

# **Ashton West End Primary Academy**

## **Risk Management Policy**



Approved by The Finance Committee

Date: 23<sup>rd</sup> May 2022

Next review Date: May 2023

## **Risk Management Policy**

### **1. Purpose of this document**

This risk management policy (the policy) forms part of the School's internal control and corporate governance arrangements.

The policy explains the School's underlying approach to risk management, documents the roles and responsibilities of the Board of Trustees, the Audit Committee, the Executive Board, and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.

In addition, it describes the process the Board of Trustees will use to evaluate the effectiveness of the School's internal control procedures.

### **2. Underlying approach to Risk Management**

The following key principles outline the School's approach to risk management and internal control:

- the Board of Trustees has responsibility for overseeing risk management within the institution as a whole
- an open and receptive approach to solving risk problems is adopted by the Board of Trustees
- the Principal will support, advise and implement policies approved by the Board of Trustees or those committees with delegated powers
- the School makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks. Each paper to the Board of Trustees is required to include a section on any key risks in relation to the proposal
- risk register owners are responsible for encouraging good risk management practice within their areas of responsibility
- key risk indicators will be identified and closely monitored on a termly basis by the Principal and the Audit Committee

### **3. Role of the Board of Trustees**

The Board of Trustees has a fundamental role to play in the management of risk. Its role is to:

- a) Set the tone and influence the culture of risk management within the School. This includes:
  - determining whether the School is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue;

- determining what types of risk are acceptable and which are not
- setting the standards and expectations of staff with respect to conduct and probity

- b) Determine the appropriate risk appetite or level of exposure for the School
- c) Approve major decisions affecting the School's risk profile or exposure
- d) Monitor the management of significant risks to reduce the likelihood of unwelcome surprises
- e) Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively
- f) Annually review the School's approach to risk management and approve changes or improvements to key elements of its processes and procedures
- g) Delegate the Audit Committee to review the School's risk register each term

#### **4. Role of the Audit Committee**

The key roles of the Audit Committee, acting on behalf of the Board of Trustees, are to:

- Review and evaluate the key risks identified by the Executive Board.
- Review the School's Risk Register on a termly basis.
- Report annually to the Board of Trustees on the School's systems of internal control and Risk Register.
- Monitor the work of internal and external audit in respect of risk.

#### **5. Role of the Principal**

Key roles of the Principal are to:

- Develop and implement policies on risk management and internal control
- Review the School's Risk Register on a monthly basis
- Identify and evaluate the significant risks faced by the School for consideration by the Audit Committee.
- Provide adequate information in a timely manner to the Audit Committee on the status of risks and controls.
- Undertake an annual review of effectiveness of the system of internal control and provide a report to the Audit Committee and from that committee to the Board of Trustees.

#### **6. Risk Management as part of the system of internal control**

The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the School to respond to a variety of operational, financial, and commercial risks. These elements include:



### Policies and procedures

Attached to significant risks are a series of policies that underpin the internal control process. The policies are set by the Principal and implemented and communicated by senior management to staff. Written procedures support the policies where appropriate.

### Termly reporting

Comprehensive termly reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the Governing Board and the Audit Committee.

### Business planning and budgeting

The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives is monitored regularly.

### High level risk framework (significant risks only)

This framework is compiled by the Principal and helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the School. The document is formally appraised annually by the Board of Trustees but emerging risks are added as required, and improvement actions and risk indicators are monitored by the Governing Board on a monthly basis and reported to the Audit Committee each term.

### Risk frameworks

Risk register owners develop and use this framework to ensure that significant risks in their area of responsibility are identified, assessed and monitored. The document is formally appraised each term but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly by business units.

### Audit Committee

The Audit Committee is required to report to the Board of Trustees on internal controls and alert governors to any emerging issues. In addition, the committee oversees internal audit, external audit and management as required in its review of internal controls. The committee is therefore well-placed to provide advice to the Board of Trustees on the effectiveness of the internal control system, including the School's system for the management of risk. The Committee reviews the School's Risk Register each term.

