

RISK MANAGEMENT POLICY

KING'S COLLEGE LONDON

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 Council, Audit Committee, Principal's Central Team and other key parties, including Heads of Schools and Heads of Non-Academic Departments. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.
3. In addition, it describes the process the Council 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 Principal's Central Team¹ has responsibility for overseeing risk management within the College as a whole. In this respect it supports, advises and implements policies approved by the Council
 - The Audit Committee on behalf of College Council has responsibility for reviewing the effectiveness of the risk management process
 - The College categorises risks according to their impact and likelihood and assesses their financial and non-financial implications
 - Heads of Schools and Heads of Non-Academic Departments are responsible for encouraging good risk management practice within their respective areas of responsibility
 - The risk management process is integrated with the business planning process
 - Key risk indicators will be identified and closely monitored on a regular basis.

¹ The Principal's Central Team is made up of the Principal, the four Vice-Principals, the Head of Administration & College Secretary, the Director of Finance and the Director of Personnel & Training

Role of the Council and the Audit Committee

5. The Audit Committee, on behalf of the Council, has a fundamental role to play in the management of risk. Its role is to:-
- (i) Obtain or request from management an explanation of the risk management strategy.
 - (ii) Ensure that a risk register has been compiled and that the greatest threats to the institution are being addressed.
 - (iii) Monitor the management of significant risks to reduce the likelihood of unwelcome surprises.
 - (iv) Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
 - (v) Ensure that internal and external auditors have plans to satisfy themselves on the adequacy of risk management and are able to provide an annual assessment of corporate governance, risk management and internal control.
 - (vi) Annually review the College's approach to risk management and approve changes or improvements to key elements of its processes and procedures.
 - (vii) Review draft corporate governance statements before inclusion in the financial statements.

Role of the Principal's Central Team

6. Key roles of the Principal's Central Team are to:-
- (i) Implement policies on risk management and internal control.
 - (ii) Receive risk reports for management purposes from Heads of Schools and Heads of Non-Academic Departments.
 - (iii) Consider the potential aggregate impact of the College's high likelihood, high impact risks with a view to considering implications for College policy.
 - (iv) Provide adequate information in a timely manner to the Audit Committee on the status of risks and controls.

Role of Heads of School and Heads of Non-Academic Departments

7. Good risk management practice is about having a holistic approach and balancing stability and innovation. This requires that the top-down strategic assessment of risk at the College level, which is the responsibility of the Principal's Central Team, be properly informed by a bottom-up operations-

wide risk assessment, which is the responsibility of Heads of Schools and Heads of Non-Academic Departments. Their responsibilities therefore include:-

- (i) Adoption and encouragement of best practice risk management procedures within their individual area of responsibility, including cascading down responsibilities for identifying, assessing, managing and reporting risks within their sub-departments, centres, functions and projects.
- (ii) Regularly discussing and reviewing significant risks, and their management, within their own area of responsibility to satisfy themselves that major risks are being properly managed and controlled.
- (iii) Reporting to the Principal's Central Team, at least annually, the most significant risks identified in terms of likelihood and impact within their own area of responsibility, together with details of how these risks are being managed.

Risk management as part of the system of internal control

8. The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, which supports the achievement of the College's policies, aims and objectives. These elements include:-

- (a) *Financial Regulations and Procedures.*

The College's approved financial regulations and procedures underpin the internal control process. The policies are approved by Finance Committee on behalf of College Council and are implemented and communicated by senior management to all members of College staff.

- (b) *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. The risk management process is to be embedded within the business planning process.

- (c) *High level risk framework.*

This framework is overseen by the Principal's Central Team and helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the College. The corporate risk register is informed by the regular reports of operational risks made by Heads of Schools and Heads of Non-Academic Departments to the Principal's Central Team. The framework is formally appraised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored at least on a six monthly basis.

(d) *School and Departmental risk frameworks.*

Heads of Schools and Heads of Non-Academic Departments develop and use this framework to ensure that significant risks within their spheres 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 business units.

(e) *Audit Committee.*

The Audit Committee is required to report to the Council on internal controls and alert members 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 Council on the effectiveness of the internal control system, including the institution's system for the management of risk.

(f) *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 College.

(g) *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.

Annual review of effectiveness of internal control

9. The Audit Committee, on behalf of the Council, is responsible for reviewing the effectiveness of internal control within the College. This will include reviewing the College's track record on risk management and internal control for the previous financial year and considering the internal and external risk profile for the coming financial year.

The Audit Committee will apprise the College Council, who will evaluate the effectiveness of the College's internal control procedures on an annual basis.

Revised Policy Agreed by: Council, July 2006