

*There is a Welsh version of this document available.*

## RISK MANAGEMENT POLICY

### SCOPE AND PURPOSE OF POLICY

This risk management policy ("the policy") applies to Cardiff and Vale College and its subsidiary companies (hereafter referred to as "the College"), and forms part of the College's internal control and corporate governance arrangements.

The policy explains the College's underlying approach to risk management, documents the roles and responsibilities of the Governing Body, the executive and senior management teams, 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 process the Governing Body will use to evaluate the effectiveness of the College's internal control procedures.

### DEFINITIONS

The following definitions are assumed to apply to all College documents relating to risk management.

HM Treasury defines "Risk" as "uncertainty of outcome, whether positive opportunity or negative threat, of actions and events. The risk has to be assessed in respect of the combination of the likelihood of something happening, and the impact which arises if it does actually happen".

The British Standards Institute's guidance on risk management defines "Risk Tolerance" and "Risk Appetite" as follows:

- Risk Appetite - "the amount and type of risk that an organisation is prepared to seek, accept or tolerate";
- Risk Tolerance – "the organisation's readiness to bear the risk after risk treatments in order to achieve its objectives".

### POLICY STATEMENTS

The College will adopt best practices in the identification, evaluation, and cost-effective control of risks to ensure that they are eliminated or reduced to an acceptable level.

It must be acknowledged that some risks will never be eliminated. All employees must understand the nature of risk and accept responsibility for risks associated with their areas authority knowing that the support, assistance and commitment of the senior management team will be afforded them.

The risk management objectives of the College are to:

- enable the College to new explore new opportunities and undertake new activities with due regard to the associated risks;
- integrate risk management into the culture of the institution;
- manage risk in accordance with best practice;
- consider legal compliance as a minimum standard;
- anticipate and respond to changing social, environmental and legislative requirements;
- prevent injury and damage and reduce the cost of risk;
- raise awareness of the need for risk management.

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

- the Governing Body has responsibility for overseeing risk management within the College as a whole
- an open and receptive approach to risk taking and mitigation is adopted by the Governing Body
- the Group Chief Executive and senior management team support, advise and implement policies approved by the Governing Body
- the College makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks
- heads of department and line managers are responsible for encouraging good risk management practice within their department
- key risks are identified as part of the strategic planning process and monitored on a regular basis.

## ROLE OF THE GOVERNING BODY

The Governing Body has a fundamental role in the management of risk. Its role is to:

- Set the tone and influence the culture of risk management within the College. This includes:
  - determining whether the College 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.
- Determine the appropriate risk appetite or level of exposure for the College.
- Approve major decisions affecting the College's risk profile or exposure.
- Monitor the management of significant risks to reduce the likelihood of unwelcome surprises.
- Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- Annually review the College's approach to risk management and approve changes or improvements to key elements of its processes and procedures (this function is undertaken by the Audit Committee).

## ROLE OF THE EXECUTIVE AND SENIOR MANAGEMENT TEAMS

Key roles of the executive and senior management teams are to:

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

## ROLE OF THE RISK MANAGEMENT CO-ORDINATOR

The Deputy Chief Operating Officer is the designated risk management co-ordinator, with responsibility for:

- Ensuring the risk management policy is reviewed on a regular basis;
- Co-ordinating the termly updates of the risk register;
- Advising the executive and senior management teams on matters relating to risk management

## RISK TOLERANCE

The College's approach is to reduce or minimise as appropriate its exposure to reputational, compliance and financial risk, whilst accepting and encouraging an increased degree of risk in pursuit of its mission and objectives.

In the case of certain risks there is no clear strategic benefit from accepting them, e.g. risks associated with unethical, illegal, or inappropriate actions, while some other risks are not inherently undesirable, e.g. where economic gain or benefit to learners might reasonably be expected.

The College therefore recognises that its appetite for risk varies according to the activity undertaken, and that its acceptance of risk is subject always to ensuring that potential benefits and risks are understood before activities are authorised, and that appropriate measures to mitigate risk are established.

The College's position with regard to risk across seven categories is described below. The risk tolerance for each category is set utilising a tolerance scale of 1 to 6. (low to high). The tolerance "score" is not an absolute science, but an indicative measure of the College's tolerance to that category of risk.

### Reputation

It is regarded as critical that the College preserves its good reputation. The College has a low level of acceptance of such risk, given the difficulty of rectifying reputational damage. The College therefore has no appetite for risk in the conduct of any of its activities that puts its reputation in jeopardy, could lead to undue adverse publicity, or could lead to loss of confidence by the College's stakeholders.

Risk tolerance level = Low (1).

