

# **BRITISH CANOEING AWARDING BODY RISK MANAGEMENT POLICY**

## **Introduction**

Risk management is a rapidly developing feature of organisational activity and it is conducted utilising the following standard:

- A common vocabulary is used;
- A process by which risk management is carried out is detailed;
- The organisation structure for risk management is defined;
- The objective for risk management is stated.

Importantly, the standard recognises that risk has both an upside and a downside.

The organisation recognises risk management is not just for strategic activity, but is for any activity whether short or long term and at any level within the organisation. Furthermore the benefits and opportunities should be viewed not just in the context of the activity itself but in relation to the many and varied stakeholders who can be affected.

## **Risk**

For the purposes of this policy Risk is defined as the ‘combination of the probability of an event and its consequences’.

Risk Management is increasingly recognised as being concerned with both positive and negative aspects of risk. Therefore this policy will consider risk from both perspectives.

## **Risk Management**

Risk management is a central part of organisational management. It is the process by which we seek to methodically address the risks attaching to our activities with the goal of achieving sustained benefit within each activity and across the scope of all activities. The focus of our approach to risk management is the identification and treatment of risks. The objective is to add maximum sustainable value to all the activities of the organisation. It aims to marshal the understanding of the potential upside and downside of all those factors which can affect the organisation. It increases the probability of success, and reduces both the probability of failure and the uncertainty of achieving the organisation’s overall objectives.

Risk management is seen as a continuous and developing process which runs throughout the organisation’s strategy and the implementation of that strategy. It should address methodically all the risks surrounding the organisation’s activities past, present and in particular, future. It must be integrated into the culture of the organisation with an effective policy and a programme led by the most senior management. It must translate the strategy into tactical and operational objectives, assigning responsibility throughout the organisation with each manager and employee responsible for the management of risk as part of their job description. It supports accountability, performance measurement and reward, thus promoting operational efficiency at all levels.

## **External and Internal Factors**

It is recognised that the risks facing the organisation and its operations can result from factors both external and internal to the organisation.

## **The Risk Management Process**

The process is based on the organisations objectives and follows the following steps:

1. A Risk Assessment is conducted including:
  - Risk Analysis
  - Risk Identification
  - Risk Descriptor
2. Risk Evaluation
3. Risk Reporting
4. Risk Treatment
5. Residual Risk Reporting
6. Monitoring

Risk management protects and adds value to the organisation and its stakeholders through supporting the organisation's objectives by:

- providing a framework for the organisation to enable future activity to take place in a consistent and controlled manner;
- improving decision making, planning and prioritisation by comprehensive and structured understanding of business activity, opportunity/threat identification;
- contributing to more efficient use/allocation of capital and resources within the organisation;
- protecting and enhancing assets and company image;
- developing and supporting people and the organisation's knowledge base;
- optimising operational efficiency.

### **Risk Assessment**

Risk Assessment is defined as the 'overall process of risk analysis and risk evaluation'.

### **Risk Analysis and Risk Identification**

Risk identification sets out to identify the organisation's exposure to uncertainty. This requires an intimate knowledge of the organisation, the market in which it operates, the legal, social, political and cultural environment in which it exists, as well as the development of a sound understanding of its strategic and operational objectives, including factors critical to its success and the threats and opportunities related to the achievement of these objectives.

Risk identification will be approached in a methodical way to ensure that all significant activities within the organisation have been identified and all the risks flowing from these activities defined. All associated volatility related to these activities should be identified and categorised.

Business activities and decisions can be classified in a range of ways, examples of which include:

- **Strategic** - These concern the long-term strategic objectives of the organisation. They can be affected by such areas as capital availability, sovereign and political risks, legal and regulatory changes, reputation and changes in the physical environment;
- **Operational** - These concern the day-to-day issues that the organisation is confronted with as it strives to deliver its strategic objectives;
- **Financial** - These concern the effective management and control of the finances of the organisation and the effects of external factors such as availability of credit, foreign exchange rates, interest rate movement and other market exposures;

- **Knowledge management** - These concern the effective management and control of the knowledge resources, the production, protection and communication thereof. External factors might include the unauthorised use or abuse of intellectual property, area power failures, and competitive technology. Internal factors might be system malfunction or loss of key staff;
- **Compliance** - These concern such issues as Ofqual, health and safety, environmental, trade descriptions, consumer protection, data protection, employment practices and regulatory issues.

