

## Finance Risk Register - Appendix C

REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)			EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)			DATE LAST REVIEWED:	10/06/2020
					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING	FURTHER ACTION REQUIRED	RISK OWNER
1	Finance	<b>Failure to ensure sufficient cover of Council assets</b> This could result in the possibility of our insurance company refusing to cover a claim above the level of our current excess (£125k for general property and Liability, £250k for educational property).	<b>Cause(s):</b> 1. Incorrect/incomplete asset/risk data provided to insurer. 2. Total level of insurance insufficient e.g. to cover damage to multiple high value assets. 3. Uninsurable risks e.g. criminal/regulatory fines. <b>Effect(s):</b> Inadequate or no insurance cover could have significant financial implications, dependent on the value of the asset and the extent of the damage / loss.	Financial - Operational	1	4	4	1. Annual review during renewal process of all property, vehicle and school journey schedules 2. Maintain a register of all insurance premiums paid each year 3. Independent review of Council's self-insurance Claims fund by professional actuaries every 3 years 4. Endorsement under buildings insurance policy to cover up to £10m for inadvertent omission to insure property 5. Buildings insurance policy excess per event to protect Council for damage to multiple properties as a result of single event e.g. Flood/Storm	1	3	3		Viknesh Gill
2	Finance	<b>Financial Market Volatility</b> Financial loss arising from the volatility of financial markets.	<b>Cause(s):</b> Market volatility, recession, banking failure <b>Effect(s):</b> We do not maximise our interest earnings on balances and could also suffer the following issues - Liquidity, Interest rate, Exchange rate, Inflation, Credit and counterparty, Refinancing, legal and regulatory risks	Financial - Operational	3	5	15	1. Regular strategy meetings 2. Use of external advisors 3. Internal Audit review of activities 4. Quarterly reporting to E,R&C PDS Committee (Members) 5. Adoption of CIPFA Treasury Management Code of Practice 6. Regular meetings / discussions with external auditors 7. Treasury management strategy	2	4	8		David Dobbs
3	Finance	<b>Capital Income Shortfall</b> Inability to generate capital receipts	<b>Cause(s):</b> Property price reductions as a result of the economic environment. Falling number of assets available for disposal <b>Effect(s):</b> Financial	Economic - Strategy	3	4	12	1. Close monitoring of spend and income 2. Reporting to Members 3. Tight control of spending commitments 4. Quarterly reports on capital receipts (actual and forecast) to Executive.	2	3	6		David Dobbs
4	Finance	<b>Pension Fund</b> The pension fund not having sufficient resources to meet all liabilities as they fall due	<b>Cause(s):</b> 1. Investment markets fail to perform in line with expectations 2. Market yields move at a variance with assumptions 3. Investment managers fail to achieve their targets over the longer term 4. Longevity horizon continues to expand 5. Deterioration in pattern of early retirements 6. Administering authority unaware of structural changes in an employer's membership e.g. large fall in employee members, large number of retirements 7. Mandatory pooling of investments (London CIV) may result in appointment of poorer performing investment managers. <b>Effect(s):</b> Financial	Financial - Operational	3	5	15	1. Use of external advice. 2. Financial: Monitoring of investment returns - analysis of valuation reports 3. Demographic: Longevity horizon monitored at triennial reviews - quarterly review of retirement levels 4. Regulatory: Monitor draft regulations and respond to consultations - actuarial advice on potential where appropriate 5. Internal audit review of activities, performance, controls etc. 6. Quarterly reports to Pensions Investment Sub-Committee 7. Funding Strategy Statement 8. Statement of Investment Principles 9. Communications Policy 10. Governance Policy 11. Triennial valuation by actuary 12. Strategic asset allocation review.	2	4	8		Director of Finance
