

STREETS

'RISK MANAGEMENT MATRIX FOR ACADEMIES'

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A. Introduction

Purpose of this document

This document sets out the key risks as assessed by the Trustees, both financial and non-financial. The document records the assessment made by the Trustees and is to be revisited on a regular basis.

The relative importance of each of the risks identified has been assessed – through consideration of the likelihood of incidence and the potential impact on the **[School Name]**. The matrix uses a simple scoring system as follows:

Likelihood

- **(3) Likely:** Expected – more than even chance of happening
- **(2) Possible:** Even chance of happening
- **(1) Remote:** Extremely unlikely

Impact

- **(3) Critical:** Will make a material difference
- **(2) Major:** Will make a difference
- **(1) Manageable:** Impact deemed to be manageable

		Likelihood		
		Remote (1)	Possible (2)	Likely (3)
Impact	Critical (3)	M (3)	H (6)	H (9)
	Major (2)	L (2)	M (4)	H (6)
	Manageable (1)	L (1)	L (2)	M (3)

H = High Risk
M = Medium Risk
L = Low Risk

Controls in place which mitigate the risks identified have been recorded along with the names of the individuals assigned responsibility for the operation and monitoring of those controls.

In cases where further action is required, the steps to be taken have been recorded.

B. Mission/objectives

Risk Factor	Risk <u>Likelihood</u> remote (1), possible(2) or likely (3)	Risk <u>Impact</u> manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
The Academy's aims/ objectives do not accord with the Constitution			Protocol for reviewing new projects to ensure consistency with objects, powers and terms of funding and consistency with Constitution			
Activities and future developments restricted by objects			Protocol for reviewing new projects to ensure consistency with objects, powers and terms of funding Authorisation procedures, monitoring and reporting Financial systems to identify restricted funds and their application			

Risk Factor	Risk <u>Likelihood</u> remote (1), possible(2) or likely (3)	Risk <u>Impact</u> manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
The Academy lacks direction, strategy and forward planning			<p>Creation of a strategic plan which sets out the key aims, objectives and policies</p> <p>Creation of financial plans and budgets</p> <p>Monitoring of financial and operational performance</p>			

C. Law and regulation

Risk Factor	Risk <u>Likelihood</u> remote (1), possible(2) or likely (3)	Risk <u>Impact</u> manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Failure to operate within Charitable Objects			As above			
Breach of statutory requirements (<i>e.g., Health & Safety at Work legislation, Charities Act, Companies Act, Trustees Act etc.</i>)			Policies and procedures documented and communicated to visitors & staff as appropriate			
Adverse Regulator's monitoring visit			As above			
Penalties or restrictions imposed following control visits			Policies and procedures documented and communicated to visitors & staff as appropriate			

D. Governance and management

Risk Factor	Risk <u>Likelihood</u> remote (1), possible(2) or likely (3)	Risk <u>Impact</u> manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Structure/membership of the Board of Trustees and managing committees is inappropriate			Review of structure and constitutional change to ensure that the Board contains the necessary experience and skills Skills review Competence framework and job descriptions Training Recruitment process Organisation chart and clear understanding of roles and responsibilities			
Relationship between the Board of Trustees and senior staff poor			Formal and informal lines of communication are clearly understood and documented, as appropriate			

Risk Factor	Risk <u>Likelihood</u> remote (1), possible(2) or likely (3)	Risk <u>Impact</u> manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Reporting to the Trustees is inadequate			<p>Proper strategic planning, objective setting and budgeting processes</p> <p>Timely and accurate project report</p> <p>Timely and accurate financial report</p> <p>Proper project assessment and authorisation procedures</p> <p>Regular contact between Trustees and management</p>			
Conflict of interest			<p>Understanding of trust law</p> <p>Protocol for disclosure of potential conflicts of interest</p> <p>Procedures for standing down on certain decisions</p> <p>Recruitment and selection processes</p>			

Risk Factor	Risk <u>Likelihood</u> remote (1), possible(2) or likely (3)	Risk <u>Impact</u> manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Lack of strategic plan, or poorly implemented			Proper strategic planning, objectives setting and budgeting processes in place, requiring Trustee approval			
Dominance of key individual(s) on the Board of Trustees			Consider the structure of the Board and their independence Mechanisms agreed to deal with potential conflicts of interest Recruitment and appointment processes and constitutional validity Procedural framework for meetings and recording decisions			

