Risk Assessment and Management

1. Introduction

1.1 This document forms Rodington Parish Council's Risk Assessment and Management Strategy. It sets out:

- What risk management is;
- Why the Parish Council needs a risk management strategy;
- The Parish Council's philosophy on risk management;
- The risk management process;
- Roles and responsibilities;
- Future monitoring.

1.2 The objectives of this strategy are to:

- Further develop risk management and raise its profile across the Parish Council;
- Integrate risk management into the culture of the organisation;
- Embed risk management through the ownership and management of risk as part of all decision making processes; and
- Manage risk in accordance with best practice.

2. What Risk Management is

2.1 *'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, (2001: 5)

2.2 Risk management is an essential feature of good governance. An organisation that manages risk well is more likely to achieve its objectives. It is vital to recognise that risk management is not simply about health and safety but applies to all aspects of the Parish Council's work.

2.3 Risks can be classified into various types, but it is important to recognise that for all categories the direct financial losses may have less impact than the indirect costs such as disruption of normal working. The examples below are not exhaustive:

Strategic Risk – Long-term adverse impacts from poor decision-making or poor implementation. Risks damage to the reputation of the Parish Council, loss of public confidence, in a worst-case scenario Government intervention.

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

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 levels/impact on Parish 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.

2.4 These risks can be broken down further into specific areas which could impact on the achievement of the Parish Council's strategic objectives and day-to-day delivery of services:

Political – Those associated with the failure to deliver local, regional or national policy;

Financial – Those affecting the ability of the Parish Council to meet its financial commitments; failure of major projects; internal and external audit requirements; failure to prioritise and allocate resources effectively; poor contract management; initiative overload;

Social – Those relating to the effects of changes in demographic, residential, or socio-economic trends on the Parish Council's ability to deliver its strategic priorities;

Technological – Those associated with the capacity of the Parish Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. This includes the consequences of internal failures on the Parish Council's ability to deliver its objectives;

Legal – The ability of the Parish Council to meet legislative demands affecting breaches of legislation (UK & EU);

Environmental – Those relating to the environmental consequences of progressing the Parish Council's objectives in terms of energy-efficiency, pollution, recycling, emissions etc;

Partnership/Contractual – Those associated with the failure of partners/contractors to deliver services to an agreed cost and specification and

similarly failure of the Parish Council to deliver services to an agreed cost and specification; compliance with procurement policies (internal/external); ensuring open and fair competition;

Human Resources – Those associated with the professional competence of staff; training and development; over-reliance on key personnel; ineffective project management; recruitment and selection issues;

Organisational – Those associated with the review of services and delivering continuous improvement;

Health & Safety/Physical – Those related to fire, safety, accident prevention and health & safety which pose a risk to both staff and the public; safeguarding and accounting of physical assets;

Reputational – Those associated with the changing needs of customers and the electorate; ensuring appropriate consultation; avoiding poor public and media relations.

Not all of these risks are insurable and for some the premiums may not be cost effective. Even where insurance is available, a monetary consideration might not be an adequate recompense. The emphasis should always be on eliminating or reducing risk before costly steps to transfer risk to another party are considered.

2.5 Risk is not restricted to potential threats but can be connected with missed opportunities. Good risk management can facilitate proactive, rather than merely defensive responses. Measures to manage adverse risks are likely to help with managing positive ones.

3. Why the Parish Council needs a Risk Management Strategy

3.1 Risk management will strengthen the ability of the Parish Council to achieve its objectives and enhance the value of services provided.

3.2 The Risk Management Strategy will help to ensure that all Committees and service areas have an understanding of risk and that the Parish Council adopts a uniform approach to identifying and prioritising risks. This should in turn lead to conscious choices as to the most appropriate method of dealing with each risk, be it elimination, reduction, transfer, or acceptance.

3.3 Strategic risk management is an important element in demonstrating continuous service improvement.

3.4 There is a requirement under the Accounts and Audit Regulations 2015 to establish and maintain a systematic strategy, framework and process for managing risk.

4. Risk Management Policy Statement

Rodington 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 and objectives and to maximise the opportunities to achieve its vision.
The Parish 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 Parish Council's management processes.

