



Risk Management Policy

1. Purpose of this Document

This risk management policy forms part of the Northern Education Trust's internal control and corporate governance arrangements.

The policy explains the Trust's underlying approach to risk management, documents the roles and responsibilities of the Board of Trustees, the risk management group (see below) 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 Trust's internal control procedures.

2. Underlying Approach to Risk Management

Firstly, we must understand what we mean by "risk".

HM Treasury defines risk as an "uncertainty of outcome, whether positive opportunity or negative threat, of actions or events. It is the combination of likelihood and impact, including perceived importance."

And secondly understand what we mean by "risk management".

Risk management identifies, assesses and mitigate risks, and underpins good performance in an organisation. Effective management of risk will ensure that the Trust:

- Has increased confidence in achieving its objectives
- Inspires trust and confidence in our stakeholders
- Promotes improvement in its delivery of services
- Protects itself against financial waste and misuse
- Complies with the law and other regulations which apply to it
- Can make informed decisions and plan effectively, and
- Set priorities for its resources to address the most significant risks

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

- The Board of Trustees has responsibility for overseeing risk management within the Trust as a whole;
- An open and receptive approach to solving risk problems is adopted by the Board of Trustees;
- The Chief Executive and the leadership team supports, advises and implements policies approved by the Board of Trustees;
- The Trust makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- The Leadership Team 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.

3. Role of the Board of Trustees

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

- Set the tone and influence the culture of risk management within the Trust. Over the past two years the Board in setting out its initial policies has been clear that it wishes to take a low risk attitude across all of its operations.
- 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 the 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 the Trust's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

4. Role of the Risk Management Group

The Trust has designated the Leadership Team (LT) in consultation with the Corporate Coordination Group (CCG) 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 process;
- Identify and evaluate the significant risks faced by the Trust for consideration by the Board of Trustees;
- Provide adequate information in a timely manner to the Board of Trustees and its sub committees on the status of risks and controls;

- For significant risks - report on risk management action plan implementation at each meeting of the Board.
- Undertake an annual review of effectiveness of the system of internal control and provide a report to ARC.

5. 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 Trust to respond to a variety of operational, financial, and commercial risks. These elements include:

a. Policies and Procedures

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

b. Reporting

Comprehensive termly reporting to Trustees is designed to monitor key risks. Decisions to rectify problems are made at regular meetings of the Corporate Coordination Group and the Trust Board.

c. Business Planning and Budgeting

The business planning and budgeting process is used to set objectives, agree actions, and allocate resources according to risk. Progress towards meeting business plan objectives is monitored regularly with appropriate controls and checks in place.

d. High Level Risk Action Plan (significant risks only)

The risk management action plan is compiled by the risk management group and helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the Trust. The document is formally appraised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly, overseen by a risk management champion.

e. Individual Academy Risk Registers

Significant risks within academies are identified via the Trust self-assessment process. Appropriate actions are put in place to deal with issues identified.

f. Audit & Risk Committee (ARC)

ARC in their annual report to the Board of Trustees on internal controls alerts Trustees 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 on the effectiveness of the internal control system, including the Trust's system for the management of risk.

g. 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.

h. External Audit

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

i. Third Party Reports

From time to time, the use of external consultants will be necessary in areas such as health and safety and the child protection arrangements audit and commissioned school improvement reviews. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

6. Annual Review of Effectiveness

The Board of Trustees is responsible for reviewing the effectiveness of internal control of the Trust, based on information provided by the risk management group. Its approach is outlined below.

For each significant risk identified, the Board will:

- Review the previous year and examine the Trust'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 will consider the following aspects:

a. Control environment:

- The Trust's objectives and its financial and non-financial targets;
- Organisational structure and calibre of the corporate leadership team;

- Culture, approach, and resources with respect to the management of risk;
- Delegation of authority; and reporting.

b. 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 exposure.

c. 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.

