

Risk Management and Assurance Overview for Trusts / Schools

Devon Association of Governance
Autumn Conference
November 2024

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WHY think about / manage risk?

- ✓ Greater likelihood of achieving what we want / need to
- ✓ Fewer unwelcome surprises
- ✓ Greater chance that good things will happen
- ✓ Less chance bad things will happen
- ✓ More focus on doing the *right* things *properly*



Risk Management - Overview

- Do we know what we want to achieve?
- ✓ AIMS / OBJECTIVES
- Do we know what is going to stop or hinder us?
- ✓ RISKS
- What are we doing to address these?
- ✓ CONTROLS
- Is it effective? How do we *know* ?
- ✓ ASSURANCE



Risk – definition and measurement

“The threat that an event or action will adversely affect an organisation’s ability to achieve its objectives and execute its strategies.”

Note - Risk arises as much from the likelihood/impact that something good won't happen as it does from the threat that something bad will happen...



Probability / Likelihood

- Will it happen?
- How likely is it?

Impact

- How bad will it be IF it happens?
OR
- What will we miss out on IF it does not happen?

Impact	Likelihood				
	1	2	3	4	5
1	1	2	3	4	5
2	2	4	6	8	10
3	3	6	9	12	15
4	4	8	12	16	20
5	5	10	15	20	25



Risk Management – a definition

Risks are simply obstacles to achieving strategies and objectives.

Risk Management therefore in this context is being able to:

- *Identify the risk **cause** at the earliest opportunity, measure the risk **effect** and apply a **proportionate** level of resource to controlling the risk.*

