



**SCHOLARS ACADEMY TRUST**

## **Risk Management Policy**

Reviewed April 2018

Signed ..... *SWR* .....

Date ..... *16/7/18* .....

# **Risk Management Policy**

## **Purpose of this document**

This risk management policy forms part of Scholars Academy Trust's internal control and corporate governance arrangements.

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

## **Underlying Approach to Risk Management**

The following key principles outline Scholars Academy Trust's approach to risk management and internal control:

- The Board of Trustees has the responsibility for overseeing risk management within Scholars Trust as a whole;
- An open and receptive approach to solving risk problems is adopted by the Trustees;
- The principal and the corporate management team supports, advises and implements policies approved by the Trust Board;
- Scholars Academy Trust makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- Senior and middle managers are responsible for encouraging good risk management practice within their designated managed area; and
- Key risk indicators will be identified and closely monitored on a regular basis.

## **Role of the Trustee Board**

The role of the Trustee Board in the management of risk is to:

- Set the tone and influence the culture of risk management within Scholars Academy Trust and cascade this message through to the local governing boards.
- Determine whether Scholars Trust is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue.
- Determine what types of risk are acceptable and which are not.
- Set the standards and expectations of staff with respect to conduct and probity.
- Approve major decisions affecting Scholars Academy Trust's risk profile or exposure.
- Monitor the management of significant risks to reduce the likelihood of unwelcome surprises or impact.
- Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- Annually review Scholars Academy Trust's approach to risk management and approve changes or improvements to key elements of its processes and procedures.
- The finance committee are representing the governors as the risk management group.

## **Key roles of the risk management group are to:**

- Take overall responsibility for the administration and implementation of the risk management processes and procedures;
- Identify and evaluate the significant risks faced by schools for consideration by the Trust Board;
- Provide adequate information in a timely manner to the Trust Board and its committees on the status of risks and controls;
- Report on risk management action plan at the finance meetings within LGBs and Trust meetings.

- Undertake an annual review of effectiveness of the system of internal control and provide a report to the Finance committee at both school and Trust level. This is usually carried out by the internal auditors.

### **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 Scholars Academy Trust to respond to a variety of operational, financial, and commercial risks. These elements include:

#### **Policies and Procedures**

Significant risks are outlined in the risk register along with the policies that underpins the internal control process. The policies are set by the Board of Trustees and implemented by the schools.

#### **Reporting**

Comprehensive monthly reporting is designed to monitor key risks and the effectiveness of the controls systems in place. Decisions to rectify problems are made at regular meetings of the management team; the board of governors and Board of Trustees as appropriate. The Executive Headteacher checks this more frequently and reports to the relevant 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 at the finance committee meetings.

#### **High Level Risk Action Plan (significant risks only)**

The document is formally reviewed annually but emerging risks are added as required, and improvement actions and risk indicators are monitored. Action is taken by the Finance Committee and others to rectify high level risks when they are identified.

#### **Finance Committee (Audit)**

The Finance Committee in their report to the Trustees on internal controls alerts them 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 Trustee board on the effectiveness of the internal control system, including Scholars Academy Trust's system for the management of risk.

#### **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 organisation.

#### **External Audit**

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

#### **Third Party Reports**

From time to time, the use of external consultants will be necessary in areas such as health and safety, and the implementation of the Disability Discrimination Act. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

#### **Annual Review of Effectiveness**

The Trustee Board is responsible for reviewing the effectiveness of internal control of Scholars Academy Trust, based on information provided.

**For each significant risk identified, the board will:**

- Review the previous year and examine Scholars Academy Trust’s track record on risk management and the success of internal control mechanisms.
- Consider the internal and external risk profile of the coming year and consider if current internal control arrangements are likely to be effective, making improvements where necessary.

In making its decision the Trustees will consider the following aspects:

**Control environment:**

- Scholars Academy Trust’s objectives and it’s financial and non-financial targets;
- Organisational structure and calibre of the corporate management team;
- Culture, approach, and resources with respect to the management of risk;
- Delegation of authority; and public reporting.

**On-going identification and evaluation of significant risks:**

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

**Information and Communication**

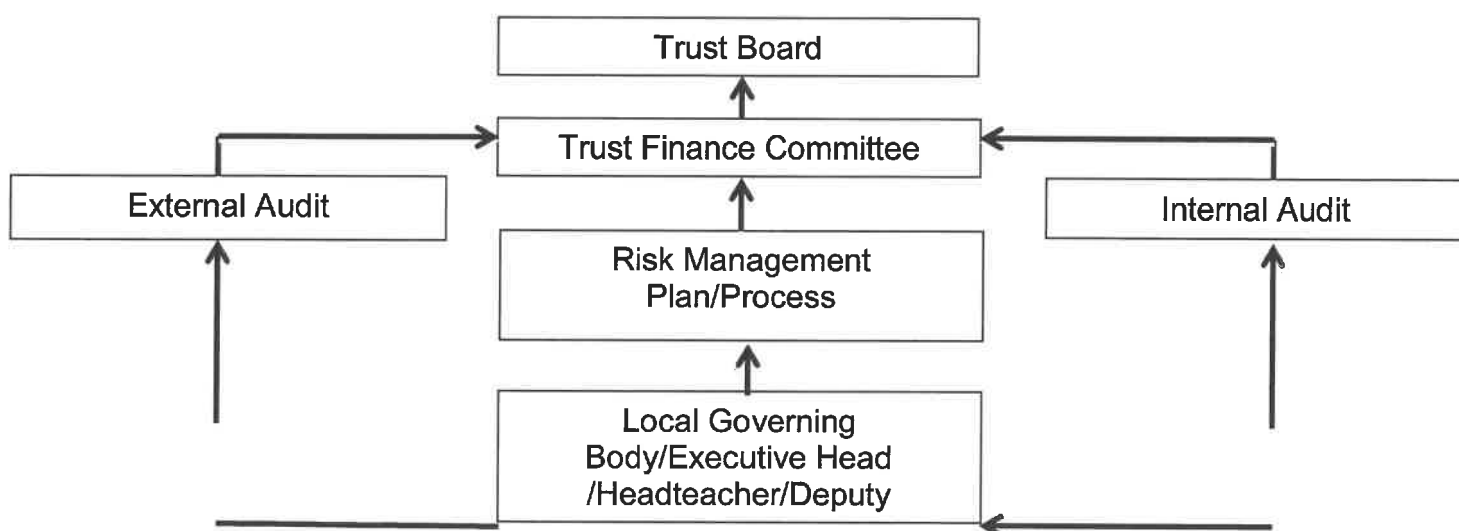
- Quality and timeliness of information on significant risks; and time it takes for control breakdowns to be recognised or new risk to be identified.

