

Risk Management Policy

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Version Control History

Version Number	Date of Change	Summary of Revisions Made
3	June 2013	Routine review. Only changes are Director of Finance to Director of Finance and Resources, and Quality Manager to Head of Quality. Footer updated.
3.1	July 2016	Footer updated to reflect new template model Role title changed: Vice Principal, Finance and Estates.
3.2	December 2018	Change of role to Quality Manager. Updated footer.

Risk Management Policy

1 Purpose

- 1.1 The Risk Management Policy forms part of the College's internal control and corporate governance arrangements.
- 1.2 The policy explains the College's underlying approach to risk management, documents the roles and responsibilities of the Board of Management, the Senior Management and Management Teams and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures.
- 1.3 In addition, it describes the process the Board of Management will use to evaluate the effectiveness of the College's internal control procedures.

2 Scope

This Policy covers the management of financial, strategic, operational and project-based risk.

3 Key Principles

Underlying Approach to Risk Management

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

- 3.1 The College recognises and manages the financial and non-financial implications of risk.
- 3.2 Significant risks and opportunities will be identified and closely monitored on a regular basis.

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 strategic and operational risks. These elements include:

3.3 Policies and Procedures

College policies and procedures underpin the internal control processes of which risk management is part. These policies are agreed by the Board and implemented and communicated by the Senior Management Team and Management Team to staff. Written procedures support the policies where appropriate.

3.4 **Quarterly Reporting**

Comprehensive quarterly 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 if appropriate.

3.5 **Business Planning and Budgeting**

The business planning and budgeting process is used to set objectives, identify risks associated with achieving these objectives, agree action plans and allocate resources. Progress towards meeting business plan objectives is monitored regularly through self evaluation and reporting.

3.6 **Strategic Risk Framework (significant risks only)**

This framework is integrated with strategic planning and review. Within these processes the Senior Management Team undertake the identification, assessment and ongoing monitoring of risks significant to the College. A strategic risk register is formally appraised quarterly, emerging risks are added as required, and improvement actions and risk ratings are monitored quarterly.

3.7 **Operational Risk Framework**

Managers ensure that significant risks to the achievement of their operational objectives are identified, assessed and monitored. Operational risk is formally appraised annually at business planning, emerging risks are communicated as required, and improvement actions and risk ratings are monitored regularly by business units as an integral part of self evaluation.

3.8 **Project-Based Risk**

The approval process for all capital projects and revenue projects (where College contribution is in excess of £250k and £100k respectively in value) includes the explicit consideration of risk. This determination and rating of risk must include the assessment of:

- Risk to achievement of business and project objectives.
- Significant financial and non-financial risks.

3.9 **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.

3.10 **External Audit**

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

3.11 Third Party Reports

Outputs from all commissioned consultancy activities are used to strengthen the internal control system as appropriate.

Annual Review of Effectiveness

The Board is responsible for reviewing annually the effectiveness of internal control of the College, based on information provided by the Senior Management Team. Its approach is outlined below.

3.12 When reviewing reports during the year, the Audit Committee will:

- Consider the key risks and assess how they have been identified, evaluated and managed.
- Assess the effectiveness of the related system of internal control in managing key risks.
- Consider whether necessary actions are being taken promptly to remedy any significant failings or weaknesses.
- Consider whether the findings indicate a need for a more extensive monitoring of the system of internal control.

3.13 The Senior Management Team will prepare a report of its review of the effectiveness of the internal control system annually for consideration by the Board.

This report will include details of:

- Changes during the year in the nature and extent of significant risks.
- Scope and quality of risk monitoring.
- The extent and frequency of communication to the Board and its Committees.
- Any control failings or weaknesses.
- The effectiveness of public reporting procedures.

4 Responsibilities

4.1 Role of the Board of Management

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

4.1.1 The Board of Management has responsibility for overseeing risk management within the College as a whole.

4.1.2 The Board of Management provides leadership within a framework of effective controls which enable risk to be assessed and managed.

The role of the Board of Management is to:

- 4.1.3 Set the tone and influence the culture of risk and opportunity management within the College.
- 4.1.4 Determine the appropriate risk appetite or level of exposure for the College.
- 4.1.5 Approve major decisions affecting the College risk profile or exposure.
- 4.1.6 Ensure that risk management is integrated in strategic planning processes.
- 4.1.7 Monitor the management of key risks (those rated in excess of the risk appetite) to reduce their probability and impact.
- 4.1.8 Satisfy itself that the less significant risks are none the less being actively managed, with the appropriate controls in place and working effectively.
- 4.1.9 Annually review the College approach to risk management and approve changes or improvements to key elements of its processes and procedures.

4.2 **Audit Committee**

The Board of Management has delegated responsibility for risk management to the Audit Committee.

- 4.2.1 The Audit Committee is thus required to report to the Board on internal controls and alert Board members to any emerging issues.
- 4.2.2 In addition, the Committee oversees internal audit, external audit and management as required in its review of internal controls.
- 4.2.3 The committee is therefore well-placed to provide advice to the Board on the effectiveness of the internal control system, including the College system for the management of risk.
- 4.2.4 The Audit Committee has responsibility for reviewing this Policy, which it may delegate to the Chief Operating Officer, as owner of the Policy. The Audit Committee will retain responsibility for approving any subsequent changes to this Policy.

4.3 **Role of the Senior Management Team**

Key roles of the Senior Management Team are to:

- 4.3.1 Together with the Principal, support and advise the Board of Management, and implement policies on risk management and internal control as approved by the Board.
- 4.3.2 Identify and evaluate the significant risks faced by the College for consideration by the Board of Management.
- 4.3.3 Provide accurate, timely and clear information to the Board of Management and its Committees on the status of risks and controls.
- 4.3.4 Undertake an annual review of effectiveness of the system of internal control and provide a report to the Board of Management.

4.4 **Role of Managers**

Managers and Senior Managers are responsible for ensuring good risk management practice within their area of responsibility.

- 4.5 Quality approval check of the policy is the responsibility of the Quality Manager who will arrange for the policy to be posted on the web.

5 **Linked Policies/Related Documents**

None

6 **Relevant Legislation**

None