



RISK MANAGEMENT POLICY

1. Purpose

This risk management 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 senior management team, and other key parties. It also outlines the key aspects of the risk management process and identifies the main reporting procedures.

In addition, it describes the process the Audit & Risk Committee will use to evaluate the effectiveness of the institution's internal control procedures, including risk management, and report on them to Council.

2. Underlying approach to risk management

Like every organization, the College faces numerous risks which have the potential to disrupt achievement of its strategic and operational objectives. The College generally takes a cautious approach to risk, but recognises that it is neither possible nor desirable to eliminate risk completely and that risks must be considered alongside the opportunities presented by new or existing activities.

The College therefore aims to manage risk appropriately to maximise potential opportunities and minimise the adverse effects of risk. Effective risk management will enable the College to take better informed decisions, and to improve the probability of achieving its objectives.

3. The risk management process

The College's risk management process is as follows:

- Council is responsible for ensuring that the College has effective systems of internal control, including risk management
- the Senior Management Team (SMT) is responsible for identifying and managing strategic risks, and monitors the strategic risk register on a quarterly basis
- SMT has identified key risk indicators, and will continue to refine these as part of its regular reviews of the strategic risk register

- the strategic risk register informs the agenda for meetings of Council to ensure that Council members – including the Chairs of Council sub-committees - are aware of key risks, internal and external developments affecting the College's exposure to risk, and the further action planned by SMT to manage or mitigate the potential impact of strategic risks on the College
- the Audit & Risk Committee receives the strategic risk register at each of its meetings
the Audit & Risk Committee is responsible for ensuring that the risk management process adopted by SMT is operating effectively, and provides a formal opinion on the effectiveness of the College's risk management arrangements as part of its annual report to Council.

The roles and responsibilities of key groups in the risk management process are set out below.

4. Risk appetite

Risk appetite is the amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time. While the College generally takes a cautious approach to risk it may, on occasion, be willing to accept a higher level of risk in a specific area where the long-term benefits to the institution are expected to be greater than could be otherwise be achieved.

The College's risk appetite will therefore change over time and will differ between areas of activity. For this reason the College has not adopted a single, over-arching definition of its risk appetite. Rather it has set target ratings for each of the risks included in its strategic risk register. These target ratings provide a more meaningful picture of the College's risk appetite than a single over-arching statement. This approach also helps to ensure that risk management remains an active process by enabling SMT and Council to assess the College's progress in managing individual risks towards their target rating.

5. Roles and responsibilities

5.1 Council

Council has a fundamental role to play in the management of risk. Its role is to set the tone and influence the culture of risk management within the College. This includes:

- ensuring that appropriate systems of internal control, including risk management, are in place and are operating effectively
- determining, with advice from SMT and Council sub-committees, the level of risk that the College is willing to accept on any relevant issue
- approving major decisions affecting the College's risk profile or exposure

- monitoring the management of significant risks to reduce the likelihood of unwelcome surprises, and ensure that the potential impact on the College's objectives is minimised
- satisfying itself that less significant risks are being actively managed, with the appropriate controls in place and working effectively.

5.2 Senior Management Team

SMT is responsible for:

- identifying , evaluating and prioritising significant risks faced by the College
- agreeing which risks should be included in the strategic risk register
- actively monitoring the strategic risk register on a quarterly basis, and agreeing any further actions needed to manage each risk or mitigate its impact
- advising Council and its sub-committees on the College's risk profile
- oversee the College's compliance with all legal and regulatory requirements, and ensure that internal controls are implemented effectively.

5.3 Audit & Risk Committee

The Committee is responsible for:

- reviewing the strategic risk register, including any changes to risk status or planned actions agreed on a quarterly basis by SMT
- reviewing the effectiveness of the College's systems for internal control and risk management, taking account of findings and recommendations from the internal and external auditors
- approving the annual internal audit plan, which should be risk-based and reflect the priorities identified in the strategic risk register
- report as required to Council on the effectiveness of the College's risk management arrangements, and provide a formal opinion on their effectiveness as part of the Committee's annual report.

5.4 Risk owners

The strategic risk register identifies a member of SMT as the owner of each risk. Risk owners are also defined in operational risk registers managed within Schools or professional services. The risk owner is responsible for:

- managing their individual risks
- reviewing the status of their risks, as a minimum, on a quarterly basis and reporting to SMT or other appropriate groups on any changes to the risk rating, and progress in implementing previously agreed actions

- considering their risks as part of day to day management, and alerting SMT or other appropriate groups to any significant developments affecting the risk rating, should this be necessary between scheduled quarterly reviews.

5.5 Schools and professional services

As members of SMT, Deans of Schools and Directors of professional services are responsible for encouraging good risk management practice within their area. Schools and professional services are responsible for:

- maintaining a local risk register, which includes the principal operational risks within their area
- reporting to SMT on their risk register, as required
- alerting SMT to any significant developments at local or operational level which could potentially affect the strategic risk register.

Policy owner: Chief Operating Officer

Last reviewed: 5.1.18 (previously updated 17.8.15)

Next review: January 2019