

The Four Stones Multi Academy Trust

Risk Management Policy

Version Control

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1. Introduction and aims

This Risk Management Policy provides an overview of The Four Stones Multi-Academy Trust's (referred to as MAT) approach to risk management which is based on the latest guidance set out by the Department for Education (DfE) and Education & Skills Funding Agency (ESFA). The Policy sets out the principles that guide the MAT's approach, key internal roles and responsibilities, a framework for risk management and key risk categories, and a summary of the process and annual cycle of risk management and internal scrutiny. This policy aims to:

- set the MAT's risk and internal audit practices in the context of core guidance and best practices within the sector;
- ensure that the Trust Board clearly delegates responsibilities for risk management and internal scrutiny;
- outline the process through which risks are identified, reported, evaluated, mitigated and escalated throughout the organisation;
- define the link to the MAT's internal scrutiny programme which is designed to provide assurance on financial and non-financial internal controls; and
- throughout the Policy, to set out the Trust Board-level oversight and discussion of risk and internal audit.

2. Relevant legislation and guidance

2.1 Guidance for academy trusts

The Primary Regulator for academy trusts is the Secretary of State for Education at the Department for Education (DfE). The MAT therefore follows the requirements relating to risk management and internal scrutiny that are set out in the DfE's Governance Handbook and the Education & Skills Funding Agency's (ESFA) Academy Trust Handbook. In particular, the MAT follows the ESFA's guidance to:

- ensure that the Trust Board reviews the Risk Register at least once each academic year;
- establish a Committee of the Board with responsibility for audit and risk;
- set out an annual programme of work for this Committee, which will approve the annual plans and receive regular reports on audit outcomes;
- ensure a comprehensive programme of internal scrutiny across both financial and non-financial areas; and
- report on the MAT's internal scrutiny programme within the annual report and accounts, and in a report submitted to the ESFA each year by 31st December.

2.2. Guidance for charities

The MAT is also an exempt charity and Trust Board members hold duties as charity Trustees. The Charity Commission has a detailed guidance note on risk management, 'Charities and risk management (CC26)'. This guidance states that charities should regularly review and assess the risks faced in all areas of its work and plan for management of those risks. Charities that are required by law to have their accounts audited must also make a risk management statement in their Trustees' annual report confirming that '...the charity trustees have given consideration to the major risks to which the charity is exposed and satisfied themselves that systems or procedures are established in order to manage those risks.' (Statement of Recommended Practice (SORP), Charities (Accounts and Reports) Regulations 2008).

2.3. Guidance for companies

The MAT is also a registered company in England and Wales, number 07652306. Companies (other than those defined as a small company by the Companies Act 2006) must also include in the Trustees' annual

strategic report a description of principal risks and uncertainties facing the company, together with details of how they are managed, mitigated and addressed.

3. Definitions

- **External assurance:** External assurance is defined as ‘assurance from external independent bodies such as the external auditors and other external bodies’ (definition taken from *Institute of Chartered Accountants in England and Wales [ICAEW]*). External bodies can bring a new, valuable and independent perspective on an organisation’s activities.
- **Internal scrutiny:** Internal scrutiny is defined as the process of providing ‘independent assurance that an organisation’s risk management, governance and internal control processes are operating effectively’ (definition from *Chartered Institute of Internal Auditors*).
- **Risk:** Risk is defined as ‘the possibility that an uncertain event, action or set of circumstances which, if to occur, would have a material adverse or beneficial effect’ on an organisation (definition taken from *Association for Project Management*). In the context of the MAT, risks can occur at organisation-wide level in a way that impacts on the MAT’s strategy, at Departmental level, or at the level of individual schools. Risks cannot be entirely eliminated, but rather can be identified, managed and mitigated with appropriate oversight from the Trust Board and Executive team.
- **Risk Management:** ‘Risk analysis and risk management is a process that allows individual risk events and overall risk to be understood and managed proactively, optimising success by minimising threats and maximising opportunities and outcomes’ (definition taken from *Association for Project Management*).

