Policy	Finance 5
Issue No	1
Issue Date	01.06.13
Review Date	01.06.16
EIA	
Prepared by	A Williamson

RISK MANAGEMENT POLICY AND PROCEDURES

1.0 INTRODUCTION

1.1 This policy and procedures details and communicates the College's approach to risk management and evaluation of internal controls and is part of the College's internal control and Corporate Governance arrangements.

1.2 Edinburgh College will effectively manage risk, taking all reasonable practicable steps to ensure the protection of staff, students, assets and the reputation of the College.

1.3 The policy explains the College's underlying approach to risk management, and details the roles and responsibilities of the Board of Management, the Executive Team, Leadership Team, and other key parties.

1.4 This policy outlines key aspects of the risk management process, and identifies the main reporting procedures and timings.

1.5 This policy details the process that the Board of Management will use to evaluate the effectiveness of the College's internal control procedures.

2.0 SCOPE

2.1 Risk is defined as the combination of the 'probability' of an event occurring and the 'consequences' of that event.

2.2 Risk management identifies and manages the risks that threaten the ability of the college to meet its objectives. The College will identify, monitor and aim to eliminate the range of threats to its activities, understand where we have vulnerabilities, and develop cost effective counter measures. These risks may be strategic, operational or financial.

3.0 LINES OF RESPONSIBILITY

3.1 The Chairman and Committee members of the Board of Management and the Principal have the responsibility for overseeing risk management within the College.

3.2 College Directors and Vice Principals have functional responsibility to manage and mitigate against those risks under their responsibility, individually and collectively.

3.3 The Principal and the Executive Team have the responsibility to support, and implement policies approved by the Board of Management.

3.4 The Director of Finance, as a representative of the Risk Management Group, is responsible for the construction and maintenance of a risk register which makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.

3.5   Leadership Team members are responsible for producing and reviewing subsidiary risk registers detailing the top risks in their area of operations.   This includes implementation of the management of these risks.

3.6   College Managers are responsible for encouraging and embedding good risk management practice within their area of activity.

3.7   The Risk Management Group (RMG), a sub-committee of the Audit Committee, is responsible for assessing the top risks facing the College and developing strategies to manage that risk and reporting progress to the Audit Committee. The membership of the Group will include:

    - Director of Finance (Chair)
    - Director of Communication & Organisational Development or Head of Human Resources
    - Head of Resources & Facilities
    - Health & Safety Manager
    - Member of the Board of Management
    - Risk Champions to cover Centres/Departments across all buildings
    - Heads of Centre representatives from all campuses
    - Representatives from Centres/Departments as required
    - Secretary to the Group

        The membership of the Risk Management Group will be published on the Staff Intranet.

3.8   Risk Champions are responsible for performing spot checks on controls within areas and feeding back into the Risk Management Group.

3.9   All staff are responsible for encouraging and embedding good risk management practice within their area of activity.

4.0   KEY PRINCIPLES[1]

4.1   **Role of Board of Management**

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

- provide the authority and responsibility for the establishment, maintenance, support and evaluation of the Risk Management Policy;
- set the tone and influence the culture of risk management within the College;
- delegate the overall implementation of risk management to the Executive Team;
- know about the most significant risks facing the organisation;
- ensure that risk is being managed effectively and solutions to risk are in place.

4.2   **Role of Executive Team**

- Implementation of the Risk Management Strategy.
- Promotion of a holistic approach to risk management.
- Report new significant risks which develop within their area of responsibility to the Risk Management Group.
- Report any risk which no longer exists to the Risk Management Group.

---

[1] The college is an equal opportunities organisation and aims to reflect the diversity of British Society. We welcome and support staff, students and visitors irrespective of race, ethnic origin, religion, age, sexual orientation, disability and gender.

- Report any risk which cannot be controlled at local level to the Risk Management Group.
- Ensure appropriate levels of awareness throughout the organisation.
- Maintain Functional control of risks within area of responsibility.
- Maintain Risk Management as an Executive Team meeting agenda item.

4.3 Role of Internal Audit

- Ensuring the effectiveness of organisational and financial control systems, including monitoring performance against quality assurance standards.

4.4 Role of Audit Committee

- To review new risks or failures of existing control measures.
- To review the 'probability' and 'impact' scoring on a regular basis.
- To review the adequacy of internal control systems designed to minimise risk.
- To receive the reports from the Risk Management Group and make appropriate recommendations to the College's Executive Team, which will effectively improve systems of control.

4.5 Role of Risk Management Group

- To review Impact and mitigating factors i.e. Actions for risks occurring and Risk Reduction/Elimination on the Risk Register.
- To identify from the Risk Register the top risks faced by the College.
- To regularly review and monitor the 'probability' and 'impact' of the top risks and report progress to the Audit Committee.
- To review reports of the Executive Team and Leadership Team.
- Overall co-ordination of Risk Management.
- Report the status of Risk Management and the Risk Register to the Audit Committee.
- To maintain the Board of Management's confidence that risk is being managed effectively within the organisation and that solutions to identified risks are appropriate and in place.