5. Implementing the Strategy

5.1 Risk Control

Risk control is the process of taking action to minimise the likelihood 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 may be required to reduce the risk to an acceptable level.

Options for control include:

Elimination – The circumstances from which the risk arises are removed so that the risk no longer exists;

Reduction – Loss control measures are implemented to reduce the impact/ likelihood of the risk occurring;

Transfer – The financial impact is passed to others e.g. by revising contractual terms;

Sharing – The risk is shared with another party;

Insuring – Insure against some or all of the risk to mitigate financial impact; and

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

5.2 Risk Register

The Strategic Risk Register (Appendix A) will be regularly refined and updated as part of this Risk Management Strategy.

5.3 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 Risk Management Plan will be reviewed at least annually by the Clerk and the Chair. 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.

5.4 **Risk Management System**

Risk Identification – Identifying and understanding the hazards and risks facing the Parish 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 – Once risks have been identified they need to be systematically and accurately assessed using proven techniques. Analysis should make full use of any

		Impact			
		Negligible (1)	Low (2)	Medium (3)	High (4)
Likelihood	High (4)	4	8	12	16
	Medium (3)	3	6	9	12
	Low (2)	2	4	6	8
	Negligible (1)	1	2	3	4

available data on the potential frequency of events and their consequences. If a risk is seen to be unacceptable, then steps need to be taken to control or respond to the risk.

Risk Prioritisation – An assessment should be undertaken of the impact and likelihood of risks occurring, with impact and likelihood being scored Negligible (1), Low (2), Medium (3) and High (4).

The scores for impact and likelihood are scored as above. Risks scoring 12 and above will be subject to detailed consideration and preparation of a contingency/action plan to appropriately control the risk.

6. Roles and Responsibilities

6.1 It is important that risk management becomes embedded into the everyday culture and performance management process of the Parish Council. The roles and responsibilities set out below, are designed to ensure that risk is managed effectively right across the Council and its operations, and responsibility for risk is located in the right place. The process must be driven from the top but must also involve staff throughout the organisation.

6.2 **Councillors** – Risk management is seen as a key part of Councillors' stewardship role and there is an expectation that Councillors will lead and monitor the approach adopted, including:

    i)   Approval of the Risk Management Strategy;

ii)   Analysis of key risks in reports on major projects, ensuring that all future projects and services undertaken are adequately risk managed;

iii)   Consideration, and if appropriate, endorsement of the Annual Governance Statement; and

iv)   Assessment of risks whilst setting the budget, including any bids for resources to tackle specific issues.

6.3 **Employees** – will undertake their job within risk management guidelines ensuring that their skills, experience and knowledge are used effectively. All employees will maintain an awareness of the impact and costs of risks and how to feed information into the formal process. They will work to control risks or threats within their roles, monitor progress and report on task related risks to the Clerk.

6.4 **Clerk** – will act as the lead officer on risk management, assisted by the Parish Council staff, and be responsible for overseeing the implementation of the Risk Management Strategy. The Clerk will:

i)   Provide advice as to the legality of policy and service delivery options;

ii)   Provide advice on the implications for service areas of the Parish Council's strategic aims and objectives;

iii)   Update the Parish Council on the implications of new or revised legislation;

iv)   Assist in handling any litigation claims;

v)   In consultation with the Parish Council's external advisors as necessary, provide advice on any human resource issues relating to strategic policy options or the risks associated with operational decisions and assist in handling cases of work-related illness or injury;

vi)   In consultation with the Parish Council's external advisors as necessary, advise on any health and safety implications of the chosen or proposed arrangements for service delivery;

vii)   Assess and implement the Parish Council's insurance requirements;

viii)   Assess the financial implications of strategic policy options;

ix)   Provide advice on budgetary planning and control;

x)   Ensure that the financial information systems and processes allow effective budgetary control;

xi)   Ensure the Parish Council's Risk Register is maintained;

xii)   Effectively manage the Parish Council's investment and loan portfolio.