Risk Factor	Risk <u>Likelihood</u> remote (1), possible(2) or likely (3)	Risk <u>Impact</u> manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Trustees are benefiting from the charity			<p>Ensure legal authority for payment or benefit</p> <p>Terms and procedures to authorise/approve expenses and payments</p> <p>Procedures and methods to establish fair payment, conducted separately from "interested" Trustee</p> <p>Approved by the Board</p>			
Problems exist with senior management team (<i>supervision, communication</i>)			<p>Organisation chart and clear understanding of roles and responsibilities</p> <p>Competence framework and role descriptions</p> <p>Delegation and monitoring, which is documented and communicated, is consistent with good practice</p>			

E. External factors

Risk Factor	Risk <u>Likelihood</u> remote (1), possible(2) or likely (3)	Risk <u>Impact</u> manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Change in political regime			Monitoring of proposed legal and regulatory changes Membership of umbrella bodies			
Change in public perception of academies			Communication with supporters and beneficiaries Quality financial, annual report and review reporting PR training/procedures			
Acts of God, impact of adverse weather conditions			State of repair of buildings kept under review Repairs and maintenance budget Appropriate insurance in place			

Risk Factor	Risk <u>Likelihood</u> remote (1), possible(2) or likely (3)	Risk <u>Impact</u> manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Changes in charity taxation, including VAT rules			<p>Formal monitoring of the position to understand implications of changes</p> <p>Working with specialists (appointed accountants) who provide appropriate advice</p>			
Social and demographic changes			Monitoring of changes and implications			

F. Operational factors

Risk Factor	Risk <u>Likelihood</u> remote (1), possible(2) or likely (3)	Risk <u>Impact</u> manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Reputation impact of event, fraud, accident, media coverage etc.			Financial control procedures Segregation of duties Authorisation limits Security of assets Insurable risks Complaints procedures (both internal and external) Proper review procedures for complaints Crisis management strategy for handling, consistency of key messages, nominated spokesperson etc			

Risk Factor	Risk Likelihood remote (1), possible(2) or likely (3)	Risk Impact manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Supplier dependency/ difficulties/ bargaining power			Use of competitive tendering for larger contracts Procedures for obtaining quotations Authorised suppliers listing Monitoring of quality/timeliness of provision Use of service level agreements Use of buying consortia			
Contract risk – onerous terms, uncompetitive			Cost/project appraisal procedures Authorisation procedures Professional advice on terms and conditions Performance monitoring arrangements Insurable risks cover			

Risk Factor	Risk Likelihood remote (1), possible(2) or likely (3)	Risk Impact manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Safeguarding of assets <i>(insurance, maintenance, etc.)</i>			Review of security Asset register and inspection programme Facility management arrangements Safe custody arrangements for title documents Management of patent and intellectual property Insurance reviews			
Intellectual property inadequately protected			Registration of trademarks and patents Security of electronically held data			
Physical security or abuse of staff			Review of security Recruitment procedures – including vetting of staff and volunteers Training and supervision procedures			

Risk Factor	Risk Likelihood remote (1), possible(2) or likely (3)	Risk Impact manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Capacity and use of resources including tangible fixed assets			Building and plant inspection programme Repair and maintenance programme Capital expenditure budgets Efficiency review			
Competition from other bodies			Public and authority awareness of the charity			
Poor security of site from unauthorised usage			Review of security Authorisation procedures for usage of charity property			
Lack of control of third party users			Review of security Training and supervision procedures			

Risk Factor	Risk Likelihood remote (1), possible(2) or likely (3)	Risk Impact manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Lack of planning & control of offsite activities e.g., <i>trips & expeditions</i>			Review of security Review and communication of procedures Recruitment procedures – including vetting of staff and volunteers Training and supervision procedures			
Lack of written policies and procedures or failure to keep them up-to-date			Proper documentation of policies and procedures Audit and review of systems			
Disaster recovery procedures in place			Disaster recovery plan and procedures in place addressing operations in addition to IT			
Breach of regulations e.g. Data protection Act, Food Standards, Children’s Act			Appropriate policies and procedures in place; documented and communicated to visitors and staff as appropriate			

