



RISK MANAGEMENT

SLT Approval:	November 2019
Audit Committee:	November 2019
Corporation:	December 2019
Next Review Date:	October 2020

1. Purpose of this document

This risk management policy (the policy) forms part of the College's internal control and corporate governance arrangements.

- The policy explains the College's underlying approach to risk management, documents the roles and responsibilities of the Corporation, the Audit Committee 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 Corporation will use to evaluate the effectiveness of the College's internal control procedures.

2. Underlying Approach to Risk Management

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

- The Corporation has responsibility for overseeing risk management within the college as a whole;
- An open and receptive approach to solving risk problems is adopted by the Corporation;
- The Senior Leadership Team supports, advises and implements policies approved by the Corporation;
- The College makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- Senior and middle managers 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.

3. Attitude to Risk

The College is aware of the need to be clear as to the degree of risk that it will assume as a result of any strategy it adopts and any decisions it makes. The College determined that they were risk managed following an internal audit review and were

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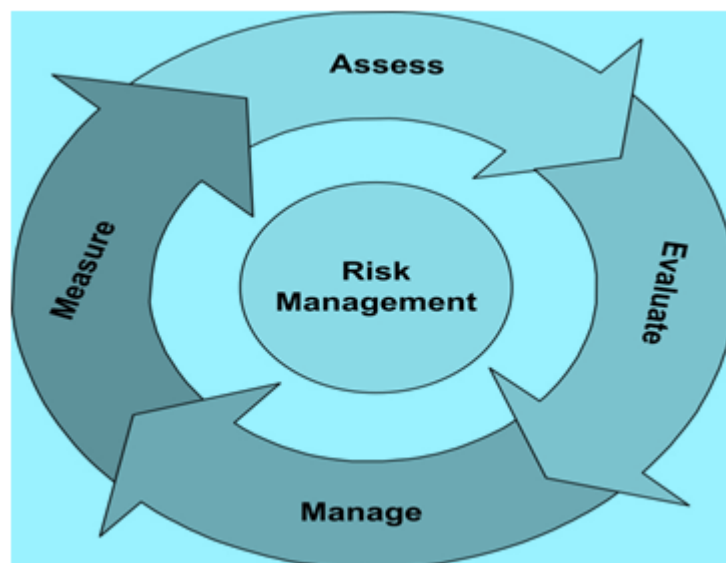
happy at that level. Any further level of management of risk is not considered appropriate for a college of Varndean's size. The College auditors were content to accept this position. However, the College's risk appetite may vary from time to time and in relation to different activities. Unless otherwise stated, the default position should be that the College will seek to keep all risks low.

All strategies and decisions that involve any significant increase in the risk profile will be evaluated in terms of the need to identify effective risk reduction arrangements, (mitigating factors). These may take the form of the thorough application of existing and well established procedures or the creation of new procedures specifically designed to address the risk(s) involved. It should be recognised that the Corporation and the College Senior Leadership Team (SLT) are not always able to determine the level of risk they face as these may relate to external forces, for example, Government policy decisions.

The College may, from time to time, undertake specific projects that involve risks that are addressed by the College's annual risk management plan and which need to be managed as part of the delivery of the project. These projects will have separate risk registers and actions will be identified to monitor and manage the risks involved.

4. Risk Cycle

The diagram shows the cycle with regard to Risk Management at the College;



- a) **Assess** - All potential risks are assessed by the Risk Group in an agreed annual process
- b) **Evaluate** – These risks are evaluated as to how likely there are to occur and the impact they would have on the college. This involves assessing the likely impact

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to the College of the risk. This is measured on a 6-point scale. The higher the score the greater the impact the risk will have. This is refined by the likelihood of the risk occurring in the college. This is a 3-point scale. The higher the score the greater the likelihood. The final level of risk is then calculated by multiplying the impact by the likelihood scores. The risks are then ranked with those above. There are 4 categories of risks; A – Significant 18-13 score; B – Contingency 12-9; C – Identified 8-6; D – Monitored 5 and below.

- c) **Manage** – The risk group agree on the risk rankings and create a Risk Register for the next year
- d) **Measure** – All risks in the A and B categories are placed in a Risk Management Action plan and measured and reviewed by the Audit Committee and Corporation throughout the year. Actions are amended as appropriate. C&D rated risks are reviewed through the year and formally once a year. The Audit Committee and Corporation also receive a Risk Assurance Map at each meeting which is designed to show how much assurance they can have that each risk is managed effectively. There are three areas from which Governors can seek assurance:
 - Management – Review, Reporting and Self-assessment processes
 - Independent verification – Funding Agencies, Ofsted and Auditors
 - Governance – Audit Committee and Corporation.

