



## Risk management Policy

(Updated August 2018)

### **Purpose of this document**

This Risk Management Policy (the Policy) forms part of the internal control and corporate governance arrangements for LMA Ltd.

The Policy explains the College's underlying approach to Risk Management, documents the roles and responsibilities of the Principals, the Risk Management Group 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 processes, which the organisation will use to evaluate the effectiveness of the College's internal control procedures.

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

- The organisation has a responsibility for overseeing risk management within the College as a whole.
- An open and receptive approach to solving risk problems is adopted by the organisation.
- The college Principals support advise and implement policies approved by the organisation.
- Identifying, managing and regularly monitoring risk is a routine part of the role of management at all levels. This is supported by members of the Senior Management Team who are responsible for encouraging good risk management practice within their own area of responsibility.
- The College 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.

### **Roles and responsibilities**

Role of the Organisation The Organisation has a fundamental role to play in the management of risk. Its role is to: Set the tone and influence the culture of risk management within the College, which includes:

- Determining whether the College is "risk taking" or "risk averse" as a whole or on any relevant individual issue
- Confirming what types of risk are acceptable and which are not. Setting the standards and expectations of staff with regard to conduct and probity.
- Determine the appropriate risk appetite or level of exposure for the College; Approve major decisions which may affect the College's risk profile or exposure;

Monitor the management of significant risks to reduce the likelihood of unexpected problems; Ensure that appropriate controls are in place and working effectively for the areas of less significant risk;

- 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 Principal The role of the Principal in the management of risk is to:

- Implement policies on risk management and internal control;
- Provide adequate information in a timely manner to the Corporation and its Committees on the status of risks and controls;
- Identify and evaluate the significant risks faced by the College for consideration by the organisation;
- Undertake an annual review of the effectiveness of the system of internal control and provide a report.

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

The system of internal control incorporates risk management

- Devise and maintain a risk-based approach to establishing a sound system of internal control, covering all types of risk, at all levels;
- Identify and evaluate the risks faced by the College;
- Identify strategies to manage and mitigate those risks identified and establish the level of exposure / residual risk;
- Devise and maintain procedures to review continually the effectiveness of the process; Provide adequate information, in a timely manner, to the Principal and committees on the status of risks and controls;
- Produce an annual report covering a review of the process and its effectiveness in supporting the College to meet its objectives. The report will be for the consideration of the Principals

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:

**Policies and Procedures** Attached to significant risks are a series of policies that underpin the internal control process. The policies are set by the Organisation and implemented and communicated by the senior management to staff. Written procedures support the policies where appropriate.

**Regular Reporting** Comprehensive regular reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the College Senior Management Team, and the Organisation if appropriate.

**Business Planning and Budgeting** The business planning and budgeting process is used to set objectives, agree actions plans, and allocate resources. Progress towards meeting business plan objectives is monitored regularly.

**High Level Risk Framework (significant risks only)** This framework is compiled by the College's Risk Management Group for endorsement by the Principal and helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the College. This document is formally appraised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly.

**Departmental Risk Framework** Senior managers are required to use this framework to ensure that significant risks in their area are identified, assessed and monitored. The document is formally appraised annually but emerging risks are added as required, and improvement actions and risk indicators will be monitored regularly.

**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.

**The annual review of effectiveness** The college Principals will prepare an annual report on a review of the effectiveness of the internal control systems. In making its assessment of this, the committee will consider the following:

**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; and public reporting.

**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.

**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.

**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. The organisation is ultimately responsible for reviewing the effectiveness of the College's internal control system.

The organisation will also consider the following: 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.