



# RISK MANAGEMENT POLICY

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## Introduction

This risk management policy (the Policy) forms part of the College's internal control and corporate governance arrangements. Risk management is defined as the deployment of internal controls that manage existing or potential events that could reduce the likelihood of achieving business objectives.

The Policy explains the College's underlying approach to risk management, documents the roles and responsibilities of the Governing Body, the Audit Committee and internal groups. It describes key aspects of the risk management process and identifies the main reporting procedures.

The Policy describes the process the Corporation, including principally the Audit Committee, will use to evaluate the effectiveness of the College's internal control procedures.

## Principles and External Requirements

The Corporation has adopted the Code of Good Governance for English Colleges.<sup>1</sup> The code states that

'The board must adopt effective systems of control and risk management that promote value for money, efficient use of the capital estate and technology, meet mandatory audit requirements, and produce accurate and quality-assured college data.'

'The board must comply with the funding agency mandatory requirements relating to audit including adherence to the Post-16 Audit Code of Practice, which sets out the minimum requirements. The board should approve an annual audit plan linked to the college's risk register and be confident in the expertise and quality of any internal auditors engaged by the college. The board should consider using different sets of expertise for different audit requirements.'

'The audit committee must support the board and the principal by reviewing the comprehensiveness, reliability and integrity of assurances including the

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<sup>1</sup> <https://www.aoc.co.uk/funding-and-corporate-services/governance/governance-resources/code-good-governance-english-colleges>

college's governance, risk management and internal control framework and produce an annual audit report for the board.'

The Department for Education (DFE) has published a governance guide for further education and sixth form colleges.<sup>2</sup> The guide states that

The board must ensure there is a clear risk management policy so that:

- significant risks are identified, assessed, monitored and managed
- the effectiveness of risk management, internal control systems, assurance arrangements and business continuity planning is regularly reviewed
- a risk exposure profile can be created that reflects the board's views on what levels of risk are acceptable
- risk management is ongoing and part of operational procedures

## Scope of Plan

This document describes the risk management policies of Ealing, Hammersmith and West London College (EHWLC). The Policy has been prepared in accordance with Education and Skills Funding Agency (ESFA) guidance. All identified risks are recorded on the College's risk registers are assessed as either a 'Significant', 'High', 'Acceptable' or 'Low' risk. RAG<sup>3</sup> colour ratings are used wherever possible to provide clear visibility of risks; risk indicators are also used to describe changes in the level of risk i.e. higher, lower or unchanged.

Management of the strategic risks is monitored by the Executive Team (ET) and Senior Leadership Team (SLT) and reported to the Audit Committee and thus through to the Board. The Operational Risk Management Group is responsible for ensuring that a risk management culture is embedded across the organization and to provide visibility of current and emerging operational risks through the relevant Risk Management Action Plans.

Strategic risks are defined as those risk that have potential to prevent the College's strategic objectives from being achieved.

Operational risks and risk management are monitored by middle managers and heads of department and reported through the Operational Risk Management Group. Operational Risks are defined as those that have potential to prevent departmental and operational objectives from being achieved.

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<sup>2</sup> <https://www.gov.uk/guidance/fe-governance>

<sup>3</sup> Red Amber Green (RAG)

## **Risk Appetite**

The College is prepared to take measured risks when the risks involved have been considered and understood. The level of risk appetite is also evaluated against the College's financial and quality status taking into account all relevant factors. This will allow the College to balance the risks associated with its activities whilst encouraging creativity, innovation and change. The College and the Corporation are committed to taking such measured risks where it is felt they are the most appropriate solution to the College achieving its vision and strategic objectives.

## **Underlying approach to risk management**

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

- Governors have responsibility for overseeing risk management within the College as a whole. The Audit Committee reviews the strategic risk register, and the operation of the risk management process at each meeting.
- The Audit Committee and the Corporation will adopt an open and receptive but challenging approach to risk management.
- The Chief Executive & Principal and the Executive Team (ET) and Senior Leadership Team (SLT) support, advise and implement the Risk Management Policy following its approval by the Audit Committee.
- 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 for cascading guidance and best practices to staff.
- New strategic risks will be identified and reviewed by the ET/SLT and the Audit Committee.
- New and emerging strategic and operational risks are discussed by the ET/SLT and Operational Risk Management Group that may prevent the College's strategic and operational objectives from being achieved in the short to medium term.

