

**Office of Internal Audit**  
**August 2006**

# **Austin Community College**

## **Underlying Approach to Risk Management**



## **Introduction**

1. This document is developed to disclose Austin Community College's underlying approach to risk management.
2. This document includes the following sections:
  - purpose of the document
  - underlying approach to risk management
  - role of senior management and other key staff members
  - key components of the system of internal control and risk management
  - annual review of effectiveness.

## **Purpose of the document**

3. The purpose of this document is to:
  - disclose the institution's underlying approach to risk management
  - document the roles and the responsibilities of the institution's senior management and key staff members
  - outline the key aspects of the risk management approach
  - identify the main reporting procedures
  - describe the process senior management will use to evaluate the effectiveness of the institution's internal controls.

## **Underlying approach to risk management**

4. The following key principles outline the institution's approach to risk management and internal controls:
  - the president has the responsibility for overseeing the risk management process within the institution
  - the president adopted an open and receptive approach to solving risk problems
  - the president makes recognition and disclosure of the financial and non-financial implications of risks
  - key risk indicators will be identified and closely monitored on regular basis.

## **Role of senior management and other key staff members**

### The president

5. The president has a fundamental role to play in the risk management approach. His or her role is to:
  - a. Set the tone and influence the culture of risk management within the institution. This includes:
    - determining if the institution is a ‘risk taking’ or ‘risk averse’ as a whole on any relevant individual issue
    - determining which type of risks are acceptable and which are not
    - setting the standards and expectations of staff with respect to conduct and probity
  - b. Determine the risk appetite or level of exposure for the institution.
  - c. Approve major decisions affecting the institution’s risk profile or exposure.
  - d. Monitor the management of significant risks to reduce the likelihood of unwelcome surprises.
  - e. Satisfy himself or herself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
  - f. Annually review the institution’s approach to risk management and approve changes or improvements to key elements of its process.

### The president leadership team

6. Key roles of the president leadership team are to:
  - a. Implement policies and rules on risk management and internal controls.
  - b. Encourage and implement good risk management practice within the institution.
  - c. Identify and evaluate significant risks to the institution and report them to the president for his or her consideration.
  - d. Provide accurate and timely information and updates on the status of risks and internal controls.
  - e. Undertake an annual review of effectiveness of the system of internal controls and report its results to the president.

### Office of internal audit

7. Key roles of the office of internal audit are to:
  - a. Provide a process structured discipline to identify and assess the institution's risks.
  - b. Administer and facilitate the risk management approach college wide.
  - c. Provide risk management training.
  - d. Provide updates to the risk management approach based on best practices in the higher education sector.
  - e. Report to the president on any emerging risk issues.

### **Key components of the systems of internal controls and risk management**

8. The system of internal controls encompasses a number of elements that together facilitate an effective and efficient operation, enabling timely and adequate responses to a variety of strategic, operational, compliance and personal risks. These elements include:

- a. *Policies and procedures.*  
Policies are set by the board of trustees and implemented and communicated by senior management to staff. Written procedures support the policies where appropriate.
- b. *Monthly reporting.*  
Comprehensive monthly reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made when appropriate.
- c. *Strategic and master planning.*  
Strategic or master planning is used to set objectives, design action plans, and ensure resources' availability. Progress towards meeting business plan objectives is monitored regularly.
- d. *Risk management approach.*  
This approach is developed to help identify and assess significant risks to the institution. Emerging risks are added, and improvement actions and risk indicators are designed and monitored regularly by business units.
- e. *Faculty risk frameworks.*  
Risk management complements the academic SWOT approach (strengths, weaknesses, opportunities and threats).

## **Annual review of effectiveness**

9. The president leadership team is responsible for reviewing the effectiveness of internal controls of the institution.

10. For each significant risk identified, the president leadership team will:

- review the previous fiscal year and examine the institution's track record on risk management and internal controls
- consider the internal and external risk profile of the coming fiscal year and consider if current internal controls are likely to be effective.

11. In making its decisions the PLT will consider the following aspects.

a. *Control environment:*

- the institution's objectives and its financial and non-financial targets
- organizational structure
- culture, approach, and resources with respect to the management of risk
- delegation of authority
- public reporting.

b. *On-going identification and evaluation of significant risks:*

- timely identification and assessment of significant risks
- prioritization of risks
- allocation of resources to address areas of high exposure.

c. *Information and communication:*

- quality and timeliness of information on significant risks
- timely capture of critical information
- new risks are to be identified and assessed.

d. *Monitoring and corrective action:*

- ability of the institution to learn from its problems
- commitment and timely implementation of corrective actions.

12. The president leadership team will annually report to the president on the results of its review of the effectiveness of the internal controls system.