

The Auriga Academy Trust

Risk Management Policy

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1. Introduction

This risk management policy sets out how the Auriga Academy Trust recognises and manages current and potential future risks to ensure the safe, effective and continued operation of our schools and enable us to best meet our aims and objectives. This policy forms part of the trust’s governance arrangements and system of internal controls. The policy incorporates the roles and responsibilities of the Board of Trustees, Local Governing Bodies, Senior Leadership and other employees; the Trust’s risk management methodology; risk exposure reporting and the systems in place to evaluate the effectiveness of the internal controls.

2. Governance

The Board of Trustees has responsibility for the trust’s risk exposures and directing risk management within the trust.

The CEO, Headteachers and senior leaders will

- identify, monitor and report risk to Local Governing Bodies and Trustees,
- advise on, and implement risk policies and actions approved by the Board of Trustees, and
- are responsible for fostering good risk management practice within the trust.

All the trust’s employees are expected to be aware of and manage risk as part of their day-to-day duties.

3. Role of the Board of Trustees, Local Governing Bodies and School Senior Leaders

The Board of Trustees will:

- determine the trust's approach to risk management.
- determine risk appetite (levels of acceptable risk) for the trust.
- agree initiatives which are likely to materially affect the trust's risk profile or exposure.
- review the trust's risk register regularly (at a minimum at each Trust Board meeting) and direct mitigating strategies.
- set the standards and expectations of employees with respect to conduct and probity.
- consider legal and compliance matters.
- anticipate and respond, whenever possible to changing social, environmental and legislative requirements.
- raise awareness of the need for risk management.
- ensure that significant risks are being actively managed, with the appropriate controls in place that are working effectively.
- undertake (for example, by commissioning internal audit) an annual review of effectiveness of the systems of internal control.

Local Governing Bodies and Senior Leadership including the CEO will:

- implement risk management policy, procedures and mitigating strategies as directed by the Board of Trustees.
- identify and evaluate the significant risks faced by the school for consideration by the Local Governing Body and the Board of Trustees.
- Identify the Risk Owner who will monitor and manage the risk and evaluate and report on mitigating actions.
- provide adequate information through the Risk Register and its supporting Appendices in a timely manner to the Board of Trustees and its committees on the status of risks and controls.

4 Risk Management and Systems of Internal Control

The Auriga Academy Trust's risk management policy includes systems of internal controls. These controls encompass a number of elements that together facilitate an effective and efficient operation, enabling the trust and its schools to respond to a variety of strategic, financial, and reputational risks.

These elements include:

4.1 Policies and procedures - Attached to significant risks are a series of policies which underpin the internal control process. The policies are set by the Board of Trustees through its committees and implemented by Local Governing Bodies and school senior leadership. Written procedures support the policies where appropriate.

4.2 Regular reporting - Regular reporting is designed to monitor key risks and their controls. Decisions to rectify problems identified are made through the scheduled programme of meetings of the relevant committees of the Board of Trustees and, if appropriate, of the full Board of Trustees itself.

4.3 Planning and budgeting - The planning and budgeting process may be used to set objectives, agree action plans, and allocate resources. Progress towards meeting planned objectives will be monitored termly or more frequently if required.

4.4 Risk management assessment (The Auriga Academy Trust Risk Register) - A risk management assessment is compiled by Trust and school senior leaders and helps to facilitate the identification, assessment and on-going monitoring of material risks to which the trust and its schools are exposed. The document is formally reviewed at each Trust Board meeting.

5 Internal Audit programme

The Auriga Academy Trust initiates internal audit programmes for all financial (and related) matters, and the Trust Audit, Risk & Effectiveness Committee monitors the effectiveness of internal controls.

6 External Audit

External audit of the financial statements provides feedback to the Board of Trustees on the operation of internal financial controls reviewed as part of the annual audit.

