St Thérèse of Lisieux Catholic Multi Academy Trust

RISK MANAGEMENT PROCESS

Audience:	**Directors, Local Governing Bodies, Central Team and all other CMAT employees**
Approved:	**Audit & Risk Committee 05.10.2020**
Other related policies:	**Risk Management Policy**
Policy Owner:	**Louise Wilson – Chief Executive Officer**
Policy Model:	**Compliance – all CMAT academies use this policy**
Review:	**Annually**
Version Number:	**1.0 (October 2020)**

1. Risk Management Strategy

Our Trust's Risk Management strategy is set out in our published Risk Management Policy. It aims to:

- outline the roles and responsibilities of risk management;
- identify risk management processes to ensure that all risks are appropriately identified, controlled and monitored;
- ensure appropriate levels of awareness throughout St Therese of Lisieux CMAT.

2. Roles and responsibilities

5.1 Role of the St Therese of Lisieux CMAT Board

The St Therese of Lisieux CMAT Board has overall responsibility for risk management. Trustees are responsible for:

- annually reviewing and setting the tolerance level for risk exposure;
- reviewing the strategic risk register at every meeting;
- providing strategic leadership, review and challenge to the Executive Leadership Team on the strategic risks
- overseeing the completion of the section regarding risk management within the annual report.

5.2 Role of the Executive Leadership Team

The Executive Leadership Team is responsible for:

- deciding upon the top strategic risks to be reported to Trustees;
- for the risks where they have been assigned as lead for action, ensure controls are monitored and managed and provide regular updates to the risk owner;
- for ensuring that controls are implemented at local academy level.

5.3 Role of the Chief Financial Officer

The Chief Financial Officer (CFO) has lead responsibility for risk management processes and the Trust wide risk register. This responsibility includes:

- monitoring the performance of risk management processes;
- ensuring that appropriate controls are in place to manage and identify risks;
- preparation of periodic reports to the Trustees.

5.4 Role of the Local Governing Bodies

The Local Governing Bodies are responsible for:

- Monitoring and reviewing risk management at a local level in each academy.

3. Risk Management Process

St Therese of Lisieux CMAT has implemented a simple risk management framework, as endorsed by risk professionals and ESFA guidance;

Academy trust risk management framework

The main stages of the risk management process are:

3.1 Identification

At the risk identification stage, all potential events that could adversely influence the achievement of business objectives (including not capitalising on opportunities) are identified, defined and categorised. We do this as a joint effort and with the focus on things that could adversely affect our business objectives and so get maximum benefit from this stage if risks are identified in a "top-down" as opposed to "bottom up" way.

Events that appear to be negative but which do not have any direct impact on business objectives may not be risks at all.

3.2 Measurement

This consists of assessment, evaluation and ranking:

- The aim of **assessment** is to understand better each specific instance of risk, and how it could affect business objectives. We estimate:
    - the likelihood (or probability) of it occurring, and
    - the impact (or severity) if it did occur

  We assess likelihood and impact on a simple score of 1-5

- Evaluation: the combination of the respective scores for each risk's likelihood and impact respectively to derive a single risk score reflecting its overall level of threat. Risks could be evaluated as H/H, H/M, L/H and so on

- **Ranking**: once the scores for likelihood and impact have been combined into a single risk score, they can be plotted on a risk matrix. The matrix is simply a grid showing high likelihood/high impact risks to the upper right and low likelihood/low impact risks to the lower left.

3.3 Risk Ratings - These tables outline risk ratings.

Table A	
Likelihood of Occurrence / Injury / Illness	**L Rating**
Unlikely to occur	1
Possible that risk will occur	2
Could happen occasionally	3
Probable that risk will occur	4
Almost certain to occur	5

Table B	
Impact (Harm / loss / damage)	**I Rating**
Causing slight injury or illness, minor disruption/ financial loss <£500 / trivial damage	1
Causing short term injury or illness /a few days disruption/ financial loss £500-£5000 / minor damage / No negative media coverage	2
Causing serious injury or illness with short term disability / sustained disruption for more than a week/ financial loss £5000-£25000 / major damage / Local negative media coverage	3
Causing serious injury or illness with long term disability / disruption for more than a month / financial loss £25,000-£100,000 / medium term loss of property / National negative media coverage / government intervention	4
Causing death / long term disruption of service / financial loss >£100,000 / total loss of property / Sustained nation negative media coverage / removal of delegated authorisations	5