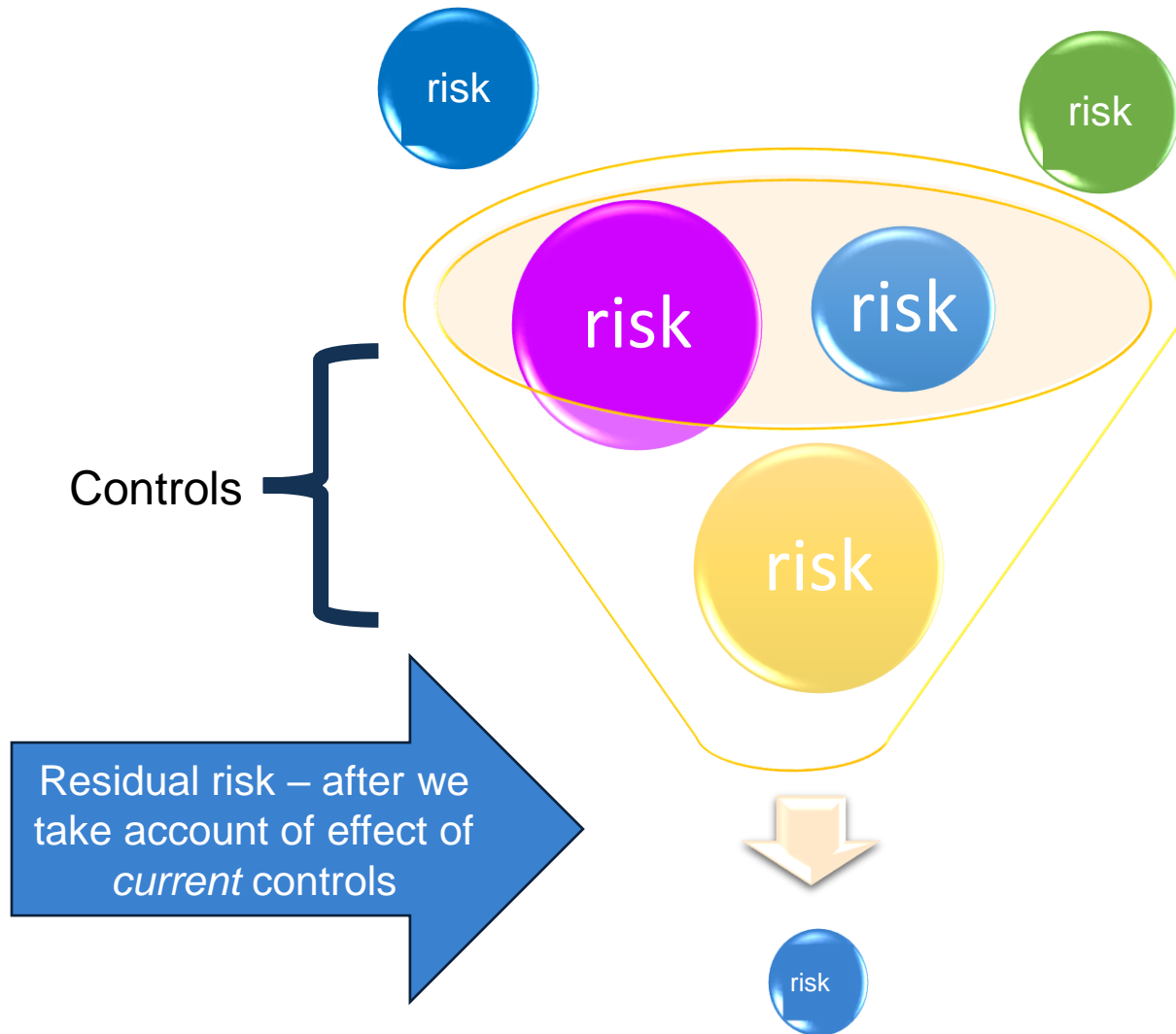
AND

- *Obtain **assurance** that the controls on which the organisation relies to mitigate the risk are **effective**.*

Need to be able to do **both** of these **effectively** to actually manage risks



Risk and controls



Inherent risk – before we do anything about the risk

Control activities are put in place to “narrow the funnel” in practice to make it harder / stop the risks getting through, or to “cushion” their impact if they do drop through.

Only current controls narrow the funnel – so need to consider what additional controls or actions we need to reach target residual risk.

Plus we need **assurance** that current controls are actually operating as we think they are.

Key Risk Management Responsibilities

Every board member and senior leader/manager must be able to answer both of the following “two key questions”:

- **Do I know the risks faced by my organisation (or area)?**

AND

- **How / by what means am I assured that these risks are adequately mitigated in practice?**

ie - How do I ***know*** everything is operating well in practice, and therefore:

- risks are actually rather than only theoretically controlled, and
- we are actually rather than only theoretically compliant



The second key question...

How do you know day to day that controls are working effectively?

Who, what or where do management or the organisation overall get oversight that the things we are doing to manage the risk are working?

Has anyone external come in to check that the controls are working?

***If something we did stopped working or didn't perform as expected...
who /how would we pick it up? How quickly?***

***What information do we have already available to us that we could /
should be making use of to answer these questions?***



What is Assurance and why is it important?

What is Assurance?

Assurance is the process of providing Executive and Non-executive management with confirmation (or otherwise) that the controls and mitigations in place, which have been designed to manage risks, are operating as intended.

(note: not all risks are susceptible to standard internal control techniques)

Why is it important?

Most organisations are good at identifying risks. Not all of them are as good at ensuring that the key controls that they are relying upon to manage these risks are operating in practice.

In other words they do not receive sufficient **assurance**, and/or take appropriate **action** based on what this assurance tells them...



