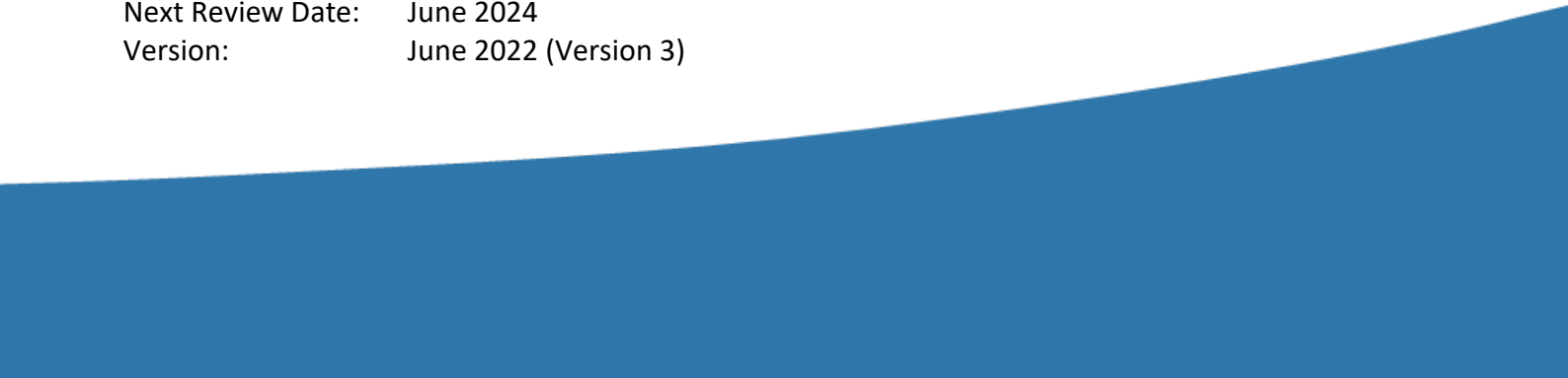




exeter college

Risk Management Policy

Written by:	Clerk/Chief Financial Officer
SLT Sponsor:	Chief Financial Officer
Consulted with:	SLT and Audit and Risk Assurance Committee
Next Review Date:	June 2024
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1 Purpose

- 1.1 This risk management policy (“the 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, the SLT 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 will use to evaluate the effectiveness of the College’s internal control procedures.
- 1.4 Risk Management is used to complement the College’s business planning and resource allocation processes, at a strategic level or at a departmental, project, function or site level. However, it is not a process for avoiding risk. When used well, it can actively encourage the College to take on activities that have a higher level of risk, because the risks have been identified and are being well-managed, so the exposure to risk is both understood and acceptable.
- 1.5 The following key principles outline the College’s approach to risk management and internal control:
 - The Board 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;
 - The Principal and the SLT propose, support and implement policies approved by the Board;
 - 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;
 - Key risk indicators will be identified and closely monitored on a regular basis. Each faculty and department shall maintain a risk register; and
 - Each risk is mapped to the responsible SLT member and committee, and mitigating actions are monitored at each committee meeting.
- 1.6 The Board’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 is ‘risk taking’ or ‘risk averse’ as a whole or on any relevant individual issue at any given point in time;
 - Determining what types of risk are acceptable and which are not; and
 - Setting the standards and expectations of staff with respect to conduct and probity.
 - Scrutinise potential development opportunities and evaluate the associated risk;
 - 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;
 - Map each risk to the appropriate committee for members to monitor, together with mitigations, having due regard for committees’ terms of reference;
 - Ensure that each committee reviews the composition of the College risk register and monitors the risks for which it is responsible
 - Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively;

- Review the College’s approach to risk management and approve changes or improvements to key elements of its processes and procedures.
- Agree the risk appetite in relation to strategic risks

1.7 Key roles of the SLT, in its capacity as the Risk Management Group, is to:

- Take overall responsibility for the implementation of the risk management process;
- Identify and evaluate the significant risks faced by the College for consideration by the Board;
- Regularly review the College Risk Register;
- In addition to the risk register, where unprecedented situations may emerge, develop scenarios to assist with risk planning;
- Provide adequate information in a timely manner to the Board and its committees on the status of risks and controls; and
- Undertake a regular review of effectiveness of the system of internal control and provide a report to the Board.

