ETC Awards Limited

Risk Management Policy and Process

Introduction

The risk management policy forms part of ETA's internal control and corporate governance arrangements. The policy explains ETA's underlying approach to risk management, documents the role and responsibilities of the Governing Body and Senior Management Team and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures. The aim of risk management is to minimise losses and maximise opportunities, which is closely aligned to improving safety, not just from the physical risk perspective, but including financial and regulatory compliance, legal and reputational risk.

What is risk management?

A risk can be defined as an event or action that will affect (help or hinder) an organisation's ability to achieve its business objectives, execute its strategies and which could have an adverse effect. Risk management is the limitation of exposure to an acceptable level, by taking action on probability and/or impact; it therefore requires identification of the elements to be considered and those that may be controllable so that ETA can take all reasonable steps to prevent or reduce the risk of an incident occurring, and to prevent any adverse effect that the incident could have were it to occur, or mitigate the adverse effect as far as possible as per the Business Continuity Plan where appropriate.

Principles informing the ETA policy
The following principles should inform policy:

- The identification and management of risk should be linked to the achievement of business objectives and the prevention of an adverse effect;

- The approach to internal control should be risk-based, including an evaluation of the impact and likelihood of risks becoming a reality;

- Review procedures must cover business, operational and compliance as well as financial risks;

- Risk assessment and internal control should be embedded in on-going operations;

- The principal results of risk identification, evaluation and review should be reported to, and reviewed by the Senior Management Team.

Identification of Risk
The following factors should be considered:

- The nature and extent of the risks facing the organisation including those which may give rise to an adverse effect;

- The extent and categories of risk which the ETA regards as acceptable to bear;

- The likelihood of the risks concerned materialising;

- The organisation's ability to reduce the incidence and impact on the business of risks which do materialise;

- The costs of operating particular controls relative to the benefit obtained in managing the related risks.

Internal Control Systems
Internal control systems should encompass the policies, processes, tasks, behaviours and other aspects of the organisation which, taken together will:

- Facilitate effective and efficient operation, by enabling the organisation to respond appropriately to significant business, operational, financial, compliance and other risks in achieving its objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed, safeguarding of learners or potential learners and the ability of ETA to develop, deliver and award qualifications in accordance with regulatory requirements.

- Help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organisation.

- Help ensure compliance with relevant laws and regulations including current regulatory requirements and with internal policies in respect of the conduct of business

- Include activities, information and communications processes and processes for monitoring the continuing effectiveness of the system of internal control.

The systems of control should be embedded in the organisation and form part of its culture. They should be capable of responding quickly to evolving risks and should include procedures for reporting immediately to appropriate levels of management all significant control failings or weaknesses, together with details of corrective action.

The ETA Risk Management Policy

Risk management is an integral part of the system of internal control. The system encompasses a number of elements that together facilitate an effective and efficient operation enabling the ETA to respond to a variety of operational and financial risks.

The risk management policy is a formal acknowledgement of the commitment of the Senior Management Team to risk management within ETA. Ultimate responsibility for risk management rests with the Managing Director.

- We aim to use best practice in risk management to support and enhance our activities, in all areas of our organisation;

- We will ensure risk management is an integral part of all our decision making processes;
- We will use a structured risk management programme to minimise reasonably foreseeable disruption to operations, harm to people, learners and damage to the environment and property;

- We will identify and take advantage of opportunities as well as minimising adverse effects;

- We will train individuals to implement risk management effectively;

- We will strive continually to improve our risk management practices.

The ETA Risk Management Process

The Board is responsible for defining the strategic direction of ETA and the Senior Management Team for ensuring delivery in a manner consistent with that strategy.

The Board will consider the strategic risks faced and the appropriate "risk appetite" when considering the forward work programme. This will set the risk framework and assist Risk Owners to manage the risks to which they are exposed. The Senior Management Team will review the risks as part of the normal project and internal control processes and through the monthly management accounts and budgetary performance reviews.