Assurance

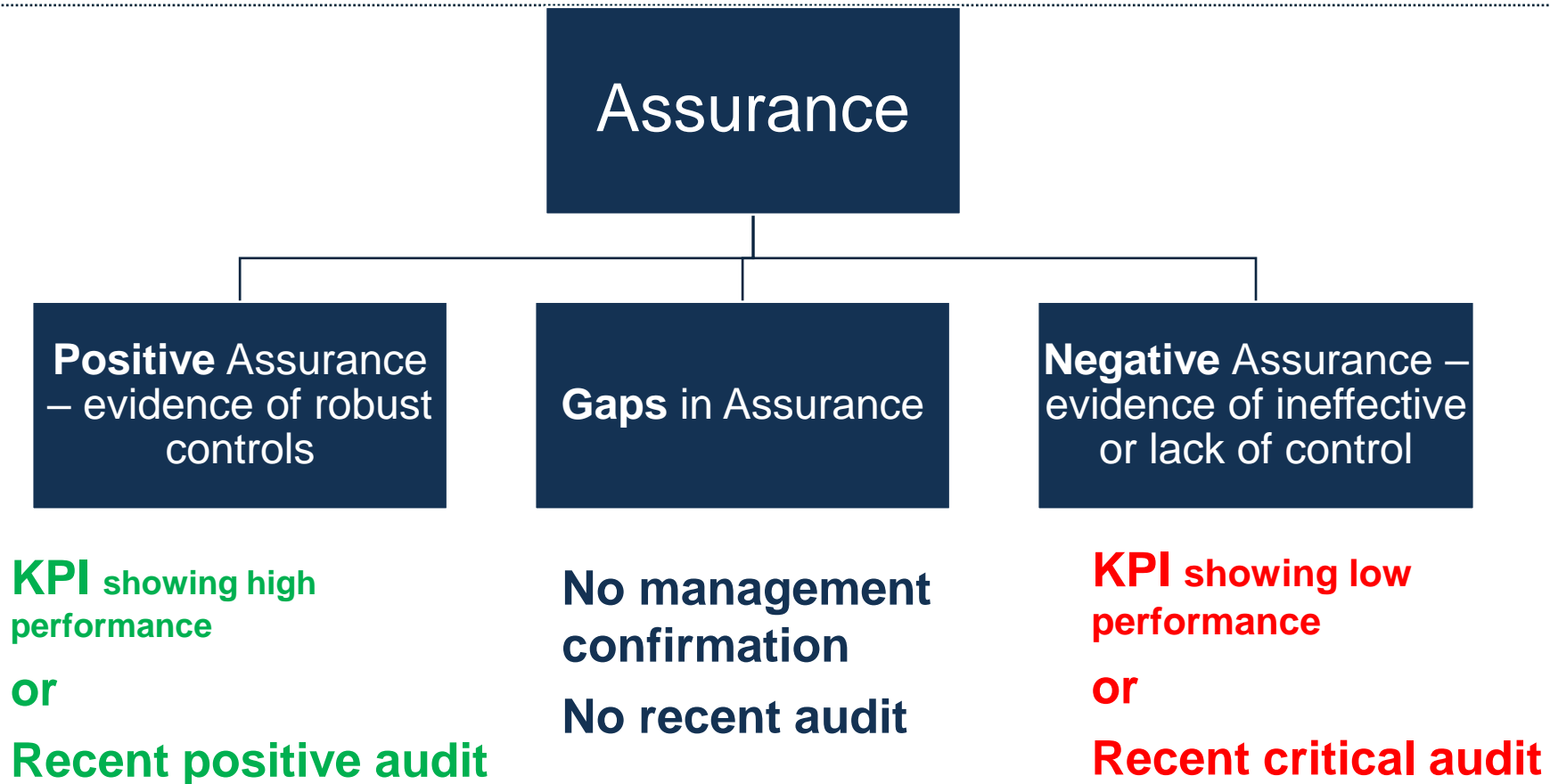
Provides:	'Confidence' / 'evidence' / 'greater certainty'
To:	SLT / Audit Committee / Board
That:	What needs to be done is being done in practice

Assurance and controls are different.

- Assurance is what gives you comfort that a control is working properly.
- It therefore informs you whether a risk is being managed in practice as effectively as you had envisaged on paper.
- It helps you to answer the questions:
 - “How do you **know** that everyone understands what they should be doing?”
 - “How do you **know** that they then do this in practice?”
 - “How do you **know** if how this has been effective?”



Types of Assurance – what does it tell you?



