

Risk Appetite

When risk appetite is properly understood and clearly defined, it becomes a powerful tool not only for managing risk but also for enhancing overall business performance.

Purpose of this Document

This risk management policy (the policy) forms part of The Fellowship internal control and corporate governance arrangements.

The policy explains The Fellowship'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 Fellowship internal control procedures.

Underlying Approach to Risk Management

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

-  The board of trustees has responsibility for overseeing risk management within the as a whole;
-  An open and receptive approach to solving risk problems is adopted by the board of trustees;
-  The Directors, principals and the management team supports, advises and implements policies approved by the board of Trustees;
-  The Fellowship makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
-  Directors, principals and Senior and middle leaders 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

Role of the Board of Trustees

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 Board of Trustees
-  Determine whether the Fellowship 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 Fellowship'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 Fellowship's approach to risk management and approve changes or improvements to key elements of its processes and procedures

Role of the Risk Management Group

The Education Fellowship has designated the Chief Operating Officer as the risk manager.

Key roles of the risk manager are to:

-  Take overall responsibility for the administration and implementation of the risk management process
-  Identify and evaluate the significant risks faced by the Fellowship for consideration by the board of Trustees
-  Provide adequate information in a timely manner to the board of trustees on the status of risks and controls
-  Report on risk management action plan implementation at each board meeting
-  Undertake an annual review of effectiveness of the system of internal control and provide a report to the board of trustees

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 Fellowship to respond to a variety of operational, financial, and commercial risks. These elements include:

-  Policies and Procedures - Written procedures support the policies where appropriate
-  Monthly Reporting - Comprehensive monthly reporting is designed to monitor key risks and their controls.
-  Business Planning and Budgeting - The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources.
-  High Level Risk Action Plan (significant risks only) to facilitate the identification, assessment and ongoing monitoring of risks significant to the Fellowship.
-  Finance Committee (Audit)

The Finance Committee in their report to the board of Trustees on internal controls alerts 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 Fellowship'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 Audit Committee and the Finance Committee on the operation of the internal financial controls reviewed as part of the annual audit.
-  Third Party Reports - From time to time, the use of external consultants will be necessary in areas such as health and safety. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

Annual Review of Effectiveness

The board of Trustees is responsible for reviewing the effectiveness of internal control of the, based on information provided by the risk manager. Its approach is outlined below.

For each significant risk identified, the board will:

- ♥ Review the previous year and examine the Fellowship'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:

- ♥ Control environment:
The Fellowship objectives and its financial and non-financial targets;
Culture, approach, and resources with respect to the management of risk
Delegation of authority; and public reporting
- ♥ 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
- ♥ 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
- ♥ Monitoring and corrective action:
Ability of the Fellowship to learn from its problems and Its commitment and responsiveness with which corrective actions taken are implemented

The risk manager will prepare a report of the review of the effectiveness of the internal control system annually for consideration by the board of Trustees.