

# Bradford College Education Trust (BCET)

Risk Register Review, (including Appleton Academy and Samuel Lister Academy risk registers)

DRAFT  
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#### Evidence of Review

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# Background and objectives

## Background

We have been asked to undertake a desk top review of Bradford College Education Trust's (BCET) standard risk register. In addition, we have been asked to comment on the strategic risks identified by BCET which are not on the 4Risk system as well as the standard risk registers for the two academies, Appleton and Samuel Lister. The work was performed as an advisory review and as a result we have not provided a formal assurance opinion.

The review was designed to consider the current risk register content and structure for the purposes of assessing general relevance and reliability based on our cumulative risk register / risk management knowledge and experience.

The review approach used desktop review of BCETs (including academies) existing standard risk registers which was extracted from the 4Risk software system as at 12 July 2016 and 8 August 2016 for the two academies.

We have not commented on whether individual risks are appropriately managed, or whether the organisation has identified all of the risks it faces. Therefore, we have not provided absolute assurance that material error, loss or fraud does not exist.

### Objective

To review the current risk register content and structure for the purposes of assessing general relevance and reliability based on our cumulative risk register / risk management knowledge and experience.

### Scope of work

The following will be considered within the scope of the review:

- Off site review via remote access to the BCET Academies 4Risk system.
- Consider the content and structure of BCET's standard risk register, including, standard risk registers for Appleton Academy and Samuel Lister Academy.
- Comment on the strategic risks identified by BCET which are not included on the 4Risk system.
- Production of a summary report.

# Summary Findings

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## Overview – Standard Risk Registers

**From our review of BCET’s standard risk register it was established that the current risk register is generally well structured and contains the main components expected of a risk register. Risks are generally well defined and encompasses the cause of the stated risk and the effect should the risk occur.**

However, there are some key areas for improvement of the current risk register. The current risk register for BCET and the two academies records a total of 135 risks (67 for BCET, 52 for Appleton Academy and 16 for Samuel Lister Academy) of which approximately one-half relate to finance and management and governance risks. This suggests that the identification of the operational risk profile of BCET and its academies is not as comprehensive across all its operations. A risk register is a live document which should be reviewed and updated on a regular basis. We note that a significant number of risks were last updated during 2015 which would suggest a more regular review should be undertaken to ensure risks remain relevant. In a number of instances the inherent risk score remains unchanged once controls have been considered. Further actions have not been identified to mitigate the risk further and/or the control measures are redundant.

There are a number of risks across the three risk registers which could be aggregated and reported at a corporate level, including:

- Health & Safety;
- Finance;
- Recruitment (capacity and capability);
- Reputation;
- Use of grants; and
- Student & recruitment.

Finance risks in particular are very detailed and operational and could be consolidated further. As the individual residual risk scores are relatively low, their aggregated risk score could be higher and therefore require further mitigation.

# Summary Findings

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**Our review has identified a number of key findings. We have outlined these below, specifically:**

1. The risk register is generally well structured and contains the main components expected of a risk register. However, some of the components of the risk register are not always populated.
2. The dates included in the risk register indicate when the risks were last updated and, where relevant, target dates for required actions. From our review it is clear the risk register is in need of more regular updating. In addition, target dates are all in the past and it is not possible to determine whether actions have been implemented and whether risks remain current or have ended.
3. Some of the risk descriptors require further work and in some instances the cause is a repeat of the risk. Generally speaking the effect of the risk is articulated well.
4. There are some potential duplications of risks across the operational areas which could be aggregated across BCET but our review did not identify any obvious gaps.
5. Further refinement is required when assessing the inherent risk priority as in a number of instances this score is the same as the residual risk priority
6. Risk control measures are generally well defined and each risk has a risk owner or responsible individual for managing a risk. The risk register contains a field entitled risk lead which is not completed in all cases.
7. Of note is the risk register allows the capture of sources of assurance and the date the assurance was provided. This is good practice and can be further broken down into the three lines of assurance. However, this is not populated in all instances.

