

REVIEW OF SYSTEM OF INTERNAL AUDIT AND RISK MANAGEMENT FOR WYCK RISSINGTON PARISH COUNCIL 2019-2020 ACCOUNTS

The Responsible Finance Officer has commissioned me to offer an objective view on the internal controls applied by Wyck Rissington Parish Council, including the system of internal audit and its risk management procedures. I have no current connection with the Parish Council.

Internal Audit

The Responsible Finance Officer prepares an Audit Pack for the Internal Auditor. This supplements the Statement of Income and Expenditure and Bank Reconciliation Statement with complete supporting records of bank statements, an analysis of budget vs actual, details of receipts and payments and a set of notes on the accounts.

The Statement of Income and Expenditure is then formally approved by the Parish Council at the AGM and signed off by the Chairman.

The Internal Auditor is a former member of the Parish Council whose business experience qualifies him to undertake the role. He is usually given up to four weeks to study the pack, (this year, the Covid 19 restrictions have delayed the AGM so he has had longer) and in that time, has access to the Responsible Finance Officer to raise queries and clarify any matters. No payments are made to the Internal Auditor. He has no current connection with the Parish Council.

I regard the process as compliant with best practice and fit for purpose.

A structured approach to risk management

During the year, the Parish Council reflected on the need for a more structured approach to risk management, partly stimulated by the Gloucestershire Association of Parish Town Councils. I endorse the proposal that it would be timely for the Parish Council take a step back and review its risks. Whilst I have been reassured over recent years that Wyck Rissington Parish Council had satisfactorily managed risks, and reported to this effect, its mitigation of risk was the result of incremental decision making and the simple following of statutory guidance on, for example, internal audit, rather than due to a comprehensive look at its risks in the round.

Yet the Parish Council needs to address these in a proportionate way. Risk management can become an industry in its own right, and I think Wyck Rissington should not over complicate the issue. I offer some thoughts on how it might review its risks without getting bogged down.

A new Risk Register

Any organisation faces risks in at least 3 categories: *financial* (eg losses occurring because of fraud, mismanagement of resources, the costs of redress of an injury or other damage etc); *operational* (threats to its ability to deliver the required outputs which can arise from multiple sources eg supplier failure, skill shortage, poor project management); and *reputational* (losing the trust of stakeholders, sometimes because of risks materialising in the first two categories or failure to meet expected standards of probity, compliance with public regulations etc).

The consequences of poor risk management for a body in the private sector can be extreme – complete business collapse or the mounting of losses which fall to the directors or shareholders to remedy. Public sector bodies may not appear quite so exposed (though I imagine Public Health England is feeling rather uneasy at the moment) but a responsible Parish Council like Wyck Rissington would not wish to short change the people it represents by incurring unnecessary costs or leaving public services unfulfilled.

I suggest that the Parish Council uses these risk categories (which as I have noted may not be mutually exclusive) as a starting point. It would ask itself what kind of threat might be encountered, the likelihood of that threat arising (high, medium or low) and its prospective impact (again, high, medium or low). It would then consider what mitigating actions are open to it both to prevent the threat arising and damping down its consequences if prevention fails. Typically these assessments are recorded on a Risk Register which then summarises what risks the organisation is exposed to and what it can do about them. In Wyck Rissington Parish Council's case, these should be covered in a table on no more than one side of A4 paper.

Current risk control

As I am asked for a view on risk management, I offer my assessments below, which can then be reassessed by the Parish Council when it conducts its review.

I judge that, currently, the system of internal controls provides appropriate mitigation for the most common *financial* risks. There are adequate protective measures against fraud. The proper procedures are followed for decision making (eg notification of meetings, open Parish Council meetings, withdrawal of interested parties from debate where necessary etc). The size and number of financial transactions are such that 100% checking is possible by the internal auditor.

The Parish Council will wish to assure itself, when it makes its own assessment of financial risk, that the risks associated with the proposal by the Responsible Finance Officer to keep the financial records of the Council only on the Cloud (eg access to these records if the Finance Officer is unavailable etc) have been addressed. If the records are to be kept on the Cloud, I recommend that the security codes associated with the Cloud account are shared with either the Clerk to the Council or the Chairman, and that a backup of the data, in either paper or electronic form is kept locally. In the event of the RFO becoming unavailable for health or whatever reason the PC must have access to the financial records.

Third party liabilities are covered by external insurance. I have examined the insurance policy to ensure that the cover is appropriate and it is a standard Parish Council policy with relevant coverage.

The main current *operational* risk for the Parish Council is the non-availability or poor performance of sub-contractors maintaining the Green and the Pond. So far the Parish Council has managed to secure the services of appropriate contractors, from a rather small set of options.

Reputational risks in recent years have tended to be connected with compliance with new Government legislation for example on data protection. I note that the Clerk to the Parish Council has attended GDPR Training and that the Parish Council is registered with the Information Commissioners Office.

Conclusion

The financial affairs of Wyck Rissington Parish Council are straightforward, with fewer than 30 income and expenditure transactions per annum. I conclude that the processes for internal audit continue to be rigorous and fit for purpose. They provide the assurances needed for the Parish Council to discharge its financial responsibilities.

Its management of other risks is also of an acceptable standard, though would be enhanced by a fresh look at the totality of the risks facing the Parish Council and the development of a Risk Register.

Elizabeth Ransom
4 July 2020