

CANTERBURY COLLEGE POLICY

RISK MANAGEMENT

EFFECTIVE DATE: 27 November 2008

LAST REVIEWED: 7th June 2011

REVIEWED BY: Clerk to the Corporation (Audit Committee)

NEXT REVIEW: Annually

POLICY SUMMARY

This document provides an explanation of the College's approach to risk management. It comprises the following sections:

- **Purpose of the document**
- **Underlying approach to risk management**
- **Role of governing body (the Corporation)**
- **Role of senior managers (the Senior Management Team)**
- **Structures and roles for management of risk**
- **Annual review of effectiveness**

PURPOSE OF THIS DOCUMENT

1. This Risk Management policy forms part of the College's internal control and corporate governance arrangements.
2. The policy explains the College's underlying approach to risk management, documents the roles and responsibilities of the Corporation, the Senior Management Team (SMT), 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 the College's internal control procedures.

UNDERLYING APPROACH TO RISK MANAGEMENT

4. The following key principles outline the College's approach to risk management and internal control:
 - The Corporation 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 Corporation
 - The Principal and Executive Director and the SMT supports, advises and implements policies approved by the Board of the Corporation
 - The SMT recognising its overall responsibility for implementation of the risk management process, has established a Risk Management Group composed of SMT plus other designated College Directors and Managers to discharge a major part of this function and has designated the **Clerk to the Corporation** as the College Risk Management champion to take overall responsibility for the administration and implementation of the risk management process.
 - Risk management forms part of the College's system of internal control. 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.
 - The College makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks
 - SMT members are responsible for encouraging good risk management practice within their areas of responsibility
 - Key risk indicators will be identified and closely monitored, with regular reporting and an annual review.

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 the College. This includes:
 - Determining the appropriate risk appetite or level of exposure for the College 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. Approve major decisions affecting the College's risk profile or exposure
 - c. Monitor the management of significant risks to reduce the likelihood of unwelcome surprises
 - d. Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively
 - e. Annually review the College's approach to risk management and approve changes or improvements to key elements of its processes and procedures and form an opinion on whether or not the College has complied with the Turnbull recommendations.

ROLE OF THE RISK MANAGEMENT GROUP/SMT

6. Key roles of the Risk Management Group are to:
 - a. Implement policies on risk management and internal control
 - b. Identify evaluate and develop an action plan for the significant risks faced by the College for consideration by SMT, Audit Committee and Corporation
 - c. Support the Corporation and its committees in discharging their responsibilities by providing 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 Corporation