4. Rationale for the MAT’s approach to risk management

The MAT is committed to building a culture of risk management across the organisation. Our Trust undertakes risk management activities in order to:

- Minimise disruption to our students’ education through risk and contingency planning;
- Draw from our Trustees’, Governors’ and Senior Leaders’ knowledge and awareness of our MAT and the wider sector;
- Use internal scrutiny reports as a source of learning and development to ensure our processes and controls are as robust as possible; and
- Enable our Trustees, Governors and Senior Leaders to discharge their responsibilities.

5. Risk principles

Informed by the rationale for risk management, the MAT commits to the following Risk Management principles:

- Our MAT takes a clear and consistent approach to the identification and scoring of risk, through use of a Strategic Risk Register and operational Risk Registers for each school;
- Our MAT uses a risk-informed approach to inform governance decisions, and embeds discussion of risk into key decisions at all levels of governance within the MAT; and
- Our MAT links risk and internal assurance activities to take a holistic approach to these activities.

6. Roles and responsibilities for risk management

6.1. The Trust Board

The Trustees are responsible for:

- setting and regularly reviewing the MAT’s approach to risk management and communicating this approach (and any changes) and setting standards of conduct expected of staff;
- approving the framework for risk management including identifying the key categories of risk (see risk management framework below);
- reviewing the post-control scores for risks, as part of setting the MAT’s ‘risk appetite’ for key categories of risk;
- receiving assurance on the robustness of the process of risk identification, management and mitigation within the MAT;
- receiving assurance that a culture of risk management is embedded in the MAT;
- ensuring risk management is included in development of organisational plans, budgets and when considering strategic decisions, for example when deciding whether a new school should join the MAT or implementing a new system;
- approving major decisions affecting the MAT’s risk profile or exposure;

- receiving reports from the Finance, Audit & Risk Committee, external consultants, any other relevant parties, and to make recommendations as required.

6.2. Role of the Finance, Audit & Risk Committee

The Finance, Audit & Risk Committee is a Committee of the Trust Board. It takes responsibility for detailed review of the effectiveness of risk management activity and programme of internal scrutiny within the MAT. In doing so it supports the Trust Board through oversight of financial and non-financial controls, escalating key risks to the Trust Board for further review as required. In particular, the Committee takes responsibility for:

- Agreeing the annual programme of work to deliver internal scrutiny;
- Reviewing the risk register to inform the programme of work;
- Agreeing who will perform the work;
- Considering reports at each meeting from those carrying out work;
- Considering progress in addressing recommendations; and
- Considering outputs from other assurance activities by third parties.

6.3. Role of the CEO and Executive Team

The CEO, Executive team, Central team, Headteachers and senior colleagues are responsible for risk oversight and full details are included in the MAT's Risk Registers.

6.4. Role of Local Governing Bodies (LGBs)

The LGBs of The Four Stones MAT schools are delegated responsibility for challenge and support in relation to individual schools' Risk Registers. This is an important role and enables the LGBs to understand emerging risks in individual schools. The LGB may also wish to request reports on individual risks in the Risk Register, in order to consider them in more detail. The LGB will ensure that any high-level risks are escalated to the central Trust, in order to facilitate effective internal communication of risks.

6.5. Role of risk owners

Individual risk owners will be identified by the Executive team and will be responsible for:

- Supporting the process of identification, mitigation and reporting of risks in line with agreed systems and timelines;
- Escalation of risks to line managers in line with organisational processes.

7. Risk framework

7.1. Aims of the MAT's Risk framework

The purpose of the MAT's risk framework is to ensure a consistent approach to structuring engagement with risk management activities. These activities will:

- Foster a culture of risk awareness throughout the MAT;
- Ensure that the MAT takes a proportionate approach, ensuring that 'the time and cost implications of putting in place and maintaining controls and contingency plans are justified when compared with the likelihood of a risk happening and the potential impact if it does' (taken from *Confederation of School Trusts*); and
- Assist with the process of providing assurance on compliance with laws and regulations.