### Internal audit programme

Internal audit is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the School. The school will have three internal audits each year.

## External audit

External audit provides feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit.

### **7. Annual Review of effectiveness**

The Board of Trustees is responsible for reviewing the effectiveness of internal control of the School, based on information provided by the Principal. Its approach is outlined below.

For each significant risk identified, the Board of Trustees will:

- review the previous year and examine the School's track record on risk management and internal control
- consider the internal and external risk profile of the coming year and consider if current internal control arrangements are likely to be effective.

In making its decision, the Board of Trustees will consider the following aspects.

a) Control environment:

- the School's objectives and its financial and non-financial targets;
- organisational structure
- culture, approach, and resources with respect to the management of risk
- delegation of authority;
- public reporting.

b) On-going identification and evaluation of significant risks:

- timely identification and assessment of significant risks;
- prioritisation of risks and the allocation of resources to address areas of high exposure.

c) Information and communication:

- quality and timeliness of information on significant risks;
- time it takes for control breakdowns to be recognised or new risks to be identified.

d) Monitoring and corrective action:

- ability of the School to learn from its problems;
- commitment and speed with which corrective actions are implemented.

The Principal will prepare a report of its review of the effectiveness of the internal control system annually for consideration by the Board of Trustees.



## Guidance for completion of Risk Registers

Risk Registers should be completed in line with the guidance provided below. Risk registers are produced in word format, and each risk has its own section in the risk register. Please make sure that the risk register is discussed with the appropriate group before it is submitted for consideration.

**Please ensure that the correct month and year appears at the in the top right-hand corner of the register.**

### 1. Top row of each section of the register

#### Column 1: Risk Reference

#### Number

Number each of the risks, starting with 1. Do not worry about tying this into the Institutional Risk Register, if this risk also appears on that document.

#### Column 2: Risk Description

Briefly describe the risk.

#### Column 3: Risk Owner

This part of the register is for the job title of the manager responsible for the risk. This needs to be a named individual at senior level within the Directorate or Faculty. While this individual may not be responsible for the whole area covered by the risk, they are responsible for coordinating the 'Action Owners'.

At the Institutional Risk Register level it has been agreed that this will be a member of the Governing Body.

### 2. Second, third and fourth rows of each section of the register

The second and third lines provide the appropriate heading for each of the columns below them, and a brief description of the information that is required from you in the fourth row.

#### Column 1: Risk Cause

#### What might cause the risk to occur?

This should be a list of factors which could trigger the risk you have described. Risk owners should consider risk drivers when updating the risk register. This approach involves identifying the risk drivers for a particular risk.

#### Column 2: Risk Consequences

#### What are the possible consequences should the risk occur?



This should be a list of what you think would happen if the risk you have described actually occurred.

### **Columns 3, 4 and 5: Gross Risk Assessment**

This set of columns sets out your assessment of the impact of the risk, and the likelihood of it happening, if the Faculty/Directorate/School did not take any action whatsoever to mitigate against the risk.

#### **Column 3. Impact**

1. **Insignificant**
2. **Minor**
  
3. **Medium**
4. **Major**
  
5. **Critical**

**1-2 is a minor impact.** This would result in minimal financial or other loss, delay, interruption or inconvenience. There would be little or no damage to the Directorate/Faculty/School's reputation. The impact could easily and quickly be put right.

**3-4 is a major impact.** This would have a major impact on costs, income and certain key Directorate/Faculty/School objectives. This would affect a significant part of the Directorate/Faculty/School.

**5 is a critical impact.** This would result in services been seriously affected and a major loss of income and/or reputation, or high increase in costs.

#### **Column 4. Likelihood**

1. **Very Low** represents 0% to 20% likelihood. Is unlikely/rare.
2. **Low** represents 20% to 40% likelihood. It is possible.
3. **Medium** represents 40% to 60% likelihood. It is likely.
  
4. **High** represents 60% to 80% likelihood. It is probable or very probable.
5. **Very High** represents 80% to 100% likelihood. It is almost certain or certain.