4.6 Role of Leadership Team

- Co-ordinate and ensure that the day to day operational objectives are implemented in line with the Risk Management strategy.
- Be aware of risks which fall into their area of responsibility, the possible impacts these have, and monitor outcomes against the risks identified ensuring that procedure notes detail corrective action to minimise risk.
- Report systematically and promptly to senior management of any perceived new risks or failures of existing control measures.
- Report on current 'active' risks highlighting mitigating actions and effect towards risk reduction.
- Ensure Risk Register is kept up to date with Centre or Department risks.

4.7 Role of Risk Champion

- Ensure that reviews of the risk register(s) are carried out on a regular basis and that the strength of all controls are properly understood and recorded.
- Ensure that the information on the register is complete and up to date and that risks are not being overlooked or ignored.
- Provide feedback where they believe risks are not clearly described or are not directly linked to one or more stated objectives.

- All risks should have an owner, ensure during reviews that risks are assigned to the appropriate person (typically the owner of the objective/s) and that the owner clearly understands the risk and what is being done about it.
- Ensure that the assessment of the inherent/gross risk is reasonable/ accurate.
- Where applicable ensure that further controls identified for risks are implemented and that an owner is appointed to implement controls with a clear target date.
- Carry out spot-checks between formal reviews of the risk register to ensure owners fully understand their role/responsibility to the risk and that they are managing them.

4.8   **Role of College Staff**

- Acknowledge and understand their responsibility for individual risks.
- Understand how they can enable continuous improvement of risk management and risk awareness.
- Report systematically and promptly to a member of the Executive Team or Leadership Team any perceived new risks or failures of existing control measures.

5.0   IMPLEMENTATION OF RISK MANAGEMENT

5.1   Development of a range of Policy and Procedures within themed frameworks to ensure corporate risks are managed in an efficient and sustainable manner.

5.2   The adoption of common terminology in relation to the definition of risks and risk management.

5.3   The establishment of college-wide criteria for the measurement of risk, linking the threats to their potential impact and the likelihood of their occurrence together with a sensitivity analysis, impacted by mitigating actions.

5.4   A decision on the level of risk to be accepted, together with tolerance levels expressed in terms of measurable outcomes.

5.5   A decision on the level of risk to be covered by insurance.

5.6   Detailed regular review at faculty or section level to identify significant risks associated with the achievement of key objectives.

5.7   Development of risk management and mitigating plans for all significant risks, to include a designated "risk owner" who will be responsible and accountable for managing the risk in question.

5.8   The Audit Committee's Risk Management Group (RMG) will consist of a minimum of one member of the Audit Committee, one member of the Executive Team and other members of staff as appropriate.

5.9   Outcomes of risk management activities will be reported by the Leadership Team to the Director of Finance (as a member of the RMG) three times per year (December, March and August). The RMG under normal circumstances will meet three times per year (January, April, and September).

5.10   Reporting by the RMG and the Executive Team to the Audit Committee and the Board of Management of the top risks faced by the College.

5.11 An annual report of the operation of the policy, management of risk and top risks faced by the College will be made to the Board of Management in August.

5.12 Key risk indicators will be identified and closely monitored on a regular basis.

5.13 Risk Management arrangements will be reviewed on a regular basis.

6.0   REGISTER OF RISK

6.1 The College Risk Register and the top risks are identified and reviewed regularly – an updated copy of Register will be made available on the Staff Intranet.

6.2 The rankings shown on the risk register range from one (1) to five (5) against each criteria of probability and impact. The probability is shown as 'net' and the impact shown as 'gross'. The probability and impact scoring is multiplied together to provide the risk factor.

<u>Low</u>   <u>High</u>

Probability (net)   1 $\Rightarrow$ 5
Impact (gross)   1 $\Rightarrow$ 5

Risk Factor   =   Probability x Impact

(See Risk Measurement Grid – Appendix 1 of this policy)

6.3 The risk factor will be classified as High, Medium or Low Risk.

(H) High $\Rightarrow$ 16 - 25
(M) Medium $\Rightarrow$ 11 - 15
(L) Low $\Rightarrow$ 1 - 10

6.4 Top Risks are identified as those risks with a risk factor score of 16 or more, as well as any other risk having an Impact score of 5.

7.0   MEASUREMENT FOR RISK MANAGEMENT

7.1 The measurement process should be used to periodically report the status and impact of operational risks. The measurement process provides the raw information that allows Directors and Managers to be 'proactive' rather than 'reactive' in managing any impact during operational activity.

7.2 Risk measurement provides Directors and Managers with a mechanism to extract data from risk areas, and compile useful information in order to monitor and control the risks that affect them.

