

REGULATION 10: RISK MANAGEMENT (CURRENT)

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Risk Management is the whole process of identifying, and evaluating and controlling the strategic and operational risks of the Council. A risk is the chance or possibility of loss, damage, injury or failure to achieve objectives by an unwanted or uncertain action or event. This includes the risk of ‘missed opportunities’.

As the Council is the custodian of public funds risk management is particularly significant and the level of risk that can be tolerated in its activities will generally be low.

The sections below outline key components of a risk management framework. This should be read in conjunction with the regulations in Section A, which summarise individual responsibilities of members, managers and employees.

10.1 THE RISK MANAGEMENT PROCESS

- 10.1.1 **Responsibility for Policy:** The "Nominated Chief Officer with responsibility for Risk Management" is responsible for maintaining the Council's Risk Management Policy and Strategy. Directors and Chief Officers are responsible for promoting the policy throughout the Council.
- 10.1.2 **Approval of Risk Management Framework:** The Council must prepare a formal framework for integrated risk management for approval by the Audit Committee.
- 10.1.3 **Risk Management Responsibilities:** Individual and group responsibilities and reporting arrangements must be clearly set out in the Risk Management Framework.
- 10.1.4 **Monitoring of Risk Reduction:** A monitoring process must be established to review regularly the progress and effectiveness of risk reduction strategies and action plans.
- 10.1.5 **General Responsibilities;** All managers and employees should be aware of what is required of them from the corporate risk management process and ensure that any guidance issued is complied with. In particular employees may have responsibility for:
- a) Identifying, evaluating, reporting and managing risks faced by the service in accordance with the corporate scheme.
 - b) Completing any risk mitigation action plans prepared by the deadlines stipulated.

- c) Reviewing processes and controls continuously to determine the most effective management of the risks they contain.
- d) Undertaking appropriate risk analysis as part of any proposals for new, or changes to, policies or service delivery methods.
- e) Preparing and testing business continuity plans to cover periods of unforeseen interruption to normal working arrangements.

10.2 INTERNAL CONTROL

Internal Control is a key component in the Councils' Risk Management process. It relates to the whole system of policies, processes and checks employed to mitigate risks of error, omission, loss, fraud and theft within the Council.

Further information on the terminology involved in Internal Control can be found on the Internal Audit website. Specific advice on the adequacy of Internal Control is also available from the Internal Audit Service.

10.2.1 Responsibility and Purpose of Internal Controls: All Managers with budget responsibilities must establish, review and maintain internal controls which promote and encourage.

- a) Achievement of Objectives
Internal controls should be designed to help individuals play their part in implementing local service agreements and achieve the necessary standards of performance and quality.
- b) Compliance with Council Policy, Regulations, Rules and any Legislation
It is essential that internal controls promote compliance with Council Policy, Standing Orders, Financial Regulations, Codes of Conduct and where appropriate any statutory requirements.
- c) Reliability and Integrity of Information
Internal controls must promote high standards of integrity in all actions or transactions which directly or indirectly involve finance. The Council relies on a wide range of information to develop and monitor its policies. It is important therefore that internal controls promote accuracy, consistency, usefulness and timeliness in all transactions.
- d) Economical and Efficient Use of Resources
It is important that services operate efficiently, effectively and economically. Internal controls should be in place to ensure that all resources are used in the best way possible.
- e) Safeguarding of Assets
All employees are expected to demonstrate integrity in all business dealings and to be accountable for their actions. They are expected to act in the best interests of the Council without seeking any personal gain and to safeguard the assets for which they are responsible.

10.2.2 Specification of Individual's Role: The role of an individual in the control process should be clearly defined with emphasis on the following:

- a) Identification of reporting lines and service responsibilities.
- b) Clear allocation of responsibilities to individuals.
- c) Separation of duties within a service.
- d) Security and effectiveness of systems.
- e) Recognition of risks to themselves, Council property and assets and the precautions that can be taken to minimise risks.
- f) Responsibility to report any potential control weaknesses that come to their attention, to an appropriate person.

