

# Risk Management Policy

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## 1.0 INTRODUCTION

- 1.1 This policy 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 The College will effectively manage risk, taking all reasonable 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 Senior Management Group, and other key parties.
- 1.4 This policy outlines key aspects of the risk management process and identifies the main reporting requirements.
- 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 it has vulnerabilities, and develop cost effective counter measures. These risks may be strategic, operational, or financial.

## 3.0 LINES OF RESPONSIBILITY

- 3.1 The Chair and Committee members of the Board of Management and the Principal have the responsibility for overseeing risk management within the College.
- 3.2 College Heads have functional responsibility to manage and mitigate against those risks under their responsibility, individually and collectively.
- 3.3 The Principal and the Executive Leadership Team have the responsibility to support, and implement policies approved by the Board of Management.
- 3.4 The Principal, in liaison with the Executive Leadership Team, 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 The College Managers 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** All staff are responsible for encouraging and embedding good risk management practice within their area of activity.

## **4.0 KEY PRINCIPLES**

### **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.
- Establish a 'risk appetite for the college
- Delegate the overall implementation of risk management to the Executive Leadership 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 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 Senior Management Group and make appropriate recommendations to the Board of Management,
- To provide an annual report of the operation of the policy, management of risk and most significant risks faced by the College to the Board of Management in December each year.

### **4.3 Role of Executive Leadership 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 Audit Committee.
- Report any risk which no longer exists to the Audit Committee.
- Report any risk which cannot be controlled at local level to the Audit Committee.
- Ensure appropriate levels of awareness throughout the organisation.

- Maintain functional control of risks within area of responsibility.
- Maintain Risk Management as a Senior Management Group meeting agenda item.
- 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.
- 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.

#### **4.4 Role of Internal Audit**

The Internal Audit Service provides assurance in relation to risk regarding the achievement of the following objectives:

- Effectiveness and efficiency of operations.
- Reliability of financial and management reporting.
- Compliance with laws and regulations.
- Safeguarding of Assets

An annual report on the above by the appointed independent auditors will be made to the Audit Committee prior to the December meeting of the Board of Management.

#### **4.5 Role of External Audit**

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

#### **4.6 Role of College Managers**

- 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 any perceived new risks or failures of existing control measures.
- Report on current 'active' risks highlighting mitigating actions and effect towards risk reduction.
- Ensure the Risk Register is kept up to date

#### **4.7 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 Senior Management Group any perceived new risks or failures of existing control measures.

## 5.0 IMPLEMENTATION OF RISK MANAGEMENT

### 5.1 Policies & 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 Group to staff. Written procedures support the policies where appropriate.

### 5.2 Business Planning and Budgeting

The strategic operational 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. The process is a detailed regular review at curriculum or section level to identify significant risks associated with the achievement of key objectives.

### 5.3 Project-Based Risk

The approval process for all capital projects and revenue projects (where College contribution is more than £75k and £50k 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.
- The Internal skills & resources available to management.

### 5.4 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 Executive Management Team. Its approach is outlined below.

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.

The Audit Committee will prepare a report of its review of the effectiveness of the internal control system annually for consideration by the Board.

### 5.5 Risk Owners

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.

## 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 In line with UHI terminology and practice, the College has adopted the standard risk classification methodologies. The rankings shown on the risk register range from one (1) to five (5) against each criterion of probability and impact. The probability and impact scoring are multiplied together to provide the risk factor.

|          |             |       |
|----------|-------------|-------|
| Low High | Probability | 1 - 5 |
|----------|-------------|-------|

|  |        |       |
|--|--------|-------|
|  | Impact | 1 - 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 | 16 – 25 |
|----------|---------|

|            |         |
|------------|---------|
| (M) Medium | 11 – 15 |
|------------|---------|

|         |        |
|---------|--------|
| (L) Low | 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 EFFECTIVE DATE

7.1 This policy is effective from **xxxxxxx** and supersedes all previous policies 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 APPENDIX 1

### PROBABILITY FACTOR SCORING

RISK MAP (for Gross risk & residual risk)

