

John Paul II Multi-Academy

Risk Management, Risk Register and Response to Risk Plan

New policy for Academy January 2014 7 April 2014

Next review due: June 2017

Date policy approved by
Directors and minuted: 16/06/2016

Member of staff responsible: Principal Finance Officer (PFO)

Policy history: New policy for Academy January 2014

People involved in the policy formation and consultation process: Principals, PFO, Finance and Audit Committee and Finance Team.

JOHN PAUL II MULTI-ACADEMY

RISK MANAGEMENT, RISK REGISTER AND RESPONSE TO RISK PLAN

(FIRST DRAFT APRIL 2014)

1. RISK MANAGEMENT

- 1.1 The management of risks to John Paul II Multi- Academy is undertaken in accordance with the Master Funding Agreement and the Academies Financial Handbook (September 2015).
- 1.2 The Board of Directors are responsible for risk management and for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, whilst safeguarding public funds and other funds and assets for which it is responsible. The Board of Directors are advised in this role by the Finance and Audit Committee and both are advised and informed by the multi-academy Senior Leadership Team which includes the Accounting Officer and Principal Finance Officer for the academy.
- 1.3 The Board of Directors fulfils its role by establishing the system of internal control:
 - 1.3.1 Approving and reviewing a series of policies that underpin the internal control process; the financial policies include the Accounting Finance and Resources policy, Acceptance of Donations and Gifts policy, Counter Fraud Theft and Corruption policy and Financial Risk Management policy;
 - 1.3.2 agreeing objectives, plans and resources by means of the budget and the School Development Plans and the over-arching Academy Development Plan;
 - 1.3.3 approving this policy statement and the attached Risk Register (prepared by the Finance and Audit Committee) and reviewing them carefully each year to identify risks, near misses and opportunities;
 - 1.3.4 considering carefully the advice from the Responsible Officer checks, Auditors and the Entrust Team on internal financial controls, together with advice from any other external consultants or inspectors.
- 1.4 The Senior Leadership Team within each school across the multi-academy fulfils its Risk Management role by:
 - 1.4.1 Implementing Directors' policies on risk management and internal control;
 - 1.4.2 advising the Finance and Audit Committee of the fundamental risks faced by the academy and helping to evaluate them;
 - 1.4.3 providing timely and sufficient information to Directors and the Finance and Audit Committee on the status of risks and controls;

- 1.4.4 assisting the Finance and Audit Committee to draw up and revise the Risk Register;
- 1.4.5 working to embed risk management and risk-based internal control in all aspects of the academy's management.
- 1.5 The Risk Register is revised annually by the Finance and Audit Committee who will recommend it to the Board of Directors.
- 1.6 In its annual review of the Risk Register the Board of Directors should consider the following:
 - 1.6.1 Whether risk management continues to be linked to the multi-academy's objectives via the Academy Development Plan;
 - 1.6.2 The appropriate risk appetite or level of exposure to the multi-academy as a whole;
 - 1.6.3 Whether risk review procedures cover fundamental strategic and reputational, operational, compliance, financial and other risks to achieving the academy's objectives;
 - 1.6.4 whether risk assessment and risk-based internal control are embedded in ongoing operations and form part of its culture;
 - 1.6.5 changes in the nature and extent of fundamental risks and the academy's ability to respond to changes in its internal and external environment since the last assessment; the scope and quality of management's on-going process of monitoring the system of internal control including such elements as the effectiveness of assurance functions;
 - 1.6.6 The extent and frequency of reports on internal control to the Board of Directors and whether this is sufficient for the Board of Directors to build up a cumulative assessment of the state of control and effectiveness of risk management;
 - 1.6.7 The incidence of any fundamental control failings (risk events) or weaknesses identified at any point within the year (near misses) and the impact that they have had or could have on financial results;
 - 1.6.8 The effectiveness of the academy's public reporting processes;
 - 1.6.9 The effectiveness of the overall approach and policy to risk management and whether changes or improvements to processes and procedures are necessary.
- 1.7 Related Policy: Business Continuity Plan (**to be in place for individual schools across the multi-academy**).

Explanation of the Responses to Risk outlined in the Risk Register:

TRANSFER	This may be done by conventional insurance or by paying a third party to take the risk in another way.
TOLERATE	Exposure to risk may be tolerable without any further action. Alternatively, it may not be possible to do anything about the risk without a disproportionate cost.
TREAT	This may not obviate the risk – it is more likely that the aim will be to contain it to an acceptable level.
TERMINATE	This response is used when the only way to contain a risk to acceptable levels is to discontinue the activity that gives rise to the risk (not possible if there is a legal duty to engage in the activity).