6.5 **Role of Internal Audit** – Internal Audit provides an important scrutiny role by carrying out audits to provide independent assurance to the Parish Council that the necessary risk management systems are in place and all significant business risks are being managed effectively.

Internal Audit assists the Parish Council in identifying both its financial and operational risks and seeks to assist the Parish Council in developing and implementing proper arrangements to manage them, including adequate and effective systems of internal control to reduce or eliminate the likelihood of errors or fraud.

Internal Audit reports, and any recommendations contained within, will help to shape the Annual Governance Statement.

6.6 **Parish Council** – Review and future development of the Risk Assessment and Management Policy will be overseen by the Parish Council or working groups as and when delegated.

6.7 **Training** – The aim will be to ensure that both Staff and Councillors have the skills necessary to identify, evaluate and control the risks associated with the services they provide. Risk Management training and development will be provided through a range of methods such as workshops, courses, literature and inhouse service familiarisation.

6.8 In addition to the roles and responsibilities set out above, the Parish Council is keen to promote an environment within which individuals and groups are encouraged to report adverse incidents promptly and openly.

7. Future Monitoring

7.1 **Review of Risk Management Strategy** – This Strategy will be reviewed annually by the Parish Council.

8. Conclusion

The adoption of a sound risk management approach should achieve many benefits for the Parish Council. It will assist in demonstrating that the Parish Council is committed to continuous service improvement and effective corporate governance.

Appendix – Strategic Risk Register

Risk Matrix: Likelihood (L) x Impact (I):

1 Negligible	2 Low	3 Medium	4 High

SUBJECT	RISK IDENTIFIED	H/M/L	MANAGEMENT OF RISK	STAFF ACTION	INT. AUDIT FREQ.
FINANCE					Months
INCOME					
Precept	Demand not submitted. Adequacy of precept requirements.	L1 x I4 = 4	The budget is monitored on a quarterly basis by the Responsible Finance Officer (RFO). The precept will be for a fixed sum of money and will only be finally determined by the full Council when all relevant facts are known to the Council.	Diary	12
	Not paid by Telford & Wrekin Council	L1 x I4 = 4	Check form received by SC; check funds received by bank.	Diary	12
	Ensure adequate funds/reserves for forthcoming year	L1 x I4 = 4	The Parish Clerk submits the draft precept figure to council annually in December. Telford & Wrekin Council in January.	Annually	12
Grants received (when applicable)	orrect application procedure	L1 x I4 = 4	Report to Council	Diary	12
	Receipt of grant when due	L2 x I3 = 6	Check and report to Council	Diary	12
VAT	VAT paid in correctly	L2 x I3 = 6	All items in accounts fully analysed	Check to invoices	3
	VAT claim not submitted	L1 x I4 = 4	Re-claim VAT quarterly	Diary	3
	VAT repayment not received	L2 x I3 = 6	Check payment advice to return and bank statement	Diary	3
	Ineligible claims	L1 x I2 = 2	VAT rules for Local Councils followed	Keep up to date with legislation changes; training	12
Banking	Unauthorised movement of funds from accounts	L2 x I4 = 8	Internal Controls/Audit. Two Members to authorise transfer.	Member to verify	3

