

## POLICY, GOVERNANCE & FINANCE COMMITTEE

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**Date:** Monday, 25 March 2024

**Title:** Effectiveness of Internal Control: Corporate & Financial Risk Assessment 2023/24

**Contact Officer:** Responsible Financial Officer (RFO)

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### Background

The Accounts and Audit Regulations 2015 section 3 requires that the council “has a sound system of internal control which...includes effective arrangements for the management of risk.” The Council is required to undertake an annual review of its internal controls for risk management (financial and non-financial). This is a requirement for passing the annual audit inspection.

The Council’s corporate and financial risk assessment covers all of the Council’s functions and the risks to public money relating to council property, activities and employees.

The Council has a formal Risk Management Policy which is kept under review, and a copy is attached at Appendix A for approval. This incorporates some non-material amendments following review.

There are other legislative requirements in relation to the management of specific risks. An example is health and safety risks. It should be noted that Operational Risk Assessments and Method Statements are carried out by the Council’s Officers and staff for the various activities and events – and the Corporate Risk Assessment should not be confused with these. Management of risk is not just concerned with health and safety and making sure we have sufficient insurance cover. It identifies and assesses all risks the Council faces.

**The purpose of the Corporate Risk Assessment is to ensure that the Council is complying with legislation and statute, good practice and Council procedures.**

### Risk Assessment

Managing risk is what we do continually. The important thing is to identify risks and plan how these risks can be mitigated but not necessarily removing the risk completely.

It is acknowledged that some risks will always exist and by carrying out these Risk Assessments the Council is demonstrating that it is working to control and manage its risks.

In previous years the Council used sector-specific software to maintain its risk register but the software is now out of date and no longer supported. Therefore your officers are now maintaining a register in Word for corporate and financial purposes. This comprises nine sections:

1. Financial administration.
2. Banking and investments.
3. Expenditure.
4. Grants.
5. Income.
6. Insurance.
7. Payroll.
8. Internal audit.
9. Strategic risks.

Each risk is scored by selecting a value of the likelihood (the likelihood of this happening with the controls the council has in place\_ and impact (estimated impact of this risk on this area to the Council with the controls the Council has in place). The system multiplies the likelihood score against the impact score to arrive at a risk value for each item.

Where responsibilities are specified:

- The Deputy Town Clerk has authority to act in the absence of the Town Clerk/ Chief Executive in their absence;
- The Town Clerk/ Chief Executive as Proper Officer may act in the absence of the RFO.

The “acting powers” will be used at the discretion of the officer concerned taking in to account factors such as urgency and how long the officer is expected to be absent.

The risk register is attached for Members to review.

There are no actions arising from the review of the register on this occasion. This is reflection of the effective controls in place and the fact that officers continually review risks during the year and update practices and procedures where appropriate.

## **Environmental impact**

Having declared a Climate Change Emergency at its Council meeting on 26 June 2019 – with this in mind Councillors should have due regard to the environmental impact of any decisions they make with regard to its facilities and services it operates.

## **Risk**

In decision making Councillors should give consideration to any risks to the Council and any action it can take to limit or negate its liability.

**As mentioned above the purpose of the Corporate Risk Assessment is to ensure that the Council is complying with legislation and statute, good practice and Council procedures.**

It is a statutory requirement defined in the Accounts & Audit Regulations 2015.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

Day to day operational risks are managed by managers.

The Corporate and Financial Risk Register is held by the RFO and updated with input from other officers as appropriate.

Risk of loss is mitigated by having adequate insurance in place. Note that councils are required to have employers' liability insurance in place under the Employer's Liability (Compulsory Insurance ) Act 1969. The Local Government Act 1972 (ss.111 and 140[1]) also allow councils to put in place other insurances against loss and in this regard the Council maintains a comprehensive insurance policy with Zurich Municipal.

## **Financial implications**

There are no financial implications arising directly from this report however as a result of the risk assessment some risks may require financial commitment to alleviate the risk – Officers will try to meet these costs from existing budgets, however if not possible these will be considered as part of the next budget setting cycle later in the year.

## **Recommendations**

Members are invited to:

1. Note this report and recommend to the Town Council that it approve the Corporate Risk Assessment for the financial year 2023-24.
2. Recommend to the Town Council the adoption of the Risk Management Policy (as amended).