



## **RISK MANAGEMENT POLICY**

This policy is to be read in conjunction with the school's Vision and Mission statement, and its Code of Conduct.

### **1. Introduction**

#### 1.1 What is risk?

1.1.1 A risk may be defined as an uncertain event or condition that, if it occurs, has an effect on project objectives (ISO 31000:2018).

1.1.2 Risk is present in every facet of life and how a school processes and deals with it has a major impact on the achievement of their key strategic and operational goals.

1.1.3 Risks are not necessarily negative; sometimes they can bring an opportunity as well. Risk management decreases the possibilities of negative risks and increases the possibilities of positive risks.

1.1.4 Risk management therefore can be defined as the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance, structures and processes, and standards of conduct

1.1.5 A risk management policy serves two main purposes: to identify, incidents or outcomes (reducing and preventing undesirable outcomes, and maximising positive outcomes); and to review past incidents and implement changes to either prevent/reduce or encourage/maximise future incidents.

1.1.6 In a few words, the main objective of risk management concerns protecting and strengthening:

- Values, ethics and sense of belonging
- The school's tangible and intangible assets
- Growth of organizational culture
- Leadership and relationship
- Effectiveness and efficiency of processes
- Resources for strategic priorities
- Stakeholder's satisfaction

- 1.1.7 This policy is intended to provide a framework for the management of risk and also to increase overall awareness of risk throughout the management and governance of the school; and to enable those responsible for risk reporting, to better identify, assess and control risks within their areas.
- 1.1.8 Redhill School recognises the need for risk management to feature as a consideration in strategic and operational planning, day-to-day management and decision making at all levels in the organisation.
- 1.1.9 It is committed to managing and minimising risk by identifying, analysing, evaluating and treating exposures that may impact on the school achieving its objectives and/or the continued efficiency and effectiveness of its operations.
- 1.1.10 To ensure the achievement of these strategic objectives of the school, the Board and Executive Management must recognise the appropriate balance between managing risks whilst ensuring that the school runs effectively.
- 1.1.11 The risk management policy explains the school's underlying approach to risk management, documents the roles and responsibilities of the Board, the Executive Management and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures.

## **2. Defining Roles and Responsibilities**

### **2.1 The Redhill Trust (Board)**

The Board approves the Risk Management framework which clearly defines Redhill School's Risk Management philosophy and encourages a Risk Management culture within the institution to ensure that enterprise Risk Management is integrated and embedded into the normal business processes and activities.

### **2.2 Management Committee**

The statutory roles and responsibilities of the Audit and Risk Committee will be subsumed into the existing Management Committee.

### **2.3 Executive Head**

Drives culture of Risk Management and signs off on annual risk attestation.

### **2.4 Executive Management**

Continuously improving Risk Management policy, strategy and supporting framework. Ensure staff in their business units comply with the risk management framework and foster a culture where risks can be identified and escalated.

### **2.5 Employees and Service Providers**

Comply with Risk Management Framework procedures, including being alert to and willing to report instances of non-compliance and unethical behaviour and making recommendations, based on their practical experiences, on what measures can be implemented to manage and/or mitigate risks within the organisation.

Employees and Service Providers educated in terms of their responsibility to actively ensure /compliance and/or report any perceived shortcomings in compliance to Executive Management.

### **3. Components**

3.1 A methodology of measuring is an important component to this as the adage "if you cannot measure it, you cannot manage it" applies.

3.2 The Executive Management would perform the following responsibilities:

- Monitor and review the formulation and implementation of a risk management policy, plan and matrix.
- Monitor and review the effectiveness of risk assessments, responses and interventions.
- Implement effective measures (update/implement policy, educate staff, improve/change communication) to reduce negative risk or maximise positive outcomes.
- Review past incidents against improved risk management
- Determine and review the risk matrix annually.
- Review the adequacy and completeness of the insurance cover in place.
- Provide a formal report of the effectiveness of the school's risk management processes at the time of the annual audit.