# Summary Findings (continued)

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## Overview – Strategic Risk Identification

From our review of BCET's draft document of its strategic risks, dated 3 May 2016, it was established that a number of strategic risks that would be expected have been identified. However there are some potential gaps, including, risks relating to safeguarding and the estate.

1. RSM recently undertook a series of Academy seminar events which provided an opportunity to collate information of the key current risks and emerging issues facing Academies. This has been used as a point of reference when considering the strategic risks identified by BCET.
2. A strategic risk can be defined as having a detrimental effect on an organisation's achievement of its key business objectives. In assessing BCET's strategic risks it is therefore recommended BCET maps its strategic risks to its key business objectives.

Please note that separate recommendations have not been repeated separately as the strategic risks are currently in draft and this section identifies the key points.

# Key recommendations

Recommendations		
No.		Management Response
1	<p><b>Risk register components:</b> The standard risk register template logs the risk, its cause, the potential effect (or consequence), control narrative, and further actions. A nominated individual or risk owner is identified and sources of assurance have been identified. We would recommend that all components of the risk register are populated, for example, there are gaps in the assurance source and date when assurance was provided. In addition, action target dates and milestones should be recorded so that the status of risks i.e. open, closed can be monitored.</p>	
2	<p><b>Categories of risks:</b> We recommend that the existing risk register should include the identified strategic risks which should be clearly differentiated from the operational risks.</p> <p>The current total number of operational risks for BCET and its two academies is 135 with one-half of these identified as financial and management and governance. We recommend that the operational risk profile is refreshed to ensure it is truly representative of the risks facing BCET and its academies.</p>	
3	<p><b>Ongoing monitoring and review:</b> The risk register should be a live document and we note that the majority of risks were last updated in May 2015. Where additional actions have been identified the implementation date in all cases has been passed but there is no corresponding update on the status of these actions. We recommend that key action information relating to identified risks is captured within the risk register, specifically; comments or narrative around progress, key milestones, implementation dates, and ownership.</p>	

# Key recommendations (continued)

Recommendations		
No.		Management Response
4	<p><b>Clear articulation of identified gaps in assurance:</b> Following the lack of assurance sources within the risk registers, there is understandably an absence of identified gaps in assurance. We recommend that management identify and articulate via the risk register any risks for which they currently do not have sufficient assurance.</p>	
5	<p><b>Differentiate between positive and negative sources of assurance:</b> A source of assurance can be negative as well as positive (for example, a red-rated audit report or a poor staff survey). A negative source of assurance is not comparable to a gap in assurance and should prompt a different management response. We recommend that positive and negative assurance sources are identified as such within the board assurance framework.</p>	
6	<p><b>Differentiate between the types and sources of assurance:</b> Assurance can come from a variety of sources. Current good practice recommends a ‘three lines of assurance’ model for categorising assurance:</p> <ul style="list-style-type: none"><li>• First Line: Core business operations – KPI monitoring, performance reporting, annual staff survey, etc.</li><li>• Second Line: Management Oversight – Check and challenge at key committees, strategy, best practice, etc.</li><li>• Third Line: External Assurance – Audit reporting, regulator feedback, etc.</li></ul> <p>Categorising assurance sources in this format allows for analysis of areas of weakness or overreliance. For example, an organisation might find they rely very heavily on internal processes but receive minimal assurance from regulators or auditors.</p>	

# Key recommendations (continued)

Recommendations		
No.		Management Response
7	<p><b>Potential duplications in identified risks:</b> There are a number of potential duplications in identified risks which should be reviewed and aggregated as a corporate risk.</p> <p>Appendix 1 lists the potential duplicates that we recommend should be reviewed broken down into the three standard risk registers.</p>	
8	<p><b>Risk descriptors, cause and effect:</b> Some of the risk descriptors require further work and in some instances the cause is a repeat of the risk.</p> <p>Appendix 2 lists the risks that we recommend should be revisited.</p>	
9	<p><b>Inherent and residual risk priorities:</b> Determining inherent (before controls) and residual (after controls) scores is an important driver for an organisation in determining whether further action is required to manage a risk. There are a number of risks where the residual risk priority is the same as the inherent score suggesting that i) the risk has not been assessed correctly in terms of its impact and likelihood <b>and/or</b> ii) the controls are not effective in mitigating the risk. In the latter further actions have not been identified to address this gap.</p> <p>Appendix 3 lists the risk reference that we recommend should be re-assessed broken down into the three standard risk registers.</p>	

# Appendix 1 – Potential duplications (BCET)

The table below summarises the risks identified as potential duplicates which could be combined and/or aggregated into a single corporate risk.