### Risk Description

The objective of risk description is to display the identified risks in a structured format, for example, by using a table. The risk description table below can be used to facilitate the description and assessment of risks. The use of a well-designed structure is necessary to ensure a comprehensive risk identification, description and assessment process. By considering the consequence and probability of each of the risks set out in the table, it should be possible to prioritise the key risks that need to be analysed in more detail. Identification of the risks associated with business activities and decision making may be categorised as strategic, tactical, and operational. They can be further expressed as internal and external on a case by case basis.

**Table - Risk Description**

1. Name of Risk	
2. Scope of Risk	Scope of Risk
3. Nature of Risk	Level of risk – strategic, etc.
4. Stakeholders	Who is involved
5. Risk Appetite	Loss potential Value of risk Probability of Risk
6. Risk Treatment	How controlled and confidence levels
7. Potential Action	Recommendations to reduce risk
8. Strategic and Policy Developments	Identification of responsibility for developing strategy and policy

### Risk Estimation

Risk estimation can be determined in terms of the ‘probability of occurrence’ and the ‘possible impact’. For example, consequences both in terms of threats (downside risks) and opportunities (upside risks) may be high, medium or low. Probability may be high, medium or low but requires different definitions in respect of threats and opportunities of risks. By considering the consequence and probability of each of the risks set out in the table, it should be possible to prioritise the key risks that need to be analysed in more detail. Identification of the risks associated with business activities and decision making may be categorised as strategic, tactical, and operational. The results of these interactions can be registered in the BCAB Risk register and where appropriate transferred into working documents such as the Awarding Body work plan or self-assessment for example.

## Probability of Occurrence – Possible Impact

	<b>High</b>			
<b>Probability</b>	<b>Medium</b>			
	<b>Low</b>			
		<b>Low</b>	<b>Medium</b>	<b>High</b>

**Impact**

### Risk Analysis Methods and Techniques

Whilst a range of techniques can be used to analyse risks the final assessment should reflect a traffic light system utilising the table above. It is reasonable to transfer the traffic light colour to the balanced score card and risk register.

### Risk Profile

The result of the risk analysis process can be used to produce a risk profile which gives a significance rating to each risk and provides a tool for prioritising risk treatment efforts. This ranks each identified risk so as to give a view of the relative importance. This process allows the risk to be mapped to the business area affected, describes the primary control procedures in place and indicates areas where the level of risk control investment might be increased, decreased or reapportioned. Accountability helps to ensure that 'ownership' of the risk is recognised and the appropriate management resource allocated.

### Risk Evaluation

When the risk analysis process has been completed, it is necessary to compare the estimated risks against risk criteria which the organisation has established. The risk criteria may include associated costs and benefits, legal requirements, socioeconomic and environmental factors, concerns of stakeholders, etc. Risk evaluation therefore, is used to make decisions about the significance of risks to the organisation and whether each specific risk should be accepted or treated.

## **Risk Reporting & Communication**

### **Internal Reporting**

Different levels within the organisation require different information from the risk management process.

#### **The Responsible Person:**

- Should be made aware of the most significant Risks facing the organisation and the progress towards Toleration, Termination, Transfer or its Treatment.

#### **The Committee should:**

- Know about the most significant risks facing the Awarding Body;
- Ensure appropriate levels of awareness throughout the Awarding Body;
- Know how the Awarding Body will manage the impact of risk should it be realised;
- Be assured that the risk management process is working effectively;
- Publish a clear risk management policy covering risk management and responsibilities;
- Ensure the risk management process is subject to planned management review within published guidelines.

#### **The Awarding Body Responsible Officer should:**

- Be aware of risks which fall into their area of responsibility, the possible impacts these may have on other areas and the consequences other areas may have on them;
- Have performance indicators which allow them to monitor the key business and financial activities, progress towards objectives and identify developments which require intervention;
- Report systematically and promptly to the Committee any perceived new risks or failures of existing control measures;
- Undertake Risk determination as described in this policy. Where appropriate others with specialist skills must be involved in the determination of Risk.

#### **Individuals should:**

- Understand their accountability for individual risks;
- Understand how they can enable continuous improvement of risk management response;
- Understand that risk management and risk awareness are a key part of the organisation's culture;
- Report systematically and promptly to the Responsible Officer any perceived new risks or failures of existing control measures.

### **External Reporting**

The risk management process should be made transparent, reportable and available to internal and external stakeholders with a legitimate need to know. It should be noted that increasingly stakeholders will look to organisations to provide evidence of effective management of the organisation's performance in such areas as

community affairs, human rights, employment practices, health and safety and the environment. Although much of this information will be centrally held by the BCAB it must be similarly made available on request to any stakeholder. BCAB requires staff to methodically approach to risk management which:

- Protects the interests of their stakeholders;
- Ensures that the Responsible Person is able to ensure the Committee discharges its duties to direct strategy, build value and monitor performance of the organisation;
- Ensures that management controls are in place and are performing adequately.