Risk management will also encompass the risk assessment of each ETA approved centre. The Head of Solutions and Compliance will review each centre risk assessment produced by the External Quality Assurance team following centre monitoring visits and compile a monthly report for consideration by the Managing Director.

The Managing Director will provide on an annual basis the appropriate assurance for the Board that the ETA has met its obligations in relation to risk management so that the organisation is able to provide the necessary assurance statements to meet external audit and self-evaluation obligations to the regulatory bodies.

Roles and responsibilities

Governing Body:
- Overseeing risk management within ETA.
- Defining the strategic risks and the risk appetite as the Business Objectives are formulated.

Senior Management Team:
- Advises the Managing Director on all elements of internal control.
- Develops and implements policies on risk management for internal and external control.
- Identifies the wider planning environment so that the Board can evaluate the strategic risks faced by the ETA when considering the annual Business Plan.
- Identifies and monitors risk monthly at Senior Management Team meetings
- Undertakes an annual review of effectiveness of the system of internal control which forms part of self-evaluation and provides a report to the Governing Body.

Managers:
- Ensuring that risk management processes within their area are effective and that their staff are aware of the risks within their working environment.
- Ensuring that all necessary risk assessments are carried out within their area.
- Implementing and monitoring any identified risk within their area of responsibility.
- Identifying, assessing, addressing and reviewing and reporting risks.
- Ensuring that risks and mitigation plans have been entered onto an Individual Risk Document and, if appropriate, included in the risk register.

Risk owners:
- Taking effective actions to mitigate their risk in a timely manner.
- Ensuring the quality of data recorded about the risk in the register.
- Taking ownership of specific risks.
- Reviewing and agreeing the process of managing risk.
- Provide monthly report on rising/decreasing or new risks at the Senior Management Team meetings
- Provide six monthly formal reports on the steps they are taking to manage risks in their areas of responsibility to the Governing Body.

All employees:

- To report incidents/accidents via the appropriate manager.
- To be aware of their duty to take reasonable care for their own safety and others.
- To report to their managers on newly identified or potential risks in their working environment.
- To comply with the ETA Risk Management Policy and procedures.

Categorising Risk

To facilitate risk identification, the risks faced by the organisation have been split into broad categories. Thirteen risk categories have been identified:

1. **Governance:** effective governance arrangements including the evaluation of processes for identifying, allocating responsibility, managing and monitoring of risk.

2. **Financial Control:** sound core financial and project management controls.

3. **Funding Environment:** clear strategic focus/vision/ Effect on operations.

4. **Political/Educational/ Market Exposure:** ability to respond to major events

5. **C & IT Resilience:** disaster recovery plans, reliability of databases and networks.

6. **Properties / Offices:** strategy and maintenance.

7. **Compliance Issues:** review of policies and procedures to ensure that they are compliant with the regulatory bodies and legislative requirements such as the Data Protection Act.

8. **Management of Human Resources:** effective management and deployment of human resources.

9. **Commercial Contractual Obligations:** procurement and contractual matters.

10. **Reputational:** media coverage, government view and complaints about the ETA services, regulatory body views and customer expectations.

11. **Knowledge Management:** the provision of policy/information databases.

12. **Performance:** customer complaints and enquires resolved to key performance indicators. Centres' and learners' incidents which may give rise to an adverse effect.

13. **Corporate Planning:** forward planning and effective management processes.

The risk register is indexed into these categories. Individual project risk management will also generally fall within this categorisation. This will mean that numerous individual risks can often be addressed via one project, policy statement or checklist.

Reporting and Review, Process and Documentation

ETA has a risk register which is used for risk identification, assessment and recording risk.