Abbreviations used in the Risk Register:

BOD = Board of Directors

AO = Accounting Officer

PFO = Principal Finance Officer

APs = Academy Principals

RO = Responsible Officer

AFO = Academy Finance Officers

B. Operational Risks

Category	Sub-category	Specific	Likelihood of occurring (5=high,1=low)	Impact if occurs (5=high, 1=low)	Response (transfer, treat, tolerate or terminate)	Control procedures and target date	Person(s) responsible for action	Date of next review
B1. Management information risk	Quality risk	Risk that information produced (financial and non-financial) for trustees and senior management is not accurate or not in a format suitable for monitoring the performance of the charity	2	4	Treat	Information is monitored using independent sources of advice, especially Responsible Officer, Auditor, Independent advisers, RAISEonline	Finance and Audit committee	
	Timeliness risk	Risk that management information is not available quickly after the period to which it relates	2	3	Treat	Reviewed regularly by Finance and Audit committee and BOD	PFO	
	Review risk	Risk that management information is not subject to review	1	3	Treat	Regularly reviewed by Finance and Audit committee and Principals	Finance and Audit committee, Principals and BOD	
		Risk that action is not taken after the review of management information	1	3	Treat	Clear minutes and action points. Reviewed at next meeting	Chair of individual committees	
	Quality risk	Risk that too little management information is produced to facilitate informed decision making	1	3	Treat	Kept under review by Sub Committees and Finance and Audit committee and BOD	Sub Committees, Finance and Audit committee and BOD	

Operational Risks contd.

Category	Sub-category	Specific	Likelihood of occurring (5=high,1=low)	Impact if occurs (5=high, 1=low)	Response (transfer, treat, tolerate or terminate)	Control procedures and target date	Person(s) responsible for action	Date of next review
B2. Human resources risk	Trustee risk	Insufficient experience of the charity/education sector	1	4	Treat	Director training	BOD	
		Trustees without required expertise	2	1	Treat	Director training	BOD	
		Lack of availability/poor attendance at meetings	1	3	Treat	Membership reviewed by BOD	BOD	
		Entrepreneurial risk – risk that trustees are too entrepreneurial. Risk that activities of the charity could be outside its objects.	1	4	Tolerate	Not a major risk at present		
		Trustees become too involved with management of the charity and are not independent of management	1	3	Tolerate			
		Trustees not act solely in the interests of the charity but for their business/other interests	1	5	Treat	Accounting Policies / Pecuniary interests	BOD	
		No member with responsibility for financial oversight is appointed	1	4	Treat	Appoint Chair and members of the Finance and Audit committee		
	Passive trustees	2	3	Treat	Director training			
	Management risk	Senior management capability/experience of charity sector risk	1	4	Treat	Provide training		
		Integrity risk	1	4	Tolerate	Not a practical risk at present		
		Key person loss/succession risk	4	3	Treat	Plan for all eventualities	BOD, APs	
		Entrepreneurial risk – risk that management is too entrepreneurial. Risk that activities of the charity could be outside its objects	1	2	Tolerate	Not a practical risk at present		
	Staff risk	Low morale risk	2	3	Treat	Monitored by staff questionnaires, line management meetings, performance management and individual school SLTs	APs	
		Retention risk	1	2	Treat			
		Recruitment risk (recruiting someone unsuitable to work with children)	1	5	Treat	Safer recruitment procedures implemented rigorously and at least one member of the interview panel has received Safer Recruitment Training.	APs; Chair of Directors	
		Appraisal / assessment risk	1	3	Treat	See Performance Management policies	APs, BODs	
		Staff matters not referred to HR professionals, may lead to tribunals	1	3	Treat	HR advice sought regularly on all difficult issues	APs, ABD	
		Training risk	1	2	Tolerate	Not a practical risk at present		
		Technical capability risk	2	4	Treat	Provide training	APs	

Operational Risks contd.

