

Yarnscombe Parish Council

Risk Management



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Document History

Version	Date	Author	Reason for Change
0.1	18/07/2013	Richard Pengilley	First draft.
0.2	23/07/2013	Richard Pengilley	Second draft, incorporating clerk's comments and clarification.
1.0	12/08/2013	Richard Pengilley	First formal issue, following council's approval, 24/07/2013, and updates to table 5.
1.1	09/11/2013	Richard Pengilley	Update following completion of actions in table 5.

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1 Introduction

This document describes the approach to financial risk management within Yarnscombe Parish Council. The process is described in detail, the perceived risks are identified and the means for reducing their impact are outlined. Finally, the method for monitoring risk on an ongoing basis is described.

This document forms part of the Yarnscombe Parish Council management documentation and is freely available for reading on the Yarnscombe website, www.yarnscombe.org.uk.

2 Definitions

Risk:	the probability (a measure of uncertainty) of an ...
adverse event:	an occurrence which results in ...
harm:	to a person
or (i.e. the impact)	
damage (loss):	to an entity or asset
Benefit:	measure of harm or damage avoided

3 Process

The Yarnscombe Parish Council risk management process consists of three main steps:

1. Assessment
2. Management
3. Monitoring

These steps are described in detail below.

3.1 Assessment

Risk assessment comprises the *identification* of all perceived possible adverse events in the context of the Parish Council, *analysis* of possible outcomes, including the *quantification* of such events to ascribe a numerical significance to each, and *prioritisation* to determine the order in which the risks should be managed. Within this document, only adverse events with a financial impact will be considered.

3.1.1 Identification

In the 2013 risk assessment the following possible adverse events were identified.

1. Failure to obtain precept
2. Failure of record keeping
3. Loss of financial records
4. Failure of computer equipment
5. Excessive expenditure
6. Misappropriation of funds
7. Lack of suitable insurance
8. Audit failure

3.1.2 Analysis

Analysis of the harm/damage/loss that could be caused by the occurrence of the adverse events yielded the following.

Event	Impact
Failure to obtain precept	No money to provide services.
Failure of record keeping	Clerk not recording accurately income and expenditure could lead to uncertainty regarding available funds, possible bank charges.
Loss of financial records	Irretrievable loss of financial data from clerk's computer could lead to uncertainty and possible bank charges, as in (2); also potential audit failure.
Failure of computer equipment	Failure of hardware or software in clerk's computer could lead to uncertainty as in (2) and delays in processing income/expenditure.
Excessive expenditure	Could lead to annual budget being compromised; if unchecked, eventually to bank charges and loss of banking relationship.
Misappropriation of funds	The clerk is the only person with direct access to the council's funds so these could, in theory, be compromised.
Lack of suitable insurance	If a claim were made against the council and insufficient insurance was in place then the council could be bankrupted.
Audit failure	Failure of the legally mandatory annual internal or external audit could result in the parish council being closed down and its powers being taken over by another local council.

Table 1: Impact of Adverse Events

The occurrence of any one of these events could also lead to the parish losing trust in the council, potentially leading to its takeover by another local council and therefore reduced ability for the parish to run its own affairs.

3.1.3 Quantification and Prioritisation

In order to classify the impact of adverse events the following two tables are used. Table 2 combines the perceived frequency of an event and the consequence of the event to assign an impact class. Table 3 provides an interpretation of each impact class.

Frequency	Consequences			
	Catastrophic	Critical	Marginal	Negligible
Frequent	I	I	II	III
Likely	I	I	II	III
Occasional	I	II	III	III
Unlikely	II	II	III	III
Rare	II	II	III	IV

Table 2: Derivation of Impact Class from Frequency and Consequences

Impact Class	Interpretation
I	Intolerable.
II	Undesirable, and tolerable only if risk reduction is impracticable or if the cost of reduction would greatly exceed the improvement gained.
III	Tolerable if the cost of risk reduction would exceed the improvement gained.
IV	Negligible.

Table 3: Significance of Impact Classes

Using tables 2 and 3 we can determine the benefit of avoidance of each identified financial adverse event by assigning an impact class for each of the events together with a priority (1 is highest) for managing the corresponding risk.

Event	Frequency	Consequence	Impact Class	Priority
Failure to obtain precept	Unlikely	Catastrophic	II	3
Failure of record keeping	Unlikely	Marginal	III	5
Loss of financial records	Occasional	Critical	II	1
Failure of computer equipment	Rare	Marginal	III	6
Excessive expenditure	Rare	Marginal	III	7
Misappropriation of funds	Rare	Critical	II	4
Lack of suitable insurance	Unlikely	Catastrophic	II	2
Audit failure	Unlikely	Negligible	III	8

Table 4: Impact Class and Priority of Identified Risks

3.2 Management

The identified risks and the actions to be taken to minimise their impact will be tracked in the following table, ordered by priority.

Pri.	Event	Action	Status
1	Loss of financial records	Clerk to maintain hard-copy duplicate of financial records.	Complete
2	Lack of suitable insurance	Review article in July 2013 issue of <i>Clerks and Councils Direct</i> and check existing cover.	Complete
3	Failure to obtain precept	Councillors to ensure that clerk inserts Budget in parish council meeting agenda for October each year; budget to be finally agreed at November meeting (usually no December meeting) to ensure precept request submission is made by due date in early January; submission to be checked by chairman.	Complete
4	Misappropriation of funds	All cheques to be countersigned by one councillor on bank signatories list. If the bank cashier does not recognise the person trying to cash a cheque then they ask the person to sign the back of the cheque and they check the account to see if a countersignature is required. No standing orders or direct debits to be set up. Clerk to circulate original latest bank statement at "Accounts" section of each parish council meeting.	Complete
5	Failure of record keeping	Councillors to monitor spreadsheet of income and expenditure against budget issued quarterly by clerk against bank statements and known cheques countersigned.	Complete
6	Failure of computer equipment	Clerk to maintain up-to-date offline backup of data on exchangeable medium in format that can be processed on alternative equipment. (Hard-copy duplicate and password-protected <i>SkyDrive</i> account; no personal data is stored.)	Complete
7	Excessive expenditure	Councillors to monitor spreadsheet of income and expenditure against budget issued quarterly by clerk.	Complete
8	Audit failure	Clerk to liaise with auditor, implement recommendations and report back to council.	Complete

Table 5: Required Actions and Status of Identified Risks

3.3 Monitoring

Risk management will be included as an item on the agenda of each successive meeting of Yarnscombe Parish Council until the status of every item in the Risk Management Table above is "Complete", at which point this document will be reissued to indicate completion, with the Document History updated accordingly.

This document will be reviewed at each Annual Parish Council meeting and any required changes incorporated in a reissue. In addition, any parish councillor may raise a written proposal at any intermediate parish council meeting to modify or add to the document.