Other external audits (e.g. the health and safety inspections and visits from insurers, the ESFA and Ofsted) may also be the subject of periodic reports to the Board of Trustees.

7 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 CEO, Head Teachers and School Leaders to the Finance & Resources Committee and the Audit Risk & Effectiveness Committee.

The reports of the CEO, internal auditors, external auditors, insurance provider, and the risk register review will be considered and any required action will be minuted and communicated to LGBs and School Senior Leaders for implementation. The progress and outcome of this action must be reported to the Audit, Risk and Effectiveness Committee for discussion at the next meeting or sooner if necessary.

8 Risk Culture and Impact

The Auriga Academy Trust actively identifies, evaluates and mitigates risk to ensure that exposures are managed within agreed and acceptable tolerances. All organisations are exposed to risk and risk exposure can never be eliminated. Through embedding use of the risk register, and additional training and development, the trust ensures that an awareness of risk and the importance of its management exists throughout the organisation. Performance management systems are used to develop a culture in which all members of staff are aware of the risks associated with their area of work and their role in managing those risks.

Risk can be defined as 'uncertainty' which manifests in (often unforeseen) events and threats which can impact an organisation's ability to carry out its core functions, meet its strategic aims and jeopardise its long term survival.

Risk is part of life and organisations recognise the need to identify, monitor, manage and report risk in a manner that is acceptable to itself and its regulators. Risk must be managed in way that protects the organisation from sudden, devastating events whilst accepting that a degree of strategic, financial and reputational loss will occur from time to time.

The Auriga Academy Trust recognises and seeks to manage four main risk impacts:

1. **Strategic risks** which threaten its aim to provide outstanding education to the students it serves.
2. **Financial risks** which impact income, increase costs or degrade the value of assets owned by the trust.
3. **Reputational risks** which damage the trust's image and adversely affect its appeal and brand value.
4. **Operational risks** where established controls and procedures are not followed.

Individual risks such as changes in government funding, fraud, accidents, increasing utilities costs etc. will result in strategic, reputational and/or financial impact.

The Trust's Risk Register includes risks which have the potential to materially impact the trust.

9 Assessing and Monitoring Risk and Setting Risk Appetite

When assessing and monitoring risk the following definitions apply:

Risk appetite - the level of risk that the Trustees and / or School LGB is prepared to accept in pursuit of its objectives before action is deemed necessary to reduce the risk.

Inherent risk - the amount of risk that exists in the absence of controls, worst case scenario.

Current Risk - the perceived current level of risk.

Target Risk - the level of risk the Trust and/or School wishes to reduce the risk to, so that it is within appetite.

The inherent, current and target risk are decided by the Risk Owner and moderated by the Trust Board.

When assessing risks, each risk's propensity to impact (severity) the Trust or school should be considered, along with the likelihood (probability) of the risk occurring. The severity and probability will be based upon assumptions and judgement. Where risks are deemed to be difficult to assess, highly variable, or it is thought that the worst case severity threatens the survival of the trust, this indicates a higher degree of uncertainty, and therefore a greater degree of risk.

The potential loss to the trust and its associated probability should be weighed against the entire cost of any mitigating action.

By weighing up how much risk is or isn't acceptable, setting risk limits and directing mitigating actions, Trustees set the trust's risk appetite.

10 Risk Reporting and Communication

The aim of reporting risk is to provide assurance to the Members, Trustees, Governors, Senior Leadership and Stakeholders that the trust is effectively managing its risks and has a robust system of internal controls.

Risks are monitored by senior leaders through the Trust's Risk Register and emerging risks which become a cause for concern are reported to the either the Finance & Resources Committee, or the Audit, Risk and Effectiveness Committee depending on their nature.

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 by the Risk Owner. Any new or increased risks identified by Senior Leaders, Governors or raised by a member of staff will be evaluated and, if appropriate, recorded in the Risk Register having been raised with the Head Teacher and then the CEO.

