







Risk Categories

- These risks may be categorized to better facilitate the risk identification and management process.

An integrated approach to risk management is critical

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Risk Categories

- It is the responsibility of the School Board to oversee the process used to assess risk and be comfortable that significant risks are identified and emerging risks considered.

An integrated approach to risk management is critical

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Risk Type: Governance

- The risk that the organizational structure, duties, or responsibilities are not designed, communicated, or implemented to meet the organization's objective, and the risk that culture and management commitment do not support the formal structures.
- Example of a governance risk that could potentially impact a School Board:
 - **Accountability and Oversight**
 - The risk that ineffective or undefined lines of authority may cause managers or employees to do things they should not do or fail to do things they should.

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Legal & Compliance

Risk Type: Legal & Compliance

- The risk the School District will not be in compliance with legislation, regulations, contracts, guidelines, and policy direction.
- Examples of legal & compliance risks in the context of a School District include:
 - **Compliance risk**
 - The risk of the School District failing to comply with Department of Education requirements or guidelines, resulting in corrective action and/or negative publicity.
 - **Legal risk**
 - The risk of the School District failing to meet or adhere to legal obligations and/or violating statutory requirements.

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What is a financial risk to your School District?

What are some examples of financial risks in your School District?

Financial

Risk Type: Financial

- The risk of financial loss caused by theft, incorrect financial reporting, fraud, and/or the inability to meet budget requirements. Examples of financial risks facing a School District include:
 - **Budgeting and forecasting**
 - The risk that unrealistic, incomplete or unrealistic budget and planning information may cause inappropriate financial decisions and operational decisions.
 - **Accounting and financial reporting**
 - The risk that transactions are not properly processed, reviewed, reported, and disclosed resulting in errors or omissions in financial reporting.
 - **Cash handling**
 - The risk that cash is misappropriated, is not accounted for, or is not adequately safeguarded.
 - **Fraud**
 - The risk of fraudulent activities such as the misappropriation of assets perpetrated by management, administrative employees, teachers, or students including loss.

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Why Should We Assess Risk?

- A risk assessment is completed to:
 - Understand the risks within the School District
 - How are you going to get sued?
 - How would someone steal from you?
 - What puts you in the newspaper for the wrong reasons?
 - Assess the potential likelihood and significance of the impact of these risks on the various processes undertaken by the School District.
 - Identify the School District's higher risk processes to develop a plan on how to manage these risks.

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How is Risk Assessed?

- As part of the risk assessment process, the population of risks the School District faces needs to be identified to understand how and where they could impact the organization.
- Using the risk categories as a guide, relevant sub risks in each category can be identified and assessed for applicability.
- As risk impacts the organization in different areas, a top-down process view of the organization is required.

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Assessing Risk: Inherent vs. Residual

- Risk can be assessed on two levels, **Inherent** and **Residual**.
- **Inherent risk** is the assessed level of risk in the absence of internal controls.
- **Residual risk** is the assessed level of risk once internal controls are taken into account.
- **Internal controls** can aid in the reduction of both the likelihood and significance of risk.

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Assessing Risk: Likelihood and Significance

- Risk has two dimensions – *likelihood* and *significance*
- **Likelihood:**
 - The chance that the risk will occur and impact the School District.
- **Significance:**
 - The potential impact that the risk will have (should it occur) on the School District.
 - Significance can be rated using various criteria. For the purposes of the School District risk assessments, the following criteria are used:
 - Reputational – How would the occurrence of the risk impact a School/School District/School Board's reputation?
 - Financial – What would be the financial impact/consequences of the occurrence of the risk?

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What to do with the Risk Assessment Results?

- Internal audits/monitoring should focus efforts and resources on areas of highest perceived risk.
- Process reviews of higher risk areas should be performed to:
 - Identify and evaluate the internal controls currently in place within the School District's current processes.
 - Find and remediate existing internal control gaps.
 - Promote the achievement of the School District's objectives by strengthening processes and controls.

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Executing a Risk Assessment

	Define Process	Create Risk Framework	Assess Process Risk
Objective	To identify the School District's major risks	Assess significant event and potential risks facing the School District	Assess inherent risk of each process contained in the assessed risks to focus internal control documentation
Activities	Conduct interviews, review documentation and validate with stakeholders	Leveraged internal and external risk knowledge (based on discussions, research, and prior experiences)	Assess process risk based on likelihood, financial impact, and reputational consequences

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Risk Management Techniques

- Avoidance** • Eliminate a service or an activity that is considered too risky
- Prevention or modification** • Reduce the likelihood of a risk (and related losses) occurring by changing the activity so that internal controls reduce the probability of risk occurrence.
- Mitigation** • Accept the risk but lessen the impact of losses should they occur through existing or additional internal controls.
- Retention** • Accept risk (and its consequences) as is. Some risk is inherent in the activities of your operation.
- Transfer (sharing)** • Transfer either the actual risk or the financial consequences of loss to another party.

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Management Duties Related to Risk Management

- ✓ Monitor and execute risk assessment process
- ✓ Communicate with Board regarding their responsibilities

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School Board Duties Related to Risk Management

- To inquire about significant risks.
- To review School District's policies for risk assessment and risk management and to assess the steps taken to manage such risks (i.e. Internal controls, the adequacy of insurance);
- To perform other activities related to the oversight of risk management issues or financial matters.
- To initiate and oversee investigations, as appropriate.

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The End!

Thank you!
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