

**INVICTUS**

Education Trust

**RISK MANAGEMENT AND  
PROCEDURES POLICY**

Approved by Board of Trustees  
25<sup>th</sup> March 2019

To be reviewed by Board of Trustees  
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## **1. Purpose of this Document**

This Risk Management Policy (the policy) forms part of the 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 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**

### **2.1 What is Risk?**

Risk is defined as the uncertainty of outcome, whether positive opportunity or negative threat, of actions and events. The risk has to be assessed in respect of the combination of the likelihood of something happening, and the impact which arises if it does actually happen. Risk management includes identifying and assessing the risk (the 'inherent risks') and then responding to them.

### **2.2 Resources for Managing Risk**

The resources available for managing risk are finite and so the aim is to achieve an optimum response to risk, prioritised in accordance with an evaluation of the risks. Risk is unavoidable, and every organisation needs to take action to manage risk in a way which it can justify to a level which is tolerable. The amount of risk which is judged to be tolerable and justifiable is the 'risk appetite'.

Response, which is initiated within the Trust, to risk is called 'internal control' and may involve one or more of the following:

- Tolerating the risk
- Treating the risk in an appropriate way to constrain the risk to an acceptable level or actively taking advantage, regarding the uncertainty as an opportunity to gain a benefit
- Transferring the risk
- Terminating the activity giving rise to the risk

In any of these cases the issue of opportunity arising from the uncertainty should be considered.

The level of risk remaining after internal control has been exercised (the 'residual risk') is the exposure in respect of that risk, and should be acceptable and justifiable – it should be within the risk appetite.

Effective risk management needs to give full consideration to the context in which the Trust functions and to the risk priorities of partner organisations.

The management of risk is not a linear process, rather it is the balancing of a number of interwoven elements which interact with each other and which have to be in balance with each other is risk management is to be effective.

## 2.3 Category of Risk

Key to Risks	Description
F	Financial
O	Operational
R	Reputational
L	Likelihood

## 2.4 Assessing Risk

There are three important principles for assessing risk:

- Ensure that there is a clearly structured process in which both likelihood and impact are considered for each risk.
- Record the assessment of risk in a way which facilitates monitoring and the identification of risk priorities. The assessment of risk must be done at inherent stage and then done again at residual stage.
- Be clear about the difference between, inherent and residual risk

This assessment needs to be done by evaluating both the likelihood of the risk being realised and of the impact if the risk is realised.

Key to Risks	Likelihood
1	Unlikely
2	Likely
3	Highly Likely
4	Certain

Impact	Description
1	Insignificant Risk – Not critical to continued service/operations
2	Minor – Impact is in limited areas of service/operations short period of time 0 – 6 months
3	Moderate – Impact is in limited areas if service/operations long period of time 6 months - onwards
4	Significant – Impact would affect continued service/operations in short term 0 – 6 months
5	Major – Impact would affect continued service/operations in long term 6 months - onwards
6	Catastrophic – Failure for fundamental service/operations to continue

Risk Level	Score
Low	1 - 14
Medium	15 - 24
High	25+

When the assessment is then compared to the risk appetite (see below), the extent of action required becomes clear. It is not the absolute value of an assessed risk which is important, rather it is whether or not the risk is regarded as tolerable, or how far the exposure is away from tolerability, which is important.

See Appendix 1 for Invictus Education Trust Risk Assessment Form

## 2.5 Risk Appetite

When considering threats, the concept of risk appetite embraces the level of exposure which is considered tolerable and justifiable to the Trust. It is about comparing the cost (financial or otherwise) of constraining the risk with the cost of the exposure, should the exposure become a reality, and finding an acceptable balance.

When considering opportunities, the concept embraces consideration of how much the Trust is prepared to actively put at risk in order to obtain the benefits of the opportunity. It is about comparing the value (financial or otherwise) of potential benefits with the losses which might be incurred.

The Trust's risk appetite is not necessarily static. The Board of Trustees have the freedom to vary the amount of risk which they are prepared to take, depending up on the circumstances at the time.

## 2.6 Addressing the Risk

The purpose of addressing the risk is to turn uncertainty to the Trust's benefit. There are five key aspects of addressing risk:

### Tolerable

The exposure may be tolerable without any further action being taken, or the cost of taking any action may be disproportionate to the potential benefits gained.

