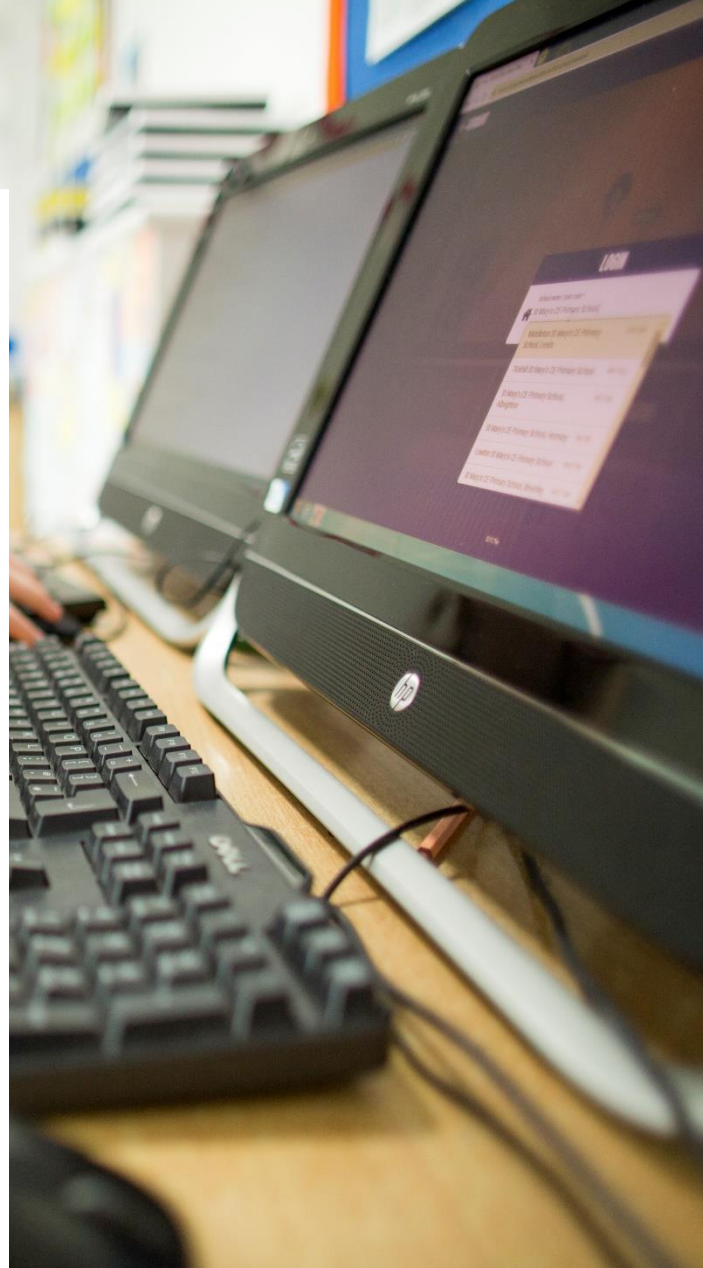# FINANCIAL MANAGEMENT

Risk Management

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London Borough of Haringey
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Risk Management in Schools

Risk management is the identification, evaluation, and prioritisation of risks to minimise, monitor, and control the probability or impact of unfortunate events.

Contents

Notes:
ESFA – Education & Skills funding Agency
DfE – Department for Education
LA – Local Authority
VFM – Value for money

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INTRODUCTION

Schools Financial Regulations set out the internal controls and procedures to be followed by schools when in relation to the risk management in their schools.

The manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with regulations.

In any case where conflict is perceived between this manual and the schools' financial regulations then the regulations will apply.

If a school has difficulty in interpreting the regulations or this corresponding financial manual, they should contact Haringey Schools Finance Team.
Sections 45-53 of the School Standards and Framework Act 1998, the annual School Finance (England) Regulations and elements of the Haringey Scheme for Financing Schools also contain regulations supporting this section of the Schools Finance manual