The arrangements for the formal reporting of risk management should be clearly stated and be available to the stakeholders. The formal reporting should address:

- The control methods – particularly management responsibilities for risk management the processes used to identify risks and how they are addressed by the risk management systems;
- The primary control systems in place to manage significant risks;
- The monitoring and review system in place.

Any significant deficiencies uncovered by the system, or in the system itself, should be reported together with the steps taken to deal with them.

### **Risk Treatment**

Risk treatment is the process of selecting and implementing measures to modify the risk. Risk treatment includes as its major element, risk control/mitigation, but extends further to, for example, risk avoidance/termination, risk transfer, risk tolerance and risk treatment.

Firstly, the cost/impact of implementation has to be established. This has to be calculated with some accuracy since it quickly becomes the baseline against which cost effectiveness is measured. The loss to be expected if no action is taken must also be estimated and by comparing the results, management can decide whether or not to implement the risk control measures.

Compliance with laws and regulations is not an option. An organisation must understand the applicable laws and must implement a system of controls to achieve compliance. There is only occasionally some flexibility where the cost of reducing a risk may be totally disproportionate to that risk.

### **Monitoring and Review of the Risk Management Process**

Effective risk management requires a reporting and review structure to ensure that risks are effectively identified and assessed and that appropriate controls and responses are in place. Planned audits of the policy must be carried out by the Responsible Officer and reported identifying opportunities for improvement. It should be remembered that BCAB operates in a very dynamic environment. Changes in the organisation and the environment in which it operates must be identified and appropriate modifications made to systems.

The monitoring process should provide assurance that there are appropriate controls in place for the organisation's activities and that the procedures are understood, followed and available for external review.

Changes in the organisation and the environment in which it operates must be identified by the Responsible Officer and appropriate changes made to systems in consultation with others.

Any monitoring and review process should also determine whether:

- the measures adopted resulted in what was intended;

- the procedures adopted and information gathered for undertaking the assessment were appropriate;
- improved knowledge would have helped to reach better decisions and identify what lessons could be learned for future assessments and management of risk.

## **The Structure and Administration of Risk Management**

### **Risk Management Policy**

This management policy should set out the organisation's approach to and appetite for risk and its approach to risk management. The policy outlines responsibilities for risk management throughout the organisation.

Attaching to the risk management process is an integrated set of tools and techniques for use in the various stages of the business process. To work effectively, manage the risk management process requires:

- Commitment from the Responsible Officer, BCAB Committee and staff and of the Awarding Body;
- Assignment of responsibilities within the organisation;
- Allocation of appropriate resources for training and the development of an enhanced risk awareness by all stakeholders.

### **Role of the Committee**

The Committee has responsibility for determining the strategic direction of the Awarding Body and for creating the environment and the structures for risk management to operate effectively.

The Committee should, as a minimum, consider in evaluating its system of internal control:

- The nature and extent of downside risks acceptable for the company to bear within its particular business;
- The likelihood of such risks becoming a reality;
- How unacceptable risks should be managed;
- The organisation's ability to minimise the probability and impact on the business;
- The costs and benefits of the risk and control activity undertaken;
- The effectiveness of the risk management process;
- The risk implications of BC Board decisions.

### **Role of the Responsible Officer**

The Responsible Officer will:

- Set policy and strategy for risk management;
- Primary champion of risk management at strategic and operational level;
- Building a risk aware culture within the organisation including appropriate education;
- Develop a Risk Policy;

- Designing and reviewing processes for risk management;
- Co-ordinating the various functional activities which advise on risk management issues within the organisation;
- Prepare reports on risk for the BC Board and the stakeholders.

**Role of Internal Audit**

The role of Internal Audit is led by the Responsible Officer and focuses on system compliance:

- Conducting systems and process audits;
- Leading on preventative and corrective actions;
- Reporting system stability to the BC Board.

**Resources and Implementation**

The resources required to implement the organisation’s risk management policy should be clearly established at each level of management and within each business unit.

Risk management should be embedded within the organisation through the strategy and budget processes. It should be highlighted in induction and all other training and development as well as within operational processes, e.g. product/service development projects.

This document refers to Conditions(s) within the Regulator’s Statement of Compliance requirements	A4 A6
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