

Risk Assessment Guide



UNIVERSITY OF
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INTERNAL AUDIT

UCA RISK ASSESSMENT GUIDE

This guide is intended to assist management in participating in the University's enterprise-wide risk assessment. To facilitate this process, UCA Office of Internal Audit (Internal Audit) has developed a Risk Assessment spreadsheet that will be shared throughout the University. The completed risk worksheets will be used to develop a risk profile for the University as a whole, and assist Internal Audit in developing its annual audit plan for the upcoming calendar year. A risk-based audit plan allows Internal Audit to best determine where to spend audit resources as well as develop meaningful and appropriate audit procedures to provide management with assurance on the controls in place to address the risks identified.

Background

Internal Controls help an organization achieve its objectives and improve performance. Management is responsible for designing, implementing, and operating an effective system of internal controls. The most widely used framework used to accomplish this is the Internal Control Integrated Framework developed by COSO, the Committee of Sponsoring Organizations of the Treadway Commission. The Government Accounting Office (GAO) has also adopted this framework for use by Federal agencies, known as The Greenbook. This framework consists of five components with 17 related principles.

Control Environment	<ol style="list-style-type: none">1. Demonstrates commitment to integrity and ethical values2. Exercises oversight responsibility3. Establishes structure, authority and responsibility4. Demonstrates commitment to competence5. Enforces accountability
Risk Assessment	<ol style="list-style-type: none">6. Specifies suitable objectives7. Identifies and analyzes risk8. Assesses fraud risk9. Identifies and analyzes significant change
Control Activities	<ol style="list-style-type: none">10. Selects and develops control activities11. Selects and develops general controls over technology12. Deploys through policies and procedures
Information & Communication	<ol style="list-style-type: none">13. Uses relevant information14. Communicates internally15. Communicates externally
Monitoring Activities	<ol style="list-style-type: none">16. Conducts ongoing and/or separate evaluations17. Evaluates and communicates deficiencies

Internal Control – Integrated Framework (2013), www.coso.org

Conducting an enterprise-wide risk assessment incorporates these elements for an effective internal control system and provides a method for management to identify and assess risks that may prevent the University, and Departments, from meeting their goals and objectives.

The Risk Assessment Process

The Risk Assessment process consists of the following parts:

1. Determine Objectives
2. Identify Risks
3. Rate Risks
4. Document Controls

Below is more information on each step of the process and how to input that information in the Risk Assessment Spreadsheet.

To begin, please provide information on the area being assessed at the top of the spreadsheet as follows:

Area/Dept		Internal Audit		Updated By		Leslie Coddington	
Index		508000		Last Updated		9/12/2022	

Determine Objectives

What needs to be done, who does it, and how. Start with [UCA's Strategic Plan](#) and determine which of those goals and objectives your area plays a part in achieving. Then identify the major objectives of your department that support the goals and the objectives of the University.

Objectives can be categorized as follows:

Operational: The effectiveness and efficiency of operations

Reporting: The reliability of reports for internal or external use

Compliance: In accordance with applicable laws, rules, and regulations

Enter the objectives for the area/department. You may have more than one objective. See example below:

Objective:	1. To provide management and the UCA Audit and Finance Committee with objective, independent reviews of processes, procedures, and performance of University activities.
	2. To recommend procedures that would improve the economy and efficiency of operations
	3. To provide consulting and advisory services
	4. To provide integrity services to substantiate alleged instances of fraud, waste, and/or abuse reported directly to Internal Audit or through the University's Hotline.

Identify Risks

Risks are the things that would prevent the accomplishment of those objectives identified. Risks are not limited to just financial related risks. There could also be safety risks, reputational risks, security risks, etc.

Some important questions are:

- a) What can go wrong?
- b) What can impact your operations?
- c) What challenges do you have?
- d) What could happen that would strain or affect resources?

Risks should be listed in the Risk Description column. Leave the Risk ID column blank.



Risk ID	Risk Description	Likelihood	Impact	Risk Score	Control Description	Control Owner (position)	Control Status
	Non-compliance with internal auditing standards						

To hopefully make this process easier, the Risk Assessment worksheet is prepopulated with several risks. These risks were prepopulated from the “Risk Dictionary” tab. This worksheet provides a comprehensive list of risks for different areas of higher education that was developed by the Association of College and University Auditors (ACUA). The worksheet is set up so that you may filter different areas and categories of risk that may be of interest to you. Feel free to copy and paste Risk Descriptions from the Risk Dictionary, remove risks you do not want included, or type in your own risks.