7.2. Risk categories

In line with DfE, ESFA and Charity Commission risk management guidance, the MAT maintains Risk Registers covering key strategic and operational risks, which will be updated 2-3 times each year and more frequently where the need arises or the risks are more volatile.

A common set of risk categories are used across the Risk Registers for the MAT and its individual schools. This assists with comparability of risks across schools and ensure that risk registers cover the full range of operational areas.

The full details of the risk categories are included in the Strategic Risk Register and operational Risk Registers for each school and link directly to the following strategic objectives:

1. To ensure the clarity of vision, ethos and strategic direction of The Four Stones Multi Academy Trust (MAT);
2. For the educational performance of the schools in the MAT and their students;

3. To oversee the financial performance of the schools in the MAT and make sure money is well spent and value for money is achieved; and
4. Ensure compliance with charity and company law and the MAT's master and supplemental funding agreements.

8. Approach to identification, mitigation and reporting of risk

8.1. Risk identification

There are four fundamental stages of the risk management process. The first stage is the identification of risks. The MAT holds a Strategic Risk Register and operational Risk Registers for each school that are updated 2-3 times each year by risk owners with oversight by the Executive team.

Headline risks on the operational Risk Registers for each school are presented separately to the Trust Board, in order to present a comprehensive view of risks, and also understand any trends in risks emerging across the schools. The identification of risks is informed by analysis of the external environment in which the MAT sits and risk meetings with key colleagues.

All risks on the Risk Registers are fully described, using the Risk Register template, mitigating actions provided, a date by which they will be implemented (or become embedded within core activities) and who is responsible for managing the risk and/ or specific actions. Indicators of risks must also be given, so that changes to these indicators can be used to communicate a positive or negative dynamic in relation to the risk.

8.2. Risk assessment

As part of completing the Risk Register templates, the risks will then be assessed to outline the pre-control and post-control scores. Full details of the approach to scoring is laid out in the Trust and School Risk Registers.

8.3. Risk oversight

The Strategic Risk Register will be updated at set intervals during the year, in accordance with the annual Trust Board cycle, at both Board and Finance, Audit & Risk Committee level. The Trust Board will consider post-control risk scores and consider any further mitigating actions that should be taken.

One of these reviews by the Trust Board may be held as part of the annual strategy meeting to enable an in-depth assessment of the MAT-wide risks and the ways in which they may impact on strategy. The Finance, Audit & Risk Committee will also undertake a more detailed review annually to coincide with consideration of the MAT's internal controls so that identified risks can be used to inform the annual programme of internal assurance.

LGBs also play an important role in periodically reviewing school-level risks and ensuring that emerging and current risks are identified and monitored.

8.4. Risk management and the link to internal controls

Risk owners are expected to monitor, manage and mitigate identified risks on an ongoing basis. In doing so they will be guided by adherence to organisational policies and managerial oversight. The Trust Board will also receive further assurance through the internal and external audit processes including reviews of probity, value for money and effectiveness of internal controls (see **Section 9** below).

8.5. Annual cycle of reporting - The annual cycle of governance oversight of risk management and internal scrutiny will be coordinated as follows:

Agenda item	Regularity & term	Purpose
In-depth review of Risk Registers	Annual - spring	Discussion
Financial and non-financial internal audit reports	Annual - spring	Discussion
Financial external audit plans	Annual - summer	Approval
Financial and non-financial internal audit plans	Annual - autumn	Approval

9. Internal scrutiny programme

The Strategic Risk Register is used to develop a programme of financial and non-financial internal scrutiny across the MAT, which will be informed by key risks. The internal scrutiny will be delivered at both the 'management' (2nd line) and 'independent' (3rd line) level across operational areas as follows. 'Independent' reviews of particular categories may not necessarily be delivered on an annual basis, but rather on a three-year cycle. A summary of the Trust's approach will be included in the annual report submitted to the Education & Skills Funding Agency (ESFA) by 31st December each year.

10. Policy monitoring and review

This Policy, and the risk processes outlined within it, are subject to automatic review every three years, or within that period as required by legislation or experience.