2 Definitions

Risk	The threat that an event or action will adversely affect the ability of the College to achieve its objectives and/or execute its strategies.
Risk Management	The identification, assessment, economic control and continued monitoring of those risks which threaten the achievement of College, Faculty & Departmental objectives
Significant Risk	A risk with high perceived impact and likelihood.
Impact	The financial or non-financial consequences of an event.
Likelihood	The possibility of an event occurring.
Mitigators	Management controls in place to manage, mitigate or transfer risk.
Risk Appetite	A measure of the desire of the College to take risk.
Risk Register	The list and description of all risks identified.
Risk Driver	Events or occurrences or causes that increase the likelihood of a risk manifesting.
Early warning indicators	Any indicator linked to an identified risk or risks that monitors performance to enable the College to take action as appropriate.
SLT	Senior Leadership Team
RMG	Risk Management Group

3 Policy

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:

3.1 Policies and Procedures

Attached to significant risks are a series of policies that underpin the internal control process. Policies are approved by SLT, Committees or the Board where appropriate, and implemented and communicated by senior management to staff. Written procedures support the policies where appropriate.

3.2 Monthly Reporting

Comprehensive termly reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular weekly meetings of the SLT and the next Board cycle if appropriate.

3.3 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 and the Strategic Plan is monitored regularly.

3.4 High Level Risk Action Plan (significant risks only)

The risk register is compiled by the SLT and helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the College. The document is reviewed termly, ahead of the scheduled Audit and Risk Assurance Committees, but emerging risks are added as required, and improvement actions and risk indicators are monitored.

3.5 Faculty Risk Registers

SLT members develop and use this framework to ensure that significant risks in their areas of responsibility are identified, assessed and monitored. The document is formally reviewed via the termly Quality and Resource Reviews (QRR), but emerging risks are added as required, and improvement actions and risk indicators are monitored.

3.6 Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee is required to report to the Board 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. It also requests and receives updates on areas where the Board seeks additional assurance through Deep Dives on specific risks.

3.7 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. This underpins the work of the Audit and Risk Assurance Committee. Risks on the Risk Register are mapped to the approved internal audit plan, providing a framework for assurance that specific risks are being dealt with appropriately.

3.8 External Audit

External audit provides feedback to the SLT, Audit and Risk Assurance Committee and the Education and Skills Funding Agency (ESFA) on the operation of the internal financial controls reviewed as part of the annual audit.

3.9 ILR Audit (where applicable)

The ILR auditors provide feedback to the SLT, Audit and Risk Assurance Committee and the relevant funding bodies on the operation and effectiveness of the student record systems and associated controls.

3.10 Third Party Reports

From time to time, the use of external consultants will be necessary in areas such as information security, 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.

4 Implementation

4.1 Review of Effectiveness

The Board is responsible for reviewing the effectiveness of internal control of the College, based on information provided by the SLT/Risk Management Group (RMG). Its approach is outlined below.

4.1.1 For each significant risk identified, the Board will:

- Review the risk and its assigned rating at every meeting
- Consider the internal and external mitigations and whether current internal control arrangements are likely to be effective.
- Assign the risk to a nominated committee which monitors mitigations via reports for scrutiny to provide assurance
- Review risk appetite
- Monitor the number of significant risks and compare with previous years
- Map the risks against the approved internal audit plan to ensure the adequacy of controls is independently reviewed
- Receive Executive Summaries from the nominated committee, providing assurance that the risk is managed

4.1.2 In making its decision the Board will consider the following aspects:

- Control environment
- The College's objectives and its financial and non-financial targets;
- Culture, approach, resources with respect to the management of risk;
- Delegation of authority; and
- Public reporting.

4.1.3 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.