### Threat

By far the greater number of risks will be addressed in this way. The purpose of treatment is that whilst continuing within the Trust with the activity giving rise to the risk, action (control) is taken to constrain the risk to an acceptable level.

### Transfer

For some risks the best response may be to transfer them. This might be done by insurance against the risk or it might be done by paying a third party to take the risk in another way, such as a service provider to the Trust.

### Terminate

Some risks will only be treatable, or containable to an acceptable level by terminating the activity. This option can be particularly important to project management if it becomes clear that the projected costs/benefits do not out-weigh the risk.

### Take the Opportunity

At the same time as mitigating threats an opportunity arises to exploit positive impact. The assessment on relevant controls are judged to be good enough to justify increasing the risk to gain even greater advantages.

## 2.7 Controlling Risk

### Preventative Controls

The controls are designed to limit the possibility of an undesirable outcome being realised. Examples of preventive controls include; separation of duty and limitation of action.

### Corrective Controls

These controls are designed to correct undesirable outcomes which have been realised. They provide a route of recourse to achieve some recovery against the loss or damage. Insurance would be regarded as a form of corrective control, as it facilitates financial recovery. Contingency planning is an important element of corrective control.

### Directive Controls

These controls are designed to ensure that a particular outcome is achieved. They are particularly important when it is critical that an undesirable event is avoided – typically associated with Health and Safety or with Security. An example of this control is that staff are trained with the required skills before being allowed to work unsupervised.

### Detective Controls

These controls are designed to identify occasions of undesirable outcomes having been realised. They are only appropriate after the event when it is possible to accept the loss or damage incurred. Examples of detective controls are assets being removed without authority, post implementation reviews which detect lessons to be learnt from projects.

Every control action has an associated cost and it is important that the control actions offers value for money in relation to the risk that it is controlling.

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 Executive Headteacher/CEO and Senior Leadership Team, 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
- Executive Headteacher and School Headteachers are responsible for encouraging good risk management practice within their schools
- 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
- Determine whether the Trusts 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 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 Finance & Audit Committee**

Invictus Education Trust has designated the Finance & Audit Committee 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 Directors
- Provide adequate information in a timely manner to the Board of Trustees on the status of risks and controls
- Report on risk management action plan implementation at each meeting of the Board of Trustees. Undertake an annual review of effectiveness of the system of internal control and provide a report to the Board of Trustees

## **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:

### 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 Executive Headteacher and Headteachers to staff. Written procedures support the policies where appropriate.

### Monthly Reporting

Comprehensive monthly reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the senior management team and the Board of Trustees if appropriate.

### 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.

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

The Risk Register is compiled by the Finance & Audit Committee 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.

### Departmental Risk Plans

Significant risks within individual schools/departments are identified via the Trust self-assessment process. Appropriate action plans are put in place to deal with issues identified.

### Finance & Audit Committee

The Finance & Audit Committee in their 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.

### 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 Finance & Audit 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, Employment Law, HR and Payroll 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 Board of Trustees is responsible for reviewing the effectiveness of internal control of the Trust, based on information provided by the Finance & Audit Committee. 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:

#### **Control environment:**

- The Trust's objectives and its financial and non-financial targets
- Organisational structure and calibre of the senior 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 exposure