5	Finance	<b>Failure to deliver a sustainable Financial Strategy which meets with BBB priorities and failure of individual departments to meet budget</b>	<b>Cause(s):</b> 1. The 2020/21 Council Tax report identified the need to reduce the Council's 'budget gap' of £16.9m per annum by 2023/24. Funding changes have been announced in the One Year Local Government Finance Settlement 2020/21. 2. The Government recently announced a delay in the Fair Funding review and devolution of business rates until 2022/23 (delayed a further year). It is likely, therefore, that there may be a one year financial settlement for 2021/22. A one year settlement and the delay in the Fair Funding Review creates greater financial uncertainty relating to the impact on 2022/23 and beyond. A significant challenge to the current year's financial position relates to the impact of COVID-19 and the extent to which the Government funds the net cost to the Council. Examples of the financial impact include: (a) Additional costs relating to direct support, enhancements to contract prices during this interim period (where necessary), additional staffing support, provision of new services, mortuary costs etc.; (b) Planned budget savings which cannot be delivered during this period; (c) Loss of income which includes, for example, car parking and enforcement, business rates, council tax collection, rent income from investment properties and treasury management. Although it is not possible to accurately estimate the financial impact, an initial estimate of the total net cost including income losses is expected to significantly exceed the current level of Government funding provided of £16.6m. The main element of financial loss relates to income reductions ranging from car parking to collection of council tax and business rates. It is not clear whether the government will fully compensate councils for any income losses or non-delivery of planned budget savings and there is likely to be resultant financial impact on the Council's four year financial forecast relating to the 'new normal' in future years, which cannot be quantified at this stage. 3. Failure to meet departmental budgets due to increased demand on key services resulting in overspends: (Housing (homelessness and cost of bed and breakfast), Social Care (welfare reform and ageing population); and Waste (growing number of households). 4. The risk of the Council not being able to carry out its statutory duties (e.g. pupil admissions, school improvement, child protection) as a consequence of funding reductions. 5. Dependency on external grants to fund services (schools and housing benefits are ring-fenced) - effect if grant reduces (Public Health services) or ceases. 6. The new national living wage will have cost implications to the Council over the next few years (e.g. care providers and carers). 7. Local government may be required to take on new funding responsibilities in the future without adequate funding. 8. Impact of welfare reforms and the phased roll out of Universal Credit. 9. Failure to identify and highlight frauds and weaknesses in the system of internal control (which invariably have a financial impact). Overall, fraud losses are mainly benefit related (Council Tax Support / Single Person Discount). <b>Effect(s):</b> - Increased overspends in particular services - Council unable to carry out its statutory duties due to services cuts - Reputational damage	Financial - Operational	5	5	25	Strategic Controls: 1. Regular update to forward forecast 2. Early identification of future savings required 3. Transformation options considered early in the four year forward planning period 4. Budget monitoring to include action from relevant Director to address overspends including action to address any full year additional cost 5. Mitigation of cost pressures including demographic changes 6. Quarterly review of growth pressures and mitigation. 7. Apart from 'One Bromley' projects there are opportunities for the Transformation Reviews and Core Statutory Minimum Reviews. Operational Controls: 1. Management of Risks document covering inflation, capping, financial projections etc. attached to budget reports 2. Departmental risk analysis 3. Reporting of financial forecast updates in year to provide an update of financial impact and action required 4. Obtain monthly trend / current data to assist in any early action required 5. Obtain regular updates / market intelligence 6. Reporting full year effect of budget variations 7. Analysis of government plans and changes	4	5	20	The council is undertaking a review to determine the core statutory minimum service requirements and exploring transformation opportunities to help meet the ongoing budget gap	Director of Finance
