

Stranmillis University College

Risk Management Policy

Purpose of this document

- This risk management policy (the 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 Board of Governors, the Senior Management Team, and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.
- In addition, it describes the process the Board of Governors will use to evaluate the effectiveness of the institution's internal control procedures.

Underlying approach to risk management

The following key principles outline the institution'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
-
- heads of department are responsible for encouraging good risk management practice within their department
-
- key risk indicators will be identified and closely monitored on a regular basis.
-

Role of the Board of Governors

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

- (a) Set the tone and influence the culture of risk management within the College.
This includes:
- (b)
 - 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
 - setting the standards and expectations of staff with respect to conduct and probity.
- (c) Determine the appropriate risk appetite or level of exposure for the College.
- (d) Approve major decisions affecting the College's risk profile or exposure.
- (e) Monitor the management of significant risks to reduce the likelihood of unwelcome surprises.
- (f)
- (g) Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- (h)
- (i) Annually review the College's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

Role of the Senior Management Team

Key roles of the Senior Management Team are to:

- (j) Implement policies on risk management and internal control.
- (k)
- (l) Identify and evaluate the significant risks faced by the College for consideration by the Board of Governors.
- (m) Provide adequate information in a timely manner to the Board of Governors and its committees on the status of risks and controls.
- (n) Undertake an annual review of effectiveness of the system of internal control and provide a report to the Board of Governors.

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 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. *High level risk framework (significant risks only).*

This framework is compiled by the Senior Management Team 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.

e. *Department risk frameworks.*

Heads of Departments develop and use this framework to ensure that significant risks in their department are identified, assessed and monitored. The document is formally appraised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly by business units.

f. *Audit Committee.*

The Audit Committee is required to report to the Board of Governors on internal controls and alert 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.

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 will be necessary in areas such as health and safety, and human resources. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

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 Senior Management Team. 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.

In making its decision the Board will consider the following aspects.

a. *Control environment:*

- the College's objectives and its financial and non-financial targets
- organisational structure and calibre of the senior management team
- culture, approach, and resources with respect to the management of risk
- delegation of authority
- public reporting.

b. *On-going 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
- time it takes for control breakdowns to be recognised or new risks to be identified.

d. *Monitoring and corrective action:*

- ability of the institution to learn from its problems
- commitment and speed with which corrective actions are implemented.

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 of Governors.

This Policy was adopted by the Board of Governors on 2003