

# Aletheia Anglican Academies Trust



**Aletheia**  
Anglican Academies  
Trust

## Risk Management Policy

**Review Body:**

**Board of Trustees**

**Author:**

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## **1.0 Introduction**

This document aims to ensure that Aletheia Anglican Academies 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.

## **4.0 Risk Management Strategy**

This strategy 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.

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

## **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 Strategy.

As each component school contributes to the content of the Strategic Risk Register, the TOO is responsible for collating information from each school 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 school 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 school 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 schools 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

### 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 |

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                                    |

The risk score will be calculated as follows:

$$(Likelihood\ of\ risk\ x\ impact\ of\ risk) + impact\ of\ risk = gross\ risk\ score$$

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

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

- Red: Major or extreme/catastrophic risk scoring 15 and above;
- Yellow: Moderate or major risks scoring between 8 and 14;
- Blue/Green: Minor or insignificant risks scoring 7 or less

Figure 3: Gross Risk Score Heat Map

|               |                          |   |                   |          |          |          |                 |
|---------------|--------------------------|---|-------------------|----------|----------|----------|-----------------|
| <b>Impact</b> | Extreme/<br>Catastrophic | 5 | 10                | 15       | 20       | 25       | 30              |
|               | Major                    | 4 | 8                 | 12       | 16       | 20       | 24              |
|               | Moderate                 | 3 | 6                 | 9        | 12       | 15       | 18              |
|               | Minor                    | 2 | 4                 | 6        | 8        | 10       | 12              |
|               | Insignificant            | 1 | 2                 | 3        | 4        | 5        | 6               |
|               |                          |   | 1                 | 2        | 3        | 4        | 5               |
|               |                          |   | Remote            | Unlikely | Possible | Probable | Highly Probable |
|               |                          |   | <b>Likelihood</b> |          |          |          |                 |

Risks evaluated at a score of 8 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.

#### 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 school 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 schools and the Trust and associated actions being taken. The risk registers will be monitored on an annual basis.

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.

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 reports on the risk strategy and significant risks facing the Trust to review the effectiveness of the risk management process on an annual basis. This review 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 for the Trustees 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.