G. Human resources

Risk Factor	Risk <u>Likelihood</u> remote (1), possible(2) or likely (3)	Risk <u>Impact</u> manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Loss of key members of staff – <i>i.e.</i> , <i>lack of succession-planning</i>			Succession planning Documentation of systems, plans and projects Training programmes Notice periods and handovers Recruitment processes			
Difficulties in recruiting/retaining staff			Established recruitment process, subject to regular review Review of staff performance and salary levels Marketing and advertising activity			

Risk Factor	Risk Likelihood remote (1), possible(2) or likely (3)	Risk Impact manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Failures in staff-vetting procedures			<p>Recruitment processes</p> <p>Reference and qualification checking procedures, job descriptions, contracts of employment, appraisals and feedback procedures</p> <p>Job training and development</p> <p>Health and safety training and monitoring</p> <p>Staff vetting and legal requirement checks</p>			
Poor working practices e.g. discrimination or bullying			<p>Equal opportunities policies in place – documented and communicated</p> <p>Where inappropriate behaviour identified appropriate action taken</p>			

Risk Factor	Risk Likelihood remote (1), possible(2) or likely (3)	Risk Impact manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Poor staff morale			Interview and assessment processes Fair and open competition appointment for key posts Job descriptions, performance appraisal and feedback Conduct "exit" interviews Consider rates of pay, training, working conditions, job satisfaction			
Breaches of employment laws, e.g. working time directive, stakeholder pensions			Change in regulations monitored and documented Contracts of employment amended form new legislation as appropriate			
Poor or lack of terms and conditions			Job descriptions, contracts of employment, appraisal and feedback processes in place			

Risk Factor	Risk Likelihood remote (1), possible(2) or likely (3)	Risk Impact manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Poor staff training and development			Job descriptions and formal appraisal process Training needs formally identified and addressed			
Dependence on a key individual			Established recruitment process, subject to regular review Succession planning in place			
Poor recruitment procedures			Procedures documented and reviewed			
Inadequate supervision or control of volunteers			Appropriate policy documented and communicated to staff and volunteers Monitoring and assessment of supervision			

H. Environmental

Risk Factor	Risk <u>Likelihood</u> remote (1), possible(2) or likely (3)	Risk <u>Impact</u> manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Difficulties with planning applications and highway access clearance			Review of regulation Communication with planning and other bodies			

I. Technological

Risk Factor	Risk <u>Likelihood</u> remote (1), possible(2) or likely (3)	Risk <u>Impact</u> manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Increased need to invest in new technology/ poor use of IT			Appraisal of systems needs and options			
Failure of key software/hardware			Security and authorisation procedures Implementation and development procedures Use of service and support contracts Disaster recovery procedures Outsourcing Insurable loss			
Weak systems selection and implementation procedures			Appraisal of systems needs and options			

Risk Factor	Risk <u>Likelihood</u> remote (1), possible(2) or likely (3)	Risk <u>Impact</u> manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Lack of disaster recovery planning, including backups			IT recovery plan Data back-up procedures and precautions Insurance cover Disaster recovery plan for alternative accommodation			
Over reliance placed on a supplier			Alternative sources of supply identified Formal tender processes for selecting key suppliers			

J. Financial

Risk Factor	Risk <u>Likelihood</u> remote (1), possible(2) or likely (3)	Risk <u>Impact</u> manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Weak or ineffective financial controls and Inadequate financial planning and forecasting			Budgets linked to business planning and objectives Timely and accurate monitoring and reporting Proper costing procedures for product or service delivery Adequate skills base to produce and interpret budgetary and financial report Procedures to review and action budget/cash flow variances			
Poor or inaccurate financial reporting and management accounts			As above			

Risk Factor	Risk Likelihood remote (1), possible(2) or likely (3)	Risk Impact manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Income levels inadequate			Policies and procedures for approval of charges and income levels (budgets) Marketing strategy and capability Review and assessment of competitor markets and strategies			
Poor investment management and performance			Investment policy Proper investment advice or management Diversity, prudence and liquidity criteria Adequate reserves policy Regular performance monitoring			
Qualified external audit report			Policies and procedures documented Review procedures in place			
Unplanned tax/VAT liabilities			Monitoring of the position to ensure compliance			