The risk register is reviewed regularly to assess the impact of risk including the review of risk ranking and their mitigating circumstances. The risk register is colour coded:

Red = High / Critical Amber = Medium Green = Low

For each risk a risk analysis document is completed (Appendix A) which identifies the following:

1. Risk owner, Department, Risk number (Prefixed by Department letters, followed by consecutive numbers.
2. Category of risk 1-13
3. Business objective to which risk relates
4. Risk description
5. Reason and implication (Reasonably foreseeable worst case impact)
6. Impact score and explanation (1-5)
7. Likelihood score and explanation (1-5)
8. Raw risk score
9. Internal controls, mitigating actions, by whom, by when
10. Residual risk score
11. Risk state, static, declining, rising
12. Further actions required

Risks are documented on the individual risk document (Appendix A) and held in a Risk folder:

25-15 category will show red (high/critical) 14-8 category will show amber (medium) 7-1 category will show green (low).

The ETA risk register (Appendix 2) will summarise the red risks from all the departmental risk folders. The corporate risk register will be reviewed by the Governing Body twice yearly or sooner should the risk status increase/change significantly.

The ETA risk register will show the following information:

1. Risk owner/risk number which references individual risk analysis document
2. Category of risk (1-13)
3. Risk Description
4. Residual risk score
5. Raw risk score
6. Risk state
7. Further actions required

The ETA risk register will be backed up by individual risk analysis documents which detail mitigating actions and internal controls implemented, by whom and when. The Managing Director is responsible for compilation and updating of the ETA risk register and presentation to the Governing Body minimum twice yearly.

Business objective - make reference to the objective impacted by the risk

Risk *(X)* - describe a single event that might happen related to the objective

Reason and Implication *(Y and Z)* – describe a single reason *(Y)* why the event/ risk *(X)* might happen. Describe a single measurable impact *(Z)* - should the reasonably foreseeable worst case impact.(RFWCI)

Likelihood - assess likelihood on scale of 1-5 (1 Low, 5 high)
  1 Very low
  2 Low
  3 Medium
  4 High
  5 Very high

Impact – assess RFWCI on scale of 1-5 (1 Low, 5 high)
  1 Insignificant
  2 Minor
  3 Moderate
  4 Serious
  5 Very serious

Raw risk score - multiply impact score by likelihood score to get raw risk score

Mitigating actions/internal controls - identify what these need to be to reduce/ manage /eliminate the risk. Assign responsibility and deadline for actioning.

Residual risk- after mitigating actions have been implemented, recalculate residual risk scores (revised likelihood x revised impact) and turn red amber green as per chart.

Severity of Impact	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
		Likelihood				

Red
Amber
Green

Risk state- indicate if the risk is static, declining or rising

Further actions required- Identify and record any further actions required

Appendix A

Individual Risk Analysis Document

Department:	
Department Head/Risk owner	
Risk number:	
Category:	
Business objective:	
Risk Description:	

Assessment Raw risk

Likelihood	(insert explanation and score)
Impact (devised from equivalence table):	(insert explanation and score)
Raw Risk is: (low/medium/high):	/25

Mitigating actions/internal controls

Actions	By whom	By when

Assessment Residual risk

Likelihood	(insert explanation and score)
Impact (Devised from equivalence table)	(insert explanation and score)
Residual Risk score	/25 Show red, amber green in box/ row

Risk state:	**Declining/Static/Rising**

Further actions required:

Actions	By whom	By when

Risk Management Policy

Appendix 2

ETA Risk Register Date:

Risk Number:	Category:	Risk Description:	Residual risk score:	Red/Amber/Green:	Raw Risk Score:	Risk State:	Further Actions Required:

Review arrangements

We will review this policy annually as part of our self-evaluation arrangements and revise it, as and when necessary, in response to external feedback, trends from our internal monitoring arrangements, changes in our practices, actions from the regulatory authorities or external agencies or changes in legislation. In particular, we will ensure this policy aligns with any complaints and appeals processes published by the regulators.

Contact us

If you wish to make an appeal in accordance with this policy, or if you have a query in relation to our complaints or appeals arrangements, please contact the Head of Solutions and Compliance at:

Tel: 07778198876

Email: peta@eta-gms.com