- The College is working towards the adoption of ‘assurance mapping’ as a tool to allow the ET/SLT, the Audit Committee and the Corporation to evaluate the level of assurance provided for each defined strategic risk and to take any necessary action.
- An ‘assurance framework’<sup>4</sup> is a structured means of identifying and mapping the main sources of assurance in an organization and coordinating them to best effect. The development of the ‘Assurance Map’ at the College is a logical extension of the College’s existing risk management arrangements.
- The ‘Assurance Map’ provides the College with an improved ability to understand and confirm that it has assurance over key controls and the management of strategic risk or where control gaps exist and whether actions are in place to address these gaps.
- The assurance mapping process and the way of illustrating the results using an ‘Assurance Map’ can give confidence to management, the Audit Committee and the Corporation Board. The assurance mapping process identifies and records the key sources of assurance that inform the Audit Committee and the Corporation Board of the effectiveness of how key strategic risks are managed or mitigated, and of the key controls and processes that are relied on to manage risks and as a result support in the achievement of the College’s strategic objectives and goals.

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<sup>4</sup> <https://www.rsmuk.com/ideas-and-insights/board-assurance-a-toolkit-for-further-education-institutions> (download)

- The Assurance Map uses the ‘three lines of defence’ model, as illustrated in the following diagram:

Three lines of defence model



## Role of the Corporation

The Corporation’s role in the management of risk is to:

Set the tone and influence the culture of risk management within the College, including:

- Determining whether the College should be ‘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 the setting the standards and expectations of staff with respect to conduct and probity.

Approve major decisions affecting the College’s risk profile or exposure.

Monitor the management of significant risks to reduce the likelihood of unwelcome surprises or impact.

Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.

Periodically review the College's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

## **Role of the Audit Committee**

The Audit Committee will:

- ensure the development and implementation of a robust risk management strategy on behalf of the Governing Body
- ensure full compliance with the Post-16 Audit Code of Practice and subsequent requirements set by the Education and Skills Funding Agency (ESFA)
- review a risk register of strategic risks on behalf of the governors
- receive reports on actions taken
- make recommendations for further action to senior management and the Governing Body
- provide adequate information in a timely manner to the Governing Body and its committees on the status of risks and controls
- undertake an annual review of the effectiveness of the system of the risk management system and provide a report to the Governing Body.

## **Role of the Operational Risk Management Group<sup>5</sup>**

The role of the Operational Risk Management Group is to:

- Take overall responsibility for the administration and implementation of the risk management process in relation to operational and departmental risks.
- Identify and evaluate the significant risks faced by the College for consideration by the Executive Team / Senior Leadership Team, the Audit Committee, and the Corporation
- Provide adequate information in a timely manner to the Executive Team / Senior Leadership Team on the status of operational and departmental risks and controls and those that may impact on strategic risks. Reports to the Corporation will normally be reviewed by the Audit Committee before submission to the Corporation.

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<sup>5</sup> See terms of reference at Annex 1.

- Report on the implementation of the Risk Management Action Plan.

## **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 Corporation, where appropriate, and implemented and communicated by senior management to staff. Written procedures support the policies where appropriate.

b. Reporting

Comprehensive reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the ET/SLT and the Audit Committee or Corporation if appropriate.

c. Business planning and budgeting

The business planning and budgeting process, which includes the curriculum plan, is used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives is monitored regularly.

d. High level risk action plan (high and significant risks only)

Risk management action plans are compiled by the Executive Team and Senior Leadership Team and the Operational Risk Management Group as appropriate. They serve to identify, assess and monitor risks significant to the College. Action plans are reviewed regularly by ET/SLT, the Operational Risk Management Group and the Audit Committee, where required.

e. Departmental risk plans

Directors and heads of department develop and use these plans 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.

f. Audit Committee

The Audit Committee in their report to the Corporation on internal controls alert the Corporation about emerging issues. In addition, the committee oversees internal audit, external audit and management performance 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. The Audit Committee also undertakes an annual review of effectiveness of the system of internal control and provide a report to governors.

g. Internal Audit

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 may be necessary for specialist reviews, investigations or to provide advice. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

## **Annual Review of Effectiveness**

The Corporation is responsible for reviewing the effectiveness of internal control in the College, based on information provided by the Audit Committee. Its approach is outlined below.

