

Risk Management – Barlaston Parish Council.

The greatest risk facing a local authority is not being able to deliver the activity or services expected of the council. The council is likely to be managing many of those risks when it reviews its insurance and its systems. The minutes are an essential record of such reviews. Budget setting and insurance review are annual activities; the review of systems may be less frequent. It is suggested that systems should be reviewed in some detail, unless triggered by external or internal audit reports, or change in risk, at least every four years or on the change of Clerk/RFO. Minutes should be checked by internal audit for any suggestion of unusual activity and evidence that risks are being identified and managed.

Governance and Accountability – a Practitioner's Guide

The risk of not being able to deliver the activity or services expected of the council is very high. The Council is preparing to meet this by short term borrowing. Historically the Council has kept its general reserve low with the risk that its resources would not cover unexpected events like an election or a contentious planning application. Guidance is that the Council should hold a general reserve of half the precept. In addition, there is no fund to replace assets. The Council will not be in a position to consider this for at least three years but should do so as soon as possible thereafter.

As far as ongoing risk is concerned the Council have the following arrangements in place:

Areas where there is 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

The Council's internal controls 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.

Internal audit assurance

Internal audit testing includes 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.

Areas where there is scope to work with others to help manage risk.

Risk identification

- ✓ The Council cooperates with other service providers. These arrangements introduce risk in areas such as:
 - ✓ 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.

Internal controls

- ✓ The Council's internal controls include the following.
 - ✓ Standing orders and financial regulations dealing with the award of contracts for services or the purchase of capital equipment.
 - ✓ Annual review of contracts.
 - ✓ 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 includes 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.

Areas where the Council will self-manage risk

Risk identification

The Council's internal controls include the following:

- ✓ Safe and efficient arrangements to safeguard public money
- ✓ Regular scrutiny of financial records and proper arrangements for the approval of expenditure.
- ✓ Regular employer 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.
- ✓ Procedures for dealing with and monitoring grants or loans made or received.
- ✓ Minutes properly numbered with a master copy kept in safekeeping.
- ✓ 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 includes 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.
- ✓ Review and testing of arrangements to prevent and detect fraud and corruption.