		Impact				
		1	2	3	4	5
Likelihood	1	1	2	3	4	5
	2	2	4	6	8	10
	3	3	6	9	12	15
	4	4	8	12	16	20
	5	5	10	15	20	25

The Likelihood (L) rating is multiplied by the Impact (I) rating to provide the Risk Rating (RR). This will be between 1 and 25 and will determine the risk rating based on the risk matrix above.

Table C should then be used to identify how quickly we need to take action to manage the risk.

Table C		
Risk Rating	**Level of Risk**	**Action Timetable**
1-4	Low Risk	No action needed
5-9	Medium Risk	Action commenced 2 months
10-16	High Risk	Action within 5 working days where practicable, if not, within 10 working days
20-25	Very High Risk	Immediate Action or within 1 day **Note: Activity must stop if possible**

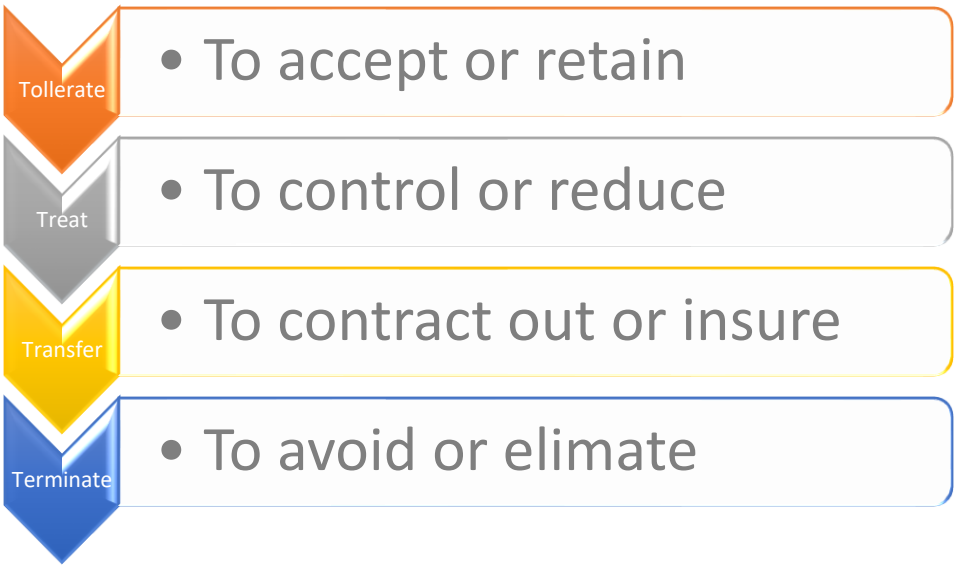
3.4 Management (control)

Once risks have been assessed, evaluated and ranked, we need to ensure there are appropriate plans to manage them. These plans include preventative controls, mitigation processes and contingency plans in the event that risks materialise. The approach taken will depend substantially on our risk appetite and risk capacity:

- Risk appetite – the amount of risk the academy trust is willing to accept in the pursuit of its objectives
- Risk capacity – the resources (financial, human, and so on) which we are able to put in place in managing risk

Consideration of these factors may generate disagreement owing to differing views of risk, so it is important that discussion involves debate and challenge. Directors may feel more comfortable when there is greater control of risk, but our resources and capacity must determine controls. Excessive control may be stifling as well as expensive and controls and resources will directly affect how assured Directors feel about risks. For instance, trustees may prefer that the risk of inappropriate procurement would be reduced by having every purchase order over £100 signed off by the accounting officer, but would this be the most appropriate use of the time of the most highly paid member of staff in the academy trust, especially if effective and cheaper alternatives exist.