4.1.4 Information and communication

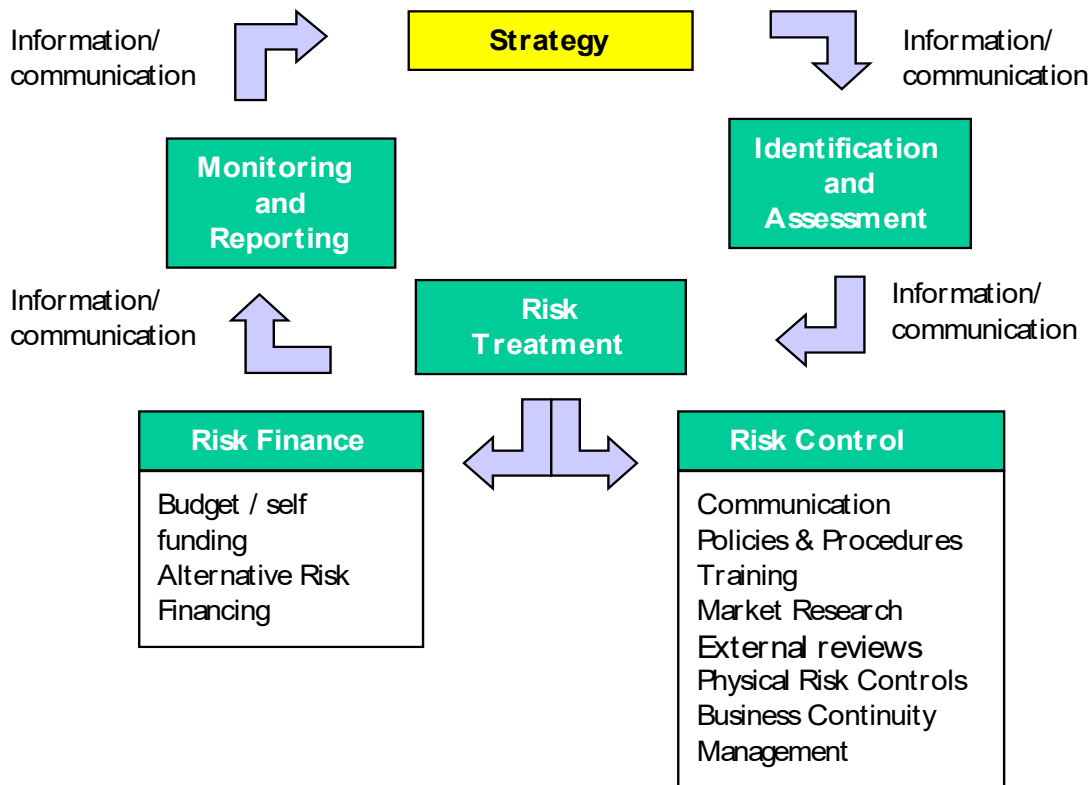
- Quality and timeliness of information on significant risks; and
- Time it takes for control breakdowns to be recognised or new risk to be identified.

4.1.5 Monitoring and corrective action:

- Ability of the College to learn from its problems and
- Its commitment and responsiveness with which corrective actions taken are implemented.

4.1.6 The SLT will prepare a report of its review of the effectiveness of the internal control system annually for consideration by the Board, via the Audit and Risk Assurance Committee, at its meeting in December each year.

4.2 Flow chart of Risk Management Process



4.3 Risk Identification and the Risk Register

The College needs to ensure that all significant risks are identified and evaluated on an ongoing basis. The College has a College Risk Register (see separate document, which should be considered in conjunction with this policy and framework). The Risk Register is constructed in a structured and systematic way and is regularly maintained.

Risk Management Action Plans are produced for each risk. The following criteria have been established for defining, evaluating and reporting of risks on an ongoing basis.

4.3.1 Risk Threshold and Risk Criteria Rankings

In order to effectively rank identified risks, the following risk criteria are established based on a materiality threshold for the College. Threshold levels may need to be adjusted at Departmental level. (The risk criteria listed below relate to the Risk Rankings)

Assessment of gross impact

To effectively evaluate the identified risks each risk is ranked in terms of its impact and likelihood. The following Corporate level rankings and definitions have been used:

Gross Impact	
1	Low: minimum impact on performance and reputation. Organisationally localised, with position recoverable within the financial period. Examples include minor employee accidents, failure to meet minor project deadlines. No external interest.
2	Medium: Short-term impact on performance and reputation. May attract the short-term attention of legislative/regulatory bodies. Examples include uncontrolled course set-up, and links with third parties.
3	High: Medium-term impact on performance and reputation. Attracts the medium-term attention of legislative/regulatory bodies. Examples include loss of franchise partners, or a low-level fraud.
4	Very High: Wide-spread, cross-College impact over the medium term. Examples include failure to settle staff disputes, and LSC work-based training decisions.
5	Catastrophic: medium to long-term impact on performance, with long term damage to reputation. National impact, with the potential rapid intervention of legislative/regulatory bodies. Examples include serious financial failure or failures in governance, negative inspection report, serious breach of health & safety legislation, or catastrophic incident.

