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RISK POLICY AND RISK MANAGEMENT

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Preface

The University's Risk Policy sets out The University's approach to risk and its management together with the means for identifying, analyzing and managing risk in order to minimize its frequency and impact.

The risks considered significant to the ability of UOK to achieve its objectives are set out in the Corporate section of the Risk Register, which incorporates actions for dealing with those risks.

The Corporate section of the Risk Register is monitored by the Vice-Chancellor's Executive on a monthly basis and is updated by nominated groups to take account of changing environment and circumstances.

Introduction

Risk is present throughout an organization, in its buildings, equipment, policies, systems, processes, staff, students and visitors. The University recognizes that the management of risk is vital to good management practice. It must be an integral part of all the functions and activities of an organization.

The purpose of the University's Risk Policy is to develop a consistent approach towards risk across the institution and outline processes for recognizing, analyzing and dealing with risks as well as assuring the effectiveness of the identified processes.

The Risk Policy is designed to enable UOK to minimize the frequency and effect of adverse incidents arising from risks and to identify improvements in procedures and service delivery in order to ensure the efficient and effective use of public funds.

The management of risks includes the culture, processes and organizational structures, which contribute to the effective management of potential opportunities, threats and adverse incidents.

Implementation of Risk Management

Overall responsibility for risk management within UOK lies with the Vice-Chancellor, with responsibility for implementation delegated to the Deputy Vice-Chancellor (Operations).

The University's Memorandum of Understanding with the Funding Council requires governing bodies to take reasonable steps to ensure that there are "sound arrangements for risk management, control and governance, and for economy, efficiency and effectiveness (value for money), within the HEI".

The Audit Committee is a committee of the Board of Governors and has responsibility for assessing the effectiveness of risk management.

The Audit Committee reports on the arrangements for risk management to the Board of Governors.

Risk Policy

1. Aims of the Policy

1.1 To outline the University's underlying approach to risk assurance;

1.2 To document the roles and responsibilities of the Board of Governors, the Vice-Chancellor's Executive and other key committees and individuals;

1.3 To outline key aspects of the risk management process;

1.4 To identify the main reporting procedures.

2. Approach to Risk Management

2.1 The definition of risk adopted by the University is twofold:

2.1.1 Threat - An uncertain event which if it was to occur would a have a material negative effect on the likelihood of achieving University, Faculty, Service or projct objectives.

2.1.2 Opportunity – An uncertain event which if it was to occur would have a favourable and advantageous effect on the likelihood of achieving University, Faculty, Service or project objectives.

2.2 Risks are linked to objectives which exist on different planes:

2.2.1 Corporate/strategic – risks that affect the institution as a whole;

2.2.2 Faculty & Professional Service/Operational – risks that are predominantly related to the operation of specific areas of the University;

2.2.3 Project/programme – risks associated with independent and, usually, time limited activities.

2.3 The University accepts that total elimination of risk is neither desirable nor achievable. It expects managers to take all reasonable steps to mitigate risk. The level of risk accepted should be commensurate with the expected reward. In overall terms it is looking to achieve a balanced risk portfolio at the University level with net risk averaging out at medium using the scoring system illustrated within section 5.

2.4 The following key principles outline the University's approach to risk and internal control:

2.4.1 the Board of Governors has responsibility for overseeing risk management within the University as a whole;

2.4.2 the approach adopted to identifying and mitigating risk is an open one, receptive to input from all Governors and staff at all levels;

2.4.3 the Vice-Chancellor's Executive supports, advises and implements policies approved by the Board of Governors;

2.4.4 the University makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;

2.4.5 significant risks will be identified and monitored on a regular basis;

2.4.6 risks will be identified through the academic and executive Governance structures and will be managed at a variety of different levels of the University;

2.4.7 the University will adopt standard reporting processes and frameworks.

3. Roles and Responsibilities

Role of the Board of Governors

3.1 The Board of Governors has responsibility for the oversight of the management of risk, part of which it may delegate to its ExecutiveCommittee

3.2 Through approving the Risk Policy the Board of Governors sets the tone and influences the culture of risk management within the University. This includes determining:

3.2.1 whether the University is 'risk taking' or 'risk adverse' as a whole or on any relevant issue;

3.2.2 the 'risk appetite' of the University;

3.2.3 what types of risk are acceptable and which are not;

3.2.4 the standards and expectations of staff with respect to conduct and probity in relation to risk management;

3.3 The Board of Governors is also responsible for:

3.3.1 determining the appropriate level of risk exposure for the University;

3.3.2 taking major decisions affecting the University's risk exposure;

3.3.3 monitoring the management of the most significant corporate risks;

3.3.4 assuring itself that risks identified across the University are being actively managed, with appropriate controls in place which are working effectively;

3.3.5 biennially review the University's Risk Policy to ensure it remains fit for purpose.