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## Compliance

The College places great importance on compliance, and has no appetite for any breaches in statute, regulation, professional standards, bribery or fraud.

Risk tolerance level = Low (1).

## Financial

The College aims to maintain long term financial viability and overall financial health. However the College is resilient to a degree of financial risk and, given the potential of strategic gain, is in a position to consider acceptance of a degree of financial risk.

Risk tolerance level = Medium (3).

## Education and learner experience

In accordance with its core values, the College aims to provide an inspirational learning environment for its students and therefore encourages an innovative approach to learning delivery, and a willingness to try new approaches. It recognises that this should involve an increased degree of risk in developing and enhancing the student experience, and is comfortable in accepting this risk, subject always to ensuring that potential benefits and risks are fully understood and that appropriate measures to mitigate risk are established.

Risk tolerance level = Medium (3).

## Major change or development activities (e.g. projects, collaborations, non-grant income generating activity)

It is necessary and appropriate for the College to consider major changes or development activities in pursuit of its strategic priorities and objectives. The College expects such changes to be managed according to best practice in project and change management, and has low appetite for deviating from such standards. However the College recognises that, from time to time, certain initiatives may carry greater than usual risk.

Risk tolerance level = Medium (4).

## Environment and social responsibility

The College is committed to making a significant, sustainable, and socially responsible contribution to the areas and communities of Wales that it serves through its education and operational activities. It recognises that this may involve an increased degree of risk and is comfortable in accepting this risk, subject always to ensuring that potential benefits and risks are understood and that appropriate measures to mitigate risk are established.

Risk tolerance level = Medium (3).

## People and culture

The College will pursue efforts to value, support, develop and utilise the full potential of its staff. The College places importance on a culture of equality and diversity, dignity and respect, collegiality, the development of staff, and the health and safety of staff, students and visitors. It has low appetite for any deviation from generally recognised standards in these areas, and is able to accept a small degree of risk in pursuit of these standards. Also, given the resilience developed via investment in staff development, the College may also from time to time accept loss of experienced staff.

Risk tolerance level = Low (2).

## Business continuity

The College will ensure that mitigations are in place for significant incident/disaster management and recovery. While recognising that there is considerable variation in the severity of such incidents, and that the likelihood of major incidents is low, there exists the possibility of major disruption to service provision. It is also recognised that the poor management of a relatively minor incident may have significant repercussions, such as reputational damage via social media.

Risk tolerance level = Low (1).

## 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:

### Policies and procedures

A series of policies underpin the internal control process. The policies are set by the Governing Body and implemented and communicated by senior management to staff. Written procedures support the policies where appropriate.

### Reporting and monitoring

A range of reporting and monitoring activities take place to enable key risks and their controls to be monitored and assessed on a regular basis. Decisions to rectify problems are made at regular meetings of the executive and senior management teams and the Governing Body if appropriate.

### Strategic 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.

### Strategic risk framework

This framework is based on an assessment of the risks directly linked to the College's strategic aims and objectives. It is based on the strategic planning process undertaken by the College Management Team and is reviewed by the senior management team. It helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the College. The risk register developed from this process is reviewed termly by the Executive and reported to the Audit Committee and full Governing Body.

### Department risk frameworks

The departmental risk framework is based on the existing Self Assessment Review (SAR) and Quality Development Plan (QDP) process. Heads of Department and line managers use this framework to ensure that significant risks in their department are identified, assessed and monitored. The risk register is updated periodically, with emerging risks added as required, and improvement actions and risk indicators considered at team meetings.

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## Audit Committee

The Audit Committee is required to report to the Governing Body 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.

## 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.

## 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.

## 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.

## **ANNUAL REVIEW OF EFFECTIVENESS**

The Governing Body is responsible for reviewing the effectiveness of internal control on an annual basis and making a statement to that effect in the annual accounts. The external auditors are required to review and report upon their review of that statement.

The Governing Body base their annual review on information provided by the Audit Committee through their annual report, the Executive Team and the Internal and external auditors.

## **EQUALITY AND DIVERSITY STATEMENT**

In accordance with College procedures, an Equality Impact Assessment is being undertaken for this Policy.



## HEALTH AND SAFETY IMPLICATIONS

There are no Health and Safety implications for this policy.

## LINKED POLICIES

This policy applies to all College activities, policies and procedures.

## LINKED PROCEDURES

This policy applies to all College activities, policies and procedures.

This policy is available on the College's website and may be out of date if printed.

**Date approved:** 13/04/2021

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**Approved by:** Main Board

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**Review date:** 05/04/2023

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**Responsible Manager:** Group Financial Controller

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**Executive Lead:** Deputy Chief Operating Officer

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**Accessible to Students:** : No

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