Resulting action will be different in each case

Assurances – Example – Data Backup

Risk	Control	Potential Questions / Assurances
Loss of key data	Backups taken	

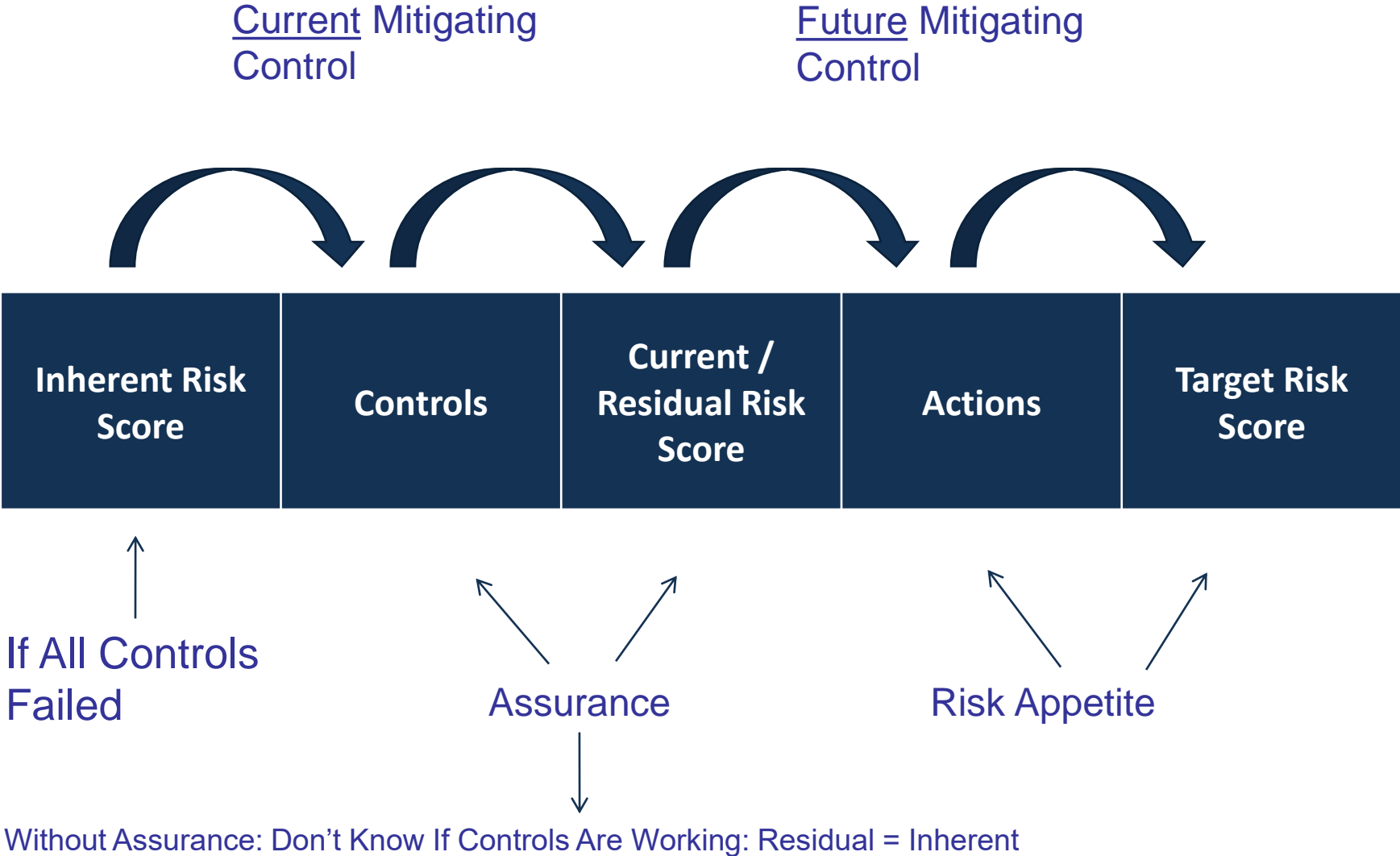


Assurances – Example – Data Backup

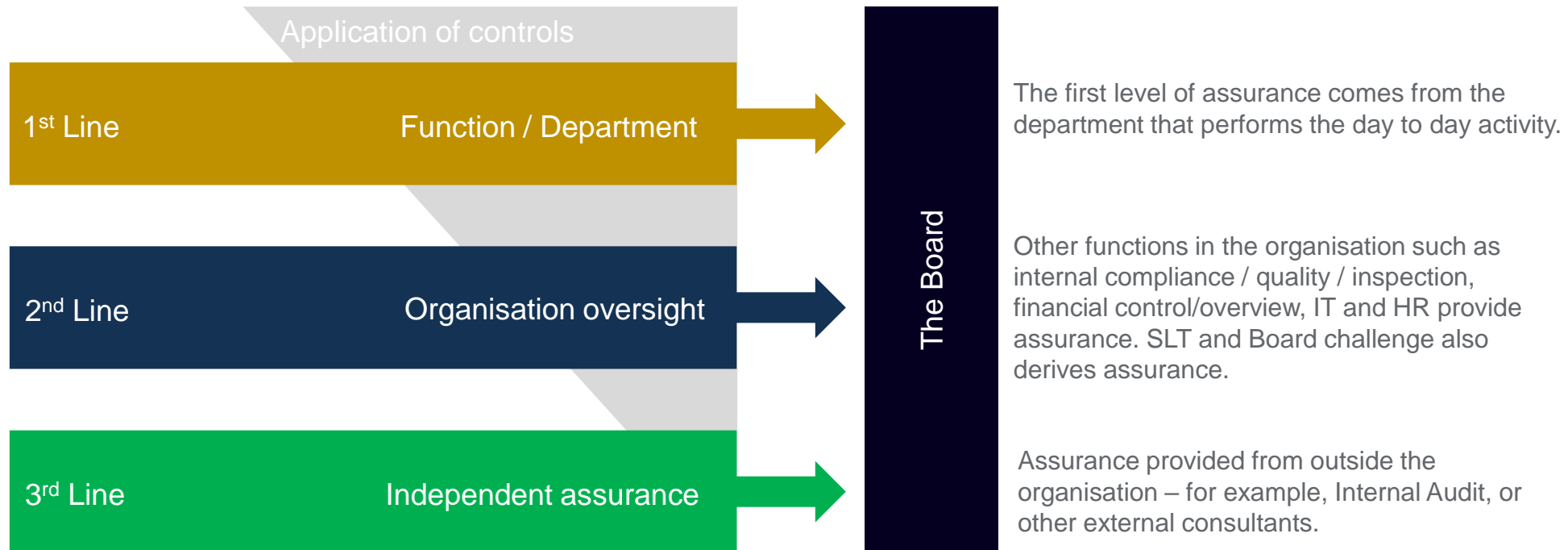
Risk	Control	Potential Questions / Assurances
Loss of key data	Backups taken	<p>What is backed up? How often? What isn't backed up? Why not? (who has determined what should and shouldn't be backed up)</p> <p>How is it backed up? Automatic ("continual/real-time" or schedule? / Manual?</p> <p>Where is it backed up? Cloud / On- Premise</p> <p>Whose responsibility is it?</p> <p>Just data or bespoke software too?</p> <p>How often is it tested / restored?</p> <p>Are backups logged and reported? Are tests/restores logged and reported?</p> <p>We need all of the above to answer the key question: <i>How do we know, or how are we assured, that our backup process is sufficient on paper, completed as expected in practice, and is actually effective at preventing us from losing key data?</i></p>