#### **Information and communication**

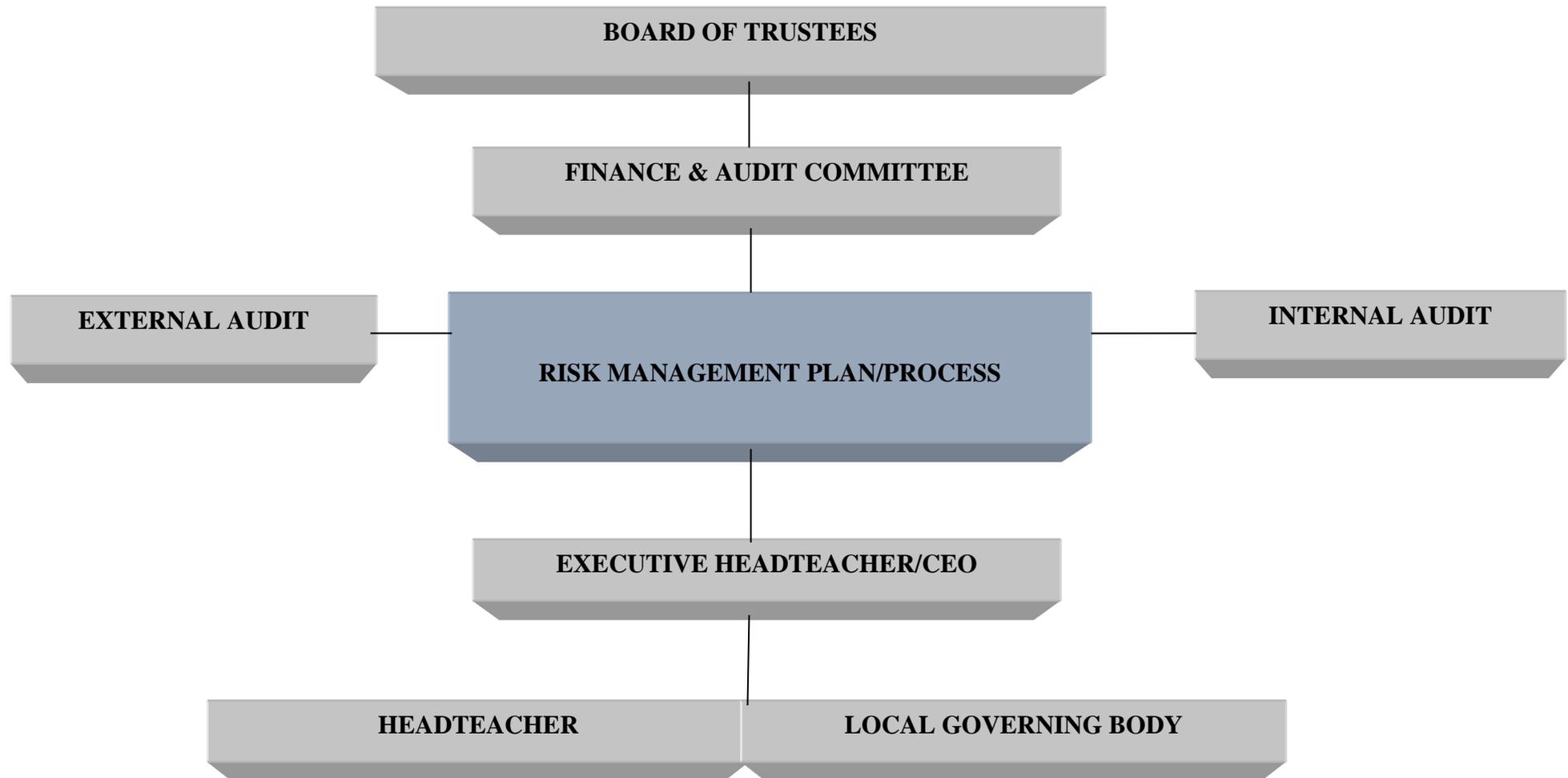
- Quality and timeliness of information on significant risks; and time it takes for control breakdowns to be recognised or new risk to be identified

#### **Monitoring and corrective action:**

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

The Finance & Audit Committee 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.

## 6. RISK MANAGEMENT STRUCTURE



## 7. Risk Management Roles and Responsibilities

A Summary of the Roles and Responsibilities of each body are set out below

<b>BODY</b>	<b>EXPECTED ROLE IN RISK MANAGEMENT</b>	<b>FORMAL RESPONSIBILITIES</b>
<b>Board of Trustees</b>	<p>The Board of Trustees is expected to:</p> <ul style="list-style-type: none"> <li>• Set the tone and influence the culture of risk management throughout the Trust.</li> <li>• Approve all major decisions affecting the Trust’s risk profile or exposure</li> <li>• Frequently 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.</li> <li>• Annual review of 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.</li> </ul>	<p>The Board of Trustees is ultimately responsible for the Trust’s system of internal control and reviewing its effectiveness.</p> <p>The Board of Trustees needs to form an opinion on whether the Trust has complied with all the provisions of the combined code throughout the year. This will include:</p> <ul style="list-style-type: none"> <li>• Reviewing the key risks together with the controls which have been implemented to mitigate those risks.</li> <li>• Confirm 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.</li> </ul> <p>The Board of Trustees will also need to ensure that there is a regular review of the risk management process and its outcomes via the Finance &amp; Audit Committee. The Director of Finance should ensure an up to date action plan of risk management goes to every Board meeting, throughout the year.</p>
<b>Finance &amp; Audit Committee</b>	<p>The Finance &amp; Audit Committee oversees internal and external audit, and review the Trusts internal controls. The Finance &amp; Audit Committee is, therefore, well placed to provide advice to the Board of Trustees on the effectiveness of the internal control system, including the Trust’s system for management of risk as part of this annual report.</p>	<p>The Finance &amp; Audit Committee reports to the Board of Trustees on internal controls and alerts Trustees to any emerging issues. The Finance &amp; Audit 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 Board for independent discussion.</p>

