



## **RISK MANAGEMENT POLICY**

### **PURPOSE OF THIS DOCUMENT**

1. This Risk Management Policy (the Policy) forms part of Stratford-upon-Avon College's internal control and corporate governance arrangements.
2. The Policy explains the College's underlying approach to risk management, documents the role and responsibilities of the Corporation, the College Executive, and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures.
3. In addition, it describes the process the Corporation will use to evaluate the effectiveness of the College's internal control procedures.

### **UNDERLYING APPROACH TO RISK MANAGEMENT**

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

1. The Corporation has responsibility for overseeing risk management within the College as a whole.
2. An open and receptive approach to solving risk problems is adopted by the Corporation.
3. The Principal and the College Executive supports, advises and implements policies approved by the Council.
4. The College makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risk.
5. The College Executive and Heads of School/Service are responsible for encouraging good risk management practice within their School.
6. Key risk indicators will be identified and closely monitored on a regular basis.

### **ROLE OF THE CORPORATION**

The Corporation has a fundamental role to play in the management of risk. Its role is to:

1. Set the tone and influence the culture of risk management within the College. This includes:
  - a) Determining whether the College is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue;
  - b) Determining what types of risk are acceptable and which are not;
  - c) Setting the standards and expectations of staff with respect to conduct and probity.
2. Determine the appropriate risk appetite or level of exposure for the College.
3. Approve major decisions affecting the College's risk profile or exposure.
4. Monitor the management of significant risks to reduce the likelihood of unwelcome surprises.
5. Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
6. Annually review the College's approach to risk management and approve changes to improvements to key elements of its processes and procedures.

### **ROLE OF SENIOR MANAGEMENT**

Key roles of Senior Management are to:

1. Implement policies on risk management and internal control. Take overall responsibility for the administration and implementation of the risk management process.
2. Identify and evaluate the significant risks faced by the College for consideration by the Corporation.
3. Provide adequate information in a timely manner to the Corporation and its Committees on the status of risks and controls.
4. Report on risk management action plan implementation at each meeting of the Corporation. Undertake an annual review of effectiveness of the system of internal control and provide a report to the Corporation.

## **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:

1. **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.
2. **Regular Monthly Reporting** - Comprehensive regular reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the Finance and General Purposes Committee and the Corporation if appropriate.
3. **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.
4. **Higher Level Risk Framework (significant risks only)** - This framework is compiled by the College Executive and helps to facilitate the identification, assessment and on-going 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.
5. **School Risk Frameworks** - Heads of School/Service develop and use this framework to ensure that significant risks in their School are identified, assessed and monitored. The document is formally appraised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored by business units.
6. **Audit Committee** - The Audit Committee is required to report to the Corporation on internal controls and alert Corporation Members 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 Corporation on the effectiveness of the internal control system, including the College's system for the management of risk.
7. **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.
8. **External Audit** - External audit provides feed-back to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit.
9. **Third-Party Reports** - From time to time, the use of external consultants will be necessary in areas such as 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.

## **ANNUAL REVIEW OF EFFECTIVENESS**

1. The College Corporation is responsible for reviewing the effectiveness of internal control of the College, based on information provided by the College Executive:
  - 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:
- Control environment:
    - The College's objectives and its financial and non-financial targets;
    - Organisational structure and calibre of the College Executive;
    - 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 College to learn from its problems and its commitment and responsiveness with which corrective actions taken are implemented.
2. The College Executive will prepare a report of its review of the effectiveness of the internal control system annually for consideration by the Corporation as part of the Audit Committee Annual Report.