



## RISK MANAGEMENT POLICY

### 1 POLICY STATEMENT

The Risk Management Policy of Brockenhurst College is to adopt best practices in the identification, evaluation, and cost effective control of risks to ensure that risks are eliminated or reduced to an acceptable level.

### 2 INTRODUCTION

Brockenhurst College Risk Management Policy Statement is a formal document which serves a number of purposes. It:

- Is a method of communicating the risk philosophy of the College
- Explains how risk management is to be implemented
- Details the different responsibilities for risk control
- Highlights procedures which will be adopted in the risk management process

The policy statement is a working document. It will be reviewed on an annual basis and updated as necessary to meet changing demands within the institution.

It is acknowledged that some risks will always exist and will never be eliminated. Indeed, it is recognised that not all risk is negative and in some instances a level of risk is desirable. All employees must understand the nature of risk and accept responsibility for risks associated within their area of authority. The necessary support, assistance and commitment of senior management will be provided to support the elimination of risks.

The risk management objectives of the College are to:

- integrate risk management into the culture of the institution
- manage risks in accordance with best practice
- consider legal compliance as a minimum standard
- anticipate and respond to changing social, environmental and legislative requirements
- prevent injury and damage and reduce the cost of risk
- raise awareness of the need for risk management

These objectives will be achieved by:

- incorporating risk management into the organisation through the College Committees structure
- considering risk management in meetings as appropriate
- consistently demonstrating the application of risk management principles
- maintaining documented procedures for the control of risk
- maintaining an appropriate incident report and recording system, with investigation procedures to establish cause and prevent recurrence

- preparing contingency plans in areas where there is potential for an occurrence having a significant negative effect on the College and its business capability
- maintaining effective communication and the active involvement of every member of the College
- monitoring risk management arrangements on an ongoing basis.

### **3 ORGANISATION**

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

- The Board of governors 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 Board of governors;
- The Principal and the senior management team supports, advises and implements policies approved by the Board of governors;
- 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.

### **4 ROLE OF THE BOARD OF GOVERNORS**

The Board of governor'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.
- 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.

## **5 ROLE OF THE FINANCE AND RISK MANAGEMENT GROUP**

Key roles of the Finance and Risk Management group are to:

- Take overall responsibility for the administration and implementation of the risk management process;
- Identify and evaluate the significant risks faced by the College for consideration by the Board of governors;
- Provide adequate information in a timely manner to the Board of governors and its committees on the status of risks and controls;
- Report on risk management action plan implementation. Undertake an annual review of effectiveness of the system of internal control and provide a report to the Board of governors.

The following committees play a key role in considering risk management and monitoring the application of risk principles:

- Senior Management Team,
- Property Strategy Group
- Health and Safety Committee
- Quality Committee

Corporation Sub-Committees:

- Finance and Standards
- Audit
- Employment and Personnel

## **6 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, and enables 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 board of governors and implemented and communicated by senior management to staff. Written procedures support the policies where appropriate.

*b) Monthly Reporting:*

Comprehensive monthly reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the senior management team and the board of governors if appropriate.

- 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.
- d) *Risk Register:*  
The Risk Register is compiled by the Finance and Risk Management group and helps 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. The Risk Register is reviewed by the Audit Committee on a termly basis.
- e) *Departmental Risk:*  
Heads of department use the annual Self Assessment process to ensure that significant risks in their department are identified, assessed and monitored. Emerging risks are added as required and improvement actions and risk indicators are monitored regularly.
- f) *Audit Committee:*  
The Audit Committee reports to the board of governors on internal controls and alerts governors 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 College'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. In recent years their role has been revised to focus on risks identified by the College.
- h) *External Audit:*  
External audit provides feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit.
- i) *Third Party Reports:*  
From time to time, the use of external consultants may be necessary. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

## **7 ANNUAL REVIEW OF EFFECTIVENESS**

The Board of governors is responsible for reviewing the effectiveness of internal control of the College, based on information provided by the Finance and Risk Management group. Its approach is outlined below.

For each significant risk identified, the Board 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. This is done through reporting to the Audit Committee at its autumn term meeting.

The Board will consider the following aspects:

- a) Control environment:
  - The College's objectives and its financial and non-financial targets;
  - Organisational structure and contribution of the senior management team;
  - Culture, approach, and resources with respect to the management of risk;
  - Delegation of authority and public reporting.
- b) Ongoing 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.
- c) 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.
- d) Monitoring and corrective action:
  - Ability of the College to learn from its problems and responsiveness in taking corrective action.
  - An extended Finance and Risk Management group will prepare a report of its review of the effectiveness of the internal control system annually for consideration by the Board of governors, through its Audit Committee at its autumn term meeting.

### **Risk Management Analysis**

The College has noted the LSC requirements regarding the need to:

- i) Formally identify disaster planning arrangements.
- ii) Identify other business risks, as per Circular 04/05.
- iii) Incorporate the College's sensitivity analysis and contingency plan arrangements (commentary for the Financial Forecast) as part of the Risk Management Plan.

**Reviewed – Audit Committee meeting 4 May 2010**