Risk reference(s)	Operational area	Supporting comment
145 & 146	5.02	Cause and effect is the same for both risks.
223 & 286	5.03	Both relate to data breaches.
343 & 149 & 307 & 309	5.04	All risks relate to staffing related disputes/claims.
232 & 196	5.06	Both risks impact on VfM.
236 & 237	5.06	Both risks cover cash-flow.
253 & 180	5.06	Both relate to complying with grant conditions.
300 & 147	5.06	Both cover fraud risks.
342 & 298	5.06	Both relate to income generation.
153 & 172	5.04 & 5.06	Both relate to succession planning/Business continuity.
169 & 140	5.09	Both relate to independence.
197 & 121	5.09	Do these risks both relate to not operating in accordance with charity objectives.
200 & 201	5.09	Can these aggregated to identified staffing risks.
206 to 249	5.09	All these risks cover compliance with regulations and standards.

# Appendix 1 – Potential duplications (Appleton Academy)

The table below summarises the risks identified as potential duplicates which could be combined and/or aggregated into a single corporate risk.

Risk reference(s)	Operational area	Supporting comment
159, 160 & 161	06	All relate to data quality
134 & 139	06	Both are data protection issues
174 & 175	06	Both relate to recruitment of unsuitable individuals
204 & 205	06	Appear to be the same risk
234 & 316	06	Appear to be the same risk

Note: There are 25 finance risks which cover essentially two key risks: financial transactions are not recorded correctly; and financial mismanagement. As the risk scores are relatively low for each individual identified risk their aggregated score may be higher.

# Appendix 2 – Risk descriptors (All)

The table below summarises the risks identified where the risk descriptors, cause and effect should be revisited.

Risk reference	Operational area	Supporting comment
296	5.01	Cause repeats risk so need to clarify real cause of the impact.
172	5.04	Risk title could be improved to clearly articulate the risk.
198	5.04	Risk title could be improved to clearly articulate the risk.
211	5.04	Risk title could be improved to clearly articulate the risk.
307	5.04	Risk title could be improved to clearly articulate the risk.
309	5.04	Risk title could be improved to clearly articulate the risk.
343	5.04	Risk title could be improved to clearly articulate the risk.
220	5.06	Cause no. 1 is a variation of the risk.
298	5.06	Risk control as described is an action.
338	5.07	Risk title could be improved to clearly articulate the risk. Cause and effect needs articulating. Control measure could be more explicit.
152	5.09	First two causes do not explain risk.
153	5.09	Cause no.1 repeats risk.

# Appendix 2 – Risk descriptors (All)

The table below summarises the risks identified where the risk descriptors, cause and effect should be revisited.

Risk reference	Operational area	Supporting comment
156	06	Risk title could be improved to clearly articulate the risk.
158	06	Risk title could be improved to clearly articulate the risk.
170	06	Does this remain a risk?
173	06	Cause repeats risk so need to clarify real cause of the impact.
277	08	Cause repeats risk so need to clarify real cause of the impact.
278	08	Risk control measures could be improved
281	08	Refers to 2014/15 – is this risk still current?
285	08	Is this risk still current? If so, controls and residual risk need populating.
323	08	Control needs to be stipulated.

# Appendix 3 – Inherent and residual risk priorities (BCET)

The table below lists those risks where the inherent and residual risk priorities are the same.