7.3 Within the measurement process, the information needs for risk, become the requirements for the measurement process.

7.4 The manager's information need is for a risk investigation progress or status update. In order to prevent a risk investigation, the information of the risk should be measured and some basic values calculated.

7.5   Types of measures and suggested methods of measurement:

Measure	Method
Risks being investigated	Number of risks with active status
Risk investigation cost	Actual cost for active risks
Active risks by impact	Estimated level of impact
Schedule days for active risks	Number of days effort for active risks
Total effect	Operational outcome

7.6   The Risk Register Measurement Form (Appendix 2) is the required form for completion by Managers. This form should be completed three times per year - sub-clause 5.9 refers to timings.

8.0   RISK ESCALATION

8.1   Risk management should not be seen as the responsibility of a few.   Members of staff and students alike must feel they have the power to highlight and engage with the process of risk management from all levels.

8.2   Personnel in the first instance should highlight their risk concern to a Risk Champion. If there is no obvious Risk Champion to identify with, they should use the Risk Escalation Report form at Appendix 3 to draft the details of their concern. This will form the basis of the risk evaluation. The initial Risk Escalation Report should then be forwarded to the Risk Management Group Secretary, who will forward and identify the most suitable Risk Champion to take the matter forward on their behalf.

8.3   The concerns contained with the Risk Escalation Form can be then addressed by a Risk Champion and subsequently, should the need arise, be brought before the Risk Management Group for inclusion within the risk register. Once the assessment has been carried out the initial individual or department will be given feedback on the process and outcome of the assessment. This should be communicated through the web pages of the staff intranet to allow other interested parties to be aware of the findings.

8.4   If at any point an individual has any concerns or questions on how a risk can be escalated they can always make an approach via email to the secretary of the Risk Management Group, who can advise which Risk Champion is the most appropriate to deal with the query.

9.0   EFFECTIVE DATE

9.1   This policy is effective from 1 June 2013 and supersedes all previous policies and procedures related to risk management within the college. This policy will be reviewed every three years, or earlier if changes affect it in any way.

RISK MEASUREMENT GRID

PROBABILITY FACTOR SCORING

Event Likelihood	% Chance occurring	Result	Assigned Score
Event is expected in most circumstances	>90%	Almost Certain	5
Event will probably occur in most circumstances	51% - 90%	Likely	4
Event should occur at some time	31% - 50%	Possible	3
Event could occur at some time	10% - 30%	Unlikely	2
Event may occur only in exceptional circumstances	<10%	Rare	1

IMPACT FACTOR SCORING

Actions	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
Management Time	Resolution would be achieved during normal day-to-day activity	Resolution would require co-ordinated input from one or more sections	Resolution would require input from other members of Leadership Team	Resolution would require the mobilisation of a dedicated project team	Resolution would require input from Senior Executive/and expert external assistance.
Health & Safety	On-site exposure immediately contained	On-site exposure contained after prolonged effect	On-site exposure contained with outside assistance	Prolonged/ Major incident with serious casualties	Major incident with multiple fatalities
Reputation	Letter to local press	Series of articles in local press	Extended negative media/sector media coverage	Short term negative national media coverage	Extensive and sustained negative national media coverage
Regulatory/ Legal action	Minor breaches by individual member(s) of staff	No fine **and** no disruption to teaching/ normal business processes	Fine – but no disruption to teaching/ normal business processes	Fine – **and** disruption to teaching/ normal business processes	Extensive fine **and** significant disruption to teaching/ Normal business processes over extended period
Staff (Morale, Recruitment Retention)	No evidence of adverse staff reaction	Staff complaints/ possible comment by union members	General discontent evident across multiple groups of staff	Significant adverse impact, significant concerns to College	Disaster Management Process required. Trade Unions in conflict mode
Management Effort	An event which can be absorbed through normal activity	An event, the consequences of which can be absorbed but management effort required to minimise the impact	A significant event which can be managed under normal circumstances	A critical event which, with proper management, can be endured	A disaster with the potential to lead to the collapse of the business of the College

RISK MEASUREMENT **APPENDIX 2**

Date _____

Risk No. (from Risk Register)	Group	Title or Description	Risk being Investigated	Risk Investigation Cost	Risk Investigation Impact	No. of Days Effort	Operational Outcome

MANAGER'S NAME …………………………………………………………………… *(Manager to complete)*

CENTRE/ DEPARTMENT…………………………………………………………………

RISK ESCALATION REPORT   **APPENDIX 3**

Date _____

Risk No. (if known)	Person or Group instigating risk escalation	Description of perceived risk	Risk being Investigated by	Date investigation complete	Date Forwarded to Risk Management Group	No. of Days Effort	Recommendations and Outcomes

RISK Champion NAME ……………………………………………………………………

Centre or Department ………………………………………………………………………..