



MELTON PARISH COUNCIL

MPC(19)57.07

ANNUAL REVIEW OF RISK MANAGEMENT ARRANGEMENTS

Background

For the first time in its history the annual turnover of Melton Parish Council in the financial year 2018/19 has exceeded £200k. As a consequence, the Council automatically meets the requirements for an intermediate level audit review. The implication of this was set out in the External Auditor's information pack which was emailed to the Council only in the last week of March 2019. It is that, in addition to all the standard requirements for information, Melton Parish Council must also provide the relevant minutes and agenda papers from the meeting at which the annual review of risk management arrangements during 2018/19 was discussed. There is an expectation that the Council maintains an annual review of risk management arrangements, and that is what the auditor requires to see, rather than evidence of individual risk assessments being in place.

Report

Assertion 5 in the Annual Governance Statement which the Council has confirmed, states that: **"We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and / or external insurance cover where required."**

The Practitioners' Guide (*Governance and Accountability for Smaller Authorities in England*) states that in order to warrant a positive response to that assertion, the authority needs to have the following arrangements in place:

1. Risks associated with actions and decisions the Council has taken during the year that could have financial or reputational consequences need to be identified, assessed and recorded.
2. Having identified, assessed and recorded risks, there need to be appropriate measures in place to mitigate and manage risk, which might include the introduction of internal controls and / or appropriate use of insurance cover.

It is accepted in a larger Council, that risk management may be primarily delegated to a Committee, in which case the minutes of that Committee should be available to Full Council, which in turn should have the latest summary of risk management arrangements as an Agenda paper to support the Annual Governance Statement response. Where such evidence is available, the auditor will accept a “Yes” response.

Within Melton Parish Council, responsibility for managing risk lies with Finance, Employment and Risk Management Committee (FERM Committee). All specific risks identified are recorded, assessed as High, Medium or Low risks; and actions for management / mitigation of those risks are identified and monitored on a regular basis until either they either no longer exist, or the level of risk is reduced to a residual and manageable level. Reports on risk are provided both to FERM Committee *and* to Full Council, with the result that risk issues are before Members roughly on a *monthly* rather than *annual* basis. Minutes of FERM Committee are always made available to Full Council.

The Practitioners’ Guide treats as identifiable risks many issues which it identifies as insurable, and in practice Melton addresses these separately by reviewing insurance cover and ensuring that it is up to date.

Full Council (as well as FERM Committee) considers insurance issues at least annually. Exposure to risk in relation to:

- Financial loss (in particular fraud / theft / fidelity guarantee matters)
- Damage to property via fire etc.
- Legal risks (in particular public liability)
- Reputational risks
- Loss of key staff

is addressed via having adequate comprehensive insurance in place, and, in relation to financial systems, an up to date set of financial regulations which are legally compliant and fit for the needs of the organisation, and its ways of working – which are continuously evolving – both with embracing new technology (e.g. internet banking) and doing new and additional activities (e.g. being a commercial landlord). Full Council reviews its Financial Regulations and Standing Orders annually and also receives an annual report setting out the Council’s Internal Control Policy.

The Current position

Elsewhere on the Agenda for this meeting is to be found the updated Risk Register for June 2019. All the high level risks registered have active strategies for mitigation / full resolution, with the exception of the need to procure a tenant for the 1st floor of the Council’s offices, where developments are awaited. The Budget for 2019/20 is formulated on the basis that no income is expected until August. However *in extremis*, the Council could operate without risk of financial difficulty even if there was no income forthcoming for the rest of the current financial year.

The current schedule of insurance cover (which was fully reviewed by FERM Committee earlier this year) accompanies this report as Paper MPC(19)57.07a for Members to review.

Recommendations

Melton Parish Council already adopts a comprehensive approach in relation to risk management. There is no reason to change these arrangements. It is however recommended that in future the annual Internal Control Report is expanded:

- to include a detailed annual review of risk issues and how they are being addressed
- a summary of the insurance position for all Council Members to consider.

William Grosvenor

Clerk to the Council

18 June 2019