**Monitoring and corrective action**

- Ability of Scholars Academy Trust to learn from identified problems and its commitment and responsiveness with which corrective actions are taken and successfully implemented.

The Audit Committee will review of the effectiveness of the internal control system annually for consideration by the Trustees in consultation with the accountants.

***Risk Management Structures, Roles and Ownership***



A summary of the roles and responsibilities of each body are set out below.

Body	Expected role in risk management	Formal responsibilities
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Trust Board	<p>The Trust Board is expected to:</p> <ul style="list-style-type: none"> <li>• Set the tone and influence the culture of risk management throughout Scholars Academy Trust;</li> <li>• Approve all major decisions affecting Scholars Academy Trust's risk profile or exposure;</li> <li>• Proactively monitor the management of significant risks to reduce the likelihood of unwelcome surprises;</li> <li>• Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively; and</li> <li>• Annually review Scholars Academy Trust's approach to risk management and approve changes or improvements to key elements of its processes and procedures. This should include an examination of the framework/process and its rigour.</li> </ul>	<p>The Trustees are ultimately responsible for Scholars Academy Trust's system of internal control and reviewing its effectiveness.</p> <p>The Trust Board needs to form an opinion on whether Scholars Academy Trust has complied with all necessary requirements. This will include:</p> <ul style="list-style-type: none"> <li>• Reviewing the key risks together with the controls which have been successfully implemented to mitigate those risks; and</li> <li>• Confirming whether or not there has been a formal ongoing process for identifying, evaluating and managing Scholars Academy Trust's significant risks that have been in place for the 12 months to each year .</li> </ul> <p>The Headteachers and Local Governing Bodies should ensure an update of the risk management action plan goes to the Trustees annually.</p>
Finance Committee	<p>The Finance 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 on the effectiveness of the internal control system, including the institution's system for the management of risk as part of its annual report.</p> <ul style="list-style-type: none"> <li>• Implement policies on risk management an internal control.</li> <li>• Identify and evaluate the significant risks faced by Scholars Academy Trust for consideration by the Trustee Board</li> <li>• Undertake an annual review of effectiveness of the system of internal control and provide a report to the Trust Board. To prepare a new risk</li> </ul>	<p>The Finance Committee reports to the Trust Board on internal controls and alerts Trustees to any emerging issues. The Finance Committee meets at least on a termly basis and provides a forum for reporting by Scholars Academy Trust's internal and external auditors, who have access to the Committee for independent discussion.</p> <p>Its responsibility is to support the Local Governing Bodies and associated committees in discharging their duties. Are we talking about the finance committee here or the Trust board? If it is the finance committee can we restructure this slightly to make it clear that is who we are talking about?</p> <p>It holds regular meetings to ensure action plan implementation is being carried out efficiently and effectively. As above</p>

	management action plan for each new academic year.	
Internal Audit	<p>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 organisation.</p> <p>Internal audit should review and test the systems of control over the risk management process to provide assurance to The Finance Committee that the process is well controlled and to confirm that the risk management processes are being carried out in accordance with the agreed procedures and in a timely manner. There should be an annual review included within the internal audit strategic plan.</p>	<p>Scholars Academy Trust's internal auditors monitor the systems of internal control in accordance with an agreed plan of input and report their findings to management and The Finance Committee. The Finance Committee are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.</p> <p>At least annually, Internal Auditors provide a report on internal audit activity in Scholars Trust. The report includes an independent opinion on the adequacy and effectiveness of Scholars Academy Trust's system of internal control, including internal financial control.</p>
External Audit	<p>External audit will ensure that the annual risk management process has been undertaken, and that statements of Corporate Governance reflect Scholars Academy Trust's implementation of it.</p>	<p>External auditors express an independent opinion on whether the financial statements give a true and fair view; monies expended out of funds have been properly applied for those purposes and, if appropriate, managed in compliance with relevant legislation.</p> <p>The external audit opinion will also clearly set out the scope of their responsibilities and work in respect of confirming compliance with the necessary requirements.</p>

### **Risk Management Reporting Process**

In order to ensure that Scholars Academy Trust minimises its exposure to risk and potential effects of such risks the Trust have agreed the following process in line with the guidelines set out in the accompanying Risk Management policy.

#### **The Process**

The Finance Committee will consider the Risk Management Policy, Risk Register and the Risk Management Action Plan on an annual basis. They will:

- Identify and evaluate the significant risks faced by Scholars Academy Trust following the action plans devised by each school.
- Make recommendations concerning the content of the policy, action plan, monitoring arrangements and register.

The Trust Board will consider their report and approve any changes to the policy, the action plan and the register in the first full Trustee Boards meeting of the year.