Category	Sub-category	Specific	Likelihood of occurring (5=high,1=low)	Impact if occurs (5=high, 1=low)	Response (transfer, treat, tolerate or terminate)	Control procedures and target date	Person(s) responsible for action	Date of next review
	Volunteer risk	Excessive reliance on volunteers	1	2	Tolerate	Not a practical risk at present		
		Lack of control over volunteers	1	3	Treat	Provide training	APs	
		Training risk	2	3	Treat		APs	
		Risk that volunteers are not of appropriate quality/vetted/subject to police checks	1	5	Treat	Safeguarding policy applied rigorously. Safeguarding handbook published by MAC for volunteers	APs, Principals	
	H & S risk	Staff fatality / injury	2	4	Treat	Health and Safety Policy and Risk Assessments applied rigorously	RO, APs and H&S Co-ordinators in each school	
		Fatality / injury to student/third party	4	2	Treat			
		Other third party risk	2	2	Treat			
B3. Income risk	Donor risk	Charity heavily reliant on one donor	1	1	Tolerate	Not a practical risk at present		
		Donor has a strong influence / power over charity's activities	1	1	Tolerate			
	Marketing risk	Other charities competing for donations or similar sources of income	2	2	Treat	Research new sources of funding, including increasing ACMF bids to improve facilities to enable MAC to have the competitiveness edge	APs, PFO, BODs	
	Grants receivable risk	Grants receivable not used for the purposes for which they were given	2	3	Treat	Use Accounting policies. Auditors both internal and external can help to identify problems	APs, PFO, Finance and Audit committee	
		Grants receivable reporting requirements are not adhered to	1	2	Treat	Use Accounting policies. Auditors both internal and external can help to identify problems	APs, PFO, Finance and Audit committee	
		GAG received late or sum reduced	3	4	Tolerate	Reserves managed prudently	APs, PFO, Finance and Audit committee	
B4. Supplier risk	Supplier selection risk	Supplier financial viability	2	3	Treat	Tendering process to be followed and payment processes to be applied	APs, PFO, Finance and Audit committee	
		Supplier inappropriate	2	3	Treat			
		Supplier connected with either trustees or staff	1	3	Treat	Apply Finance Policy, keep business interest records for directors and staff. Reviewed annually	APs, PFO	
		Delivery risk	2	3	Treat	Regular reviews of suppliers	PFO, Finance and Audit committee	
		Quality risk	1	3	Treat			
	Key supplier dependency risk	Risk that supplies not available	2	3	Tolerate	No action practicable to avoid the risk		
		Risk of dependency on few suppliers	2	3	Treat	Rigorous tendering process	APs, PFO, Finance and Audit committee	
	Value for money risk	Purchase price risk	2	2	Treat	Regular review of suppliers	PFO	
		Efficiency risk	2	3	Treat	Regular monitoring	PFO	

C. Compliance Risks

Category	Sub-category	Specific	Likelihood of occurring (5=high,1=low)	Impact if occurs (5=high,1=low)	Response (transfer, treat, tolerate or terminate)	Control procedures and target date	Person(s) responsible for action	Date of next review
C1. Employee legislation risk	Employment laws risk	Risk that legislative requirements are not known or complied with	1	4	Treat	Regular advice sought from HR (annual SLA purchased from SCC)	APs	
		Discrimination risk	1	4	Treat	See Equality Policy	APs	
		Data Protection risk	3	4	Treat	Data Protection Policy	APs	
		Human Rights risk	1	3	Treat	Equality Policy	APs	
		Equal Opportunities risk	1	4	Treat			
		Contract risk	1	3	Transfer	Refer to HR	APs, PFO	
	Pension risk	Risk that legislative requirements are not known or complied with	1	3	Transfer	Refer to HR and SCC Pensions	PFO	
Health and Safety risk	Risk that legislative requirements are not known or complied with	2	3	Treat / Transfer	Health and Safety Policy, + external H&S Audit	Principals, Finance and Audit committee (for buildings) and Academy Committees		
C2. Environmental legislation	UK legislation	Risk that legislative requirements are not known or complied with	2	3	Treat	Research and consider all relevant legislation	Finance and Audit committee (land and buildings)	
	EU legislation	Risk that legislative requirements are not known or complied with	2	3	Treat			
C3. Financial reporting risk	Statutory accounts risk	Risk that legislative requirements are not known or complied with	2	4	Treat/Transfer	Apply Accounting policies. Advice from Auditors and Accountancy Support team	APs, PFO, Finance and Audit committee	
	Accounting standards risk	Risk that legislative requirements are not known or complied with	2	4	Treat/Transfer			
	SORP compliance risk	Risk that legislative requirements are not known or complied with	2	4	Treat/Transfer			
C4. Charities legislation risk	Charities legislation risk	Risk that legislative requirements are not known or complied with	1	2	Treat	Provide training	APs, PFO, BODs	
C5. Tax legislation risk	VAT / PAYE / NI risk	Risk that legislative requirements are not known or complied with	2	3	VAT = Treat PAYE, NI = Transfer	See Accounting Policy. Supported by School Accountancy Team and SCC HR	APs, PFO, Finance and Audit committee	
C6. Data Protection Act risk		Risk that legislative requirements are not known or complied with	1	3	Treat	Apply Data Protection Policy	APs, PFO	

Compliance Risks contd.