10.2.3 High Risk Areas: The following, although not an exhaustive list, are examples of areas considered to be at high risk, and managers should ensure that internal controls are developed which monitor and regulate financial transactions in these areas:

- a) any area involving the handling of cash/desirable materials/equipment
- b) timesheets and claims for expenses and other allowances
- c) tendering and award of contracts
- d) settlement of contractors' final accounts and claims
- e) appointment and payment of outside contractors
- f) pecuniary interests of members and officers
- g) secondary employment of staff which may influence their work for the Council
- h) canvassing for appointments
- i) acceptance of gifts and hospitality
- j) pressure selling
- k) award of permissions, planning consents and licences
- l) disposal of assets.

Further guidance on what constitutes propriety in relation to Council Operations is available in [Financial Regulations Support Document 18](#).

10.2.4 Action Required After Risk Realised: Weaknesses in internal controls can result in errors or in more serious cases, may involve theft, fraud or corruption. In all such cases management must take prompt action to strengthen the internal control processes, rectify any errors and make good any financial losses (e.g. through insurance claims).

10.2.5 Annual Control Assurance: All managers should be clear of their responsibilities with respect to the assurance framework and Code of Corporate Governance and should provide appropriate assurance information to support the Annual Governance Statement, as necessary.

10.3 INSURANCE

Insurance is the last line of defence in the Council's Risk Management Strategy and should only be used for significant risks that cannot be reduced or eliminated. Insurance can be used in two ways to mitigate risk:

- a) **by purchasing insurance cover for the Council, such as for property, use of vehicles and equipment or staff injuries;**
- b) **by ensuring adequate cover is held by partners or contractors involved with the Council.**

A summary of some of the main types of insurance policy is available in [Financial Regulations Support Document 21](#).

- 10.3.1 **Arranging Cover:** The "Nominated Chief Officer with responsibility for Insurance" shall establish appropriate insurance cover in accordance with the Risk Management policies of the Council.
- 10.3.2 **Fidelity Guarantee:** All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance, against any act of fraud or corruption.
- 10.3.3 **Annual Review of Cover:** The "Nominated Chief Officer with responsibility for Insurance" shall annually review all insurances and arrange suitable changes in cover, in consultation with relevant managers, and risk management groups.
- 10.3.4 **Notification of Changes:** Managers shall give prompt notification in writing to the "Nominated Chief Officer with responsibility for Insurance" of:
- a) the extent and nature of all new risks, properties, and equipment vehicles and plant which may require to be insured and of any alterations affecting existing insurances;
 - b) all leases of property granted by or to the Council which involve a transfer of cover.
- 10.3.5 The Transport Manager shall be responsible for ensuring that the "Nominated Chief Officer with responsibility for insurance" is promptly notified of any changes in vehicles and plant which may affect the insurance cover necessary.
- 10.3.6 **Responsibility for Claims:** The Nominated Chief Officer with responsibility for Insurance shall negotiate all claims made on the Council's policies, in consultation with other officers as necessary.
- 10.3.7 **Notification of Claims:** Managers shall give prompt notification in writing to the "Nominated Strategic Finance Manager" of any loss, liability, damage or event likely to give rise to a claim by or against the Council.
- 10.3.8 **Claims Procedure:** All claims must be made in accordance with the Council's written claims procedures.

- 10.3.9 **Claim Negotiation:** No admission of liability shall be made by an officer. Any claims from third parties, whether insured or not, must be referred to the "Nominated Chief Officer with responsibility for Legal Administration" and the "Nominated Chief Officer with responsibility for Insurance" to assess the Council's legal and financial liability.
- 10.3.10 **Indemnity to Third Parties:** No assurance on Council cover or reimbursement for loss or damage, may be issued to a third party without the written consent of the Statutory Chief Finance Officer.
- 10.3.11 **Contractor Cover:** Suppliers, contractors, consultants or agents acting for the Council must have insurance arrangements that adequately protect the Council's interests in accordance with [Financial Regulation Support Document 22](#).