Thresholds in terms of the likelihood of a risk becoming a reality are also discussed and have been agreed as follows:

Gross Probability	
1	Very unlikely but not impossible
2	Possible
3	Quite likely to occur
4	Very likely to occur
5	Almost certain to occur

4.3.2 Controls and the assessment of net impact and probability

Members of the SLT document existing controls, link them to known areas and College development plans, then assess the effectiveness of the controls currently in place. In doing so, they take account of the results of internal audit work and known weaknesses. They considered net impact and probability - exercising judgement to arrive at net figures. Each risk is allocated to a responsible SLT member and committee of the Board.

4.3.3 Risk Management Action Plans

Individual risks are categorised as High, Medium or Low. They are then recorded on individual risk action plans and progress is reported at an appropriate level.

4.3.4 Review / Monitoring / and Reporting Procedures.

An appropriate risk management infrastructure is provided within the College. This includes:

- Termly review and update of the College risk register;
- Adequate ongoing monitoring arrangements including the effectiveness of early warning triggers/indicators;
- Appropriate structures for review and update of the risk register;
- Regular reporting on individual risks to an appropriate level of management and/or the Board;
- Integration of risk management with the College's business planning process;
- Personal objectives and appraisals include a link to the management of certain risks;
- Key risk indicators are reported in regular reports with other performance measures through the academic planning arrangements;
- Mapping key risks identified in the risk management process to the Internal Audit Plan; and
- Monitoring the number of key risks and comparing with previous years

The SLT and the Chief Financial Officer receive regular reports that assess any significant risks and the internal control system's ability to manage them effectively. The reports also identify any significant control failings or weaknesses, their (potential) impact and the corrective actions being taken. These reports enable the College to understand and challenge the following:

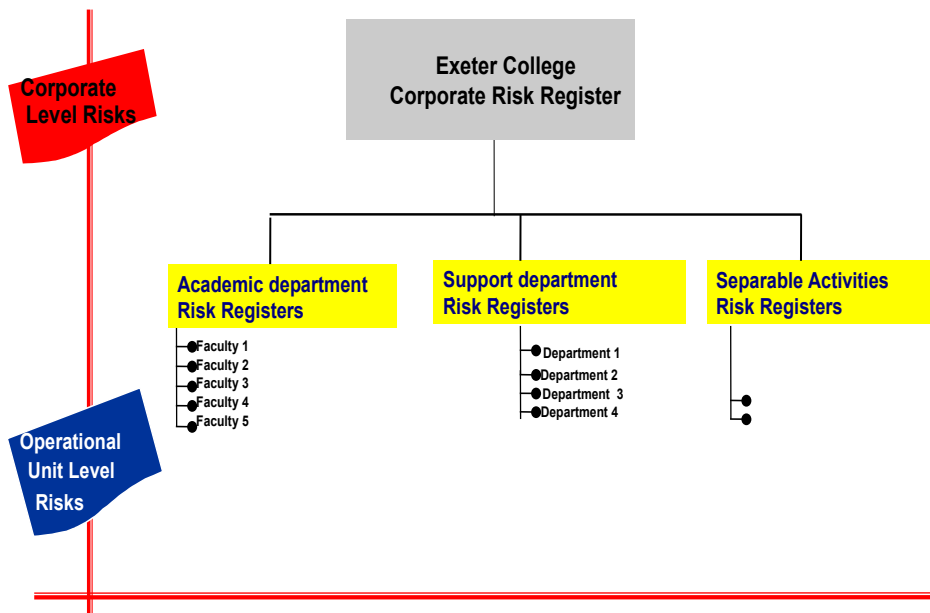
- The significant risks, and how they were identified, evaluated and managed
- Whether the risk appetite is appropriate for any given risk
- Whether the reports indicate any significant new risks
- Whether risks previously identified are still acceptable
- The effectiveness of the internal control system in managing the significant risks and whether amendments need to be made to control systems
- Whether any current or possible future failures or weaknesses exist in the system of internal control and the promptness of corrective actions in response to their identification
- Whether control strategies need to be changed
- Whether the findings require a more extensive monitoring process
- Whether the risk management policy document needs to be updated
- The response time to change

The results of these risk reports and the related reviews that take place during the year are a source of information for the annual assessment.