6	Finance	<b>Failure to act upon Financial assessments or arrears in a timely manner</b>	<b>Cause(s):</b> 1. Severe/catastrophic IT problems 2. Loss of key staff 3. Organisation experiencing severe financial problems <b>Effect(s):</b> Loss of income	Financial - Operational	3	3	9	Controls: 1. There is a disputed debt process that is followed to ensure that departments do not hold up debt recovery (i.e. actioning write offs and disputes). 2. All outstanding Financial Assessments are completed in accordance with the agreed timescales 3. Monitoring is carried out on a regular basis to ensure financial assessments are completed and contributions are set up on CareFirst in order for service users to be charged 4. Effective SLA is in place	2	3	6		Claudine Douglas-Brown
7	Finance	<b>Failure of Finance IT systems</b>	<b>Cause(s):</b> Failure of CareFirst or the various databases Oracle cheques not being produced Failure of BACs to pay LBB <b>Effect(s):</b> Inability to pay creditors, calculate payments due to our suppliers / foster carers (Payments Team) or to accommodate charging information for billing clients which could result in fines, penalties and loss of goodwill / reputation.	Contractual and Partnership - Operational	3	2	6	1. CareFirst has replaced the majority of the databases used in Finance for ECHS payments 2. All systems are backed up daily 3. If systems fail, new databases can be built and/or manual calculations for charges or payments could be made 4. Manual cheque payments could be raised 5. Close liaison with Liberata (and sub contracted company Xerox) to discuss any problems - escalation procedure works well. 6. Alternative printers being available at Xerox reduces the risk of cheques not being produced due to printer failure 7. Stock control measures in place to ensure cheques are ordered in time 8. BACS payments increasing - solid and dependable	2	2	4	Implications of any replacement to Carefirst will need to be monitored closely, and preventative action taken to mitigate risk	Claudine Douglas-Brown
8	Finance	<b>Failure of external contractors</b>	<b>Cause(s):</b> Contractor ceases to trade due financial failings. <b>Effect(s):</b> disruption and delays to key services, financial loss and adverse publicity	Contractual and Partnership - Operational	3	4	12	1. Constant review of contractors financial standing 2. Maintaining knowledge and contact with alternative service suppliers	2	3	6		John Nightingale
9	Finance	<b>Contractor Poor Performance</b> Contractor fails to meet performance expectations across Revs & Bens, Payroll, Pensions, Debtors and Accounts Payable	<b>Cause(s):</b> Severe catastrophic IT problems Loss of key staff Organisation experiencing severe financial problems <b>Effect(s):</b> - Delay / non payment of suppliers, customers, staff salaries, pensions. - Increase in fraudulent payments - Delayed or non repayment from debtors Resulting in loss of income, increased costs, increase in complaints and subsequent loss of good will and / or reputational damage.	Financial - Operational	3	3	9	1. Effective SLAs and contracts in place 2. Regular operational and strategic meetings monitoring progress and identifying action required 3. Action identified and formally agreed when monitoring key performance areas 4. Formal structures and procedures in place for monitoring and corrective action to minimise risk 5. Process reviewed on an ongoing basis 6. Weekly monitoring of complaints and patterns identified	2	3	6		Claudine Douglas-Brown / John Nightingale

## Finance Risk Register - Appendix C

REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)			EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)			DATE LAST REVIEWED:	10/06/2020
					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING	FURTHER ACTION REQUIRED	RISK OWNER
10	Finance	<b>Significant Fraud/Corruption</b>	<p><b>Cause(s):</b> Lack of controls Dishonest staff/suppliers/customers Collusion Poor systems Lack of Management oversight Inadequate segregation of duties</p> <p><b>Effect(s):</b> Financial loss Adverse publicity/reputational damage Staff morale lowered Resource implications for investigation</p>	Financial - Operational	3	3	9	1. Staff vetting 2. Segregation of duties 3. Documented procedures/regulations/code of conduct 4. Whistleblowing policy 5. Fidelity guarantee 6. IT security 7. Robust computer systems/audit trail 8. Counter Fraud staff 9. Internal/External audit	2	2	4		David Hogan

Remember to consider current Internal Audit priority one recommendations when identifying, assessing and scoring risks.