For each significant risk identified, the Committee 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 Corporation 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 leadership team.
- Culture, approach, and resources with respect to the management of risk.
- Delegation of authority; and public reporting.

b. On-going identification and evaluation of significant risks:

Timely identification and assessment of significant risks; and 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 the time it takes for control breakdowns to be recognised or new risk to be identified.

d. Monitoring and corrective action:

The College's capability to learn from its problems and its commitment and responsiveness with which corrective actions taken are implemented.

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

## Structure

The reporting structure for the College is set out in **Figure 1**. Details of the roles and responsibilities of each of the groups are outlined on the attached pages. The Chief Operating Officer is the College's 'Risk Champion' who provides leadership and direction in relation to risk management.

The Operational Risk Management Group includes members of the Executive Team and Senior Leadership Team in addition to managers drawn from curriculum and business support areas.

The Executive Team comprises the Chief Executive & Principal, Deputy Principal, Chief Operating Officer, Deputy Principal (Curriculum and Quality) and Deputy Principal (Business Development and Marketing)

The Senior Leadership Team comprises the Executive Team plus

Assistant Principal (Young People)  
Assistant Principal (Adults)  
Assistant Principal (Inclusive Learning)  
Assistant Principal (Quality and Student Services)  
Director of Management Information Systems  
Director, Infrastructure Services  
HR Director

The Operational Risk Management Group comprises the following membership:

Chief Operating Officer (Chair)  
Deputy Principal (Curriculum & Quality)  
Director of Management Information Systems  
Director of Human Resources  
Deputy Principal Business Development & Marketing  
Assistant Principal (Adults)  
Assistant Principal (Inclusive Learning)  
Director, Infrastructure Services  
Assistant Principal (Quality and Student Services)  
Head of IT Services  
Head of Finance  
Health & Safety Manager  
Head, Construction, STEM and Engineering  
Head, Services Industries

## Risk Management Planning Process



**Figure 1**

## Roles and Responsibilities

Body	Expected role in risk management	Formal responsibilities
Governing Body / Corporation	<p>The Governing Body / Corporation is expected to:</p> <ul style="list-style-type: none"> <li>• Set the tone and influence the culture of risk management throughout the college;</li> <li>• Approve all major decisions affecting the college's risk profile or exposure;</li> <li>• Monitor the management of significant risks to reduce the likelihood of unwelcome surprises;</li> <li>• Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively; and</li> <li>• Annually review the college's approach to risk management and approve changes or improvements to key elements of its processes and procedures. This should include an examination of the framework/process and its rigour.</li> </ul>	<p>The Corporation is ultimately responsible for the College's system of internal control and reviewing its effectiveness.</p> <p>The Corporation needs to form an opinion on whether the College has complied with all the provisions of the Post-16 Audit Code of Practice throughout the year. This will include:</p> <ul style="list-style-type: none"> <li>• Reviewing the key risks together with the controls which have been implemented to mitigate those risks; and</li> <li>• Confirming whether or not there has been a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the 12 months to 31 July 20xx and up to the accounts approval date;</li> </ul> <p>The Corporation will also need to ensure that there is a regular review of the risk management process and its outcomes (usually via the Audit Committee).</p>
Audit Committee	<p>The Audit Committee oversees internal audit, external audit, Funding Body auditors 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 institution's system for the management of risk as part of its annual report.</p>	<p>The Audit Committee reports to the Board of Governors on internal controls and alerts governors to any emerging issues. The Audit Committee meets on at least a termly basis and provides a forum for reporting by the College's</p>