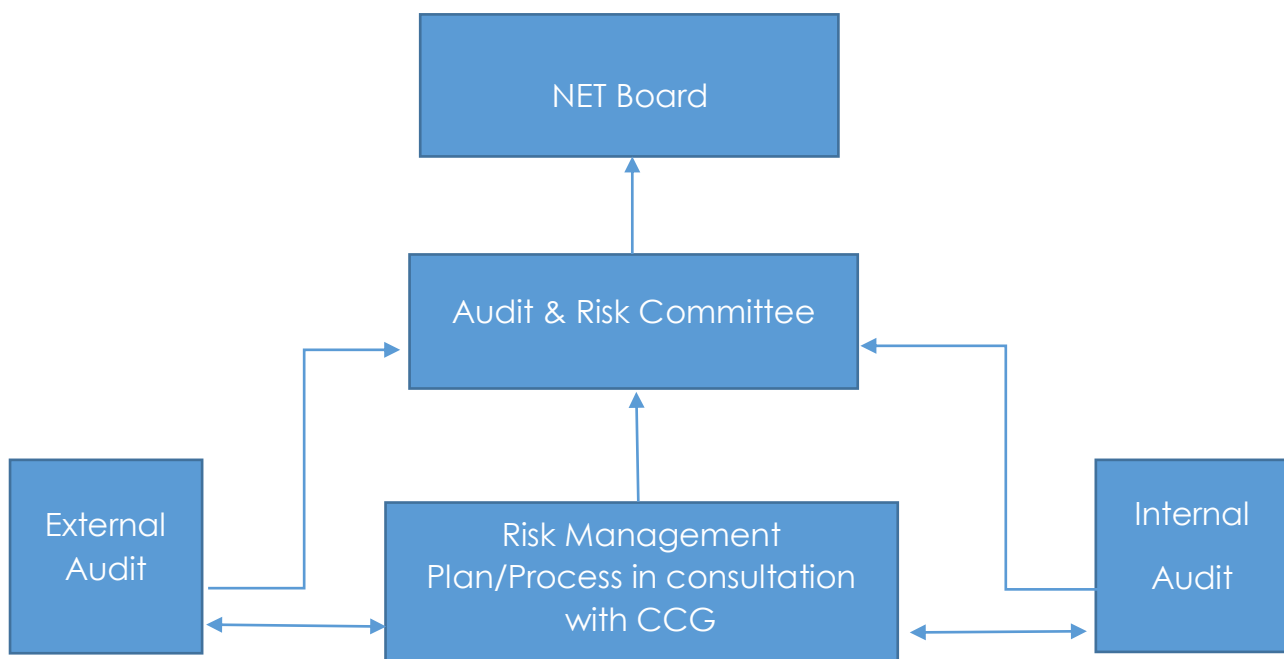
d. Monitoring and corrective action:

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

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

**Likely to be the final board meeting of the academic year.*

7. 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"> • Set the tone and influence the culture of risk management throughout the Trust; • Approve all major decisions affecting the Trust's risk profile or exposure; • Frequently monitor the management of significant risks to reduce the likelihood of unwelcome surprises; • Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively; and • Annually review the 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. | <p>The Board is ultimately responsible for the Trust's system of internal control and reviewing its effectiveness.</p> <p>The Board needs to form an opinion on whether the Trust has complied with all the provisions of the Constitution throughout the year. This will include:</p> <ul style="list-style-type: none"> • Reviewing the key risks together with the controls which have been implemented to mitigate those risks; and • Confirming whether or not there has been a formal ongoing process for identifying, evaluating and managing the Trust's significant risks that has been in place for the 12 months to 31 July each year and up to the accounts approval date; <p>The Board will also need to ensure that there is a regular review of the risk management process and its outcomes (via ARC). The Chief Executive should ensure an up-date of the risk register goes to every Board meeting throughout the year.</p> |

