National Film and Television School (the "School")
Risk Management Policy

1. Introduction

This risk management policy forms part of the School's internal control and corporate governance arrangements. The policy explains the School's underlying approach to risk management, documents the roles and responsibilities of the management team, and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures.

In addition, it describes the process the Audit Committee will use to evaluate the effectiveness of the School's internal control procedures and report on them to the Board of Governors.

Underlying Approach to Risk Management

The following key principles inform the School's approach to risk management and internal control.

- The Board of Governors is responsible for overseeing risk management within the School as a whole and the Audit Committee will advise the Board of Governors, as appropriate.
- The School adopts an open and receptive approach to mitigating risk.
- The School makes recognises and prudently discloses both financial and non-financial risks.
- Heads of Department are responsible for encouraging good risk-management practice within their areas
- Key risk indicators are regularly identified and monitored.

2. Role of the Board of Governors

The Board of Governors has a fundamental role to play in the management of risk. Its role is to:

- Encourage a culture of risk management at the School. This includes:
- Management determining whether the School is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue.

- Management determining what types of risk are acceptable and which are not.
- Management setting the standards and expectations of staff with respect to conduct and probity.
- Management determine the appropriate risk appetite and level of exposure in specific areas for the School.
- Management approving major decisions affecting the School's risk profile or exposure.
- Management and the Board of Governors Audit Committee monitoring the management of significant risks via the risk register.
- Management and the Board of Governors Audit Committee satisfying themselves that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- Management and the Board of Governors Audit Committee Annually reviewing the School's approach to risk-management and approve changes or improvements to key elements of its processes and procedures.

3. Risk Appetite

Risk appetite is the amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time. Risk appetite is about taking well thought-through risks where the long-term rewards are expected to be greater than any short term losses. Such rewards do not necessarily have to be financial – rewards can be measured in other ways. The School might, for instance, measure "reward" in terms of increased student applications, improved educational quality or an enhanced reputation for a particular department or area of the School's work – innovation, for example.

The School's risk appetite will not be static, and it will not be the same in all areas of its activity. Risk appetite will vary depending on circumstances at the time. The School will want to ensure that its overall level of risk is balanced, sustainable and appropriate and this balance is likely to be achieved with varying degrees of appropriate risk in different areas of the School's activities.

Risk appetite can be divided into five levels:

- AVERSE – avoidance of risk and uncertainty is a key objective
- MINIMALIST – preference for ultra-safe options that have a low degree of inherent risk and a small potential for limited reward
- CAUTIOUS – preference for safe delivery options that have a low degree of risk and consequently may not achieve maximum reward
- OPEN – willing to consider all delivery options and choosing the one most likely to result in successful delivery, whilst also providing maximum reward
- HUNGRY – Eager to be innovative and choosing risky options which have

higher potential for reward

Risk management best practice calls for setting an overall risk appetite for the School, based on the above categories. The School management team should then consider the risks arising from its various activities and then assess whether they are consistent with its agreed risk appetite. The Board of Governors Audit Committee reviews this annually.

In general, the School would wish to adopt a circumspect approach to risk-taking, as this would be the approach expected from a publicly-funded HE institution. However, in some areas of activity, such as the level of risk taking students are encouraged to take in their films, televison shows and games, we may adopt a more open attitude to risk than might be usual.

Risk area	Risk appetite
Health and safety – students, staff, public	Averse
Financial sustainability	Minimalist
Statutory and regulatory compliance	Averse
Academic standards and quality	Minimalist
Student experience	Open
Research	Hungry
Partnerships	Open
Commercial ventures	Cautious
Creative innovation	Hungry

4. Role of the Management Team

Key roles of the Management Team:

- Implement policies on risk management and internal controls.
- Identify and evaluate the significant risks faced by the School for consideration by the Audit Committee and the Board of Governors.
- Provide adequate information in a timely manner to the Audit Committee and Board of Governors on the status of significant risks and controls.
- Undertake regular effectiveness reviews of the system of internal controls and provide reports to the Board of Governors and its Committees, as appropriate.

5. Risk Management as Part of the System of Internal Controls

The system of internal controls incorporates risk management. This internal controls system encompasses a number of elements, which together facilitate efficient operation, enabling the School to respond to a variety of operational, financial, and commercial risks. These elements include:

Policies and Procedures: Written policies designed to mitigate certain fundamental risk underpin the internal controls process. The policies are drafted by the School management team, reviewed by the Board of Governors Audit Committee and implemented and communicated by management and staff. Written procedures support certain policies, where appropriate.

Reporting: Comprehensive regular reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the Senior Management Team, and the Board of Governors or its Committees.

Planning and Budgeting: The management planning and budgeting process is used to set objectives, agree action plans and allocate resources. Progress towards meeting plan objectives are monitored regularly by management and the Board of Governors.

Risk Framework: The School is a relatively small institution, and therefore it is possible for major risks to be encapsulated in one Risk Register document, covering both high-level risks and School/Department risks. This document is drawn up by the management team. It is formally appraised at least annually, but emerging risks are added and deleted, as required. The Risk Register will be presented to the Audit Committee annually, and more frequently should the need arise.

Audit Committee: The Audit Committee is required to report to the Board of Governors on internal controls and alert the Board of Governors to any emerging issues. In addition, the Committee oversees the Internal Auditors, External Auditors and management, as required in its review of internal controls. The Committee is therefore well placed to provide advice to the Board on the effectiveness of the internal controls system, including the School's system for risk management.

Internal Audit Programme: Internal Audit is an important element of the internal controls process. Apart from its normal programme of work, the Internal Auditors are responsible for aspects of the annual review of the effectiveness of the internal controls system within the School.

External Audit: the External Auditors provide feedback to the Audit Committee on the operation of the internal financial controls, reviewed as part of the annual

audit.

Third Party Reports: From time to time, the use of external consultants may be necessary as determined by the School management team or the Board of Governors. The use of specialist third parties for consulting and reporting can at times increase the reliability of the internal controls system.

Annual Review of Effectiveness
The Board of Governors, advised by the Audit Committee, is responsible for reviewing the effectiveness of internal controls at the School, based on information provided by the senior management team and other appropriate advice (e.g., from auditors). Its approach is outlined below.

For each significant risk identified, the Audit Committee will through consideration of the Risk Register at its quarterly meetings:

- Review the previous year and examine the School's track record on risk management and internal control as regards the specifically identified risk
- Consider the internal and external risk profiles in the coming year and consider if current control arrangements are likely to be effective

In making its decision, the Audit Committee will consider the following aspects:

Control environment
- The School's objectives as stated in the Corporate Plan and its financial and non-financial targets as stated in the Five-year Forecast
- Organisational structure and calibre of the management team
- Culture, approach and resources with respect to the management of risk
- Delegation of authority
- Public reporting

On-going 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.
- Information and communication:
- Quality and timeliness of information on significant risks
- The time it takes for control breakdowns to be recognised and/or new risks to be identified

Monitoring and corrective action
- Ability of the School to learn from its experiences
- Commitment and speed with which corrective actions are implemented.

The management team will prepare an annual report of its review of the effectiveness of the internal controls system for consideration by the Audit

Committee, which will inform the Audit Committee's opinion on internal controls in its Annual Report to the Board of Governors.