	Inadequate Checks.	L2 x I4 = 8	The Council has Financial Regulations that set out the requirements for banking, cheques and the reconciliation of accounts in a simple framework.	Existing procedures are adequate.	3
	Bank errors	L1 x I4 = 4	If the Bank does make an error when processing cheques and cash these are found when the bank accounts are reconciled on a quarterly basis, any error is immediately reported to the bank and corrected by them.	Review Financial Regulations annually and the bank signatory list when necessary, especially after the AGM and an election.	3
EXPENDITURE					
Payroll	Wrong salary paid	L2 x I3 = 6	Check software input to minutes/Internal Controls. Clerk to check and countersign salary payments	Member verify	3
	Inflated amounts	L2 x I3 = 6	Member to verify payroll summary/Internal Controls. Clerk to check and countersign salary payments	Member verify	3
	Fictitious names	L1 x I4 = 4	Member to verify payroll summary/Internal Controls. Clerk to check and countersign salary payments	Member verify	3
Direct costs and Overhead expenses	Goods/services not supplied	L2 x I4 = 8	Order system, confirm on invoice and sign	Clerk verify	Monthly
	Invoice incorrect	L2 x I4 = 8	Check calculation	Clerk verify	Monthly
	Cheque issued for wrong amount.	L2 x I4 = 8	Member check invoice to cheque & stub, initial stub	Approval	Monthly
	Cheque payee incorrect	L2 x I4 = 8	Member check invoice to cheque & stub, initial stub	Clerk verify	Monthly
	Power to pay	L2 x I4 = 8	Spending power quoted in expenditure transactions and minuted	Clerk verify	Monthly
Grants	Power to pay	L1 x I4 = 4	Minute	Clerk verify	When grant paid
	Council agreement to pay	L1 x I4 = 4	Minuted	Clerk verify	
	Used for incorrect purpose	L1 x I4 = 4	Consider conditions	Follow up	3
Suppliers	Supplier Fraud	L2 x I4 = 8	Training for staff to alert them to the potential risks of providing sensitive company information, by phone or other means, especially contract and account information.	Clerk	Monthly

			Establish a rigorous change of supplier details procedure - where a supplier has purported to have changed their bank details always call the supplier to check the veracity of a request, using details in your system, rather than those on any associated letter or email. A person should be authorised to approve a supplier bank account change after having reviewed the process undertaken to verify the supplier details change.		
			Periodic review of supplier accounts should also be undertaken to remove any dormant accounts. This reduces the likelihood of any old supplier information being used to secure fraudulent payments.		
			Checking address and financial health details with Companies House.		
			Checking samples of online payments to supplier invoices to ensure the payment has been made to the supplier bank account.		
RESERVES					
General Fund	Adequacy	L2 x I4 = 8	Consider at budget setting	Full Council	12
Earmarked reserves	Need for/adequacy	L2 x I4 = 8	Consider at budget setting and at year end	Full Council	12
ASSETS	Loss, damage etc.	L2 x I4 = 8	Insurance	Annual review	12
	Inadequate maintenance	L2 x I4 = 8	Monitor maintenance contracts	Report to Committees	12
			Regular inspection	Report to Committees	12
	Keeping an up to date recird	L2 x I2 = 4	Fixed Asset Register in place	Include in accounts	12
PERSONNEL	Loss of key personnel (e.g. Clerk) - long term sickness, early departure	L3 x I4 = 12	Monitor hours, health, stress.	Clerk/Chair	
			Administrator from SALC is competent and qualified to provide temporary cover for Clerk	Full Council	12
	Fraud by staff or members	L1 x I4 = 4	Fidelity Guarantee Insurance (compulsory): value, adhere to insurance company conditions. Includes Cllrs	Clerk/Council review	
				annually	12
COUNCIL FUNCTIONS					

GRIT BINS	Public safety	L1 x I4 = 4	Comply with Code of Practice. Licensing by Highway Authority	Clerk/Council	12
CEMETERY, ORCHARD AND BALL COURT	Public safety	L2 x I4 = 8	Regular inspection of site and ensuring signage is erected to advise of uneven land.	Clerk/Council	12
SPEED INDICATION DEVICES	Public safety	L1 x I4 = 4	Regular inspection of equipment to ensure they are in a safe position and pose no obvious threats to individuals or vehicles.	Clerk/Council	3
ROAD SIGNS	Public safety	L1 x I4 = 4	Regular inspection of equipment to ensure they are in a safe position and pose no obvious threats to individuals or vehicles.	Clerk/Council	12
NOTICEBOARDS	Public safety	L1 x I4 = 4	Regular inspection of equipment to ensure they are in a safe position and pose no obvious threats to individuals.	Clerk/Council	12
DEFIBRILLATORS	Public safety	L2 x I4 = 8	Regular inspection of equipment to ensure they are in a fit and ready to use condition with appropriate signage erected on the unit and nearby to advise of their use in case of an emergency.	Clerk/Council	3
ELECTIONS	Public safety	L3 x I4 = 12	Complete Risk Assessment for event	Clerk/Council	As and when required