4.4 Roles, Responsibilities and Reporting Requirements

Roles and Responsibilities	Reporting Requirements
Governing body (via the Audit and Risk Assurance Committee)	
<ul style="list-style-type: none"> - Establish and communicate Risk Management Policy and Framework - Ensure resource and support is made available - Ensure that the management of <i>Significant Risks</i> is communicated to key stakeholders - Agree information for annual report and accounts - Approve amendments to the risk register and risk management plans as new risks are identified during the year 	<ul style="list-style-type: none"> • Opportunities and Developments Risk Register a standing item at Business Services Committee and Board. • Assurance audit report from the Audit Committee. • Committee with nominated responsibility receives reports for assurance and updates the Board via Executive Summary
Chief Financial Officer	
<ul style="list-style-type: none"> • Sets, reviews and communicates risk threshold • Delegates responsibility of day-to-day management of RM to the Heads of Faculty and Support Departments • Provides termly risk reviews to the Governing Body • Keeps abreast of funding council and Corporate Governance requirements • Prepares the information for the annual report and accounts 	<ul style="list-style-type: none"> • Opportunities and Developments Risk Register a standing item at Business Services Committee and Board. • Termly reporting from SLT and other College Departments
Risk Management Group (SLT)	
<ul style="list-style-type: none"> - Develop and monitor RM policies, procedures and practices - Conduct termly reviews of the <i>Significant and Contingent Risks</i> - Knowledge sharing, communication of risk and best practice - Educate individuals in risk management - Keep up-to-date with risk management thinking and techniques - Co-ordinate the activities in their areas of responsibility - Manage the response to new risks as they are identified 	<ul style="list-style-type: none"> • Exception Reporting from Faculties and Departments. • Reporting via QRR process and at SLT meetings.
Heads of Faculty and Support Departments	
<ul style="list-style-type: none"> - Have overall responsibility for risk in their individual areas. - Keep up-to-date with risks in their area and potential exposures including provision of their own risk register. - Ensure risk-based decision making processes are in place. - Development planning reports include risk management report. - Regular departmental meetings (review risk management and risks within the department). - Ensure that risk information from the individual sections includes risk indicators and information from all assurance processes. 	<p>Regular updates from Heads of Faculty and Support Departments.</p>

The hierarchy of the College risk registers is represented diagrammatically below.



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4.5 Early Warning Indicators and Mechanism

The College's risks have been identified, together with monitoring and early warning systems. Current risks are mapped to Committees and at each meeting the Committee considers the reports and whether they provide mitigation for the risks identified. Report summary sheets also cross reference to the risk register reference. A committee may identify a new risk and request information on areas of concern and specify the frequency of reporting. Committees provide an Executive Summary to the Board highlighting key issues and risks, and the Board recommends issues for inclusion on the Risk Register based on the internal and external environment.

Early warning indicators are important to alert management that additional action needs to be taken with respect to a certain risk. Often risk indicators have triggers and are used with exception reporting. For example, if the number of incidents is above a certain level then the Health and Safety Committee is alerted and it can then escalate on the appropriate action.

Example – Health & Safety Committee

Risk	Early warning indicator
Accidents involving students	Adverse report of incidents per month
Serious breach of legislation	Adverse report from H&S officer

4.6 Annual Assessment

The need and focus for risk management will change from year to year. An annual review is a good opportunity to reflect on the success of risk management in the previous year, and to recommend improvements for the year ahead. It will help to ensure the process continually improves and delivers the expected benefits. (Note: see timetable at Appendix 1).

The annual review includes:

- reflection on the management of significant risks during the previous year;
- any controls that failed during the year, and why;
- unforeseen risks, and why they occurred;
- changes to the external environment that will change the risk profile, such as new funding arrangements or new legislation;
- changes to the internal environment that will change the risk profile of the College, such as a new IT system or new staff;
- risks expected to emerge during the coming year;
- new controls that should be put in place;
- changes or improvements to the process recommended for next year;
- the changes since the last annual assessment in the nature and extent of significant risks, and the College's ability to respond to changes in its business and the external environment;
- the scope and quality of management's ongoing monitoring of risks and of the system of internal control, and where applicable, the work of its internal audit function and other providers of assurance;
- the extent and frequency of the communication of the results of the monitoring which enables it to build up a cumulative assessment of the state of control in the College and the effectiveness with which risk is being managed;
- the incidence of significant control failings or weaknesses that have been identified at any time during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the College's financial performance or condition; and
- the effectiveness of the College's reporting processes.

