



Risk Management Strategy

Introduction

1. The aim of the risk management strategy is to ensure the Academy's strategic aims are achieved within a system of internal controls which are designed to assist in achieving objectives and reducing the risk of failures. It cannot and should not be intended to eliminate risks entirely.

What is meant by 'risk'?

2. It is important to have a common definition of risk and one frequently used is:
'the threat or possibility that an action or event will adversely or beneficially affect an organisation's ability to achieve its objectives'.
3. All organisations have expressed or implied objectives and managing risks effectively will help to achieve those objectives. Risk management is not a process for avoiding risk: when used it can allow an organisation to take on activities which have a higher level of risk (and therefore could deliver a greater benefit), because the risks have been identified, are understood and managed, and the residual risk is thereby lower. Risk management is not just negative (ensuring that bad things are less likely to happen) but also positive (making it more likely that good things will happen). It is important that organisations are aware of the risks they face and minimise their exposure through the operation of various controls.
4. This Risk Management Strategy (the Strategy) forms part of the Academy's internal control and corporate governance arrangements.
5. The Strategy explains the Academy's underlying approach to risk management, documents the roles and responsibilities of the Governing Body, the Senior Management Team, and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.
6. In addition, it describes the process the Governing Body will use to evaluate the effectiveness of the internal control procedures.

Underlying approach to risk management

7. The following key principles outline the Academy's approach to risk management and internal control:
 - the Governing Body has responsibility for overseeing risk management
 - the Principal and the Senior Management Team supports, advises and implements policies approved by the Governing Body
 - the Academy makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks
 - Heads of Departments are responsible for encouraging good risk management practice within their department

- HEFCE requires that institutions should assess, take and manage risks in a balanced way that does not overly constrain freedom of action in order to remain sustainable and financially viable.

Role of the Governing Body

8. The Governing Body 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 Academy
 - determine the appropriate level of exposure to risk and risk appetite on a case by case basis
 - approve major decisions affecting the Academy's risk profile or exposure
 - ensure there is a robust and comprehensive system of risk management, control and corporate governance. This should include the prevention and detection of corruption, fraud, bribery and irregularities
 - 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
 - consider HEFCE's assessment of the Academy's risk status, engages with HEFCE during the risk assessment process, and takes action to manage or mitigate the risks identified
 - ensure that there is an ongoing process for identifying, evaluating, and managing the risks faced, and should review this process regularly.

The responsibilities of the Governing Body for the regular review of risk management issues are delegated to the Audit Committee.

Role of the Senior Management Team

9. The main roles of the Senior Management Team are to:
- implement policies on risk management and internal control
 - identify and evaluate the significant risks faced by the Academy for consideration by Audit Committee and the Governing Body
 - provide adequate information in a timely manner to the Governing Body 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 Audit Committee and the Governing Body.

Risk management as part of the system of internal control

10. The system of internal control incorporates risk management. This system encompasses a number of elements which 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 Governing Body and implemented and communicated by the Senior Management Team to staff. Written procedures support the policies where appropriate.

- b. *Reporting*
The high level risks are compiled into a Strategic Risk Register by the Senior Management Team which helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the Academy. Major risks are considered by the Governing Body. Emerging minor risks are identified, as appropriate, and improvement actions and are monitored regularly. Key risks are also discussed at weekly Senior Management Team meetings and issues are reported to Audit Committee and the Governing Body as appropriate.
- c. *Planning and budgeting*
The Deputy Principals and the Director of Finance meet with all Heads of Departments during the annual planning round to set objectives, agree action plans and identify risks. Progress towards meeting objectives is monitored regularly.
- d. *Audit Committee*
The Audit Committee is required to keep under review the effectiveness of the risk management, control and governance arrangements and in particular to review the external auditors' management letter, the internal auditors' annual report, and management responses. Audit Committee is required to report to the Governing Body on internal controls and alert Governors to any emerging issues. The Audit Committee considers the Strategic Risk Register at each meeting which is then used to inform the internal audit plan.
- e. *Internal audit plan*
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 and a review of the risk management system in particular. Internal audit must provide an annual report which includes the internal auditor's opinions on the adequacy and effectiveness of the Academy's arrangements for risk management, control and governance
- f. *External audit.*
External audit provides feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit.
- g. *Third party reports.*
From time to time the use of external consultants may be necessary and the use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

Annual review of effectiveness

11. The Governing Body is responsible for reviewing the effectiveness of internal control of the Academy, based on information provided by the Senior Management Team and the auditors. The annual review will be undertaken by the Senior Management Team and reported to the Audit Committee.
12. In reviewing the effectiveness the board will consider the following aspects:
- a. Internal control environment:
- The Academy'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

- public reporting.
- b. On-going identification and evaluation of significant risks:
 - timely identification and assessment of significant risks
 - 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
 - time it takes for control breakdowns to be recognised or new risks to be identified.
 - d. Monitoring and corrective action:
 - ability of the Academy to learn from such issues
 - commitment and speed with which corrective actions are implemented.
13. The Audit Committee will provide an Annual Report on the Committee's opinion on the adequacy and effectiveness of the Academy's arrangements for risk management, control and governance for consideration by the Governing Body and the Principal.
 14. An Annual Accountability Return is made to HEFCE and based on this HEFCE will provide to the Accountable Officer (the Principal) and the Governing Body a confidential risk assessment, stating whether or not the Academy is considered to be at higher risk.
 15. Every five years HEFCE will undertake a full assurance review, to provide further advice and opinion as to whether the Academy exercises accountability for the public funding which it receives.

Risk Register

16. The Strategic Risk Register is maintained by the Director of Finance and reviewed by the Senior Management Team. Risks are analysed as follows:
 - the risk and the risk type
 - the possible impact if the risk were to occur
 - the likelihood of the risk occurring
 - the severity of the impact
 - the central procedures which exist to manage the risk
 - an overall assessment of the remaining risk, taking into consideration the control procedures in existence
 - the person(s) responsible for managing the risk
 - any further action required.
17. The likelihood of the risk (P) and the severity of impact (I) are combined to provide a gross risk score $(P \times I) + I$.
18. The person responsible for managing the risk should draw the matter to the attention of the Senior Management Team if the risk level should change or further action is required.
19. Progress is reported to the Audit Committee at every meeting and to the Governing Body at least annually.

The Audit Committee approved the Risk Management Strategy at its meeting on 29 February 2016 and recommended to the Governing Body that the Strategy is adequate to assist the Academy in achieving its strategic aims and objectives, and that the system of internal controls is designed to reduce the risk of failures.

Judith Barber
Director of Finance

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