### **4. Risk Management Process**

4.1 A risk management process will help deliver objectives, promote sound decisionmaking and prioritise resources.

4.2 The process covers the basic steps. These are:

- Identify and document the objectives by each department.
- Identify the risks that could have an impact or influence the ability to realise the objectives.
- Identify the elements that are contributing towards the materialisation of the identified risks.
- Perform a risk analysis disregarding all controls and actions (inherent risk taking).
- Define the related controls for the risk. (Disregard the control adequacy together with the control effectiveness).
- Perform a risk analysis considering all defined controls (residual risk rating). Note that all actions must be disregarded as it is still in process.
- A comparison needs to be performed between the residual risk rating and the defined risk appetite as defined by the School. Based on the outcome a risk response needs to be decided upon.

- Related actions are identified, managed and reported on accordingly.
- The process is not cyclic but rather a consistent process of identification and re-evaluation.

#### 4.3 Establish the context

4.3.1 Before identifying risks, establish the environment of your objectives. This context can be used using PESTLE analysis which has become a popular tool for examining the influence of external factors in a business now and in the future:

- **P**olitical: the current and potential influences of political pressures.
- **E**conomic: the immediate vicinity, the provincial and national economic outlook.
- **S**ociological: how changes in society are affecting the school.
- **T**echnological: the effect of changes in trends in the use of technology in schools.
- **L**egal: how certain laws affect the school environment.
- **E**nvironmental: the effect of issues relating to the environment.

4.3.2 Then confirm the identity and concerns, issues and expectation of any related shareholders.

#### 4.4 Risk Identification

4.4.1 Undertake a SWOT (**S**trengths / **W**eaknesses / **O**pportunities / **T**hreats) analysis to help identify risks and existing risk controls in your workplace. SWOT looks at internal and external factors.

4.4.2 Identify Strengths:

- What does the school do well?
- What are similar schools (public, independent and forprofit schools) achieving?
- Does this school offer something special?
- Is there a competitive advantage, in terms of teaching and facilities, over similar schools?
- Does the school ensure any best practices are shared within the staff?
- Does the school ensure transparency in its practices?
- Does the school measure output qualitatively and quantitatively?
- Is the school environment conducive to achieving goals?
- Are there improvement programmes to developing systems and methods?
- Low staff turnover?
- School of choice?

4.4.3 Identify Weaknesses:

- High staff turnover?
- General morale and discipline in the school?
- Parents' perceptions of the School; do you know their expectations?
- School output benchmarks – examination results: how do they compare to others?
- Poor staff promotion possibilities?
- Poor conversion of new school policies for operational matters?
- Poor diversity (ethnic, religious, people disability compared with the demographic mix in the locality)?

#### 4.4.4 Identify Opportunities:

- Be more receptive to change and meeting the challenges thereof.
- Make more use of the staff skills available.
- Ensure all staff members have a mentored improvement programme.

#### 4.4.5 Identify Threats:

- Loss of direction in strategic or operational issues?
- Poor communication systems between staff/head/Board?
- Another school in the area with better facilities?
- Government/provincial interference?
- Poor working conditions creating staff ill-feeling?
- Increasing involvement of parents in operational issues?

