

12. RISK MANAGEMENT

Introduction

One of the assertions in the Annual Governance Statement that Members must comment upon is whether they carried out an assessment of the risks facing Godalming Town Council (GTC) and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.

In order to be able to respond positively to this assertion, GTC must have appropriate arrangements in place. As a minimum, GTC must identify and assess risks, and address those identified risks by mitigating or managing them.

Appropriate arrangements will vary and need to be proportionate to the size and nature of the operations.

Risks are uncertain events or conditions (not just financial) that, if they occur, will affect GTC's ability to achieve its objectives. GTC generally, and Members individually are responsible for risk management.

Typical categories of risks include:

- financial – loss of money;
- security – fraud, theft, embezzlement;
- property – damage to property;
- legal – breaking the law or being sued;
- IT – failure of IT systems or misuse or data loss; and
- reputational – actions taken could harm the authority's public reputation.

Risks are unavoidable, but they need to be managed either by mitigation or controls such that they are tolerated, treated, transferred or terminated. Insurance is a significant way of managing and reducing risks relating to property, cash and legal liability (amongst other things).

Objectives of Risk Management

Risk management is an essential feature of good governance. An organisation that manages risk well is more likely to achieve its objectives. It is vital to recognise that risk management is not simply about health and safety but applies to all aspects of GTC's work.

The objectives of risk management are to:

- Identify, evaluate and manage the opportunities and risks to which GTC is exposed, at strategic and operational level.
- To protect physical assets, promote employee and public safety and maximise resources.
- Embed risk management into day-to-day management and working arrangements.
- Enable effective and safe delivery of services to local people and to minimise the risk of significant failures.
- Enable the identification of opportunities and risks associated with GTC's budget options and business planning to ensure that opportunities and risks are controlled.
- Enable better, more informed decision-making at all levels.
- Review, evaluate and implement issues identified from past experience.
- To promote good corporate governance.

Roles & Responsibilities

It is important that risk management becomes embedded into the everyday culture and performance management process of GTC. The roles and responsibilities set out below are designed to ensure that risk is managed effectively.

Members

Risk management is seen as a key part of the Members' stewardship role and there is an expectation that Members will lead and monitor the approach adopted. Therefore, all Members:

- Have collective responsibility in understanding the strategic risks which GTC faces.
- Ensure that all identified risks have been considered in decision-making, and countermeasures and controls are defined.
- Monitor the effectiveness of GTC's risk management arrangements by reviewing any risk management reports to Members.
- Assess risks whilst setting the precept, including any bids for resources to tackle specific issues.

Town Clerk

- The lead officer for risk management.
- Has the responsibility to understand the strategic and operational risks that GTC faces and to oversee the effective management of these risks by Officers.
- Lead on the corporate governance agenda which includes risk management and with the GTC's Chair approve the Annual Governance Statement.
- Ensure that risks are fully considered in all strategic decision making to achieve its objectives and protection of assets.
- Provides advice as to the legality of policy and service delivery and update Members on the implications of new or revised legislation.

Responsible Finance Officer

- Support the Town Clerk in all aspects of risk management.
- Assess and implement GTC's insurance requirements.
- Assess the financial implications of strategic policy options.

All Employees

- Understand their accountability for individual risk.
- Understand how they can enable continuous improvement of risk management.
- Understand that risk management and risk awareness are a key part of the organisation's culture.
- Report systematically and promptly to their line manager any perceived new risk or failure of existing control measures.
- Record areas of risk which fall directly within their day-to-day areas of control and review in line with agreed target dates.
- Provide a pro-active role in the reporting and assessing of physical risks in respect of public, staff and property.

Role of Internal Auditor

Internal Audit provides an important scrutiny role by carrying out audits to provide independent assurance that the necessary risk management systems are in place and all significant business risks are being managed effectively. Internal Audit assists GTC in identifying both its financial and operational risks and seeks to assist GTC in developing and

implementing proper arrangements to manage them, including adequate and effective systems of internal control to reduce or eliminate the likelihood of errors or fraud.

Risk Management Process

The process of risk management is straightforward and involves a number of steps:

1. Risk Identification
2. Risk Evaluation
3. Risk Control
4. Risk Monitoring

Risk Identification

Identifying and understanding the hazards and risks facing GTC is crucial if informed decisions are to be made about policies or service delivery methods. The risks associated with these decisions can then be effectively managed.

When changes to working arrangements, new initiatives, events or projects are to be undertaken the Town Clerk, Officers and Members should seek to identify any risks early in the planning process and prior to implementation.

Risk Evaluation

Once risks have been identified they need to be systematically and accurately assessed using proven techniques. Analysis should make full use of any available data on the potential frequency of events and their consequences. According to the level of risk identified appropriate action should be taken.

Risk Control

Risk control is the process of taking action to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences should it occur. Typically, risk control requires the identification and implementation of revised operating procedures, but in exceptional cases more drastic action will be required to reduce the risk to an acceptable level.

Options for control include:

- Elimination — the circumstances from which the risk arises are removed so that the risk no longer exists.
- Reduction — loss control measures are implemented to reduce the impact/likelihood of the risk occurring.
- Transfer — the financial impact is passed to others e.g., by revising contractual terms.
- Sharing — the risk is shared with another party.
- Insuring — insure against some or all of the risk to mitigate financial impact.
- Acceptance — documenting a conscious decision after assessment of areas where GTC accepts or tolerates risk.

Risk Monitoring

The risk management process does not finish with putting any risk control procedures in place. Their effectiveness in controlling risk must be monitored and reviewed; it is also important to assess whether the nature of any risk has changed over time.

The information generated from applying the risk management process will help to ensure that risks can be avoided or minimised in the future. It will also inform judgements on the

nature and extent of insurance cover and the balance to be reached between self-insurance and external protection.

The Role of the Audit Committee in Risk Management

Standing Order 104 states that the purpose of the Audit Committee is:

To provide assurance of the adequacy of the risk management framework and the associated control environment, and to oversee the financial reporting process.

Standing Order 105i states that one of the functions of the Audit Committee is:

To consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.

The Audit Committee discharges in the following ways:

Insurance

- Ensure insurance is in place each year to mitigate financial impact of insurable risks.
- Ensure insurance policy is updated to reflect new insurable risks or changes to existing insurable risks.
- Ensure buildings are revalued in line with the Fixed Asset policy to prevent under or over insurance.

Annual Budget

- Ensure annual budget has adequate provisions for asset maintenance, training for both Officers and Members and seeking professional advice regarding new or existing risks.

Risk Assessments

- Ensure Risk Assessments have been completed for activities, events, equipment.
- Ensure mitigations identified in Risk Assessments are being carried out as intended.
- Ensure risks are considered in any new services, initiatives, and equipment.