

Risk management policy

Purpose of this document

- 1 This risk management policy forms part of Birkbeck's internal control and corporate governance arrangements.
- 2 The policy explains the College's underlying approach to risk management and documents the roles and responsibilities of the governing body, the Audit Committee, the Strategic Planning Committee, the Risk Management Group 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 governing body will use to evaluate the effectiveness of the College's internal control procedures.

Underlying approach to risk management

- 4 The following key principles outline Birkbeck's approach to risk management and internal control:
 - The College is committed to pursuing strategic opportunities linked to its core mission, provided that the potential benefits and risks are understood and that reasonable means to mitigate risks are put in place. It has adopted a prudent and conservative approach to general financial planning and management.
 - the governing body (Governors) has responsibility for overseeing risk management within the College as a whole;
 - Governors have adopted an open and receptive approach to solving risk problems;
 - the Vice-Chancellor, the senior officers and the employees of the College support, advise on and implement policies approved by Governors;
 - the College makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
 - College employees are responsible for encouraging good risk management practice within their areas of responsibility;
 - Key indicators relating to the risks will be identified and monitored regularly.

Responsibility for the system of internal control

Governing body

- 6 The governing body plays a fundamental role in the management of risk. Its role is to:
 - a Set the tone and influence the culture of risk management at Birkbeck, including:
 - determining the approach to risk as a whole and in respect of 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 Determine the appropriate level of risk exposure for the College.
 - c Approve major decisions affecting Birkbeck's risk profile or exposure.
 - d Monitor the management of significant risks, including early indicators of potential problems.
 - e Satisfy itself that less significant risks are being actively managed, with appropriate controls in place and working effectively.
 - f Annually review Birkbeck's approach to risk management and approve changes or improvements to key elements of its processes and procedures.
- 7 Governors have delegated to the Audit Committee detailed consideration of - and formulation of advice on - risk issues.

Risk management group

- 8 The risk management group is chaired by the Deputy College Secretary (Governance) and consists of the Deputy Vice-Chancellor, the Pro Vice-Chancellors for Education and Research, the Academic Registrar; an Executive Dean; a Director of School Operations the College Secretary, the Deputy Secretary (Operations); and the Directors of Finance, Planning, External Relations, Estates, Human Resources and IT Services.
- 9 Key roles of the risk management group are:
 - a To identify and evaluate the significant risks faced by the College and consider what controls should be put in place to mitigate them.
 - b To provide adequate information in a timely manner to Governors and Governors' committees on the status of risks and controls.
 - c To keep under review effectiveness of the system of internal control.

- d To review and report to Strategic Planning Committee and Audit Committee, termly on the management of top risks and the overall risk profile and annually on the management of all College risks.

Senior officers

- 10 The senior officers of the College are the Vice-Chancellor, Deputy Vice-Chancellor and Pro Vice-Chancellors, the Executive Deans, the College Secretary and Deputy Secretaries and the Directors of Professional Services and Operations (Schools). Senior officers have day-to-day responsibility for the system of internal control in their School, service or strategic portfolio and for the implementation of policies on risk and control.

Risk management as part of the system of internal control

- 12 The system of internal control incorporates reporting on risk management. This system encompasses a number of elements that together allow the College to respond effectively and efficiently to a variety of operational, financial, and commercial risks. These elements include:
 - a **Policies and procedures**
Attached to significant risks are policies that underpin the internal control process. These policies are set by Governors and implemented and communicated by senior officers to staff. Written procedures support the policies where appropriate.
 - b **Audit Committee**
The Audit Committee is required to report to Governors on internal controls and to 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 Governors on the effectiveness of the internal control system, including the College's system for the management of risk.
 - c **Regular reporting**
The Audit Committee monitors key risks and their controls. This includes the top ranked risks and major institutional projects, which are reported termly with corresponding performance indicators. Decisions to rectify problems are made at regular meetings of the senior management team and Governors if appropriate.
 - d **College Risk Register**
The College Risk Register is compiled by the risk management group and considered by the Strategic Planning Committee. It comprises a College Risk Register of the most significant risks, with information on assessed level of risk, controls and monitoring. It helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the College. The document is formally appraised annually.

- e Planning and budgeting**
The planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting objectives is monitored regularly.
- 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 College's internal control system.
- 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.
- h Third party reports**
From time to time, external consultants will be employed to review and report on specific areas.

College Risk Register

- 13 The College Risk Register is compiled and reviewed by the risk management group. Schools and Professional Services identify and manage local risks through their annual strategic plans. Schools are asked to identify risks to be considered at the College level and these are referred to the Risk Management Group.
- 14 The College Risk Register identifies and evaluates each risk and defines the actions being taken to mitigate or control it. A single high level owner is identified for each risk, together with the bodies responsible for specific controls and for monitoring each risk.
- 15 Gross risk scores indicate the magnitude of the risk *without successful controls* and are assessed as follows:

LIKELIHOOD (L) is judged as follows

5	Inevitable
4.5	
4	Likely
3.5	
3	Possible
2.5	
2	Unlikely
1.5	
1	Highly unlikely
0.5	

IMPACT (I) is judged as follows

5	Extreme
4.5	
4	High
3.5	
3	Medium
2.5	
2	Low
1.5	
1	Negligible
0.5	

RISK SCORE (S) is LIKELIHOOD x IMPACT

The maximum score is therefore 25. Risk scores are divided into low (below 10), medium (10-17) and high (17.5+) overall scores.

- 16 Net risk scores assess the magnitude of the risk *with successful controls in place*, using the same method.
- 17 For the top risks, an additional risk management indicator is included, indicating the current success of the controls.

(Green) Good progress or performance; the issue is being addressed or managed successfully.

(Amber) Work is in progress or required; the issue is subject to change and development which may include factors external to the College.

(Red) Critical issue requiring significant management and monitoring.

Termly and annual review

- 17 Governors are responsible for reviewing the effectiveness of internal control of the College, based on information provided by the risk management group. Governors have delegated detailed consideration of the effectiveness of internal control to the Audit Committee.
- 18 Governors, acting on the advice of the Risk Management Group and the Audit Committee, will review the top risk profile and the effectiveness of the controls each term; and the full College level risk profile annually. They will:
 - review and examine the College's track record on risk management and internal control;
 - consider the internal and external risk profile and consider if current internal control arrangements are likely to be effective.

- 19 Governors and the Audit Committee will consider the following aspects.
- a Control environment:
 - the College's objectives and its financial and non-financial targets;
 - organisational structure and calibre of the senior management team with respect to the management of risk;
 - culture, approach, and resources with respect to the management of risk;
 - delegation of authority;
 - public reporting.
 - b Ongoing 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 action:
 - ability of the institution to learn from its problems;
 - commitment and speed with which corrective actions are implemented.
- 20 The risk management group will prepare a report of its review of the effectiveness of the internal control system annually for consideration by the Strategic Planning Committee, the Audit Committee and Governors.
- 21 In producing the report, the risk management group will reflect on:
- the management of significant risks during the previous year;
 - any controls that failed during the year and why;
 - unforeseen risks and why they occurred;
 - changes to the external environment that affect the risk profile, such as new funding arrangements or new legislation;
 - changes to the internal environment that affect the risk profile, such as a new IT system or new staff;
 - risks expected to emerge during the forthcoming year;
 - new controls that should be put in place;
 - changes or improvements to the process recommended for the forthcoming year.

Agreed by Governors July 2021