RISK MANAGEMENT STRATEGY AND POLICY

ROYAL COLLEGE OF MUSIC London

Purpose

1. The purpose of risk management for the RCM is to help to ensure that the College's strategic aims are achieved. Risk management is intended to manage, rather than to eliminate, the risk of failure to achieve policies, aims and objectives. The risk management strategy is based on identification of the benefits that the College wishes to achieve, as set out in its Strategic Plan, the main risks to this and assessment of the level of exposure that is regarded as appropriate to take in particular areas.

Role of the Audit and Risk Management Committee

2. The Audit & Risk Assurance Committee oversees the risk management activity of the Directorate and ensures that the College's risk management activity properly informs the internal audit programme. The Committee has a responsibility to ensure that the College adopts a risk-based approach to its management of the institution.

Risk Register review process and reporting

3. The College maintains a risk register which is aligned with the Strategic Plan, also taking into account global economic and geopolitical conditions, the changing regulatory, accountability and compliance environment and the changing higher education and music education environment.
4. The Audit and Risk Committee, Finance & General Purposes Committee and Council are advised by Directorate on the effectiveness of the establishment and implementation of risk management on a regular basis and formally in an annual report.
5. The Directorate undertake a full review of the risk register each autumn in a workshop attended by KCG, the College's internal auditors. The risk register identifies those risks that could prevent the College from achieving its strategic priorities as set out in the Strategic Plan over the time horizon of the next 24 months.
6. This review process entails considering the relevance of risks, their likelihood of occurrence and their impact should they occur, together with the level of RCM control over each risk. The process produces a reviewed strategic risk register, scored for high (red), medium (amber) and low (green) priority. Directorate level 'risk owners' are nominated for each of the risks and mitigating action plans, early warning indicators and controls are developed for high and medium priority risks. The report of the October risk workshop and updated risk register is submitted to Audit & Risk Assurance Committee, Finance & General Purposes Committee and Council in the autumn each year.
7. In addition to the autumn risk workshop, the risk register is reviewed by Directorate termly.
8. The Directorate provides an end-of-year annual report on risk management activities in the year to Council. In advance of this, the report is submitted to Audit & Risk Assurance Committee The report is also submitted to the Finance & General Purposes Committee. The College incorporates into this report its annual report on VfM, as these two areas relate to each other.

Key Controls

9. The College has in place the following controls:
    - An established organisational structure with identified reporting lines and responsibilities
    - Internal financial controls
    - Financial Regulations, specifying authorisation and approval levels

- Written policies for key areas of activity
- A formal structure for the governance of the College and adoption of the CUC Governance Code of Practice
- Formal terms of reference, membership and periods of office for the governing body (RCM Council) and committees
- Formal agendas and minutes for all Council and committee meetings
- Regular agenda items on risk management for Council, Committees (F&GPC, Audit & Risk Committee), Directorate
- Annual strategic planning and review exercises
- Key Performance Indicators, reviewed annually
- A Value for Money framework

Other Roles in Risk Management

Officer responsible

10. The College's risk management process includes identification of a member of Directorate who is responsible for the management of each specific risk, to include:
    - Monitoring the College's level of exposure to the identified risk, on a continuing basis;
    - Drawing the attention of the Directorate to the need for review of and/or changes to institutional practice/activity, at any time if:
        - The level of risk appears to be increasing;
        - New approaches to risk mitigation need to be adopted;
        - The level of risk appears to have been wrongly estimated;
    - Leading the Directorate's regular review of the relevant risk;
    - Ensuring that issues of concern are reported to the Audit & Risk Assurance Committee and to any other committees that might have oversight of that area within their terms of reference

Role of RCM Council

11. The Council 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. This includes:
        - Determining the College's risk appetite through the normal conduct of business, including in setting the Strategic Plan, on both individual issues and as a whole;
        - Determining what types of risk are acceptable and which are not;
    - 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 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, by way of the annual risk management report
12. Subject to the above, the responsibilities of the Council for the regular review of risk management issues are delegated to Audit & Risk Assurance Committee

Role of the Directorate

13. Key roles of the Directorate are to:
    - Implement policies on risk management and internal control;
    - Identify and evaluate the significant risks faced by the College for consideration by Audit & Risk Assurance Committee;
    - Provide adequate information in a timely manner to the Council and its committees on the status of risks and controls;
    - Undertake an annual review of effectiveness of the system of internal control and provide report to Audit & Risk Assurance Committee

Internal audit programme

14. 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. In addition, internal audit is asked to conduct reviews on areas which are thought to present a risk to the business.

External audit

15. External audit provides feedback to the Audit & Risk Assurance Committee on the operation of the internal financial controls reviewed as part of the annual audit.

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