Role of the Vice Chancellor

3.4 The key roles of the Vice Chancellor is to:

3.4.1 maintain risk registers for which they are responsible for;

3.4.2 implement policies on risk management within the areas for which they are responsible;

3.4.3 identify and evaluate the significant risks faced by the University for consideration by the Board of Governors;

3.4.4 provide adequate information in a timely manner to the Board of Governors and its committees on the status of risks and controls;

3.4.5 undertake an annual review of the effectiveness of the system of internal control and provide a report to the Executive Committee;

3.5 The Vice-Chancellor has delegated day to day responsibility for risk management to the Deputy Vice-Chancellor (Operations).

4. Risk Management

4.1 The objective of risk management is to actively support the achievement of the University's agreed objectives and not simply to avoid risk.

4.2 Control of risks generates direct costs and opportunity costs. Risk management involves determining the acceptable level of exposure to risk which enables the achievement of University objectives whilst achieving a balance between the level of risk exposure and the cost of mitigating actions. Risk management is a process which provides assurance that:

4.2.1 objectives at all levels are more likely to be achieved;

4.2.2 damaging events are less likely to occur;

4.2.3 beneficial events are more likely to occur.

5. Reporting Framework

5.1 The University uses a single SharePoint based Risk Register which delivers a consistent format whilst allowing for different views of the information.

5.2 Risks will be categorized as preventable, strategic or external. The category of risk will assist in determining the appropriate method of managing the risk.

5.3 Risks will be assessed using two elements: impact of the risk occurring and the probability of occurrence. Each element will be assessed on a 5 point scale.

5.4 The impact of a risk occurring is likely to affect the cost, quality or the timeliness of the activity. The Impact of a risk will be the determined by the highest score received on the matrix below.

Impact	Financial	Quality	Time
1	Financial implications of the risk are **very low** and are comfortably within the ability of the risk owner to manage locally.	The impact on quality is **very low.** Risk occurring would represent a minor revision to planned outcomes.	The impact is **very low**. It will have little effect on timescales.
2	Financial implications of the risk are **low** (<10% of the budget or Faculty/ Service turnover). It remains within any contingencies set.	The impact on quality is **low.** Risk occurring would may detract slightly from the desired quality of the outcomes.	The impact is **low**, It may delay one or more elements of the activity but not the overall timescale.
3	Financial implications of the risk are **medium** (10% - <25% of the budget or Faculty/ Service turnover). It may exhaust or be larger than contingencies made but can be managed without additional funds.	The impact on quality is **medium.** Risk occurring would detract from the desired quality of the outcomes but not detract from the overall purpose of the activity.	The impact is **medium**. Overall timescale slightly extend but it is unlikely to materially affect desired outcomes.
4	Financial implications of the risk are **high** (25% - <50% of the budget or Faculty/ Service turnover). It is not possible to meet the cost within the approved budget and further funding	The impact on quality is **high.** Risk occurring would significantly detract from the original desired quality of the outcomes and may	The impact is **high.** Timescales greatly extended. Outcomes may be later than required in order to obtain maximum

	would be required.	reduce the viability of the activity as outcomes require revision.	benefit.
5	The impact on finance is **critical** (>50%of the budget or Faculty/ Service turnover). Increased cost would negate benefits of activity and may destabilise the reporting unit.	The impact on quality is **critical.** Risk occurring would reduce quality of desired outcomes to such an extent that it negates benefits of activity.	The impact is **critical.** Extended timescales mean that outcomes would be too late and negate benefits of activity

5.5 Members of the Vice-Chancellor's Executive and Project Sponsors are responsible for determining the impact of a risks for which they are responsible for, using the framework provided in 5.4 as a guide.

5.6 The assessment of the probability of a risk occurring is standard across the University:

Probability Score	**All Risks**
1	Highly unlikely to occur (< 20% probability)
2	Unlikely to occur (20% - <40% probability)
3	Likely to occur (40% - <60% probability)
4	Very likely to occur (60% - <80% probability)
5	Extremely to occur (> 80% probability)

5.7 Risks will be scored before and after mitigating actions and at each point of scoring the total risk will be the multiple of the two elemental scores:

Probability	**1**	**2**	**3**	**4**	**5**
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

5.8 Mitigating actions are controls and actions taken to reduce the likelihood of a risk occurring, or to limit the impact of the risk. Risk exposure is the net risk after all mitigating actions or factors have been taken into account

5.9 The risk register also captures:

5.9.1 the deadline for mitigating actions to be implemented (or embedded) by;

5.9.2 leading edge indicators which may signal that a risk is increasing or decreasing in response to mitigating actions;

5.9.3 assurance mapping so that Managers can demonstrate that mitigating actions are both being implemented as designed and delivering the desired effect. The assurance mapping can be used to further test the assumptions of risk owners.