The Risk Register details the principal perceived risks for The Auriga Academy Trust and its constituent schools in relation to its key delivery areas. This is actively maintained as a working document taking into account new opportunities, the emergence of new risks, the implementation of new strategies and learning from experience. In order for the Trust to understand the overall risk position, the Trust has one combined risk register that is stored centrally and updated on Office365. The ownership of the component parts is as follows:

- The Trust Risk Register is owned by the CEO and reviewed by the Trust Board.
- Each School's Risk Register is owned by the Headteacher and reviewed by the Governing Body. The CEO works with the Headteacher to maintain and update the school risk register.

Each risk has a Risk Owner, named on the Register. The Risk Owner is expected to own the risk and lead on any mitigating actions that will bring the risk within an acceptable level to the Trust. These actions are detailed by risk in Appendix 1 of the Risk Register.

The owner's scores for inherent, current and target risk are moderated by the CEO and then subject to the oversight of the Trust Board. The Trust Board sets the risk appetite for each risk. Whether a risk is within appetite is determined by the Trust.

11 Critical Incidents To Be Escalated To Trustees

Only principal risks are listed on the Risk Register. Escalation of 'critical incidents' will provide Trustees with sight of the major risks facing the trust and how these are being mitigated and managed by Senior Leaders. Critical incidents are key data points which can signal a need for further investigation or management action as a result of 'lessons learnt'. Critical incidents should be escalated to the Head Teacher in the first instance. The Head Teacher will assess the incident, in line with the criteria below, before deciding whether to escalate to the CEO. The CEO will raise any critical incident at the first Board of Trustees meeting following identification. Critical incidents are defined as follows:

- Business Interruptions where teaching and learning is interrupted for the majority of students for 3 hours or more.
- Incidents requiring Insurance Claims.
- Incidents which resulted in life threatening injury, loss of life or which could have endangered life.
- Incidents which are or are likely to attract negative media coverage (local and national press).
- Incidents with a potential financial impact of £100K or more.
- Incidents which are likely to result in court action against the Trust or one of its staff.
- Safeguarding incidents where school activity was outside nationally agreed practice or where school activity contributed in any way to the incident (e.g. by not following its own procedures).
- Any incident which has the potential for any school to be forcibly investigated by a 3rd party.
- Buildings Damage or Deterioration which impacts classroom / teaching space, or leads to significant health and safety concerns.

It is envisaged that these definitions should be revisited periodically to ensure that the balance of number and severity of incidents escalated to Trustees is appropriate.

12 Mitigation and Control

When considering the risks which threaten the Trust, Trustees, Governors and Senior Leadership will direct the implementation of risk management strategies which will be detailed by the Risk Owner in the Risk Register (Appendix 1). Each strategy should attempt to mitigate some aspect of probability and or severity. Strategies may include:

Avoid - Counter measures are put in place that prevent a risk materialising.

Transfer - All or part of the exposure is transferred to a third party, for example via an insurance policy.

Mitigate - Interventions to reduce the probability of the risk materialising or limiting the impact to acceptable levels.

Accept - An acceptance that the risk exposure is "a cost of doing business" within defined tolerances or is entirely beyond the control of the academy (for example education funding) or that the costs of mitigation outweigh the reduction in exposure.

It is expected that more than one of strategy may be applied to some risks.

All the Auriga Academy Trust schools will have in place:

- Business Continuity Planning – every school will have a plan based on the standard trust template.

- Adequate Insurance cover arranged by the trust and reflecting trust policy.
- Internal controls which mitigate risk within agreed tolerance.
- Provisions (financial contingency) where appropriate to cushion the impact of unexpected events.
- Investment in new and improved systems as directed by the Trust.
- Reducing or ceasing activities or practices which expose the trust to unacceptable levels of risk (as notified by Trustees).

Each mitigating action carries a degree of cost to the trust. The cost of risk management strategy should be weighed against the extent of risk exposure it mitigates.