LONDON COLLEGE OF INTERNATIONAL BUSINESS STUDIES

LCIBS
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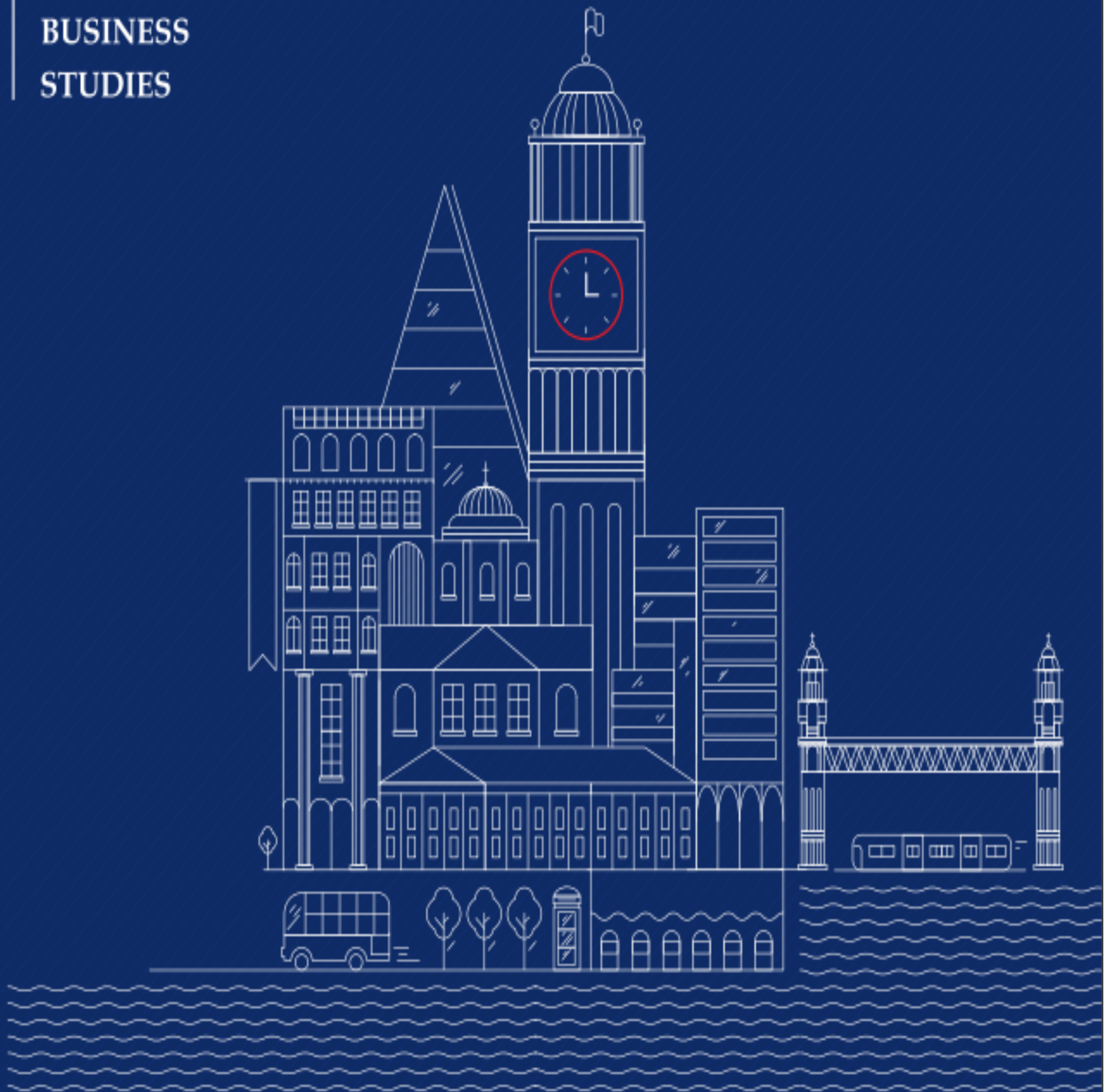

Risk Management Policy

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Risk Management Policy

Introduction
Risk is present throughout any organisation, in its buildings, equipment, policies, systems, processes, staff, students and visitors.