UCA Risk Assessment Master file - Excel

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C2437 Non-compliance with internal auditing standards

1	Category	Area	Risk	Control
2	Academic Support	General - Academic Support	Research collaborations and partnerships are not expanded.	
3	Academic Support	General - Academic Support	Unable to expand resources and financial support from stakeholders.	
4	Academic Support	Library Services	Lack of adequate library services and resources to support the needs of the institutional community and maintain quality.	
5	Academic Support	Management of Departments	Programs not developed and evaluated for effectiveness, continued demand, and institutional priorities	Development of strategic plan by each college or department
6	Academic Support	Management of Departments	Financial system does not provide the level of management reporting needed for Deans and Department Chairs to manage their financial information.	
7	Academic Support	Management of Departments	Allocation of resources among academic programs and budgeting does not reflect institutions priorities and is not equitable	Budgets for all academic programs are approved by central administration
8	Academic Support	Management of Departments	Allocation of resources among academic programs and budgeting does not reflect institutions priorities and is not equitable	Written budgeting process policies and procedures
9	Academic Support	Management of Departments	Failure to communicate effectively	Regularly scheduled staff and faculty meetings
10	Academic Support	Management of Departments	Failure to communicate effectively	Periodic Email announcements and updates
11	Academic Support	Management of Departments	Failure to communicate effectively	Staff member assigned to ensuring proper communication
12	Academic Support	Management of Departments	Failure to include faculty in the development of priorities and policies	Include faculty on governance and policy making committees
13	Academic Support	Management of Departments	Failure to train faculty and staff for academic administration	Tracking and communicating training requirements
14	Academic Support	Management of Departments	Failure to train faculty and staff for academic administration	Require periodic training and follow-up
15	Academic Support	Management of Departments	Fund use not aligned with institutional goals and objectives	Segregating account manager from purchasing agent
16	Academic Support	Management of Departments	Fund use not aligned with institutional goals and objectives	Establishing mission and goals within departments
17	Academic Support	Management of Departments	Programs not developed and evaluated for effectiveness, continued demand, and institutional priorities	Accreditation reviews
18	Academic Support	Management of Departments	Poorly implemented pay plans	Periodic equity reviews
19	Academic Support	Management of Departments	Inappropriate/inequitable workload definition	Consensus of workload definition from faculty
20	Academic Support	Management of Departments	Programs not developed and evaluated for effectiveness, continued demand, and institutional priorities	Monitoring of environment that affects curriculum
21	Academic Support	Management of Departments	Poorly implemented pay plans	Benchmark against peer institutions
22	Academic Support	Management of Departments	Poor academic administrator quality	Make training available to administrators
23	Academic Support	Management of Departments	Poor academic administrator quality	Regular evaluations with clearly defined performance measures
24	Academic Support	Management of Departments	Lack of effective oversight of faculty recruitment, retention, development and turnover	Accurate tracking and monitoring of these factors
25	Academic Support	Management of Departments	Lack of effective monitoring of productivity	Establish performance measures for faculty/academic program

Risk Assessment Risk Dictionary Example

Rate Risks

Prioritize which things pose the biggest hindrance to the objectives by evaluating impact and likelihood of the consequences of each risk. The impact rating of each risk should be determined before determining controls that are in place to mitigate the risk. The inherent risk is what is being rated, which is the risk that exists in the absence of internal controls. These ratings can assist management in making cost-benefit decisions and can help in the design and/or evaluation of control activities. Risk scores are subjective, so use your best judgment.

The risk score is usually described in terms of IMPACT and LIKELIHOOD.

LIKELIHOOD RATING

The likelihood rating signifies the probability that the risk will occur in the absence of controls. If there are no controls in place, how probable is it that this risk will occur? If the answer to that question is “very probable,” then the rating should be “high.” If it is possible that the risk may occur, but not definite, then the rating should be “medium.” If the risk is unlikely to occur, even if there are no controls in place, the rating should be “low.” The options for Likelihood rating are listed below. When clicking in the **Likelihood** field, a drop-down selection will appear for a selection.

Likelihood Score	Descriptor	Frequency
Very Low	Rare	Not likely to happen/recur, but possible. (i.e., once every 10 years)
Low	Unlikely	Not likely to happen/recur, but possible. (i.e., once every 5-10 years)
Medium	Possible	Might happen or recur occasionally, but it is not a persisting issue/circumstance
High	Likely	Will happen/recur, possibly frequently (i.e., every year or more than once a year)
Very High	Certain	Will happen/recur, possibly frequently (i.e., every year or more than once a year)

IMPACT RATING

The impact rating signifies the ultimate consequence. How much damage will be done or how much opportunity will be lost if this risk occurs? If the answer to this question is, “a great deal,” then the risk should be rated “large.” If the risk will cause harm, but there will not be a significant amount of damage, rate the risk “moderate.” If the risk will not cause much damage to the agency at all, rate the risk “small.” When clicking in the **Impact** field, a drop-down selection will appear for a selection.