6. Risk and Internal Control

6.1 The system of internal control is designed to manage and mitigate rather than eliminate the risk of failure to achieve policies, aims and objectives. It is based on an ongoing process to identify the principal risks to their achievement, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

6.2 Related to significant risks are policies that among other things form part of the internal control process. The policies are approved by the Board of Governors and implemented by the Vice-Chancellor’s Executive.

6.3 Risk Management is addressed on a University-wide basis but individual Faculties, and Professional Services have an essential role in the identification, assessment, on-going monitoring and mitigation of risks. Faculty and Professional Service planning documents should identify mitigating actions that will be taken to reduce significant risks. In some cases, individual risks will be formally owned by a Faculty or Professional Service where the function concerned lies wholly or mainly within its remit.

6.4 Reporting arrangements through senior line management are designed to monitor key risks and their controls. Decisions to rectify problems are made by the member Vice-Chancellor's Executive with responsibility for the risk, with reference to other staff and University committees and the Board of Governors as and where appropriate to do so.

6.5 The strategic planning and annual budgeting process is used to set key objectives in support of the 2020 work streams and enablers, agree action plans and allocate resources. Targets contained in the Faculty and Professional Service planning documents provide mitigating

actions which are explicitly linked to risks faced by the University. The annual estimates (macro budget) presented to the Board of Governors contain an analysis of risks inherent in them and how these are mitigated.

6.6 Risks associated with major University projects will be managed through the appropriate project boards adopting project management methodologies such as PRINCE2 and have a distinct section within the risk management procedures document (see page 13).

6.7 The Corporate section of the Risk Register is compiled by the Vice-Chancellor's Executive and reported to the Audit Committee to help facilitate the identification, assessment and monitoring of risks of significant importance to the University. The document is normally discussed monthly by the Vice-Chancellor's Executive Group and presented to each meeting of Audit committee. Emerging risks are added as required, and improvement actions and risk indicators are monitored on an ongoing basis through line management structures.

6.8 Audit Committee is required to report to the Board of Governors on internal controls and alert it to any emerging issues. The Audit Committee oversees internal audit, external audit and management as required in its review of internal controls. The Committee has responsibility, delegated by the Board of Governors, for governor oversight of risk assurance, ensuring that the Risk Policy is appropriately applied. It directly monitors the management of the most significant risks to the University, as recorded in the Corporate Section of the Risk Register.

6.9 Internal audit is an important element of the internal control process. In addition to its programme of probity and value for money work, internal audit is responsible for aspects of the annual review of the effectiveness of internal control systems. The internal audit plan is guided by, but not limited to, the assessment of risks identified through the University's risk management procedures.

6.10 External Audit provides feedback to the Audit Committee on the operation of internal financial controls reviewed as part of the annual audit.

7. Annual Review of Effectiveness

7.1 The Audit Committee is responsible for reviewing the effectiveness of internal control of the institution, based on information provided by auditors, senior management and the Director of Finance.

7.2 For each significant risk identified, the Audit Committee will:

7.2.1 review the previous year and examine the institution's track record on risk management and internal control;

7.2.2 consider the internal and external risk profile of the coming year and consider if current internal control arrangements are likely to be effective.

7.3 In so doing, the Audit Committee will consider:

7.3.1 *Control environment:*
- the University's objectives and its financial and non-financial targets;
- organisational structure and calibre of the Senior Management Team;
- culture, approach and resources with respect to the management of risk;
- delegation of authority;
- public reporting.

7.3.2 *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.

7.3.3 *Information and communication:*

- quality and timeliness of information on significant risks;

- time it takes for control breakdowns to be recognised or new risks to be identified.

7.3.4 *Monitoring and corrective action:*

- ability of the institution to learn from its problems;

- commitment and speed with which corrective actions are implemented.

7.4 The Vice-Chancellor's Executive prepares a report of its review of the effectiveness of the internal control system annually for consideration by the Audit Committee, normally as part of the returns submitted to HEFCE in the autumn/winter.