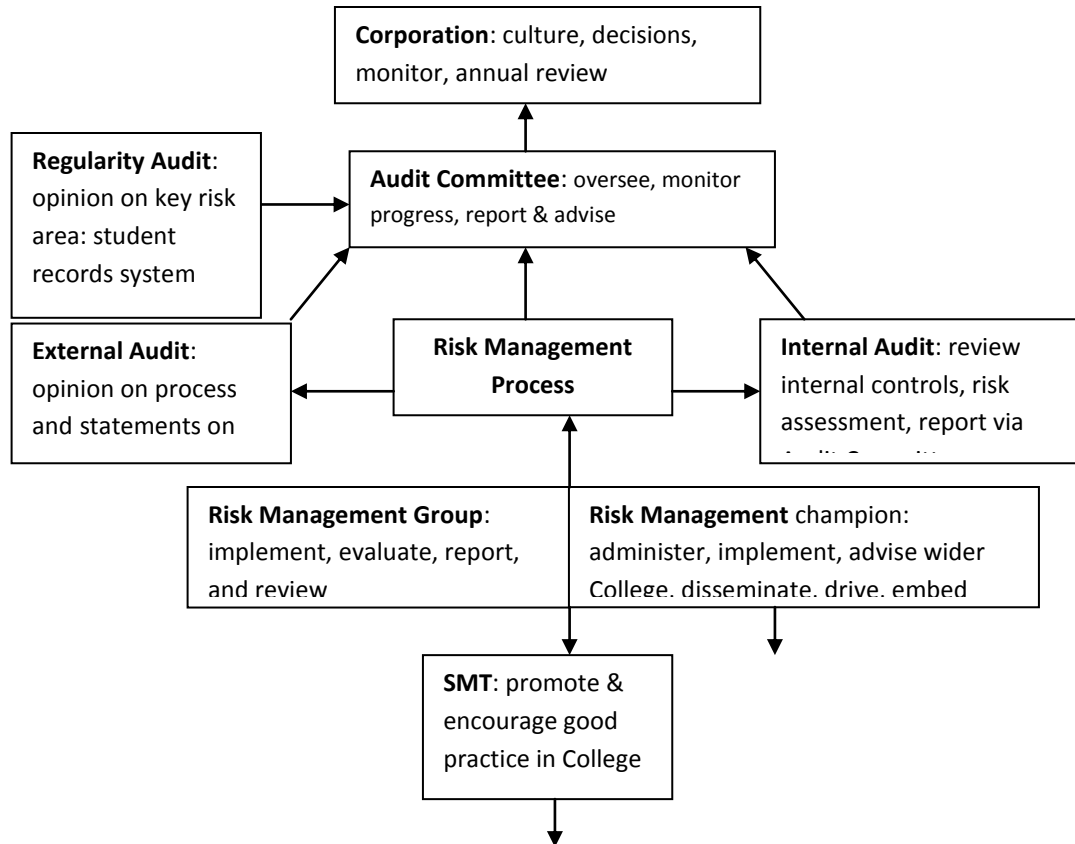
The Risk Management Group may form sub groups to look at specific issues, but with a remit to report back to the RM Group, which will retain overall responsibility.

ANNUAL REVIEW OF EFFECTIVENESS

7. The Corporation is responsible for reviewing the effectiveness of internal control of the College, based on information provided by the Risk Management Group and Audit Committee. Its approach is outlined below.
8. 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
9. 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
 - 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 behaviour**
 - Ability of the College to learn from its problems
 - Commitment and speed with which corrective actions are implemented

REPORTING

10. The following chart illustrates the management structures, roles and ownership within the College's Risk Management process :



11. Reporting arrangements will be as follows:

- The Risk Management Group will meet at least once per term and will provide progress reports to the Audit Committee against the implementation plan.
- The Risk Management Group will prepare an annual report of its review of the effectiveness of the risk management system for consideration by Corporation following the end of the academic year that will be reviewed by Audit Committee and taken into consideration in its annual report.
- The Risk Management Group will provide input and reports to Corporation as necessary for the College's strategic planning process.

RISK MANAGEMENT AS PART OF THE SYSTEM OF INTERNAL CONTROL

12. 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 and implemented and communicated by senior management to staff. Written procedures support the policies where appropriate.
 - b. **Reporting**

Comprehensive reporting, monthly or twice termly, is designed to monitor key risks and their controls. Decisions to take remedial action are made at regular meetings of the Risk Management Group and the Corporation 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 management (significant risks only)**

This framework is compiled by the Risk Management Group 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. **SMT risk frameworks**

SMT members will develop and use this framework to ensure that significant risks in their areas of responsibility 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 sectors.
 - f. **Audit Committee**

The Audit Committee is required to report to the Corporation on internal controls and alert governors to any emerging issues. As part of this function, the committee oversees internal audit, external audit and management as required in its review of internal controls.

The committee will receive reports from the Risk Management Group and include consideration of the College's system for the management of risk in its own Annual Report to Corporation delivering an opinion on the effectiveness of the College's system of internal controls.
 - 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 and provides feedback to Audit Committee and an Annual Report to the Corporation.

- h. **External audit**
External audit provides feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the internal audit and provides a Management Letter to the Corporation.
- i. **Regularity Audit**
Provides feedback to the Audit Committee on the operation of internal data controls and provides a Management Letter to the Corporation.
- j. **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.