

KINGTON TOWN COUNCIL

RISK MANAGEMENT POLICY

- 1. A risk is anything that can threaten or impact upon the assets, operation or reputation of the Town Council.
- 2. Risk Management is the planned and systematic approach to the identification, analysis and economic control of all risks. It is not just about financial management but it is about achieving the objectives of the Town Council.
- 3. There are four recognised ways of dealing with risk:
 - remove the risk; .
 - reduce the risk to an acceptable level; .
 - transfer the risk (eg. to a contractor) or insure against it;
 - accept the risk.
- 4. This Risk Management Policy forms part of the Town Council's internal control and corporate governance arrangements.
- 5. The policy explains the Town Council's underlying approach to risk management, documents the roles and responsibilities of Councillors, the Town Clerk and staff. It also outlines the key aspects of the risk management process and identifies the main reporting procedures.
- 6. The following key principles outline the Town Council's approach to risk management and internal control:
 - the Town Council, as a whole, has responsibility for overseeing its own risk management;
 - an open and receptive approach to managing risk is adopted by the Town Council;
 - the Town Clerk supports, advises and implements policies approved by the Town Council: .
 - ➤ the Town Council makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risk.
- 7. The role of the Town Clerk and Responsible Financial Officer in relation to risk management is as follows:
 - > To implement policies on risk management and internal control;

- 'To identify and evaluate the significant risks faced by the Town Council for its consideration;
- > 'To provide adequate information in a timely manner to the Council on the status of risk and controls; .
- > To arrange for the Internal Auditor to undertake an annual review of effectiveness of the system of internal control and provide a report to the
- Town Council. He/she should check the minutes for any suggestion of unusual activity and evidence that risks are being identified and managed.
- 8. Risk Management as part of internal Control
 - The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the Town Council to respond to operational, financial and commercial risks. These elements include:
 - policies and procedures .
 - monthly reporting
 - planning and budgeting .
 - Finance Committee .
 - Internal Auditor (responsible for aspects of the annual review of effectiveness of internal control systems)
 - third party reports (eg. external consultants)

The Town Council will be managing many risks when it reviews its insurance and its systems. The minutes will record such reviews. Budget setting and insurance review are annual activities but the review of systems may be less frequent. An exercise to review systems should be carried out every four years, unless triggered by internal or external audit reports, or when a risk changes or if there is a change in Town Cler/RFO.

9. Annual Review of Effectiveness

On production of the Internal Auditor's annual report, the Finance Committee will:

- review the previous year and examine the Town Council's track effectiveness on risk management and internal control;
- consider the internal and external risk profile of the coming year, noting any new areas of risk, and consider whether current internal control arrangements are likely to be effective:
- evaluate the potential consequences to the Town Council if an event that has been identified as a risk takes place and consider measures to avoid, reduce or control same;
- make recommendations to the Town Council on its findings.

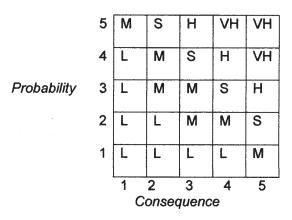
In making any recommendations, the Finance Committee will consider the following aspects:

- > timely identification and assessment of significant risks;
- prioritisation of risks and allocation of resources to address areas of high exposure;
- quality and timeliness of information on. significant risks;
- time it takes for control breakdowns to be recognised or new risks to be identified:
- ability of the Town Council to learn from its problems;
- > commitment and speed with which corrective actions are implemented.

A table of individual Risk Assessments follows.

The level of risk is calculated using a 5 x 5 matrix, plotting consequence against probability of occurrence, with Probability 1 being "very unlikely" to Probability 5 being "extremely likely", and Consequence 1 being "not material" to Consequence 5 being "extremely grave".

Risk = Probability x Consequence and the resulting risk factor is graded accordingly:



For example:

Loss of Town Clerk due to accident, probability – possible but not very likely (I hope) so score 2, consequence – major disruption, so score 4. See x plotted on matrix showing risk factor of 8, which is a medium risk.

| Budget agreed, monitored and reported | Annually | November | |
|---|-----------|---|--|
| Ensuring adequacy of Precept budget | Annually | November | |
| Monitoring of expenditure with Precept budget | Quarterly | | |
| Authorisation of payments procedure | | Expenditure authorised before goods ordered, invoices presented | |
| | Ongoing | in meetings, 2 signatories, invoices initialled. | |
| Legality of payments made | Ongoing | minutes noted with authorising statute | |
| Correct use of grants and s137 | Ongoing | | |
| Banking arrangements | Annually | June | |
| Vat claim completed and submitted | Quarterly | Or more frequently if expenditure warrants. | |

| preservation of voters rights Safety of documents, including minutes Ongoing Kept in lockable cabinets Stand by arrangements in absence of Clerk Ongoing Ongoing Ongoing Monitored by Clerk & RFO. Clerk salary reviewed and agreed Annually On anniversary of appointment November Over for staff sick periods Annually Other Annually Other Annually Other Ongoing Minutes numbered etc Ongoing Standing Orders available Ongoing Each councillor has a copy in Clir Pack Each Friday, or as required, back up stored out of office. Larger Standing Orders available Ongoing Ongoing Trust documents/deeds kept in fireproof safe Minutes of Employment Ongoing Ongoing Ongoing Ongoing Trust documents held in HSBC bank care. Employees and Contractors Contractors Indemnity insurance Ongoing Witten arrangements with contractors Ongoing Members responsibilities Register of gifts and hospitality Ongoing Members responsibilities Register of gifts and hospitality Ongoing Dogoing Dogoing Ongoing | Potential Risk Areas | Frequency | Comments/ Actions | Risk |
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