

## Monmouthshire Farm Endowment Trust – Risk Assessment Policy 2018/19

The financial assistance provided by the Monmouthshire Farm Endowment Trust is to support the advancement of education in agriculture and related subjects at college. Annually, monies are distributed and the key risk faced by the Monmouthshire Farm Endowment Trust is loss or reduction in the amount of monies available.

An assessment of the risks faced by the Monmouthshire Farm Endowment Trust has been undertaken and steps taken to:

- avoid risks through alternative strategies
- limit and reduce risks by improving controls
- insure against specified risks

On an annual basis the risk assessment will be reviewed and updated to include any new risks identified.

The risks identified have been encompassed within 4 categories:

- governance & management
- operational risks
- financial risks
- compliance risk

Monmouthshire County Council as custodian and administrator of the Monmouthshire Farm Endowment Trust manage the fund on the Trustees behalf through the Cabinet and make all risk and investment decisions in a unified risk policy as advised by the Authority's investment and risk advisors.

The following paragraphs list the risks identified & the steps taken to mitigate or eliminate the risk.

### **1. Governance & Management**

#### **(a) The fund lacks direction?**

The activities of the Fund are governed by the guidance in Section 4 of the Charity Act 2000.

The Cabinet has a clear purpose to maximise the return on its investments and this is contained within the investment policy.

#### **(b) There are conflicts of interest?**

Cabinet members are elected in accordance with the electoral cycle and are required to conduct themselves in-line with the Authority's Code of Conduct.

Members are required to declare any interests related to the activities of the Trust and may not vote on these decisions. These matters are recorded in the official minutes.

Members allowance and expense payments are not charged to the Monmouthshire Farm Endowment Fund.

**(c) Funds are used inappropriately?**

The purpose for which funds can be used is contained within the objectives of the trust.

**(d) Key staff, leave the Council's employment?**

The actions of Officers of the Council are determined by Delegated Powers.

A number of senior Council staff support and advise the Trustees on legal & financial matters.

**(e) Inadequate information is provided to the Trustees?**

Annually, the Trustees consider the level of reserves and anticipated investment income before determining the level of grants to be made available.

Variances between the anticipated & actual investment income will be reflected in the following year's grants.

## **2. Operational Risks**

**(a) Unsuitable staff support and advise Cabinet?**

Monmouthshire County Council has a comprehensive recruitment process which is supported by a wide range of personnel policies.

The training & development needs of officers are identified through the Employee Review process.

A number of senior Council staff support and advise Cabinet on financial and legal matters.

**(b) Systems & procedures are not secure?**

Systems & procedures are documented & document retention policies are in place. IT systems have data back-up arrangements & disaster recovery plans. Periodic audits identify internal control improvement requirements. Insurance provides a means to recover from specified losses.

**(c) Stakeholders are not satisfied with the operation of the Fund?**

The Scheme made by the Trustees provides for the advancement of education in agriculture and related subjects at college.

The Trustees consider annual reports on the financial performance of the Trust.

The Trustees consider annually the level of funding available for grants.

**(d) The assets of the Fund are at risk?**

In accordance with the investment policy a number of constraints are placed upon the way in which monies are used.

A risk minimization strategy has been adopted which limits the investment of funds to individual institutions meeting specified criteria.

**(e) Unsatisfactory returns on investment are achieved?**

The reserves policy requires monies be invested in financial instruments which produce interest payments and there is no appreciation in the capital value of the investment.

The overall aim is to obtain a satisfactory rate of return enabling Trustees to distribute an amount based on the forecast return on investments during the current year, after meeting the expenses incurred in managing the fund.

Annually, the Trustees consider the actual return on investments and the extent to which the investment objectives have been achieved.

**3. Financial Risks**

**(a) Budgetary control is inadequate?**

Annually, the Trustees consider the level of reserves and anticipated investment income before determining the level of grants to be made.

Variance between the anticipated and actual investment income will be reflected in the following year's grants.

**(b) Financial administration is unsatisfactory?**

Monmouthshire County Council personnel policies and procedures ensure Officers are appropriately qualified for the roles undertaken.

Internal control arrangements ensure there is division of duties amongst Officers. Periodic audits review the internal control arrangements.

**(c) Financial losses arise due to speculative investment?**

The investment policy prescribes a risk minimisation approach which can limit the investment of funds to institutions meeting specified criteria.

**(d) Financial losses arise from fraud or error?**

The internal control arrangements are based upon segregation of duties. Periodic audits review the internal control arrangements. Insurance provides a means to recover from specified losses.

**4. Compliance Risk**

**(a) Failure to comply with legislation / regulations?**

The activities of the Fund are specified within objects of the Trust. The nature and format of financial reporting is specified by the Charity Commission and an external audit of the accounts is mandatory. A number of senior Council staff support and advise Cabinet on legal and financial matters.