Risk reference	Operational area	Supporting comment
296	5.01	Inherent score 9 = Residual score 9
145	5.02	Inherent score 9 = Residual score 9
279	5.02	Inherent score = 12 are further actions required to mitigate risk further.
262	5.04	Inherent score 16 = Residual score 16
343	5.04	Inherent score 6 = Residual score 6
112	5.05	Possible effect is loss of life but only impact of 4 given.
133	5.05	Inherent score 8 = Residual score 8
178	5.05	Inherent score 10 = Residual score 10
190	5.05	Inherent score 10 = Residual score 10
130	5.06	Inherent score 6 = Residual score 6
142	5.06	Inherent score 6 = Residual score 6
180	5.06	Are controls complete? Would query impact score of 5.
196	5.06	Inherent score 4 = Residual score 4

# Appendix 3 – Inherent and residual risk priorities (BCET) (continued)

The table below lists those risks where the inherent and residual risk priorities are the same.

Risk reference	Operational area	Supporting comment
220	5.06	Inherent score 3 = Residual score 3
237	5.06	Inherent score 6 = Residual score 6
241	5.06	Inherent score 4 = Residual score 4
255	5.06	Inherent score = 16 are further actions required to mitigate risk further.
298	5.04	Inherent score 9 = Residual score 9
299	5.06	Inherent score = 12 are further actions required to mitigate risk further.
300	5.06	Inherent score 2 = Residual score 2
331	5.06	Inherent score 15 = Residual score 15. NB: Risk is no longer relevant therefore should be removed.
339	5.06	Inherent score 1 = Residual score 1
342	5.06	Inherent score 6 = Residual score 6
276	5.07	Inherent score 1 = Residual score 1
121	5.09	Inherent score 5 = Residual score 5
124	5.09	Inherent score 5 = Residual score 5

# Appendix 2 – Inherent and residual risk priorities (BCET) (continued)

The table below lists those risks where the inherent and residual risk priorities are the same.

Risk reference	Operational area	Supporting comment
154	5.09	Inherent score 4 = Residual score 4
183	5.09	Inherent score 6 = Residual score 6
189	5.09	Inherent score 6 = Residual score 6
200	5.09	Inherent score 10 = Residual score 10
212	5.09	Inherent score 10 = Residual score 10
249	5.09	Inherent score 4 = Residual score 4
131	5.10	Inherent score 10 = Residual score 10 (although outside control therefore within risk appetite?)

# Appendix 3 – Inherent and residual risk priorities (Appleton Academy)

The table below lists those risks where the inherent and residual risk priorities are the same.

Risk reference	Operational area	Supporting comment
123	06	Inherent score 6 = Residual score 6
132	06	Inherent score 10 = Residual score 10
136	06	Inherent score 6 = Residual score 6
176	06	Inherent score 10 = Residual score 10
177	06	Inherent score 10 = Residual score 10
199	06	Inherent score 6 = Residual score 6
202	06	Inherent score 10 = Residual score 10
205	06	Inherent score 6 = Residual score 6
214	06	Inherent score 6 = Residual score 6
225	06	Inherent score 4 = Residual score 4
233	06	Inherent score 4 = Residual score 4
313	06	Inherent score 2 = Residual score 2
314	06	Inherent score 2 = Residual score 2

# Appendix 3 – Inherent and residual risk priorities (Appleton Academy)

The table below lists those risks where the inherent and residual risk priorities are the same.

Risk reference	Operational area	Supporting comment
315	06	Inherent score 2 = Residual score 2
316	06	Inherent score 2 = Residual score 2
317	06	Inherent score 2 = Residual score 2
318	06	Inherent score 2 = Residual score 2
319	06	Inherent score 2 = Residual score 2
334	06	Inherent score 1 = Residual score 1
336	06	Inherent score 1 = Residual score 1
337	06	Inherent score 2 = Residual score 2

# Appendix 3 – Inherent and residual risk priorities (Samuel Lister Academy)

The table below lists those risks where the inherent and residual risk priorities are the same.

Risk reference	Operational area	Supporting comment
195	08	Inherent score 10 = Residual score 10
278	08	Inherent score 9 = Residual score 9
280	08	Inherent score 16 = Residual score 16 are further actions required to mitigate risk further.
320	08	Inherent score 4 = Residual score 4
321	08	Inherent score 16 = Residual score 16 are further actions required to mitigate risk further.
322	08	Inherent score 4 = Residual score 4
323	08	Inherent score 3 = Residual score 3
335	08	Inherent score 8 = Residual score 8