



**Aletheia**  
Academies Trust

# **Risk Management Policy**

## March 2022

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## **Contents**

1.0	Introduction.....	3
2.0	System of Internal Control.....	3
3.0	Objectives .....	3
4.0	Risk Management Strategy.....	4
4.1	Roles and Responsibilities .....	4
4.3	Evaluation of Risk.....	5
4.4	Addressing Risk .....	7
4.5	Reporting Risk.....	8

## **1.0 Introduction**

This document aims to ensure that Aletheia Academies Trust (the Trust) complies with Risk Management best practice, based on the recommendations of the Financial Reporting Council's (FRC's) guidance<sup>1</sup>. It sets out the Trust's underlying approach to risk management, detailing current procedures of internal control, key responsibilities and the main reporting procedures, which allow the Board of Trustees to effectively discharge their responsibilities. These can be summarised as follows:

- To determine the nature and extent of principal risks faced and the willingness to take on risk(s) in achieving strategic objectives (known as 'risk appetite');
- To acknowledge their responsibility for the system(s) of internal control, whilst also acknowledging that their responsibilities are not limited to oversight of the internal control system;
- To agree how risks will be managed and mitigated;
- To ensure that risk management and internal control are incorporated within the Trust's normal management and governance processes;
- To ensure the design and implementation of appropriate risk management and internal control systems that allow identification, evaluation and management of significant risk; and
- To ensure that there is a process in place to review the effectiveness of internal controls

## **2.0 System of Internal Control**

It is the responsibility of the Trust's management, led by the Chief Executive Officer (CEO), to maintain a sound system of internal control and to undertake day-to-day implementation on this policy. The Trust's approach to risk must support the achievement of the Trust's Vision and Priorities.

The Board of Trustees must satisfy itself that the Trust's management understands the risks being faced and have implemented and monitored appropriate policies and controls. In doing so, the Board of Trustees will review the Trust's Strategic Risk Register twice per year.

## **3.0 Objectives**

There are six key objectives for managing risk across the Trust:

- i. To minimise risk by focusing on prevention of harm and operational delivery of services;
- ii. To ensure risks facing the Trust are identified and documented;
- iii. To provide the Board of Trustees assurance that risks are adequately controlled;
- iv. To ensure action is taken appropriately in relation to accepting, mitigating, avoiding and transferring risk;
- v. To raise risk awareness throughout the Trust via staff engagement and accountability, thus creating a proactive risk management culture; and
- vi. To comply with risk management best practice.

<sup>1</sup> Financial Reporting Council, Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (2014).

## **4.0 Risk Management Strategy**

The Trust's approach to risk management is to minimise its exposure to reputational, compliance and financial risk, whilst managing an appropriate degree in pursuit of its vision. The Trust's appetite for risk varies according to the context and its tolerance of risk is subject to ensuring that potential benefits and risks are fully understood and that effective measures to mitigate risk are established.

This policy aims to outline the roles and responsibilities throughout the Trust for risk management and to identify risk management processes that ensure all risks are appropriately identified, controlled and monitored. The following details aim to ensure that appropriate levels of awareness are present throughout the Trust.

### **4.1 Roles and Responsibilities**

#### Board of Trustees:

The Board of Trustees have overall responsibility for risk management. Roles and responsibilities have been delegated, as follows:

#### Chief Executive Officer:

The CEO, as Accounting Officer, has been delegated the duty of defining the Risk Management Strategy and the Trust Strategic Risk Register.

The CEO is responsible for reporting on the Trust's risk management to the Board of Trustees.

Further duties have been delegated by the CEO as appropriate.

#### Trust Operations Officer:

The Trust Operations Officer (TOO) is responsible for maintaining the Strategic Risk Register in conjunction with the CEO. They have additional responsibility for the review and amendment of the Risk Management Policy.

As each component academy contributes to the content of the Strategic Risk Register, the TOO is responsible for collating information from each academy and using this data to shape the Trust approach.