#### **Column 5. Impact x Likelihood**

The figure in this column is obtained by multiplying the impact by the likelihood. Please look at the heat map at the end of this document to determine which colour should appear in this column. You will need to highlight column 5 of row 4 and select the appropriate colour. You can do this by clicking on the area of the register which you wish to colour. Then click on the 'home' tab and find the icon which relates to shading (it is on the bottom row slightly to the right of the centre). Clicking on the icon will reveal a set of colours. Please select one of the standard colours at the bottom of the drop-down menu (selecting the bright red, the darker yellow or the darker green colour).

#### **Column 6: Existing Controls**

**What existing strategies, processes or controls are in place to manage the risk?**

What are you currently doing to manage the risk? Please make sure that your description is

detailed enough to show how the control operates and how it is monitored. All of the existing controls should be included in this one cell.

### **Column 7: Sources of Assurance**

**How do we know that these controls are efficient and effective? What are our sources of assurance over the controls for this risk?**

There isn't much point in taking action if we have no idea whether that action is working. How do you monitor the effectiveness of the action that is being taken? For example, sources of assurance might include the fact that Performance Indicators or targets have been met. All of the sources of assurance should be included in this one cell.

### **Column 8: Early Warning Flags**

**What would indicate that the likelihood or impact of the risk is increasing?**

Given the sources of assurance that exist, how would you know if the situation was getting worse?

### **Columns 9, 10 and 11: Current Risk Assessment**

This set of columns sets out your assessment of the impact of the risk, and the likelihood of it happening, given all of the things that are currently being done, or have been done, to mitigate against the risk. Please see 'Gross Risk Assessment' for an explanation of the meaning of the numbers you're being asked to use. You will need to use the heat map to determine the colour of the 11<sup>th</sup> column of row 4.

### **Columns 12, 13 and 14: Net Risk Assessment**

This set of columns is your assessment of the impact of the risk, and the likelihood of it happening, once the Faculty/Directorate/School has undertaken all of the actions that are identified in the section of the risk register which looks at 'Actions for Further Control' (see below) to mitigate against the risk. Please see 'Gross Risk Assessment' for an explanation of the meaning of the numbers you're being asked to use. You will need to use the heat map to determine the colour of the 14<sup>th</sup> column of row 4.

## **3. The 'Action for Further Control' part of each section**

These rows in each part of the risk register are for you to list the additional actions which you are planning to take to mitigate against the risk. A prioritised action list should be developed to manage the risk drivers. **This column is for additional actions which are being planned. Actions which are currently being taken, and will continue, should be listed as 'Existing Controls'**. Continuing to do what you are currently doing may be a very reasonable thing to do, but this should not be listed in this part of the risk register.

Each of the planned actions should be listed in a separate row. Indicate any new actions for further control as new actions in the status update box.

For each action you will see that to the right of your description, you are asked to give the



job title of the **action owner**. This should be a named individual for each action. If several people are involved in an action, this individual should be the person responsible for coordination of the action overall.

You should then list a '**due date**' for each of the actions - the date by which the action will be completed. Please make sure that these dates are genuinely achievable. It is much better to put an achievable date in here than to continue to miss unrealistic targets.

On the risk register following the completion of an action, please make sure that the 'due date' is amended to read 'Completed'. Completed actions from the previous iteration of the risk register should be removed. On the risk register after that, the action should either be removed, or moved to the 'Existing Controls' or 'Sources of Assurance' column (whichever is most appropriate).

The final part of this section of the risk register (**status update**) allows you to add information that you feel will aid understanding of what has happened. This part of each row only needs to be completed if you think there is something useful to say. For example, if you have amended a 'due date' it would be helpful to explain why this has been done. If you have marked an action as having been completed you might wish to explain in the 'status update' section that this item will be removed in the next version of the risk register.

It may be that the 'Action for Further Control' area is empty for one of the listed risks, because all the action that is deemed necessary in relation to that risk has been completed. Please make sure that, if this area is empty, it is for that reason, and not because you have forgotten to fill in this part of the risk register.

