting. The Council don't use Petty Cash. All expenses are reimbursed on a receipt provided basis.

Budget reviews are undertaken at each meeting to ensure that budgetary control is maintained

The Annual budgetary process is commenced in Oct well in advance.

### **15. Records Risk (Electronic or hard copy)**

A back up of all computer records is done to a secure cloud based back up service on an hourly basis. Additionally a back up to an external hard disk is done every 24 hours. This cloud back up is password protected and encrypted.

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

Hard copy records are reviewed on a yearly basis and any historic/redundant records are transfers to the Cumbria County Council Archives Service for historical records purposes.

### **16. Injury to the public (including attendees at meetings)**

This is covered by Public Liability Insurance. Any contractors are requesting to supply a copy of their public liability insurance each year.

### **17. Website security risk**

Privacy and Data Management Policies are in place and displayed on the website.

The Clerk regularly updates and manages the website.

### **18. Litigation Risk; Councillor propriety/Council decisions/legal requirements of record keeping.**

Declarations of interest/request for dispensation- Standard item on every 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.

Training updates are circulated to all Councillors, and a budget is included yearly to allow for Councillors & the Clerk to attend and update skills where necessary.

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

The Council is a member of Cumbria Association of Local Councils. The Clerk is working on undertaking her professional CilCA qualification.

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 computer with the Clerk, with copies on the Parish Council website and hard copies regularly passed to the regional Archives service.

Any confidential matters held electronically are password protected.

Content of website/press coverage are 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 £500,000

### **19. Illness of Clerk**

Members of the Council would step in to help

Access to electronic records can be granted remotely

A clerk from one of the neighbouring rural parishes would oversee work.

The internal auditor would also provide advice.

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

Date of policy: April 2020

**Review: Annually to see most recent review date please visit**  
**<https://broughtonparishcouncil.co.uk/policies-procedures/>**