10.4 FRAUD AND CORRUPTION

The Council is a public body and therefore will not tolerate any fraud and corruption in the administration of its responsibilities, whether from inside or outside the authority. All members and employees are expected to lead by example on all aspects of honesty, propriety and accountability. The Council also expects that individuals and organisations with whom it comes into contact (e.g. suppliers, contractors, service providers, and partners) will act towards the authority with integrity.

The Council's Anti-fraud and Corruption policy sets the culture for the organisation to address the risk of fraud and corruption, and summarises the methods of prevention, detection and investigation we have in place.

- 10.4.1 **Promotion of Culture to Members:** The Standards Committee is responsible for promoting required standards of conduct amongst members.
- 10.4.2 **Promotion of Culture to Employees:** Directors and Chief Officers are responsible for ensuring that all employees are aware of the standards of conduct required from employees.
- 10.4.3 **Maintenance of Anti-fraud and Corruption Policy:** The "Nominated Chief Officer with responsibility for Counter fraud" is responsible for preparing and reviewing the Council's [Anti-Fraud and Corruption Policy](#), for approval by the Audit Committee, and ensuring that adherence to the policy is periodically tested.
- 10.4.4 **Registers of Interests:** All members and employees must identify and record any interests that may conflict with their responsibilities to the Council, in accordance with [Financial Regulations Support Document 19](#).

- 10.4.5 **Gifts and Hospitality:** All members and employees must record any receipts of gifts and hospitality resulting from their public office, in accordance with [Financial Regulations Support Document 17](#).

10.5 FINANCIAL IRREGULARITIES

A financial irregularity exists where there is intentional or unintentional:

- Misrepresentation of a financial statement
- Departure from accepted or authorised practice, including failure to disclose information
- Unauthorised or dishonest action, including abuse of position of trust

- 10.5.1 **Identification of Irregularities:** Directors and Chief Officers must ensure that procedures are in place to support 'whistle blowing', in accordance with the Council's [Code of Practice for Confidential Reporting](#). They must also ensure that all suspected irregularities are appropriately reported and action taken in accordance with the Council's [Disciplinary Procedures](#).
- 10.5.2 **Duty to Report Financial Irregularity:** Where there is a suspicion of Financial Irregularity, it is the duty of all individuals to report the matter to their Manager, the "Nominated Audit Manager" or the Statutory Chief Finance Officer. Such disclosures will be treated in accordance with the Council's [Code of Practice for Confidential Reporting](#).
- 10.5.3 **Investigation Procedure:** The officer receiving the notification must then act in accordance with the [Anti-Fraud and Corruption Policy](#), and [Financial Irregularity Investigation Policy](#) such that the matter is appropriately investigated.
- 10.5.4 **Duty to Act:** Managers must take appropriate action during or at the completion of any investigation.

Other Points of Reference (underline denotes a hyperlink is available)

[Financial Regulation 1: Responsibilities of Members](#)

[Financial Regulation 3: Responsibilities of Other Officers, Employees and Agents of the Council](#)

[Financial Regulation 7: Financial Reporting](#)

[Financial Regulation Support Document 17: Gifts and Hospitality](#)

[Financial Regulation Support Document 18: Propriety and Probity](#)

[Financial Regulation Support Document 19: Registers of Interests](#)

[Financial Regulation Support Document 21: Insurance Types](#)

SECTION C: RISK MANAGEMENT & CONTROL – REG 10 (Risk Management)

[Financial Regulation Support Document 22: Guidance on Insurance Types and Levels required by External Contractors](#)

[Financial Regulation Support Document 14: Internal Audit Charter](#)

[Risk Management Policy](#)

[Risk Management Strategy](#)

[Anti-Fraud and Corruption Policy,](#)

[Code of Practice for Confidential Reporting](#)

[Disciplinary Code of Practice](#)

[Surveillance Policy](#)

[Use of Communications Data Policy](#)

[Financial Irregularity Investigation Policy](#)

[Constitution Part 5 – Codes of Conduct and Practice - Member Code of Conduct](#)