

RISK MANAGEMENT POLICY

Updated: March 2024 (MR)

Governor Review: March 2024



INTRODUCTION

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

The policy explains the school's underlying approach to risk management, documents the roles and responsibilities of the board of governors, the senior leadership team, 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 governors will use to evaluate the effectiveness of the school's risk management procedures.

This policy should be read in conjunction with the following policies:

1. Health and Safety Policy
2. Risk Assessment Policy
3. Fire Risk Prevention Policy

APPROACH TO RISK MANAGEMENT

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

- the board of governors has responsibility for overseeing risk management within the school as a whole
- an open and receptive approach to solving risk problems is adopted by the board of governors
- the senior leadership team supports, advises and implements policies approved by the board of governors
- the school, in its strategic planning, makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks
- Heads of Department and other managers are responsible for encouraging good risk management practice within their area of responsibility
- key risk indicators will be identified, recorded in a Risk Register and closely monitored on a regular basis.

ROLE OF THE GOVERNING BODY

The board of governors has a fundamental role to play in the management of risk. Its role is to:

- Set the tone and influence the culture of risk management within the institution. This includes:
 - determining whether the school is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue
 - determining what types of risk are acceptable and which are not
 - setting the standards and expectations of staff with respect to conduct and probity.
- Determine the appropriate risk appetite or level of exposure for the school.
- Approve major decisions affecting the school's risk profile or exposure.
- 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.
- Annually review the school's approach to risk management, its Risk Register and approve changes or improvements to key elements of its processes and procedures.

ROLE OF THE SENIOR LEADERSHIP TEAM

The key roles of the senior leadership team are to:

- Implement policies on risk management and internal control.
- Identify and evaluate the significant risks faced by the institution for consideration by the board of governors.
- Provide adequate information in a timely manner to the board of governors and its 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 governors.

RISK MANAGEMENT AND INTERNAL CONTROL

The School's system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the school to respond to a variety of operational, financial, and commercial risks. These elements include:

1. 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 governors and implemented and

communicated by senior leadership to staff. Written procedures support the policies where appropriate.

2. Termly reporting

Comprehensive termly reporting (financial and otherwise) is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the Finance Committee and the board of governors if appropriate.

3. 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.

4. High level risk register

This register is compiled by the Head and Director of Finance & Operations in collaboration with the Governing Board and helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the School. The document is a working document and emerging risks are added as required, and improvement actions and risk indicators are monitored regularly.

5. Departmental risk assessments

Heads of Department, and other managers, will develop and use this framework to ensure that significant risks in their area of responsibility are identified, assessed and monitored. The document will then be formally appraised annually but emerging risks will be added as required, and improvement actions and risk indicators will be monitored regularly.

6. Finance Committee

The Finance Committee is required to report to the board of governors on internal controls and alert governors to any emerging issues. In addition, the Committee oversees the external audit process 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 school's system for the management of risk.

7. 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.

8. Third party reports

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

ANNUAL REVIEW

The board of governors is responsible for reviewing the effectiveness of internal control of the school, based on information provided by the senior leadership team. Its approach is outlined below. For each significant risk identified, the board will:

- review the previous year and examine the School'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:

- the school's objectives and its financial and non-financial targets
- organisational structure and calibre of the senior leadership team
- culture, approach, and resources with respect to the management of risk
- delegation of authority
- public reporting, including the National Risk Register
- timely identification and assessment of significant risks
- prioritisation of risks and the allocation of resources to address areas of high exposure.
- quality and timeliness of information on significant risks
- time it takes for control breakdowns to be recognised or new risks to be identified.
- ability of the school to learn from its problems
- commitment and speed with which corrective actions are implemented.

The senior leadership team will prepare an annual report of its review of the Annual Operating Statement elements of the School Development Plan for consideration by the Board of Governors.