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| <p>Audit & Risk Committee</p> | <p>ARC oversees internal audit, external audit and financial 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 organisation's system for the management of risk as part of its annual report.</p> | <p>The ARC reports to the Board of Trustees on internal controls and alerts Trustees to any emerging issues. The Audit & Risk Committee meets on at least a termly basis and provides a forum for reporting by the Trust's internal and external auditors, who have access to the Committee for independent discussion.</p> |
| <p>Achievement & Climate Committee</p> | <p>The A&C Committee oversees the risks associated with school improvement plans and is a forum where high level risks in individual academies can be discussed and actions agreed.</p> <p>Each Academy will provide its own risk registers, signed off by the Principal and co-ordinated by the Business Manager, and fed into the Central Trust.</p> | <p>The A&C Committee reports to the Board of Trustees and alerts Trustees to any emerging issues.</p> |
| <p>Risk Management Group</p> | <p>The risk management group comprises all members of CCG. Its main function is to:</p> | <p>Its responsibility is to support the Trust Board and its sub committees in discharging their duties.</p> |

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| | <ul style="list-style-type: none"> • Implement policies on risk management an internal control. • Identify and evaluate the significant risks faced by the Trust for consideration by the Board of Trustees. • Provide adequate information in a timely manner to the Board of Trustees and its sub committees 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 Board of Trustees. | <p>It should hold regular meetings to ensure actions are implemented and carried out efficiently and effectively.</p> |
| <p>Risk Management Champion</p> | <p>CCG have nominated Ian Hickman, Interim Chief Operating Officer as the risk management champion, whose role is to:</p> <ul style="list-style-type: none"> • Take overall responsibility for the administration and implementation of the risk management process • Provide advice and support to colleagues within the broader Trust and to Trustees as appropriate. | <p>Rolling programme of internal staff development (<i>all levels</i>)</p> |

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| | <ul style="list-style-type: none"> • Provide impetus and drive to the risk management process to ensure the implementation timetable is achieved. • Ensure risk management and its processes are disseminated and become embedded throughout the Trust. | |
| 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 will need to take account of the corporate risks and the resultant actions in determining its strategic and annual plan of work.</p> <p>Internal audit should review and test the systems of control over the risk management process to provide assurance to ARC 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</p> | <p>The 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 ARC.</p> <p>The corporate leadership team 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, the Director of Finance provides the Trust Board, via ARC, with a report on internal audit activity in the Trust. The report includes an independent opinion on the adequacy and effectiveness of the Trust's system of internal control, including internal financial control.</p> |

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| | <p>manner. There should be an annual review included within the internal audit strategic plan.</p> | |
| <p>External Audit</p> | <p>External Audit will ensure that the annual risk management process has been undertaken, and that statements of Corporate Governance reflect the Trust's implementation of its stated objectives.</p> <p>It is not the role of external auditors to ascertain the robustness or accuracy of the risks identified or the internal controls over their operation. The auditors do not form an opinion on the effectiveness of the Trust's Corporate Governance procedures or its risk and control procedures.</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, and monies expended out of funds provided by the Learning and Skills Council have been applied in accordance with the Financial Memorandum between the Learning and Skills Council and the Trust.</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 Constitution.</p> |

8 Risk Management Reporting Process

Introduction

In order to ensure that the Trust minimises its exposure to risk and the potential effects of such risks the Leadership Team (in consultation with CCG) and the Board have agreed the following process in line with the guidelines set out in the Risk Management Policy as set out above.

The Process

1. The Leadership Team (as the Risk Management Group) will consider the Risk Management Policy, Risk Register and the resultant actions on an annual basis. They will prepare a report for the consideration of the Board which:
 - Identifies and evaluates the significant risks faced by the Trust
 - Makes recommendations concerning the content of the policy, the register and actions.
 2. The Board will consider their report and approve any changes to the policy and the register in the final meeting of the year.
 3. CCG will review the Risk Register and actions at the final meeting of each term. They will:
 - Review the progress of the implementation of any actions
 - Consider all risks, their status and their controls to ensure that they are still appropriate.
 - Where a weakness is identified agree clear actions, timescales and responsibilities.
 - Update the register as required.
- Following this meeting a report of the review will be presented to the next meeting of the Trust Board. Trustees will consider the report and its recommendations and approve any subsequent actions.
4. Risk Registers will be completed in a consistent way cross the Trust to ensure consistency of approach and enable the subordinate Registers to feed into the Central Register as appropriate. The format for Risk Registers to be reported to the Board as agreed by the Risk Management Group.