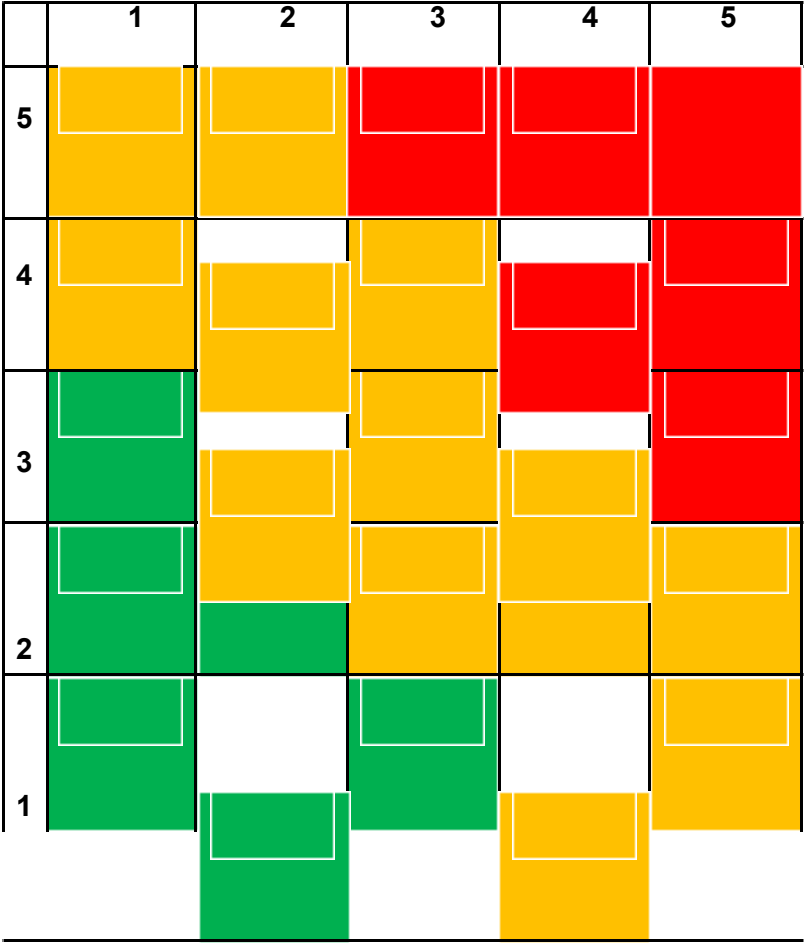
This does not mean that once this part of the risk register is empty, there will never be items which should be listed as 'Actions for Further Control'. It may be that circumstances change, so even if no future actions are listed, these rows should be reviewed every time the risk register is updated.

If you are in a situation where the Faculty/Directorate/School has already undertaken all 'Actions for Further Control' that were identified in previous iterations of the Risk Register, the figures for the current and net risk assessments will be the same. The area which relates to Actions for Further Control will be also be empty, as all of the planned actions will have been completed and should have either been removed or (if appropriate) moved to the 'Existing Controls' or 'Sources of Assurance' columns.





Annex 2 - Heat Map





Annex 3 – Template for risk register

Risk 1:	[Risk descriptor]				Risk owner:							
Risk Cause	Risk Consequences	Gross risk		Existing Controls	Sources of Assurance	Early Warning Flags	Current risk		Net risk			
What might occur? cause the risk to	What are the possible consequences should the risk occur?	Impact	Likelihood	What existing strategies, processes or controls are in place to manage the risk?	How do we know that these controls are efficient and effective?  What are our sources of assurance over the controls for	What would indicate that increasing?  the likelihood or the impact of the risk is	Impact	Likelihood	Impact	Likelihood	Impact	Likelihood
Actions for further control to deliver net risk based on existing environment												
Action for Further Control					Action Owner			Due Date		Status update		
[Detailed action]					[Single named owner]			[Date]				

