



# **RISK MANAGEMENT POLICY**

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Audit Committee:  
Corporation Approval:  
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Annual



## **Risk Management Policy**

### **Purpose of this document**

1. This risk management policy (the policy) forms part of BHASVIC's internal control and corporate governance arrangements.
2. The policy explains BHASVIC's underlying approach to risk management, documents the roles and responsibilities of the Corporation, the Senior Management Team, and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.
3. In addition, it describes the process the Corporation will use to evaluate the effectiveness of BHASVIC's internal control procedures.

### **Underlying approach to risk management**

4. The following key principles outline the BHASVIC's approach to risk management and internal control:
  - the Corporation has responsibility for overseeing risk management within BHASVIC as a whole
  - an open and receptive approach to solving risk problems is adopted by the Corporation
  - the Principal and the Senior Management Team supports, advises and implements policies approved by the Corporation
  - BHASVIC makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks
  - key risk indicators will be identified and closely monitored on a regular basis.

### **Role of the Corporation**

5. The Corporation 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 BHASVIC. This includes:
    - determining whether BHASVIC 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.
  - b. Determine the appropriate risk appetite or level of exposure for BHASVIC.

- c. Approve major decisions affecting the BHASVIC's risk profile or exposure.
- d. Monitor the management of significant risks to reduce the likelihood of unwelcome surprises.
- e. Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- f. Annually review BHASVIC's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

In carrying out its responsibilities, the Corporation will delegate specific responsibilities to the Audit Committee.

### **Role of the Audit Committee**

- 6. The responsibilities of the Audit Committee as defined in their terms of reference and approved by the Corporation are:
  - a. under Purpose, para 1: 'To advise the governing body on the adequacy and effectiveness of the Corporation's systems of internal control and its arrangements for risk management, control and governance purposes, .....
  - b. under Purpose, para 10: 'To produce an annual report for the governing body and accounting officer, which should include the Committee's advice on the effectiveness of the College's risk management, control and governance processes.....'

### **Role of the Senior Management Team**

- 7. Key roles of the Senior Management Team are to:
  - a. Implement policies on risk management and internal control.
  - b. Identify and evaluate the significant risks faced by BHASVIC for consideration by the Corporation.
  - c. Provide adequate information in a timely manner to the Corporation and its committees on the status of risks and controls.
  - d. Undertake an annual review of effectiveness of the system of internal control and provide a report to the Audit Committee.

The role of Risk Management Champion lies with the Principal.

### **Risk management as part of the system of internal control**

- 8. The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling BHASVIC 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 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 if appropriate.
- c. Annual Operating Plan and Budget.  
The Annual Operating Plan 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 survey (significant risks only).  
This survey is compiled by the senior management team and helps to facilitate the identification, assessment and ongoing monitoring of risks significant to BHASVIC. The document is formally appraised annually.
- e. Audit Committee.  
The Audit Committee is required to report to the Corporation 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 Corporation on the effectiveness of the internal control system, including BHASVIC's system for the management of risk.
- f. Internal audit programme.  
Internal audit is an important element of the internal control process. Internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within BHASVIC.
- g. 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.
- h. Third party reports.  
From time to time, the use of external consultants will be necessary in areas such as health and safety, for example. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

### **Annual review of effectiveness**

9. The Corporation is responsible for reviewing the effectiveness of internal control of BHASVIC, based on information provided by the Audit Committee. Its approach is outlined below.
10. For each significant risk identified, the Corporation will:
  - review the previous year and examine BHASVIC'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.

11. In making its decision the Corporation will consider the following aspects.

a. Control environment:

- BHASVIC'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 BHASVIC to learn from its problems
- commitment and speed with which corrective actions are implemented.

The Audit Committee will prepare a report of its review of the effectiveness of the internal control system annually for consideration by the Corporation. This report will be presented to the Corporation meeting towards the end of the Autumn Term and will cover the previous academic year (August –July).