



The Sutton Academy

Risk Management Policy

Status	Non-Statutory
Responsible Governors' Committee	ALT
Date last approved by GB	Not Applicable
Responsible Persons	Mr G Hogarth
To Review Date	February 2016
Last Amended Date	February 2015

Risk Management Policy

1. Purpose of this Document

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

The policy explains the academy's underlying approach to risk management, documents the roles and responsibilities of the board of governors, 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 governors will use to evaluate the effectiveness of the academy's internal control procedures.

2. Underlying Approach to Risk Management

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

- The board of governors has responsibility for overseeing risk management within the Academy as a whole;
- An open and receptive approach to solving risk problems is adopted by the board of governors;
- The principal and the corporate management team supports, advises and implements policies approved by the board of governors;
- The Academy makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- Senior and middle managers 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 Governors

The role of the board of governors in the management of risk is to:

- Set the tone and influence the culture of risk management within the Academy.
- Determine whether the Academy 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 academy'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 academy'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 Sutton Academy has designated the corporate management team (ALT) 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 Academy 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;
- Report on risk management action plan implementation at each meeting of the corporation. Undertake an annual review of effectiveness of the system of internal control and provide a report to the board of governors.

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 Academy 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 governors and implemented and communicated by ALT to staff. Written procedures support the policies where appropriate.

b. *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 corporate management team and the board of governors if appropriate.

c. *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.

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 Academy. The document is formally appraised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly, (overseen by risk management champion)

e. *Departmental Risk Plans*

Significant risks within departments are identified via the Academy self assessment process. Appropriate action plans are put in place to deal with issues identified.

f. *Finance Committee (Audit)*

The Finance Committee in their report to the board of governors on internal controls alerts governors 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 academy'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 Finance 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 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.

6. Annual Review of Effectiveness

The board of governors is responsible for reviewing the effectiveness of internal control of the Academy, 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 academy'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 academy's objectives and its financial and non-financial targets;
- Organisational structure and calibre of the corporate management team;
- Culture, approach, and resources with respect to the management of risk;
- Delegation of authority; and public 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.

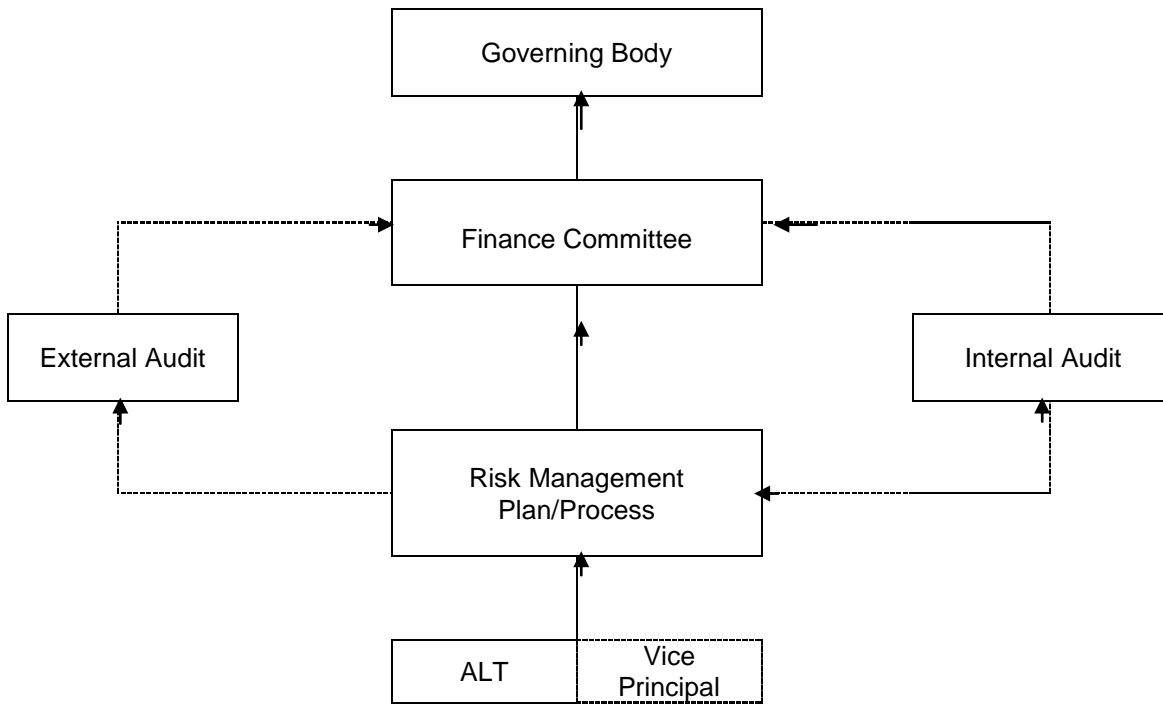
d. Monitoring and corrective action:

- Ability of the Academy 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 governors.*

*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
Governing Body	<p>The Governing Body is expected to:</p> <ul style="list-style-type: none"> • Set the tone and influence the culture of risk management throughout the Academy; • Approve all major decisions affecting the Academy'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 Academy'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 Governing Body is ultimately responsible for the Academy's system of internal control and reviewing its effectiveness.</p> <p>The Governing Body needs to form an opinion on whether the Academy has complied with all the provisions of the Combined Code 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 Academy'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 Corporation will also need to ensure that there is a regular review of the risk management process and its outcomes (via The Finance Committee). The Principal should ensure an up-date of the risk</p>

Body	Expected role in risk management	Formal responsibilities
		management action plan goes to every Corporation meeting throughout the year.
Finance Committee	The Finance Committee oversees internal audit, external audit, ISR auditors 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 institution's system for the management of risk as part of its annual report.	The Finance Committee reports to the Board of Governors on internal controls and alerts Governors to any emerging issues. The Finance Committee meets on at least a termly basis and provides a forum for reporting by the Academy's internal and external auditors, who have access to the Committee for independent discussion. The Committee also receives and considers reports from the YPLA as they affect the Academy's business.
Risk Management Group	<p>The risk management group is comprised of all members of ALT. Its main function is to:</p> <ul style="list-style-type: none"> • Implement policies on risk management an internal control. • Identify and evaluate the significant risks faced by the Academy 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. To prepare a new risk management action plan for each new academic year. 	<p>Its responsibility is to support the Governing Body and associated committees in discharging their duties.</p> <p>It should hold regular meetings to ensure action plan implementation is being carried out efficiently and effectively.</p>
Risk Management Champion	<p>ALT have nominated the Andrew Moore Asst. VP 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 Academy and to Governors as appropriate. • 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 Academy. 	<p>Rolling programme of internal staff development (<i>all levels</i>)</p>
Internal Audit	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.	The Academy's internal auditors monitor the systems of internal control in accordance with an agreed plan of input and report their findings to management and The Finance Committee. Management are responsible for the

Body	Expected role in risk management	Formal responsibilities
	<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 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>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 Head of Internal Audit provides the Governing Body/Corporation, via The Finance Committee, with a report on internal audit activity in the Academy. The report includes an independent opinion on the adequacy and effectiveness of the Academy's system of internal control, including internal financial control.</p>
External Audit	<p>External audit will ensure that the annual risk management process has been undertaken, and that statements of Corporate Governance reflect the academy's implementation of the combined code.</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 Academy'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 Corporation of the Academy.</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 Combined Code.</p>

8 Risk Management Reporting Process

Introduction

In order to ensure that the Academy minimises its exposure to risk and the potential effects of such risks Corporate Management Team (ALT) and the Governing Body have agreed the following process in line with the guidelines set out in the accompanying Risk Management Policy.

The Process

1. The ALT (as the Risk Management Group) 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 Governing Body which:
 - ❖ Identifies and evaluates the significant risks faced by the Academy
 - ❖ Makes recommendations concerning the content of the policy, action plan and register

2. The Governing Body will consider their report and approve any changes to the policy, the action plan and the register in the final meeting of the year.
3. ALT will review the Risk Management Action Plan and the Risk Register at the final 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 Governing Body. Governors will consider the report and its recommendations and approve any subsequent actions.