The assurance in each area can be High, Medium, Low or None. Based on this evaluation each risk is assigned a Red, Amber or Green rating. This is reviewed throughout the year and this rating can change.

5. Role of the Corporation

The Corporation's role in the management of risk is to:

- a. Set the tone and influence the culture of risk management within the College, including;
 - Determining whether the College is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue.
 - Determining what types of risk are acceptable and which are not, and setting the standards and expectations of staff with respect to conduct and probity.
- b. Approve major decisions affecting the College's risk profile or exposure.
- c. Monitor the management of significant risks to reduce the likelihood of unwelcome surprises or impact.

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- d. Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- e. Annually review the College's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

6. Role Of The Audit Committee

Key roles of the Audit Committee in relation to risk management are to:

- Oversee the administration and implementation of the risk management process operated by College management;
- Receive reports on the identification and evaluation of the significant risks faced by the College for further consideration by the Corporation;
- Ensure that adequate information is provided in a timely manner to the Corporation and its committees on the status of risks and controls;
- Ensure that reports on Risk Management Action Plan implementation are considered at meetings of the Corporation;
- Initiate an annual review of effectiveness of the system of internal control and ensure that a report is provided to the Corporation.

7. 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 College 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 Corporation and implemented and communicated by senior management to staff. Written procedures support the policies where appropriate.

b. *Reporting*

Comprehensive and regular reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the College Senior Leadership Team and the Corporation if appropriate.

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c. *Business Planning and Budgeting*

The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives is monitored regularly by SLT and the appropriate committees.

d. *High Level Risk Action Plan (significant & contingency risks only)*

The risk management action plan is compiled initially by a risk management group constituted for that purpose and helped to facilitate the identification, assessment and ongoing monitoring of risks significant to the College. The document is formally appraised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly by the member of SLT with the responsibility for risk management.

e. *Audit Committee*

In addition to their role in overseeing the risk management process, the Audit Committee in their report to the Corporation on internal controls alerts governors to any emerging issues. The Committee also oversees internal assurance, external audit and management as required in its review of internal controls. The Committee is therefore well-placed to provide advice to the Corporation on the effectiveness of the internal control system, including the College's system for the management of risk.

f. *Internal Assurance Programme.*

Internal assurance is an important element of the internal control process. Apart from its normal programme of work, internal assurance is responsible for aspects of the annual review of the effectiveness of the internal control system within the organisation including risk management. The annual assurance plan is derived from the College's latest Risk Register. The programme of work is determined by the College Audit Committee. An assurance map covering all the key risks is also presented to Audit Committee and subsequently to Corporation for approval.

g. *External Audit*

External audit provides feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual financial statements audit.

h. *Third Party Reports*

From time to time, the use of external consultants will be necessary in areas such as, for example, health and safety, and human resources. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

8. **Annual Review of Effectiveness**

In order for the Corporation to make a judgement on the effectiveness of the risk management strategy, a report is required from the Audit Committee to the Corporation

During the year there is a cycle of processes aimed at reassuring the Corporation of the strategy's effectiveness;

- October/May – The College Risk Management Group sits to review the extant Risk Register. This Group comprises two members of the Corporation, one of which shall normally be the chair of the Audit Committee, the Principal and two other members of the College Senior Leadership Team, one of which will be directly responsible for risk management. They will look at existing risks and any new risks and recommend a revised risk register.
- December/June-July – the revised Register, Action Plan, and Critical Incident Plan is presented to the Audit Committee to recommend to Corporation for approval.
- October/March/June – progress with the Risk Management Action Plan is reviewed at the termly meeting of the Audit Committee. Any progress is recorded on the plan and actions and dates are revised as appropriate. This is then reviewed by the Corporation
- October – an Annual Report on College risk management, for the previous year ending July, is presented to the Audit Committee and the Corporation
- January – A full review of the Risk Register is carried out by staff responsible for each risk
- March – A report on the Register review is given to the Audit Committee

The Corporation is responsible for reviewing the effectiveness of internal control of the college, based on information provided by the Audit Committee and the College Senior Leadership Team.

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- a. For each significant risk identified, the Corporation will:
 - Review the previous year and examine the College'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.
- b. In making its decision the Corporation will consider the following aspects:
 - i. Control environment:
 - The College's objectives and its financial and non-financial targets;
 - Organisational structure and calibre of the College Senior Leadership Team;
 - Culture, approach, and resources with respect to the management of risk;
 - Delegation of authority; and public reporting.
 - ii. 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.
 - iii. 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.
 - iv. Monitoring and corrective action:

Ability of the college to learn from its problems and its commitment and responsiveness with which corrective actions taken are implemented.
- c. The Audit Committee will prepare a report of its review of the effectiveness of the internal control system annually for consideration by the Corporation.

Related policies & Documents

- **Critical Incident Plan**