<p><b>Senior Management Team</b></p>	<p>The Senior Management Team is comprised of the Executive Headteacher/CEO and Headteachers.</p> <p>Its main function is to:</p> <ul style="list-style-type: none"> <li>• Implement policies on risk management and internal control.</li> <li>• Identify and evaluate the significant risks faced by the Trust for consideration by the Finance &amp; Audit Committee</li> <li>• Provide adequate information in a timely manner to the Finance &amp; Audit Committee on the status of risks and controls.</li> <li>• Undertake an annual review of effectiveness of the system of internal control and provide a report to the Finance &amp; Audit Committee. To enable the Committee to prepare a new Risk Management Action Plan for each new academic year</li> </ul>	<p>Its responsibility is to support the Finance &amp; Audit Committee in discharging their duties.</p> <p>The Senior Management Team should hold regular meetings to ensure action plan implementation is being carried out efficiently and effectively.</p>
<p><b>Risk Management Officer</b></p>	<p>Executive Headteacher/CEO is the Risk Management Officer for the Trust, whose role is to:</p> <ul style="list-style-type: none"> <li>• Take overall responsibility for the administration and implementation of the risk management process.</li> <li>• Provide advice and support to colleagues within the broader Trust and to Governors as appropriate.</li> <li>• Provide impetus and drive to the risk management process to ensure the implementation timetable is achieved.</li> <li>• Ensure risk management and its processes are disseminated and become embedded throughout the Trust.</li> </ul>	

<p><b>Internal Audit</b></p>	<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 Trust.</p> <p>Internal audit will need to take account of the corporate risks and the resultant Risk Management Action Plan 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 the Finance &amp; Audit 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>The Trust's Senior Management Team monitors the systems of internal control in accordance with an agreed plan of input and report their findings to the Finance &amp; Audit Committee.</p> <p>The Finance &amp; Audit 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, the Director of Finance provides the Board of Trustees 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>
<p><b>External Audit</b></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 the combined code.</p> <p>It is <b>not</b> the role of the 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 GAG funds provided by the EFA have been applied in accordance with the Master and Supplementary Funding Agreement between the EFA and the Trust.</p> <p>The external Audit opinion will also clearly set out the scope of their work and responsibilities in respect of confirming compliance with the combined code.</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 Board of Trustees and Senior Management Team have agreed the following process in line with guidelines set out in the accompanying Risk Management Policy.

### The Process

The Finance & Audit Committee will consider the Risk Management Policy, Risk Register and the Risk Management Action Plan on an annual basis. They will prepare a report for the consideration of the Board of Trustees which:

- Identifies and evaluates the significant risks faced by the Trust
- Makes recommendations concerning the content of the policy, action plan and register

The Board of Trustees will consider their report and approve any changes to the Policy, the Action Plan and the Register, in the final meeting of the year.

The Senior Management Team will review the Risk Management Action Plan and the Risk Register at the final Headteacher's meeting of each term. They will:

- Review the progress of the implementation of the Risk Management Action Plan
- 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 Action Plan and the register as required

Following this meeting a report of the review will be presented to the next meeting of the Finance & Audit Committee, who will consider the report and its recommendations and approve any subsequent actions.

**Appendix 1**

**INVICTUS EDUCATION TRUST RISK ASSESSMENT FORM**

**Risk Categories: High/Medium/Low**

<b>Risk/Hazard</b>	<b>Description of Risk/Hazard</b>	<b>Control Measures</b>	<b>Residual Risk</b> <i>Categorise as High/Medium/Low</i>	<b>Further Action Required</b>	<b>Target Date for Completion</b>
<b>Form Completed By:</b>		<b>Managers Signature:</b>		<b>Date:</b>	