The Role of Assurance



“Three Lines of Assurance”

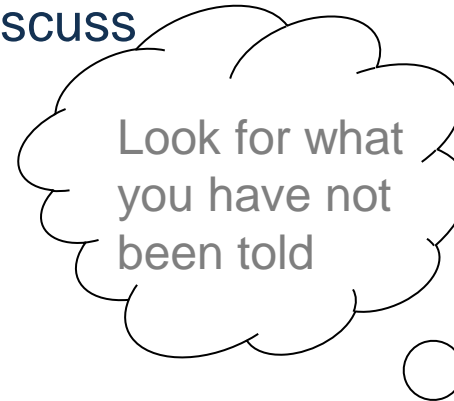


Just start simply...

1. Identify your key assurances - ask yourself the “how do I know?” question – what tells me that the controls are working, and therefore the risk is really mitigated as much as I think it is?
2. Evaluate your assurance
 - Where has it come from?
 - How up to date is it?
 - What is it telling me?
 - Is it enough, or do I need some more assurance?
3. Identify any resulting actions based on the above, and update as needed.
4. Rinse, wash, repeat...

Challenging Risk and Assurances – Board / Committee focus

- Should provide clear justification for *current* risk score (both likelihood and impact)
- New / emerging risks – horizon scanning – would you know?
- Declining risks – assurance is key (is a “green” really a “green”?)
- Deep Dives / invite those responsible in to discuss
- Need sufficient information / answers:



Traditional Approach

- Review what you are told
- Look for arguments to support conclusions
- Consider practicality and acceptability of conclusions



Some Academy Top / Changing Risks

- Recruitment / Retention / Pay / (Strike? Contingency?)
- Energy costs / general inflation / supply chain and capacity for proactive estates management (to address funding pressure / cost escalation and green agenda)
- Sustainability coming evermore to the fore
- Cyber security
- SEND – partly availability of funding, plus numbers on the rise generally / ability to teach if shortage of teachers
- Mental health / access to third party support services impacting pupils' ability to access the curriculum



The link between internal audit and risk management

Whether financial or non-financial, core internal audit is generally checking that:

1. A control framework is in place (eg established policies and processes that define how things should be done)
2. Everybody is aware of, and understands, these policies and processes
3. Everybody then properly follows these in practice
4. If everything is done as it should be, this is actually effective at preventing or detecting the risk

Helps you answer “How do I know...?”



Internal audit is not the only source...

- Firstly, need to recognise what “internal” internal assurances are telling you
- What else has been commissioned? Safeguarding? Health and Safety? Cyber? Curriculum/Quality/Mock or actual Ofsted, Governance reviews?
- Need to collate these various sources, ask for each whether further action is needed as a result, and ensure all link back to / inform and update assurances in the risk register



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