4.4.6 The Board of Trustees should also provide a risk matrix similar to the following:

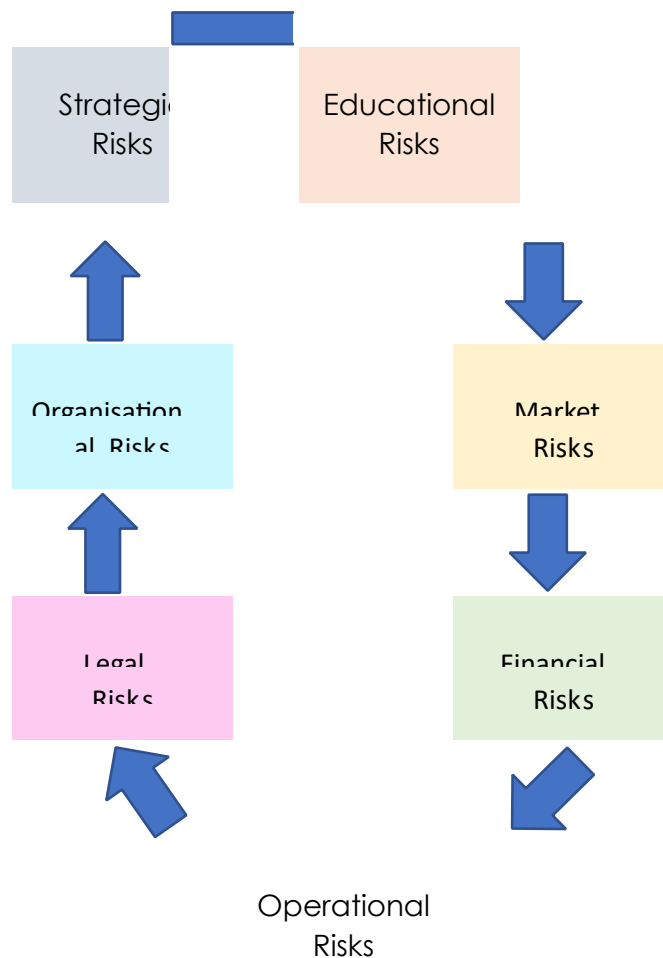
<b>Business</b>	<b>Operational and other</b>
Competitive pressure on fees	Loss of spirit and school drifting
General economic problems	Industrial action
Political risk	Breach of confidentiality
Adverse government policy	Loss of physical assets
Too slow to innovate and keep up-to-date	Lack of business continuity
Obsolescence of technology	Succession problems
Inability to obtain further or sufficient funding	Loss of key people
<b>Financial</b>	Inability to reduce cost base
Liquidity risk or cash flow problems	Physical disasters (including fire and explosion)
Market risk	Failure to satisfy parents' expectations

Going concern problems- expenditure exceeds income	Skills shortage, especially male teachers and sport coaches
Misuse of financial resources	Over-reliance on key suppliers or customers
Occurrence of types of fraud to which the school is susceptible e.g. misappropriation	Failure of outsource provider to deliver
Penetration and attack of IT systems by hackers	Failure of new products or services
Breakdown of accounting system	Poor service levels
Unrecorded liabilities	Inability to implement change
Too much data and not enough analysis	Quality problems
Misstatement of accounting report	Inability to make use of the internet
Unreliable accounting records	Other probity issues
Decisions based on incomplete or faulty information	Inefficient or ineffective management process
<b>Compliance</b>	Lack of employee motivation or efficiency
Breach of financial regulations	Inefficient or ineffective processing of documents
Breach of Companies Act requirements or principles of sound corporate governance	Other issues giving rise to reputational problems resulting in declining enrolment
Litigation risk	Breach of education legislation and regulations
Breach of competition laws (collusion fees)	Risks relating to data processing
Tax penalties – PBO and employee remuneration	
VAT problems	
Breach of other regulations or laws	
Health and safety risks	
Environmental problems	

4.4.7 Once this has been completed, each risk needs to be looked at in more detail and identify issues in the following areas:

- Causes: what would cause it to go wrong?
- Consequences: what are the effects if it does go wrong?
- Opportunity: what can go right?
- What existing controls are in place?
- Each risk should be recorded in a risk register/matrix.

4.4.8 To simplify and focus the process, the following risk category model should be considered. The categorisation will enable the ability to identify common or pervasive risks within different parts of the School.