8. Risk Management Procedures

8.1 The University's risk management procedures are approved by the Vice-Chancellor's Executive Group. Recognising the different type of risks the procedures are split in to two sections:

8.1.1 *Preventable, Strategic and External risk management*

8.1.2 *Project risk management (section 9)*

Preventable, Strategic and External Risk Management Risk Management

8.2 Categorizing risks as either Preventable, Strategic and External risks helps managers consider why the risk is occurring and what can feasibly done to mitigate the risk. The definition of the categories as well as mitigation tactics are set out below:

- **Preventable risks** represent the majority of risks faced by the University; they originate internally from failure ensure or prevent particular behaviors. There is rarely, if ever, a benefit to the University of tolerating a preventable risk. Preventable risks should be mitigated against using a rules or process approach to promote or prohibit behaviors. Failure to manage these risks might feasibly lead to loss of reputation or even prosecution. Examples of preventable risk include fraud or failure to follow process.

- **Strategic risks** are more acceptable and recognize that pursuing one strategic direction over another incurs risks (including opportunity risks). These risks should be managed through reducing the probability of the risk materializing or managing or containing the impact should it occur. In order to test the assumptions strategy risks they require greater levels of discussion and challenge than preventable risks.

- **External Risks** may be foreseeable by the University, but are outside of its control. These risks should be managed though identifying and assessing the foreseeable risks and planning how the impact could be mitigated should they occur. They can be difficult to spot and as a result often fall into the "black swan" category and encompass natural or economic disasters, geopolitical or environmental changes or strong moves by competitor organizations. Scenario planning based on the outcomes of a PESTLE analysis or even assigning staff to consider the University's vulnerability to disruptive technologies or competitors can also help to identify external risks. An example of an external risk would be a change to legislation on, or regulation of, student visas.

8.3 The University maintains a single risk register. The register records all non-project risks.

8.4 Each Faculty and Service is required on a monthly basis to detail what they consider to be key risks, their gross score (pre mitigation), mitigating actions and the net risk score (post mitigation) on the risk register.

8.5 All risks must be specific (i.e. what it is a risk in relation to) and provide mitigating actions, and a date by which they will be implemented (or become embedded within core activities) and who is responsible for managing the risk. They must also indicate lead indicators, a change to which might signal a positive or negative moment in the University's exposure to a particular risk.

8.6 Where the risk, mitigating actions or the assurance of mitigating actions has not changed, Faculties and Services are required to indicate that they have reviewed the risk by entering the date of review. When reviewing risks they are responsible for, a commentary should be provided on the level of assurance that can be taken in the mitigating actions in that they are being implemented and are also effective.

8.7 The Administrator is responsible for the risk register but may delegate the maintenance of the register to another member of the management team.

8.8 Where appropriate, risks identified by the Administrator should be mapped to the work streams and enablers supporting the University Strategic Plan.

8.9 From the review of risks identified by Faculties and Services and their own horizon scanning members of the Vice-Chancellor's Executive, or their nominee, are responsible for updating relevant risks in the corporate section of the Risk Register at each meeting.

8.10 The Deputy Vice-Chancellor (Operations) is responsible for presenting the Corporate section of the Risk Register to the Vice-Chancellor's Executive for review, and based on an analysis of the risk profile illustrated by the whole Risk Register, will identify where additional thematic discussion of risks and their management is necessary.

8.11 The Corporate section of the Risk Register will be provided to each meeting of the Board of Governors Audit Committee for monitoring purposes and may allow for discussion of the risk management practices employed by an individual Faculty or Service.

Process Overview

Stage 1

•Faculties/Services identify risks to their objectives and successful operation as well as the appropriate mitigating actions and the assurance that can be taken in those actions.

•Identified risks aligned to headings of the University's Strategic Plan.

Stage 2

•Senior Management Committees review risks identified under the corporate headings delegated to them by the Vice-Chancellor.

•Using the information from Faculties/Service, combined with knowledge of the external context, each member of the Senior Management Committee (or nominee) updates risks under the headings of the corporate section of the risk register for which they are responsible.

Stage 3

•Executive Committee review the Corporate section of the Risk Register on a monthly basis to monitor management of risks and determine any ancillary actions required to manage identified risks.

•From the accompanying analysis of the whole register Vice-Chancellor determines where further thematic discussion or additional resources may be required.

Stage 4

•Corporate section of the Risk Register provided to each Executive Committee for monitoring.

•Executive Committee report to the Board of Governors on Risk Management at the University.

9. Project Risk Management Strategy

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Approvals This document requires the following approvals:

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