Risk Factor	Risk Likelihood remote (1), possible(2) or likely (3)	Risk Impact manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Inadequate or inappropriate insurance cover			<p>Review of insurance requirements</p> <p>Policies and procedures for negotiating insurance terms and claims</p>			
Capital expenditure plans not defined			<p>Appropriate budgeting processes requiring Trustee approval</p> <p>Regular monitoring of performance and capital expenditure</p>			
Lack of a reserves policy			<p>Appropriate reserves policy approved by the Trustees and communicated</p> <p>Reserves policy fully explained in the Annual Trustees' report</p>			

K. Funds and fundraising

Risk Factor	Risk Likelihood (low, medium or High)	Risk Impact (low, medium or High)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Sensitive cashflow situation resulting in pressures to meet financial commitments and adversely impacting operational activities			Adequate cash flow projections (prudence of assumptions) Identification of major sensitivities Adequate information flow from operational managers Monitoring arrangements and reporting			
Uncompetitive or unrealistic charges			Procedures to agree charges (budgets) Procedures for approval of variations to charges (budgets)			
Non-compliance with donor imposed restrictions			Systems to identify restricted receipts Budget control, monitoring and reporting arrangements			

Risk Factor	Risk Likelihood (low, medium or High)	Risk Impact (low, medium or High)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Deterioration in relationship with funders			<p>Regular contact and briefings to major funders</p> <p>Project reporting</p> <p>Meeting funders terms, conditions and requirements</p>			
Inappropriate terms and uncompetitive borrowing rates			<p>Appraisal of future income streams</p> <p>Appraisal of terms (rates available, fixed, capped, variable etc.)</p> <p>Property advice procedures</p>			
Guarantees to third parties			<p>Approval and authority procedures</p> <p>Procedures to ensure consistency with objects, plans and priorities</p> <p>Financial reporting of contingency and amendment to reserves policy</p>			
Pension commitments are not being met			<p>Review and approval of monthly payroll</p>			
Failure to meet fundraising targets			<p>Monitoring of performance</p> <p>Appropriate reserves policy in place</p>			

Risk Factor	Risk Likelihood (low, medium or High)	Risk Impact (low, medium or High)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Poor control of fundraisers			Fundraisers issued with formal accreditation Formal targets/budgets set and performance monitored against targets			
Lack of control of branches and support groups			Appropriate reporting lines and information requirements established Formal targets/budgets set and performance monitored against targets			
Breach of Inland Revenue rules on small scale trading			Appropriate monitoring of trading activity Establishment of trading subsidiary or other vehicle			
Non-compliance with laws and regulations regarding fund raising activities, including use of professional fundraisers			Appraisal, budgeting and authorisation procedures Review of regulatory compliance Monitoring of the adequacy of financial returns achieved (benchmarking comparisons) Complaints review procedures			

L. Fraud

Risk Factor	Risk <u>Likelihood</u> remote (1), possible(2) or likely (3)	Risk <u>Impact</u> manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Lack of consideration of the potential for fraud			<p>Fraud is assessed as a risk</p> <p>The different types of fraud to which the charity is exposed have been identified and appropriate policies, procedures and responsibilities for managing the risk are in place</p>			
Response to fraud is inappropriate			<p>A documented plan of action is in place to be followed in the event of a fraud being detected</p> <p>All instances of suspected fraud are investigated</p> <p>Where fraud is detected and proven appropriate action is taken to recover any loss and deter reoccurrence</p>			

Risk Factor	Risk Likelihood remote (1), possible(2) or likely (3)	Risk Impact manageable (1), major (2) or critical (3)	Control Procedure	Individual Responsibility	Monitoring Process	Further Action Required
Poor employee education and understanding of the implications of fraud			<p>The charity has a fraud policy statement which is communicated to all employees</p> <p>The fraud policy statement is regularly reviewed for compliance and updated</p> <p>A fraud prevention education/training programme is in place</p> <p>The charity has a clear whistle-blowing policy</p> <p>Recruitment and ongoing personnel policies are in place, which address the risk of fraud</p>			
Poor internal controls which impinge on ability to detect fraud			<p>Policies, procedures and controls in place in respect of the transaction and accounting systems</p> <p>Controls in place over the security of assets/property</p> <p>Appropriate budgeting and management accounting and other reporting in place to aid monitoring of performance</p>			

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