#### Headteachers/Heads of School:

Each Headteacher/Head of School will act as the risk owner for each individual academy and will be responsible for identifying risks specific to their environment and the stakeholders that the risks may impact in conjunction with their respective Leadership Teams.

Further duties include ensuring that a Risk Register is annually reviewed for their academy and that their performance in relation to risk management is monitored, including that appropriate controls are in place.

Headteachers/Heads of School will report on risk management to their Local Governing Bodies.

### Local Governing Bodies:

Local Governing Bodies have the responsibility for overseeing risk management for their specific academy and report directly to the Board of Trustees via the TOO.

### Employees:

All employees within the Trust have a responsibility to themselves and others, including their approach to risk management. Staff are encouraged to take ownership of risk and report and concerns through the usual channels of reporting.

## 4.2 Identification of Risk

The Charity Commission states that the process of risk identification should be undertaken with care, that analysis will contain some subjective judgements; no process is capable of identifying all possible risks that may arise. Risk identification should be approached in a methodical way, ensuring that significant activities have been identified and the associated risks defined. The Trust's approach to risk management reflects the Trust's strategic aims/objectives:

- To ensure risk is controlled to create capacity for sustainable and managed growth;
- To ensure clearly defined roles, responsibilities and accountability with regard to risk; and
- To ensure clarity with all use of public funds
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## 4.3 Evaluation of Risk

Identified risks need to be put into perspective in terms of the potential severity of their impact and likelihood of their occurrence. Risks must be evaluated against an agreed criterion when making decisions about the significance of risk facing the organisation, enabling Trustees to identify those risks that constitute a major risk.

Risks must be ranked from 1 (lowest) to 5 (highest) to assess their likelihood and impact. The following descriptors for likelihood and impact (drawn from the Charity Commission (CC26) publication)<sup>2</sup> should be used as a guide, but schools must apply scores in a context-appropriate way:

*Figure 1: Likelihood of Risk*

Descriptor	Score	Example
Remote	1	May only occur in exceptional circumstances
Unlikely	2	Expected to occur in a few circumstances
Possible	3	Expected to occur in some circumstances
Probable	4	Expected to occur in many circumstances
Highly probable	5	Expected to occur frequently and in most circumstances

<sup>2</sup> Charity Commission for England and Wales, Charities and risk management (CC26) (2010).

Figure 2: Impact of Risk

Descriptor	Score	Description
Insignificant	1	No impact on service
		No impact on reputation
		Complaint unlikely
		Litigation risk remote
Minor	2	Slight impact on service
		Slight impact on reputation
		Complaint possible
		Litigation possible
Moderate	3	Some service disruption
		Potential for adverse publicity - avoidable with careful handling
		Complaint probable
		Litigation probable
Major	4	Service disrupted
		Adverse publicity not avoidable (local media)
		Complaint probable
		Litigation probable
Extreme/Catastrophic	5	Service interrupted for significant time
		Major adverse publicity not avoidable (national media)
		Major litigation expected
		Resignation of senior management and board
		Loss of beneficiary confidence

It is necessary to assess both the gross (without controls in place) and residual (with controls in place) risk exposure. Gross risk is the level of risk that would occur had no management controls been put into place or the controls failed to prevent the risk. Residual risk is the level of risk that remains once a full assessment of internal controls is made.

Risk scores will be calculated as follows:

$$(Likelihood\ of\ risk \times impact\ of\ risk)$$

Risk scores should be evaluated against the below heat map against the following colour codes:

- Red: Major or extreme/catastrophic risk scoring 12 and above;
- Yellow: Moderate or major risks scoring between 6 and 10;
- Green: Minor or insignificant risks scoring 4 or less

Figure 3: Risk Score Heat Map

	Extreme	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
IMPACT	Minor	2	4	6	8	10
	Insignificant	1	2	3	4	5
		Remote	Unlikely	Possible	Probable	Highly Probable
		LIKELIHOOD				

Risks evaluated at a score of 6 or greater will require addressing by schools and/or the Trust, by actively seeking to mitigate via the prioritisation of resources. Risks evaluated below this threshold will be deemed to fall below the Trust’s risk threshold and accepted. This process is termed ‘risk appetite’.