Body	Expected role in risk management	Formal responsibilities
		<p>internal and external auditors, who have access to the Committee for independent discussion. The Committee also receives and considers reports from the Funding Council as they affect the College's business.</p> <p>The Chief Operating Officer should ensure an up-to-date of the risk register and, when developed, the risk assurance map goes to every Audit Committee meeting throughout the year.</p>
Operational Risk Management Group	<p>The Operational Risk Management Group comprises some members of the ET/SLT and other managers from across the College. The Group</p> <ul style="list-style-type: none"> <li>• Take overall responsibility for the administration and implementation of the risk management process in relation to operational and departmental risks.</li> <li>• Identify and evaluate the significant risks faced by the College for consideration by the Executive Team / Senior Leadership Team, the Audit Committee and the Corporation.</li> <li>• Provide adequate information in a timely manner to the Executive Team / Senior Leadership Team on the status of operational and departmental risks and controls and those that may impact on strategic risks. Reports to the Corporation will normally be reviewed by the Audit Committee before submission to the Corporation.</li> <li>• Report on the implementation of the Risk Management Action Plan.</li> </ul>	<p>Its responsibility is to support the Corporation and associated committees in discharging their duties.</p> <p>It should hold regular meetings to ensure action plan implementation is being carried out efficiently and effectively.</p>
Internal Audit	Internal audit is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible	The College's internal auditors monitor the systems of internal control in accordance with an

Body	Expected role in risk management	Formal responsibilities
	<p>for aspects of the annual review of the effectiveness of the internal control system within the organisation.</p> <p>Internal audit will need to take account of the corporate risks and the strategic risk register and action plans in determining its strategic and annual plan of work.</p> <p>Internal audit should review and test the systems of control over the risk management process to provide assurance to the Audit Committee that the process is well controlled and to confirm that the risk management processes are being carried out in accordance with the agreed procedures and in a timely manner. There should be an annual review included within the internal audit strategic plan.</p>	<p>agreed plan of input and report their findings to management and the Audit Committee. Management are responsible for the implementation of agreed recommendations and internal audit undertake periodic follow up reviews to ensure such recommendations have been implemented.</p> <p>At least annually, the head of internal audit provides the Governing Body/Corporation, via the Audit Committee, with a report on internal audit activity in the College. The report includes an independent opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.</p>
External Audit	<p>External audit will ensure that the annual risk management process has been undertaken, and that statements of corporate governance reflect the college's implementation of the relevant audit codes.</p> <p>It is <b>not</b> the role of external auditors to ascertain the robustness or accuracy of the risks identified or the internal controls over their operation. The auditors do not form an opinion on the effectiveness of the college's corporate governance procedures or its risk and control procedures.</p>	<p>External auditors express an independent opinion on whether the financial statements give a true and fair view, monies expended out of funds have been properly applied for those purposes and, if appropriate, managed in compliance with relevant legislation, and monies expended out of funds provided by the ESFA have been applied in accordance with the Financial Memorandum between the ESFA and the Corporation of the College.</p> <p>The external audit opinion will also clearly set out the scope of their responsibilities and work in respect of confirming compliance with the Post-16 Audit Code of Practice.</p>

## Risk Assessment and Scoring

### Scoring of Risks

The evaluation and prioritisation of risk will be achieved through scoring the identified risks.

### Assessment of Gross Risk

The first stage is to assess the gross risk; that is, the impact on the organisation of the risk crystallising without any mitigating action or internal control being in place. This is achieved by assessing the financial and image/reputational impact and the likelihood of the risk occurring.

