



FINANCIAL RISK MANAGEMENT PROTOCOL

Adopted by Full Council May 2017

LAW - REGULATORY BACKGROUND

Audit Commission Act 1998

The requirement for local Councils to prepare accounts annually and to subject them to external audit comes from the Audit Commission Act 1998 (the Act). The 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 to appoint a responsible financial officer (RFO) to manage their financial affairs.

Accounts & Audit Regulations 2015: Accounting records and control systems

(4) The financial control systems determined in accordance with paragraph (1)(b) must include—

- (a) measures—
 - (i) to ensure that the financial transactions of the authority are recorded as soon as, and as accurately as, reasonably practicable;
 - (ii) to enable the prevention and the 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 processes, 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 and refers to the minute covering the Council's consideration of the risk assessment. This requires that at least once a year the Council must formally consider risks.

OVERVIEW

The greatest risk facing a local council is not being able to deliver the activity or service that is expected of the Council by the local population.

This Council should be seen to be managing all of these risks when it reviews its insurances and its systems (both financial regulations and standing orders) and the minutes of the Council are essential evidence of such reviews. Budget setting, asset register review, risk assessments and insurance reviews are annual activities.

Council minutes should be checked by the Internal Auditor for evidence of any 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.

The Parish Council's Standing Orders and Financial Regulations cover the vast majority of these risks, but there is a need to identify any issues not covered within these documents and then indicate, via the Council and Committee Minutes the way in which they have been considered and managed.

Risks are shown as being managed in one of three ways:

1. Insurance.
2. Managed risk through third parties.
3. Managed risk in-house.

RISK MANAGEMENT BY INSURANCE

The Council's assets are protected against loss or damage by insurance. Risk of damage to third party property is covered by public liability insurance, with cover currently provided at the level of £10,000,000.

The loss of cash through theft, dishonesty or fraud is covered by fidelity guarantee. This figure is normally taken as being the equivalent of the end of year reserves plus 50% of the Precept (which should approximate to the maximum amount of money kept in the Council's bank accounts).

Where outside contractors are employed, the Clerk should ensure that the contractor employed has adequate public liability insurance by seeing a copy of the Public Liability Insurance Certificate.

RISK MANAGED BY THIRD PARTIES

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

RISK MANAGEMENT INTERNAL

Many of the Parish Council's duties will be carried out either by directly employed staff, contractors, volunteers or by Councillors and in these circumstances the Council needs to ensure that appropriate risk management systems are in place and that these are reviewed on a regular basis.

The Audit Commission recommends that when spending is budgeted and agreed, Councillors should consider under what powers the Council would be spending the public funds involved. In case of unusual expenditure, the power used to justify such expenditure should be minuted.

INTERNAL CONTROL RISK ASSESSMENTS

The Council is required to maintain risk assessments. It should be borne in mind that risk assessment is a continual process and needs to be reviewed on a regular basis.

The risk assessments 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 exceed the current compliancy standard required by the external auditing body.

The Core Risk Assessments are:

1. Finance
2. Governance
3. Business Continuity
4. Website and IT

REVIEWS

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

INTERNAL AUDIT

The Council complies with governance requirements, has an audit plan and will annually recruit an internal auditor.

EXTERNAL SUPPORT

The Council employs the services of an external accountancy service to reduce the risk of fraud, to ensure accurate book keeping and compliancy to changes in accounting legislation and to maintain business continuity.

The Council will submit its accounts annually to an external auditor.

GOVERNANCE

Two pieces of legislation set out how local Councils should behave when accounting for the public funds they manage and what rights local taxpayers have in relation to those accounts. These are the Audit Commission Act 1998 and the Accounts and Audit Regulations issued from time to time under the Act.

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

- how accounts should be kept;
- the form of accounts and how and where and for how long taxpayers can view the accounts and the details behind them;
- and 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, The Responsible Financial Officer (RFO) holds a statutory office to be appointed by the Council. The Clerk has been appointed as RFO for this Council and the Financial Regulations will apply accordingly.

It is the Council as a whole, however, that is responsible in law for ensuring that its financial management is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of their functions and which includes arrangements for the management of risk.

Under the regulations, all local Councils are required at least once a year to conduct in accordance with proper practices, a review of the effectiveness of their system of internal control and publicly report the outcome. This annual governance review must include a separate review of internal audit.

INTERNAL AUDIT

Internal audit is a key component of the system of internal control. The purpose of internal audit is to review whether the systems of financial and other controls over a Council's activities and operating procedures are effective. It is essential that the internal audit function is sufficiently independent of the other financial controls and procedures of the Council which are the subject of review. The person or persons carrying out internal audit must also be competent to carry out the role in a way that will meet the business needs of each local Council. Internal audit is an on-going function reporting to the Council.

Risk Assessment Report for Sockbridge & Tirril Parish Council

Insurance Matters

The council is covered under a policy specially designed for Local Councils and underwritten by AON Insurance Plc. The policy provides:

- The mandatory cover required by a council with a population up to 1000 for the following risks:
 - Public Liability
 - Employers Liability
 - Money
 - Fidelity guarantee
- Officials indemnity
- Libel and slander
- Personal accident
- Mandatory cover for legal expenses

Option cover has not been taken for:

- Property damage
- Loss of revenue
- Fidelity guarantee above the basic cover of £2000 per claim or period of insurance
- Personal accident cover for councillors and clerks aged between 75 and 85
- Loss of no claims bonus under motor policies

It is considered that the present cover is adequate for the risks faced by the Council.

Possible Loss of Financial Data

While the loss of the Council's financial records would be inconvenient, it would not be a disaster, as the records could be reconstituted from the minutes, where all transactions are approved and recorded, from past accounts, and with the help of the bank.

Change of Clerk

The Clerk's contract of employment provides a notice period of three months. The aim would be to secure a replacement in that time and arrange a proper handover of papers and records. In the event of an unplanned change, the position could be filled on a temporary basis by the Chairperson, Vice Chairperson or another councillor

Change of Chairperson

The appointment of a new Chairperson is usually made from councillors with previous service and experience of the Council and its method of working. An unplanned vacancy could be filled on a temporary or permanent basis by the Vice Chairperson.

Electronic Data

All documents relating to the Parish Council are saved on to a memory stick, to ensure no loss of data if the computer crash or be lost / stolen.

All emails are stored on the Clerk's computer, on the email server, and due to being distributed to the councillors there are duplicate copies of emails.

Other Risks

No other risks are known or anticipated which could prevent or obstruct the Council from operating normally.