Impact Score	Descriptor	Level of Severity
Very Small		Slight, negligible effect. Affects program objectives or budget by less than 5%
Small		Minor effect. Affects program objectives or budget by less than 5-10%
Moderate		Marginal localized effect. Affects program objectives or budgets between 10% - 15%
Large		Department-Wide effect. Affects safety of individuals, ability to comply with laws, costs to programs/budgets by 20% or more.
Very Large		Catastrophic. Affects safety of individuals, ability to comply with laws, and ability to continue operations.

REMEMBER: Risks should be rated or assessed without considering control activities.

As the selections for Likelihood and Impact are made, the Risk Score column will self-populate, as follows:

Risk Matrix

		Impact	Very Small	Small	Moderate	Large	Very Large
Likelihood	Very High	Moderate	Severe	Severe	Critical	Critical	
	High	Sustainable	Moderate	Severe	Critical	Critical	
	Medium	Sustainable	Moderate	Moderate	Severe	Critical	
	Low	Sustainable	Sustainable	Moderate	Severe	Critical	
	Very Low	Sustainable	Sustainable	Sustainable	Moderate	Severe	

For example, if the selection for Impact is “Small” and Likelihood is “Low,” then an additional phrase will appear that states “Sustainable”. The theory is that if the

impact will be small and the Likelihood is low, then the organization would be able to sustain any consequences as a result with minimal controls. As the Risk Score increases, the greater the importance of ensuring adequate controls are in place.

Document Controls

Once risks have been identified and rated, it is time to identify the CONTROLS that are in place to mitigate the risk, (the policies and procedures in place to reduce the chance of it happening and/or reducing the impact if it did).

Controls should be entered in the Control Description Column:

RISK ASSESSMENT								
Area/Dept							Updated By	
Index							Last Updated	
Objective:	<ol style="list-style-type: none"> 1. 2. 3. 4. 							
Risk ID	Risk Description	Likelihood	Impact	Risk Score	Control Description	Control Owner (position)	Control Status	Date of Implementation

Controls answer the questions:

1. How can I keep something from going wrong?
2. How will I know something has gone wrong?
3. How quickly will I know?
4. How will it be communicated?

Some common controls are:

- Having written procedures - If you won the lottery today and we never saw you again, would the person who took your place be able to carry on operations? It's when procedures are not written that controls can get lost or forgotten during transition.
- Separation of duties – One person should not have the ability to initiate, record, and reconcile the resources and activities of an entire process or transaction.
- Reconciling data
- Analyzing reports
- Monitoring activities

NOTE: All these controls should have a way to be documented that it has been performed. Because if it isn't documented, there is no way to show that it happened.

Ultimately, this exercise helps management understand their areas of weaknesses and opportunities as well as determine whether controls are sufficient to mitigate risk.

In the **Control Owner** column, please indicate the position responsible for performing/documenting the control.

In the **Control Status** column, a drop-down list is available so that you can indicate "Current" indicating the control is currently implemented, or indicate "Pending" if control procedures are in the process of being developed, but have not been implemented yet. For pending controls, please indicate the date the control will be implemented in the final column.

RISK ASSESSMENT RESULTS

Internal Audit will provide a Summary Report of this enterprise-wide risk assessment to Executive Staff and the Board of Trustee's Audit and Finance Committee. You may save a final version of your Risk Assessment file for your records.

The results of this risk assessment will also be used by Internal Audit for developing our annual audit plan. By using each area's risk assessment results Internal Audit can:

1. Focus our resources on auditing areas of higher risk (as determined by management). Internal Audit will compile the data and use risk scores in addition to other risk measures to determine the areas of highest risk for the University. Your responses are not the only risk categories considered, we also consider other factors such size of budgets, changes in management, audit history, etc., so don't think that your responses will "trigger" an audit.
2. Gain a better understanding of University activities.
3. Provide management assurance as to whether the controls that are in place are working effectively, can be improved, or provide recommendations for improvement if controls are not working as intended.

This process will not only help management evaluate their risks and controls but also help Internal Audit evaluate the best use of our resources when developing our Annual Audit Plan. We appreciate your input as the subject-matter experts. The success of this risk assessment is dependent on the information we receive from you and your staff.

If you have any questions as you go through this process, or would like to meet with Internal Audit to help work through the process, please contact the Director of Internal Audit at:

Email: lcoddington@uca.edu Office Phone: 501-450-3237 Cell: 904-505-3926

We look forward to working with you!