Once we have established our risk tolerance and capacity, we can develop a risk control strategy. Again, there are various ways to do this and no one way is "right", but one easy-to-follow approach is to consider the **"4 T's"**:



Tolerating risk is where no action is taken. This may be because the cost of instituting controls is not cost-effective or the risk or impact is so low that they are considered acceptable. For instance, we may decide to tolerate the risk of contracting with a supplier with a poor credit rating provided the goods/services could be obtained relatively easily from someone else.

Treating risk involves controlling it with actions to minimise the likelihood of occurrence or impact. There may also be contingency measures to reduce impact if it does occur. For instance, we may decide to train more than the statutory minimum of staff as paediatric first aiders and to put in place a rota for first aid cover during lunchtimes

Transferring risk may involve the use of insurance or payment to third parties willing to take on the risk themselves (for instance, through outsourcing). We may decide to take out insurance to mitigate the risk of the excessive costs of supply staff in the event of extended staff absences.

Terminating risk can be done by altering an inherently risky process to remove the risk. If this can be done without materially affecting operations, then removal should be considered, rather than attempting to treat, tolerate or transfer. Alternatively, if a risk is ranked highly and the other potential control measures are too expensive or otherwise impractical, the rational decision may well be that this is a process we should not be performing at all. For instance, we may decide to end an established after school club if it is impractical to get suitably qualified staff to cover it.

Some risk experts suggest a fifth "T": "take advantage", in recognition that the uncertainty attaching to risk sometimes offers opportunities as well as threats. For example, the risk that 30 pupils apply for a place on a residential trip when the academy trust has only reserved 25 places. In such cases, it may be logical to maximise the likelihood of the risk and to "mitigate" the consequences, for example, by contacting other schools to see if they have any untaken places.

3.5 Monitoring

The risk register is central to risk monitoring. As risks are identified, they should be logged on the register and relevant control measures documented. Our risk register includes:

- Risk category – does each risk fall under the category of governance, operational, finance, environmental (external) or compliance? Categorisation helps tease out other likely risks as well as potential duplication
- Risk ID – a unique number used to identify and track the risk
- Risk description – a brief description of the potential risk, i.e. the event itself rather than its consequences
- Business objective threatened – a description of the relevant business objective that the risk would affect if it materialised
- The estimated impact of the risk if it materialised. This too should be scored (As outlined above
- The estimated likelihood that the risk will occur. This should also be scored
- Risk rating – this is the overall magnitude or the level of the risk. It is a combination of likelihood and impact and so reflects its position on the risk matrix (as above) and its RAG rating.
- Response (Control) measure – which of the 4Ts we have opted for
- Existing controls – what we have in place that is already helping to manage the risk and the status of this risk's management after considering these controls (residual risk)
- Proposed controls – what we plan to do in addition to existing controls to further manage the risk and the status of this risk's management after considering these additional controls (residual risk)

- Risk owner – the person responsible for deciding whether the risk trigger needs to be activated, and managing the control measures and contingency plans. This should always be in identifiable individual
- Review process – the date that the risk is next reviewed

3.6 Reporting

The board (including any relevant sub-committee such as the finance or audit committee) will set out how and when it wants to receive information about risks. This reporting should provide reliable, current, complete and timely information, reflecting different risk types as well as emerging issues. The way we do this is for Directors to receive the risk register and probe management as to whether the various scores, rankings and control measures remain appropriate.

The board should review the risk register at least one detailed review a year, although our Boards has decided that it is appropriate to review the register at every meeting of the Audit Committee. The focus should be on High and Very High Risks.

Trustees should consider "stress testing" the supposed controls and mitigations to ensure that they do not exist on paper only. For example, trustees (or the internal scrutiny function) could ask their IT provider to produce their SIMS backup data from off-site storage on disk within contract time and quality requirements.

Academy trusts must have an internal scrutiny function in place – Internal Audit. The register should provide a rational basis for the internal scrutiny function's work programme.

The Board should keep their own risk appetite under review and should consider the ongoing appropriateness of this risk management approach. Unforeseen events will materialise periodically, and, when this happens, the board should consider the extent to which the risk was identified and measured and whether or not the chosen control measure was appropriate.