The College recognises that the management of risk is vital to good management practice. It must be an integral part of all the functions and activities of an organisation. The management of risks includes the culture, processes and organisational structures, which contribute to the effective management of potential opportunities, threats and adverse incidents.

The purpose of the College's Risk Management Policy is to develop a consistent approach towards risk across the institution and outline processes for recognising, analysing and dealing with risks as well as assuring the effectiveness of the identified processes.

The Risk Policy is designed to enable LCIBS to minimise the frequency and effect of adverse incidents arising from risks and to identify improvements in procedures and service delivery in order to ensure the efficient and effective use of public funds.

Implementation of Risk Management
Overall responsibility for risk management within LCIBS lies with the Governing Body with responsibility for implementation delegated to the Provost.

The Governing Body has responsibility for assessing the effectiveness of risk management.

The Senior Steering Group (SSG), led by the Provost has responsibility for the on-going identification and management of Strategic Risk.

Risk Management at the College
Once a year the Strategic Risk Register is updated and an Annual Risk Review is reported to the SSG and the Governing Body. The Risk Review highlights any particular changes in the risk environment (e.g. the introduction of new risks, or general increases or decreases in the scoring of risks), the profile of the Strategic Risk Register (in terms of scores of risks) and discusses key risk themes. This annual process is coordinated by The Head of Quality and Registry.

Risk Registers, risk areas and risk owners
The College maintains a Strategic Risk Register which comprises the main strategic risk areas facing the College. Each member of the Senior Steering Group is responsible for a specific area and each member takes responsibility for the management of risks within that area.

This includes defining the risk and determining actions and initiatives to mitigate the risk. The Risk Area Owner should also liaise with other action owners identified within their risks. Where two members of SSG have been jointly appointed as risk owner, responsibility and accountability should be clearly defined in order to ensure that duplication of effort is minimised and that risks are effectively managed.

Strategic risks would broadly be defined as:
- Those which merit additional consideration and controls over and above normal management;
- Those which tend to change (to some degree) from year to year;
- Those which relate to the development and delivery of College strategy;

- Those which reflect the “big issues” on the agenda of the senior team.
- Strategic risks are key risks for the College as a whole, not confined to one area of work/business.

Some risk owners may not have any strategic risks, in which case they should confirm a ‘nil return’ thereby confirming that due consideration has taken place.

Each member of the Senior Steering Group should ensure that they compile and review internally their own ‘Operational Risk Register for their own department/area. These will be reviewed annually by the Senior Steering Group.

Centre and Departmental Risks
In addition to College-wide strategic risks, there may be risk associated at only on Centre/Eco Centre level.

Each Centre Management Group should therefore compile their own Centre level risk register. These will be submitted to SSG periodically for review.

The evaluation and scoring of risks
When determining risk, risk owners should consider:

- **Risk Description**: What is the actual risk to the College?
- **Consequences if risk event occurs:** What would be the consequences to the College if the risk were to materialise? (It can sometimes be difficult to distinguish between the risk and the consequence of the risk).
- **Current controls to reduce risk:** What is currently being done to manage this risk and prevent it from materialising or reducing its impact if it were to materialise?
- **Evidence that current controls are operating effectively**: Are these controls effective? What evidence is there to prove this or otherwise?
- **Planned future actions to reduce the risk (with action owners, indicative costs and timescales):** What other actions are planned (and resourcing agreed) to further manage this risk? Who is responsible for these actions and what are the likely timescales for the actions being completed? Are these actions part of any other action plans? (i.e. are they planned as part of other schemes of work?)
- **Further possible future actions to reduce the risk (with indicative costs):** Are there other actions that could be taken that are not yet planned or resourcing agreed? What are these and who would be likely to take responsibility for these actions?
- **Contingency plan:** Do you have a contingency plan for if the risk were to materialise? Do you have a business continuity plan?
- **Assurance mechanisms:** What assurance mechanisms do you have in place? Have you put in place suitable processes to manage the occurrence of risk and how does management know whether controls are operating effectively? How do your risks link to the College’s Key Performance Indicators?
- **Warning indicators**: How will you know if the risk is about to materialise? What are the warning indicators and how are they moving? How are these warning indicators monitored?