4.4.9 The main respective categories and sub-categories can be defined as such:

4.4.10 Strategic Risks:

- Reputational Risk
- Political Risk
- Strategic Relations Risk
- Business Planning

- Board Strategy
- Succession Planning
- Organisational Culture
- Governance and Oversight
- Stakeholder Relations
- Social Media

#### 4.4.11 Educational Risks:

- Maintaining and Developing an Effective and Appropriate Pedagogy
- Staff Retention
- Staff Performance
- Succession
- Holistic Education

#### 4.4.12 Market Risks:

- Physical Environment Risk
- Market dynamic Risk

#### 4.4.13 Financial Risks:

- Exchange Rate Risk
- Interest Rate Risk
- Reporting Risk
- Funding/Credit Risk
- Fraud Risk
- Financial losses Risk
- Budget and Planning
- Liquidity

#### 4.4.14 Operational Risks:

- Piracy Risk
- Contractual Exposure Risk
- Loss/Breakdown of key assets
- Significant off-hire Risk
- Environmental Risk
- Health and Safety Risk
- Standards Risk
- Marketing and Communications
- Third Party Oversight/Contract Management
- Physical Security

#### 4.4.15 Legal Risks:

- Regulatory Risk
- Statutory Risk
- Governance Risk



#### 4.4.16 Organisational Risk:

- Information/Communication Technology Risk
- Business Continuity Risk
- Human Resources Risk
- Privacy/Information Security & Access
- IT Infrastructure

#### 4.5 Risk Analysis & Evaluation

4.5.1 Any existing controls should be identified and explored. All risks can be rated in terms of impact and likelihood.

- Impact: What is the effect of risk? Effects (consequences) are measured according to the following table:

<b>Impact Rating</b>	<b>Description- risk will be</b>
1	Insignificant: no impact on operations
2	Minor: no material impact on achievement of objectives
3	Moderate: disruptive to normal operations with a limited impact
4	Major: reduced ability to achieve objectives
5	Significant: will not achieve objectives

- Likelihood: How likely is the risk to occur? These are measured using the following descriptive terms:

<b>Likelihood Rating</b>	<b>Description</b>
1	Rare (0-20%) – risk will not even occur long term (more than 2 years in advance)
2	Unlikely (20-40%) – risk unlikely to occur even medium term (Next financial year)
3	Probable/Moderate (40-60%) – risk could occur medium term (Next financial year)

4	Likely (60-80%) – risk certain to occur in the short term (Current financial year)
5	Certain (80-100%) – risk is pervasive and occurring regularly

4.5.2 Risk evaluation involves comparing the current risk rating with risk acceptability criteria agreed with by the Risk Committee/Board. Usually the following can be applied:

- Low or medium do not necessarily require further treatments and are considered acceptable.
- High or extreme will require further treatment to reduce their level to a more acceptable level. Risks in this category will require a reduction treatment.

4.5.3 Using the following Risk Matrix, the outcome of impact and likelihood will define the School's Risk Appetite in terms of a qualitative assessment.

RISK RATING MATRIX						
		IMPACT				
		Insignificant 1	Minor 2	Moderate 3	Major 4	Significant 5
LIKELIHOOD	Certain 5	5	10	15	20	25
	Likely 4	4	8	12	16	20
	Probable 3	3	6	9	12	15
	Unlikely 2	2	4	6	8	10
	Rare 1	1	2	3	4	5

#### 4.6 Risk Treatment

4.6.1 The rating matrix parameters are as follows:

Evaluation range	Matrix Evaluation
1 – 3	Low

4 – 9	Medium
10 – 15	High
16 - 25	Critical

a	Low = Acceptable (with periodic review)	Exposure to this risk is acceptable, but is subject to periodic review to ensure it does not increase and current control effectiveness does not vary.
b	Medium = Tolerable (with frequent risk owner review)	Exposure to the risk may continue, provided it has been appropriately assessed and has been managed to as low as reasonably practicable. It should be subject to frequent review to ensure the risk analysis remains valid and the controls effective. Treatments to reduce the risk can be considered.
c	High = Tolerable (with ongoing Principal Class Officer review)	Risk should be reduced by developing treatments. It should be subject to ongoing review to ensure controls remain effective, and the benefits balance against the risk. Escalation of this level of risk to Principal Class Officer level should occur.