Risk scoring often involves a degree of judgement or subjectivity; where data or information on past events or patterns is available it should be used to inform an evidence-based judgement.

Analysis of risks will enable significant risks to be highlighted and escalated to the Board of Trustees via the Strategic Risk Register. Less significant risks will be managed locally by the Trust as appropriate, shared with Trustees to add context to the Strategic Risk Register.

#### 4.4 Addressing Risk

When responding to risks, the Trust will seek to ensure that risks are identified and managed early so that they do not develop into an issue where the potential threat materialises. One of the following four responses will be adopted:

Figure 4: Risk Responses

Response	Description
Transfer	The risk is transferred to a third party, such as through an insurance policy
Tolerate	It is accepted that the event may occur; for example, the cost of countermeasures to mitigate the risk are disproportionate to any potential benefit gains
Treat	Actions responding to the risk either reduce the likelihood of the risk or contain the impact to acceptable levels
Terminate	The only way to contain the risk to acceptable levels is to discontinue the activity that gives rise to the risk (not possible if there is a legal duty to engage in the activity)

Consideration will need to be given to the status of the risk after mitigating factors have been determined, with the final tolerable risk status recorded on the Risk Register.

#### 4.5 Reporting Risk

Risks will be reported to provide assurance to the Board of Trustees, Local Governing Bodies, Leadership Teams and the Trust's appointed external auditors that the Trust is effectively managing risks and has a robust system of internal control.

The reporting mechanism will be the academy Risk Registers (for Local Governing Bodies and Leadership Teams) and the Trust's Strategic Risk Register (for the Board of Trustees and auditors). Risk Registers will highlight the key issues facing academies and the Trust and associated actions being taken. The risk registers will be monitored on an annual basis.

Risks will be categorised into one of four sub-categories, described as follows:

Risk Category	Description
Internal	Risks over which the Trust/academy has some control, by managing them through internal controls/additional mitigating actions. Examples of such risks include health and safety risks, data security, etc.
External	This focuses on big external events/perils and then considers how to make the Trust/academy more resilient to such events. Examples of such risks include a pandemic or extreme weather
Strategic	These are risks to the achievement of the Trust's core objectives. For example, the risk of poor performance or high staff turnover
Project	Risks associated with any critical projects the Trust/school may be involved in. For example, slippage on the delivery timescale of a new building

Any significant changes in risk impact or probability, or the occurrence of an event which raises the profile of a risk will be recorded on the risk register as it occurs; the risk register must remain as a fluid document. Any new risks that are identified will be evaluated and, if appropriate, recorded on the risk register. Staff with responsibility for managing risk will ensure that any perceived new or increased risk, or significant failure of risk management control measures, are considered alongside a summary of actions taken/to be taken. Risk Registers will also identify a Direction of Travel for risks since they were last reported, Risk Triggers, associated Contingency Plans and Risk Owners.

Headteachers/Heads of School will produce an annual assessment of the effectiveness of the risk management process, which will be submitted to the CEO.

The Board of Trustees will be provided with the Strategic Risk Register twice per year. This Board or Trustees will consider:

- Whether risk management continues to be linked to the achievement of the Trust's objectives;
- Whether risk review procedures cover fundamental reputational, governance, staff, teaching, operational, compliance, pupil experience, estates, financial and other risks to achieving the Trust's objectives;
- Whether risk assessment and risk-based internal control are embedded in ongoing operations and form part of its culture;
- Changes in the nature and extent of fundamental risks and the Trust's ability to respond to changes in its internal and external environment since the last assessment;
- The scope and quality of management's on-going process of monitoring the system of internal control including such elements as the effectiveness of internal audit and other assurance functions;
- The extent and frequency of reports on internal control to the Board and whether this is sufficient to build up a cumulative assessment of the state of control and effectiveness of risk management;
- The incidence of any fundamental control failings or weaknesses identified at any point within the year and the impact that they have had or could have; and
- The effectiveness of the overall approach and policy to risk management and whether changes or improvements to processes and procedures are necessary.