Category	Sub-category	Specific	Likelihood of occurring (5=high,1=low)	Impact if occurs (5=high, 1=low)	Response (transfer, treat, tolerate or terminate)	Control procedures and target date	Person(s) responsible for action	Date of next review
C7. Welfare and compliance risk	Disability risk	Risk that legislative requirements are not known or complied with	1	3	Treat	Apply Equality Policy	APs, BODs	
	Safeguarding	Risk that legislative requirements are not known or complied with	1	3	Treat	Safeguarding Policy	APs, Safeguarding and Deputy Safeguarding Officers	
C8. Sector compliance risk	Curriculum compliance	Risk that legislative requirements are not known or complied with	1	2	Treat	Refer to Master Funding Agreement re delivery of curriculum. Apply Curriculum Policy???	APs, Curriculum Committee, BODs	
	Mental health compliance risk	Risk that legislative requirements are not known or complied with	1	3	Treat	?????	???	
C9. Local Authority and Central Government risk	Grant criteria risk	Risk that legislative requirements are not known or complied with	1	2	Treat	Apply Accounting Policies	APs, PFO	
	Licensing risk	Risk that legislative requirements are not known or complied with	2	2	Treat	Apply ICT Policy and development plan. Copyright procedures	Network Manager, APs, PFO, Resources committee Finance and Audit committee	

Financial Risks contd.

Category	Sub-category	Specific	Likelihood of occurring (5=high,1=low)	Impact if occurs (5=high, 1=low)	Response (transfer, treat, tolerate or terminate)	Control procedures and target date	Person(s) responsible for action	Date of next review
	Sponsorship funding risk	Sponsorship targets are not met	1	1	Tolerate	Not a practical risk at present		
		Sponsorship promised by individual partners is not delivered	1	1	Tolerate	Not a practical risk at present		
	Cut off risk	Risk that income is accounted for in the wrong accounting period	2	2	Treat	Apply Accounting policy and correct procedures carefully. Financial timelines and closure of periods will support this risk	PFO, AFO, School Accountancy team	
	Fraud risk	Risk that donations are misappropriated	1	4	Treat	Apply Accounting Policies	PFO, AFO	
D4. Expenditure risk	Authorisation risk	Risk that expenditure is not authorised	1	2	Treat	Apply Accounting Policies and Scheme of Delegation	PFO, AFO	
	Allocation risk	Risk that expenditure is allocated between headings using inappropriate basis	1	2	Treat	Apply Accounting Policy. To be monitored by AO, PFO, PPs, School Accountancy team and through RO checks	APs, PFO,, AFO	
	Price risk	Risk that discounts are not secured or price reductions obtained on purchases or services	2	2	Treat	Apply Best Value and principles to all decisions	PFO, AFO	
	Cut off risk	Risk that expenditure is accounted for in the wrong accounting period	2	2	Treat	Apply Accounting Policy and ensure Academy Financial timeline adhered to by PFO, AFOs, School Accountancy team	PFO, AFO, School Accountancy team	
	Fraud risk	False invoice / payment risk	3	2	Treat	Apply Accounting Policy	PFO, AFO, School Accountancy team	
D5. Treasury risk	Cash flow risk	Risk that cash flow requirements are not forecast	2	4	Treat	Apply Accounting Policy and regularly review cash flow – AO, PPs, PFO and School Accountancy team	APs, PFO, AFO, School Accountancy Team	
		Risk that cash is all tied up in investments and insufficient is readily available to meet short term cash flow needs	1	1	Tolerate	Not a practical risk at present		
D6. Fixed Asset risk	Capital construction risk	Risk that assets built by constructors do not meet specifications or actual cost exceeds budget	2	4	Treat	Apply Best Value principles to all decisions	PFO, Project Manager e.g.,Architects, Finance and Audit committee	
	Asset recognition risk	Risks that assets are not capitalised	2	3	Treat	Apply Accounting policies and ensure correct procedures are followed carefully	PFO, AFO, School Accountancy team	
		Risks that depreciation rate is not appropriate	2	2	Treat			
Fraud risk	Risk that assets are misappropriated	2	2	Treat	Apply Accounting Policies	PFO, AFO, School Accountancy team		
D7. Investment risk	Return risk	Risk that the return on investments is not being maximised	1	1	Treat	Apply Accounting Policies. However, not a current practical risk		
		Risk that trustees are not acting in accordance with their investment policy / powers (e.g. investing in high risk investments which are not in the best interests of the charity)	1	1	Treat			