### Financial and Image/Reputational Impact (Materiality)

Impact or materiality is an assessment of the consequences on the organisation of the risk being left unchecked. This is measured largely as a combination of the financial and image/reputational effect of the risk being left unchecked on the basis that risks will ultimately have a financial and/or reputational impact. Risks are scored as either high [3], medium [2] or low [1] category depending upon the nature of the event as illustrated below:

### Impact Selection criteria – financial and image/reputational

<b>HIGH</b> Score 3 for each	<ul style="list-style-type: none"><li>• Impact in financial terms of greater than 3% on either income or expenditure.</li><li>• Likely to create adverse local publicity for College and/or Funding Agency which could impact on reputation and recruitment levels</li><li>• Likely to have significant impact on all employees' motivation and employee relations leading to dissatisfaction and poor quality delivery</li><li>• Impact on health and safety of employees, students/customers or visitors.</li></ul>
<b>MEDIUM</b> Score 2 for each	<ul style="list-style-type: none"><li>• Financial impact greater than 1% but less than 3%.</li><li>• Limited local publicity based on hearsay</li><li>• Impact applies to only small group of employees.</li></ul>
<b>LOW</b> Score 1 for each	<ul style="list-style-type: none"><li>• Financial impact less than 1%.</li><li>• No adverse publicity</li><li>• Limited to individuals.</li></ul>

For example, a College could view its risk of non-compliance with funding agency regulations as having medium financial impact [score 2] - as repayment of monies in event of a breach could be up to 2% of turnover - and medium for image/reputational impact [impact 2] - as limited adverse publicity would be expect in such an event. This would give a total impact score of 4.

Therefore, the range of scores for Impact is minimum 2 [1+1] to maximum 6 [3+3].

### Likelihood

Likelihood is how likely the risk is to happen. This is in the range of high, medium and low and should be scored accordingly.

<b>HIGH</b> Score of 3	Definite/Probable e.g. this has happened or is expected to happen
<b>MEDIUM</b> Score of 2	Possible: e.g. this could happen in the near future
<b>LOW</b> Score of 1	Unlikely: e.g. this is not likely to happen in the foreseeable future

### Gross Risk Scores

The overall risk score is calculated as the sum of financial and reputational impact scores x likelihood score, therefore giving a range of risk scores from a minimum of 2, ([1+1]x1) to a maximum score of 18, ([3+3]x3). The actions to be taken will depend upon the overall level of gross risk score.

The risks are then categorised into four groups on the basis of the scores.

<b>SIGNIFICANT RISKS</b> Scored 12-18	these risks have high impact and a high probability of occurring and require immediate consideration of the controls to manage them.
<b>HIGH RISKS</b> Scored 9-11	These risks have high impact but the likelihood of occurrence is lower.
<b>ACCEPTABLE RISKS</b>	These risks are likely to occur but have relatively low impact.

Scored 6-8	
<b>LOW RISKS</b>	These risks have low impact and are less likely to occur.
Scored 2-5	

### **Net Risk**

The net risk is the risk remaining after the operation of the existing controls and other mitigating actions (as defined on the Risk Register) have taken effect. This is the risk which the College is content to “live with”.

If it is not content with the net risk, that is Significant and High Risks remain after the operation of the existing controls, an action plan should be produced detailing how the risk will be reduced to an acceptable level and the timescale in which this will be achieved.

The net risk must be reviewed and assessed formally as an on-going part of updating the risk register.

## **ANNEX 1: Terms of Reference OPERATIONAL RISK MANAGEMENT GROUP**

**Chair:** Chief Operating Officer (COO)

**Group Members:**

Chief Operating Officer (Chair)  
Deputy Principal (Curriculum & Quality)  
Director of Management Information Systems  
Director of Human Resources  
Deputy Principal Business Development & Marketing  
Assistant Principal (Adults)  
Assistant Principal (Inclusive Learning)  
Director, Infrastructure Services  
Assistant Principal (Quality and Student Services)  
Head of IT Services  
Head of Finance  
Health & Safety Manager  
Head, Construction, STEM and Engineering  
Head, Services Industries

**Meeting Schedule:** 3 times a year

**Purpose:**

The function of the group is to:

- Take overall responsibility for the administration and implementation of the risk management process with focus on operational and departmental risk.
- Identify and evaluate the significant risks faced by the College for consideration by the Senior Leadership Team, the Audit Committee, and the Corporation
- Provide adequate information in a timely manner to the Senior Management Team on the status of operational and departmental risks and controls and those that may impact on strategic risks. Reports to the Corporation will normally be reviewed by the Audit Committee before submission to the Corporation.
- Report on Risk Management Action Plan implementation at each meeting.