TIME SALE  
3 YEARS

| IMPACT            |              |             |              |            |                  |
|-------------------|--------------|-------------|--------------|------------|------------------|
| 5 – Catastrophic  | 5            | 10          | 15           | 20         | 25               |
| 4 – Major         | 4            | 8           | 12           | 16         | 20               |
| 3 – Significant   | 3            | 6           | 9            | 12         | 15               |
| 2 – Minor         | 2            | 4           | 6            | 8          | 10               |
| 1 – Insignificant | 1            | 2           | 3            | 4          | 5                |
|                   | 1 -Very Rare | 2 -Unlikely | 3 - Possible | 4 - Likely | 5 Almost Certain |
|                   | LIKELIHOOD   |             |              |            |                  |

Attention should also be paid to risks that are very rare or unlikely that could cause a catastrophic impact.

| IMPACT - CRITERIA |  | TIMESCALE 3 YEARS                                |  |  |
|-------------------|--|--|--|--|
| Score             | Descriptor   | Financial  | Operational  | Reputational<br>(need to link to communications process for incident management)   |
| 5<br>Catastrophic | <ul style="list-style-type: none"> <li>A disaster with the potential to lead to loss of a major UHI partner</li> <li>Loss of major funding stream</li> </ul> | > £250,000 or lead to likely loss of key partner | <ul style="list-style-type: none"> <li>Likely loss of key partner, curriculum area or department</li> <li>Litigation in progress</li> <li>Severe student dissatisfaction</li> <li>Serious quality issues/high failure</li> </ul> | <ul style="list-style-type: none"> <li>Incident or event that could result in potentially long term damage to WHC's reputation. Strategy needed to manage the incident.</li> <li>Adverse national media coverage.</li> <li>Credibility in</li> </ul> |

|                 |  |  |  |  |
|-----------------|--|--|--|--|
|                 |  |  | rates/major<br>delivery problems   | marketplace and<br>with stakeholders<br>significantly<br>undermined.   |
| 4 Major         | A critical event which threatens to lead to: <ul style="list-style-type: none"> <li>Major reduction in funding</li> <li>Major reduction in teaching / research capacity</li> </ul> | <b>£75,000 - £250,000</b><br>or lead to possible loss of partner | <ul style="list-style-type: none"> <li>Possible loss of partner and litigation threatened</li> <li>Major deterioration in quality/pass rates/delivery</li> <li>Student dissatisfaction</li> </ul>          | <ul style="list-style-type: none"> <li>Incident/event that could result in limited medium – short term damage to WHC’s reputation at local/regional level.</li> <li>Adverse local media coverage</li> <li>Credibility in marketplace/with stakeholders is affected.</li> </ul> |
| 3 Significant   | A Significant event, such as financial/ operational difficulty in a department or academic partner which requires additional management effort to resolve                          | <b>£50,000 - £75,000</b>   | <ul style="list-style-type: none"> <li>General deterioration in quality/delivery but not persistent</li> <li>Persistence of issue could lead to litigation</li> <li>Students expressing concern</li> </ul> | <ul style="list-style-type: none"> <li>An incident/event that could result in limited short term damage to UHI’s reputation and limited to a local level.</li> <li>Criticism in sector or local press</li> <li>Credibility noted in sector only</li> </ul>                     |
| 2 Minor         | An adverse event that can be accommodated with some management effort.   | <b>£10,000 - £50,000</b>   | <ul style="list-style-type: none"> <li>Some quality/delivery issues occurring regularly</li> <li>Raised by students but not considered major</li> </ul>  | <ul style="list-style-type: none"> <li>Low media profile</li> <li>Problem commented upon but credibility unaffected</li> </ul>   |
| 1 Insignificant | An adverse event that can be accommodated through normal operating procedures.   | <b>&lt;£10,000</b>   | <ul style="list-style-type: none"> <li>Quality/delivery issue considered one off</li> <li>Raised by students but action in hand</li> </ul>   | <ul style="list-style-type: none"> <li>No adverse publicity</li> <li>Credibility unaffected and goes unnoticed</li> </ul>  |

Note: In line with UHI terminology and practice, the College has adopted the standard risk classification

Select criteria most appropriate. Use highest score if more than one criterion applies.