Category	Sub-category	Specific	Likelihood of occurring (5=high,1=low)	Impact if occurs (5=high, 1=low)	Response (transfer, treat, tolerate or terminate)	Control procedures and target date	Person(s) responsible for action	Date of next review
D9. Debtors risk	Recoverability risk	Risk that debts are not recovered	2	2	Treat	Apply Accounting Policies. Reviewed regularly. Debtor letters sent out.	PFO, AFO	
		Risk that provision for doubtful debts is overstated / understated	1	1	Tolerate	Not a significant risk at present		
	Completeness risk	Risk that debtors record is not complete	1	1	Tolerate	Not a significant risk at present. SAP allows for regular Aged Debtor reports to be accessed	PFO, AFO	
	Cut off risk	Risk that debtors are accounted for in the wrong accounting period	2	2	Treat	Apply Accounting policies and procedures carefully	PFO, AFO, Schools Accountancy team	
	Cash flow risk	Risk that profile of aged debtors deteriorates which impacts on cash flow	1	1	Tolerate	Not a significant risk at present		
D10. Taxation risk	Non-charitable trading risk	Risk that charity is liable to tax on non-charitable trading activities	3	3	Treat	Advice from School Accountants	PFO	
	Changes in legislation risk	Risk that charity is not aware of changes in legislation	3	3	Treat	Keep up to date by reading and training on legislation	APs, PFO, BODs	
D11. Provisions and contingent liability risk	Recognition risk	Risk that charity is not recognising provisions or commitments in accordance with FRS 12	1	1	Transfer	Auditor to advise ??	PFO	
	Contractual commitments risk	Risk that the charity has entered into future commitments without having the future funding available to meet them	1	1	Tolerate	New Funding allocations not yet known (pending Pupil Premium and Sixth Form funding)	APs, PFO, Finance and Audit committee	
D12. Related party risk	Identification risk	Risk that related party transactions / transactions with connected persons are not identified	1	2	Tolerate	Apply Accounting Policies	Finance and Audit committee	
		Risk that connected charities are not identified	1	1	Tolerate	Not a practical risk		
	Disclosure risk	Risk that related party transactions are not correctly or fully disclosed in the financial statements	1	1	Tolerate	Auditor to advise	APs, PFO, Finance and Audit committee	
D13. Funds risk	Level of funds	Risk that fund levels are too high / low	2	3	Treat	Proper budget management	Finance and Audit committee	
		Risk that unrestricted funds are in deficit and restricted funds are in surplus	2	3	Treat	Proper budget management	Finance and Audit committee	
	Endowment risk	Risk that capital in permanent endowment funds is not maintained	1	1	Tolerate	Not a significant risk at present		
D14. Pension risk	Funding risk	Risk that scheme is in significant deficit	5	1	Tolerate	No practical action is available to MAC		
		Risk that employers' contribution rate increases	4	3	Tolerate	No practical action is available to the MAC		
		Risk that the charity is not making the correct contributions	2	2	Transfer	Support from HR at SCC	APs, PFO, Finance and Audit committee	

Summary of Items to be reviewed prior to

Category No.	Specific Risk	Planned date for review	Actual date reviewed	Note of any changed as a result of the review

*Financial Reporting Council

FRS 12

Provisions, Contingent Liabilities and Contingent Assets

FRS 12

FRS 12's objective is to ensure that a provision (a liability that is of uncertain timing or amount) is recognised only when it actually exists at the balance sheet date. A provision should be recognised therefore only when:

- a. an entity has a present obligation (legal or constructive) as a result of a past event;
- b. it is probable that a transfer of economic benefits will be required to settle the obligation; and
- c. a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Contingent liabilities and contingent assets are not recognised as liabilities or assets. However, a contingent liability should be disclosed if the possibility of an outflow of economic benefit to settle the obligation is more than remote. A contingent asset should be disclosed if an inflow of economic benefit is probable.