d	Critical = Unacceptable (must have Heads / Board oversight)	Immediately consider whether the activity associated with the risk should cease. Any decision to continue exposure to this level of risk should be made a Head / Board level, be subject to the development of detailed treatments, on-going oversight and high level of review.
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4.6.2 Risk treatment is based on the outcomes of your evaluation. Options include the following:

Action	Description of Action
<b>Terminate</b>	When the risk exceeds the appetite, cease the activity altogether.
<b>Transfer (Share)</b>	Typically, risk can be transferred to a 3 <sup>rd</sup> party by insurance; contracting out; outsourcing.

<b>Reduce</b>	Arguably the most common approach. Create ways of lessening the likelihood and, if the risk arises, mitigating the impact e.g. training, relocating, policy introduction or amendment, etc. i.e. apply additional treatments until the risk become acceptable.
<b>Tolerate (accept)</b>	Accept that risk may arise without treatment and that, when it does, it will cost something. This will require appropriate authority.

#### 4.7 Contributing Factors

4.7.1 Contributing factors are the elements that cause the risk to materialise. It is essential to identify these elements as the management of the risks will predominantly be driven towards the management of the contributing factors. All contributing factors will be categorised by the most appropriate elements in terms of causal. The categories are:

- People
- Process
- Technology
- External

#### 4.8 Controls

4.8.1 As part of the risk assessment that is performed, controls need to be defined and managed to ensure management of the risk. It is important therefore to perform self-assessment on these controls. The self-assessment is done on 2 parameters, these are:

##### a. Control Adequacy

This is rated as if all identified controls related to the risk are implemented and working. The parameters are as follows: i) Adequate  
ii) Adequate but over-controlled iii) Partially adequate iv) Inadequate

##### b. Control Effectiveness

Parameters are as follows:

##### i) Ineffective

- The design of controls overall, is ineffective in addressing key causes and/or consequences.
- Documentation and/or communication of the controls does not exist (e.g. policies, procedures, etc.)

- The controls are not in operation or have not yet been implemented.
- ii) Needs Improvement
- The design of controls only partially addresses key causes and/or consequences.
  - Documentation and/or communication of the controls (e.g. policies, procedures, etc.) are incomplete, unclear or inconsistent.
  - The controls are not operating consistently and/or effectively and have not been implemented in full.
- iii) Acceptable
- The design of controls is largely adequate and effective in addressing key causes and/or consequences.
  - The controls (e.g. policies, procedures, etc.) have been formally documented but not proactively communicated to relevant stakeholders.
  - The controls are largely operating in a satisfactory manner and are providing some level of assurance.
- iv) Effective
- The design of controls is adequate and effective in addressing the key causes and/or consequences.
  - The controls (e.g. policies, procedures, etc.) have been formally documented and proactively communicated to relevant stakeholders.
  - The controls overall, are operating effectively so as to manage the risk.

#### 4.9 Communication and Consultation

Relevant internal and external stakeholders should be consulted and updated throughout the process.

#### 4.10 Monitor and Review

Monitoring and review periods should be a planned part of the risk management process and should take place at intervals appropriate to the nature of the objective and the level of the risk.

## **5 Summary**

Given the level and pace of change, there is a real need for all schools to implement effective risk management systems. Schools that avoid risk are unlikely to be good performers. What is required is flair, innovation and the ability to take informed risks and to manage them effectively. Effective managers will, for example, be able to deliver:

- a. An appropriate balance between risk and control
- b. More effective decision making
- c. Better use of limited resources
- d. Greater innovation

### **REVIEW OF POLICY**

This policy may be reviewed from time to time.