Reporting on risk management and internal control

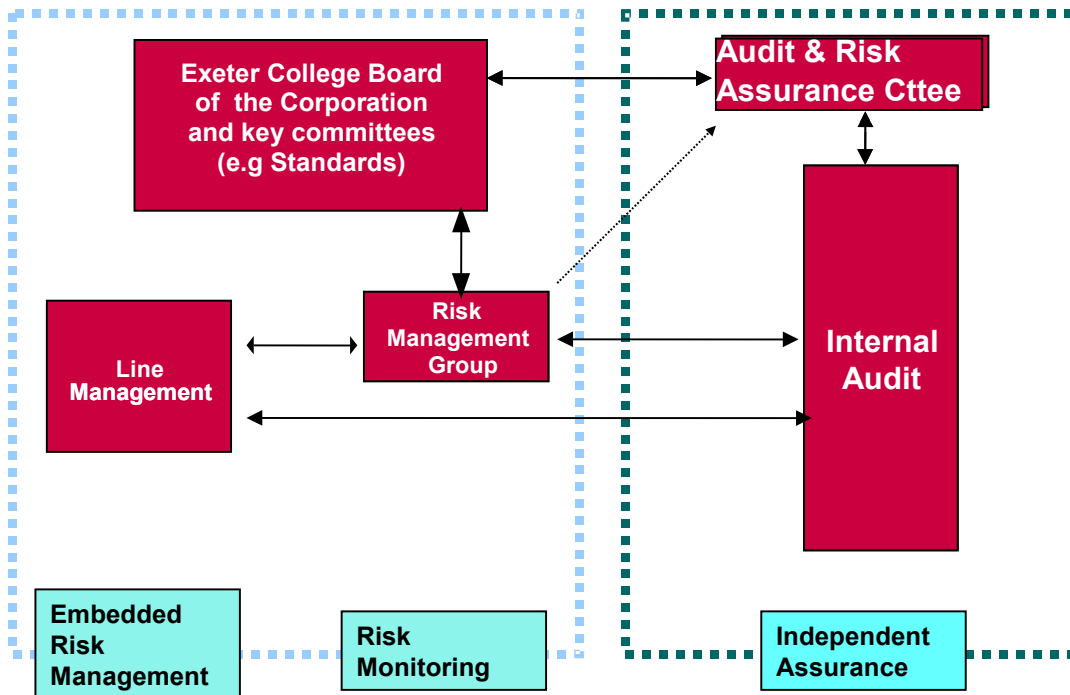
As a direct result of the annual assessment, the College will publish an appropriate corporate governance statement attached to the annual statement of accounts, summarising the main processes that have been in place for risk management and internal control and the findings of the annual review of their effectiveness.

4.7 Independent assurance by internal audit

The governing body must be assured that the College's risk management and internal control systems are working effectively. Best practice includes an annual review of the effectiveness of internal control. This is a function that will be undertaken by internal audit, given their knowledge and their independence, in accordance with the requirements of the Post 16 Audit Code of Practice. Risks are mapped against the internal audit plan to ensure a programme of independent assurance of the College's key risks.

In doing so they will be guided by this risk management policy and arrangements document and their knowledge of the College, to validate the assessment. A report to the governing body via the Audit and Risk Assurance Committee will help give the assurance the governing body will need for its disclosures.

The hierarchy of assurance is represented diagrammatically:



5 Associated Documentation

- 5.1 Risk Register
- 5.2 Strategic Plan

6. Monitoring, Review and Evaluation

For biennial review and ratification by the Board

APPENDIX 1 RISK MANAGEMENT IMPLEMENTATION TIMETABLE

Date	Action
July 2022	Corporation approval of updated 2022-24 risk management approach, policy, timetable and action plan.
November 2022, March 2022 and June 2022	<p>Review of Risk Register for scrutiny by Audit and Risk Assurance Committee and recommended for Board approval</p> <p>Receipt and scrutiny of internal audit reports and monitoring progress towards recommended actions</p> <p>Additional assurance through Deep Dives</p>
November 2022	<p>Review of internal auditor's performance and recommendation for current academic year</p> <p>Receipt and approval of proposed internal audit plan and annual report for previous academic year – received by Audit and Risk Assurance Committee for recommendation to Board for approval.</p>
December 2022	Annual risk management report incorporating performance and findings from risk management action plan to Audit and Risk Assurance Committee and Corporation.
March 2022	Review of performance of External auditors and recommendation for Board approval to undertake External Audit for current academic year
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December 2023	Annual risk management report incorporating performance and findings from risk management action plan to Audit and Risk Assurance Committee and Corporation.
March 2024	Review of performance of External auditors and recommendation for Board approval to undertake External Audit for current academic year
July 2024	Corporation approval of updated 2024-2026 risk management approach and policy, timetable and action plan.