The following criteria (risk matrix) can be used as a framework for assigning scores:

Risk Matrix

		Impact				
		1 Very Low	2 Low	3 Medium	4 High	5 Very High
Likelihood	Very High 80-100% 5	Low	Moderate	High	High	High
	High 60-80% 4	Low	Moderate	Moderate	High	High
	Medium 40-60% 3	Low	Low	Moderate	Moderate	High
	Low 20-40% 2	Low	Low	Low	Moderate	Moderate
	Very Low 5-20% 1	Low	Low	Low	Low	Low

<u>Impact</u>

The score should reflect the higher of the financial value, the proportion of the institution affected, or the degree to which the whole College is affected.

Score 1

- The incident would affect the operation, reputation or strategic direction of a single school or support division but would have little or no impact on other areas of the College; or
- The incident would cost the College up to **£1m**. For example, this could equate to **£1m** in a single year or up to **£250k** over four years.

Score 2

- The incident would affect the operation, reputation or strategic direction of a small number of departments but would have little or no effect on other areas of the College; or
- The incident would cost the College between **£1m** and **£2m**. For example, this could be **£1m - £2m** in a single year or **£250k - £500k** over four years.

Score 3

- The incident would affect the whole College to a small extent; or
- The incident would significantly affect the operation, reputation or strategic direction of several departments (possibly the whole faculty) or support areas or;
- The incident would cost the College between **£2m** and **£5m**. For example, this could equate to **£2m - £5m** in a single year or **£500k – £1.2m** over four years.

Score 4

- The incident would affect the operation, reputation or strategic direction of the whole College but not significantly; or

- The incident would significantly affect the operation, reputation or strategic direction of the faculty or a major support division (but does not affect the whole College); or
- The incident would cost the College between **£5m** and **£10m**. For example, this could be a **£5m - £10m** in a single year or **£1.25m - £2.5m** over four years.

Score 5

- The incident would significantly affect the operation, reputation or strategic direction of the whole College; or
- The incident would cost the College **£10m** or more. For example, this could equate to a **£10m** in a single year or **£2.5m** over four years.

<u>Probability</u>

Score 1

- There is a very low probability of the risk materialising (this is not expected to happen, but it may do in exceptional or unusual circumstances - it has been known to happen at this or another College once in the past).

Score 2

- There is a low probability of the risk materialising (there is a possibility that this could happen at least once within a period of five to ten years, but it is considered unlikely).

Score 3

- It is reasonable to assume that the risk will materialise once or twice within a period of five to ten years.

Score4

- It is reasonable to assume that this risk will materialise at some point (possibly once or twice within the next five years). This kind of risk may be reflected as a contingency in the College budgets.

Score 5

- It is expected that this risk will materialise at least once within the next two years or has already materialised. A risk of this kind is likely to be reflected as a contingency or directly in the College budgets and medium-term financial plan.

It may not be appropriate to include low scoring risks (i.e. those with low financial impacts or impacting on one or two departments only) in the College Strategic Risk Register. Such risks can still be recorded using the risk evaluation form template, kept at Faculty or Departmental level and managed locally.

The management of risks

Risk management is part of the everyday management of an area of work or activity. However, once a risk has been evaluated it is important that the risk is managed and actions are taken. Where actions detailed on a risk register entry are the responsibility of other people it is important that the risk owner and the action owner liaise over these.

Risk owners should be aware that as part of any audit of the College's risk management procedures, they may be required to meet with the auditor to discuss individual risks.