RISK MANAGEMENT PROCESS

Source: http://aviationsafetyblog.asms-pro.com/blog/process-of-aviation-risk-management
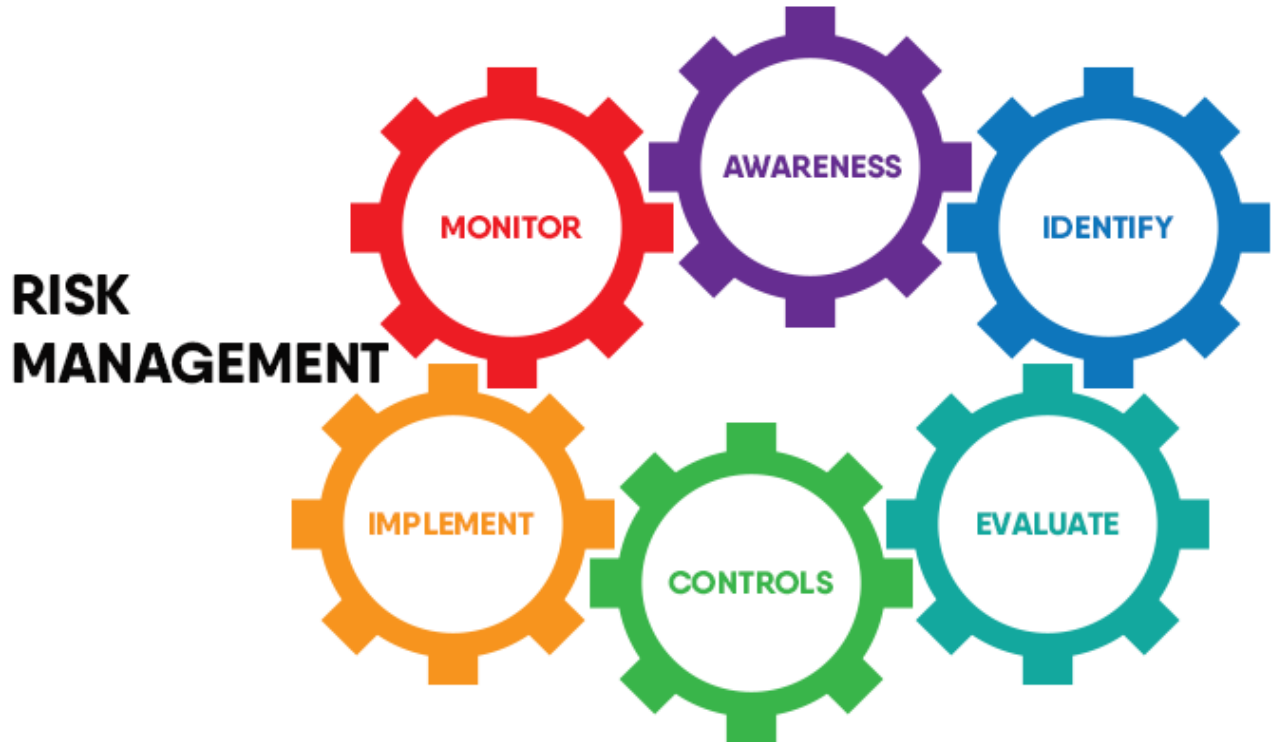
Risk is defined as uncertainty, whether positive or negative, that will affect the outcome of an activity or intervention. The term 'management of risk' incorporates all the activities required to identify and control the exposure
to risk that may have an impact on the achievement of a school's objectives.

This guidance sets out the key risks as assessed by the governors/Head teachers, both financial and non-financial. The guidance help schools to assess and manage risk on a regular basis.

RISK MANAGEMENT MATRIX

The relative importance of each of the risks identified has been assessed – through consideration of the likelihood of incidence and the potential impact on your school. School should use the following matrix to identify risk in their schools.

The matrix uses a simple scoring system as follows:

Likelihood	*Impact*
➤ **(3) Likely**: Expected – more than even chance of happening ➤ **(2) Possible: Even chance of happening** ➤ **(1) Remote: Extremely unlikely**	➤ **(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)
Critical (3)	M (3)	H (6)	H (9)
Major (2)	L (2)	M (4)	H (6)
Manageable (1)	L (1)	L (2)	M (3)

Impact (row label to the left)

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.

Risk Categories

Risk categories and examples	
Mission/objectives *School lacks direction, strategy and forward planning*	**External factors** Change in political regime Changes in funding, including VAT rules
Law and regulation Failure to operate within Charitable Objects Adverse Ofsted's monitoring visit	**Operational factors** Supplier dependency/ difficulties/ bargaining power Physical security or abuse of staff
Governance and management Structure/membership of the Governing body and managing committees is inappropriate Reporting to the Trustees is inadequate Conflict of interest	**Human resources** Loss of key members of staff – i.e., lack of succession---planning Difficulties in recruiting/retaining staff Failures in staff---vetting procedures
Technological Increased need to invest in new technology/ poor use of IT Weak systems selection and implementation procedures	**Funds** Non-compliance with donor-imposed restrictions/ charity commission
Financial Weak or ineffective financial controls and Inadequate financial planning and forecasting Poor or inaccurate financial reporting and management accounts Income levels inadequate Lack of a reserves policy	**Fraud** Lack of consideration of the potential for fraud Response to fraud is inappropriate Poor internal controls which impinge on ability to detect fraud
Other examples Political Risk Social Risk Environmental Risk	

RISK REGISTER

School a should develop a Risk Register for documenting risks, and actions to manage all risks faced by the school. The Risk Register is an essential document for schools to the successful management of risk. All risks identified in risk management should be logged on the register and actions are taken to respond to the risk.