Risk Management Guide

Introduction

Risk management is an indispensable element of good management. As such, its implementation is crucial to the University and essential to its ability to discharge its academic and services responsibilities.

The risk management strategy has been designed to support Heads of School, Services and staff in ensuring that the University is able to discharge its risk management responsibility in a consistent manner. The risk management strategy outlines the objectives, benefits and approach to ensure that risks both positive and negative are successfully managed.

Risk management is about improving our ability to deliver outcomes for the University by managing our threats, enhancing our opportunities and creating an environment that adds value to ongoing academic and service activities.
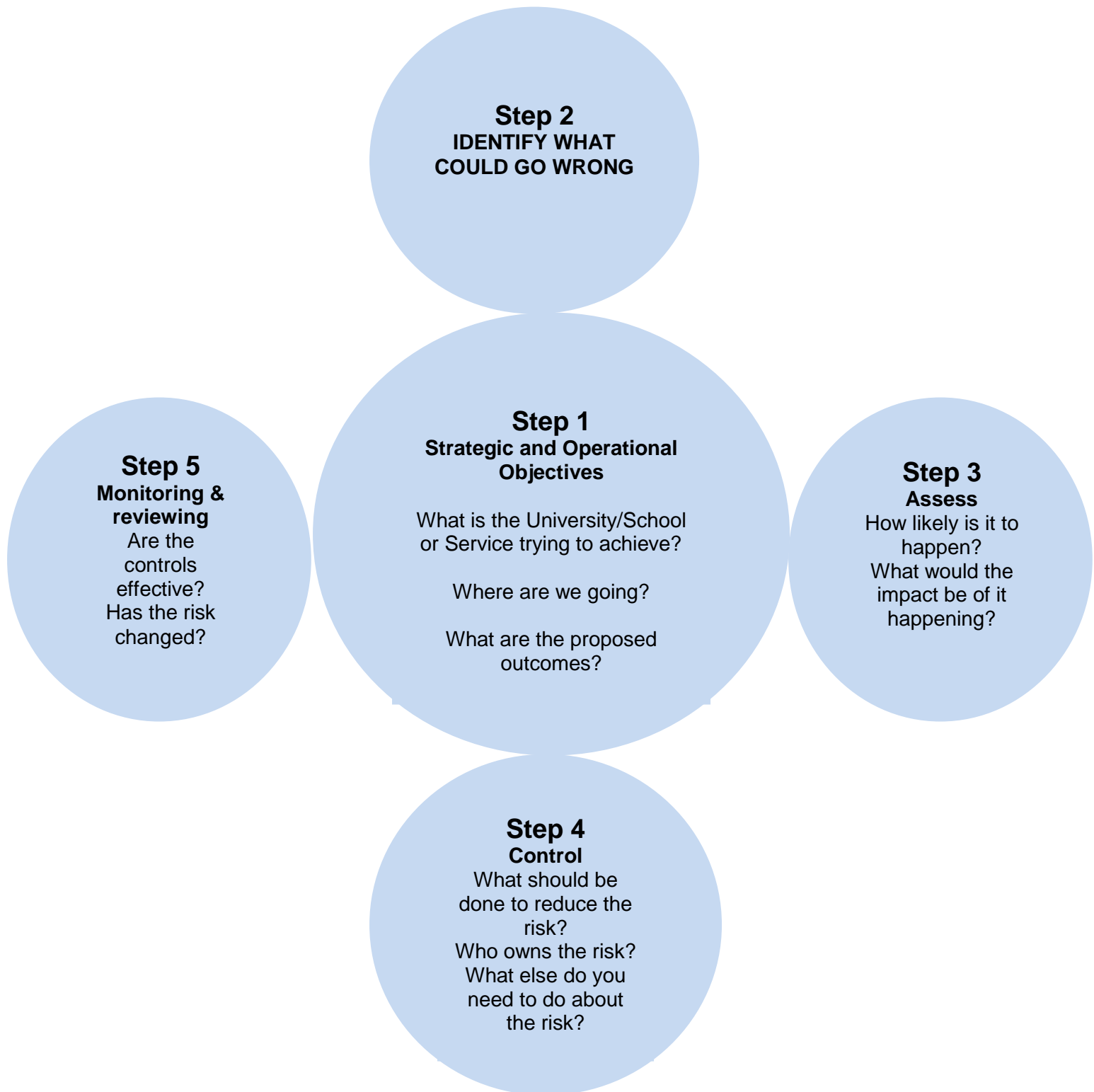
Risk management is a key part of corporate governance. Corporate governance is the way an organisation manages its business, determines strategy and objectives and goes about achieving those objectives. Good risk management will help identify and deal with key corporate risks facing the University in the pursuit of its goals and is a key part of good management, not simply a compliance exercise. Ask yourself the following questions:

- What could go wrong?
- How likely is it to happen?
- What would the impact be of it happening?
- What should be done to reduce the risk?
- Who owns the risk?
- What else do you need to do about it?

To help with the process this guidance document provides a simple SMART methodology:
- Specific
- Measurable
- Achievable
- Realistic
- Time bound

The 5 steps to identifying risks

Step 2
IDENTIFY WHAT COULD GO WRONG

Step 5
Monitoring & reviewing
Are the controls effective?
Has the risk changed?

Step 1
Strategic and Operational Objectives

What is the University/School or Service trying to achieve?

Where are we going?

What are the proposed outcomes?

Step 3
Assess
How likely is it to happen?
What would the impact be of it happening?

Step 4
Control
What should be done to reduce the risk?
Who owns the risk?
What else do you need to do about the risk?

1. Risk Management Process

The starting point for risk management is a clear understanding of what the University is trying to achieve. Risk management is about managing the threats that may hinder delivery of our strategic aims, objectives and operational services, and maximising the opportunities that will help to deliver them. Therefore, effective risk management should be clearly aligned to the following objectives and processes:

Linking identified risks to objectives

It is very important to ensure that the identified risk is a risk to the achievement of the University's mission, vision and strategic objectives which are summarised as:

- Student experience
- Research
- Internationalisation
- Financial sustainability
- Excellent Professional Services

2. Identify

Identify the potential risks or opportunities that may arise. Where taking risks that may benefit the University, managing these opportunities increases the chance of success and reduces the possibility of failure. By managing our opportunities well, we will be in a better position to provide improved services and better value for money.

It may be helpful to use the following structure to describe risks and opportunities "if……..then……….."

An example would be:

"If we do not review and manage our budgets, then there is a risk that we will overspend".

"If the implementation of the new system is achieved according to the action plan, then the overall process will be more effective".

Risks will be considered under the following headings:

Strategic – are external and internal forces that may have a significant impact on achieving key strategic objectives. The causes of these risks include such things as national and global economies and significantly government policy. Often, they cannot be predicted or monitored through a systematic operational procedure. The lack of advance warning and frequent immediate response required to manage strategic risk mean they are often best identified and monitored by the University Executive as part of their strategic planning and review mechanisms.

Operational risks - are inherent in the ongoing activities that are performed across the university. Theses are the risks associated with such things as day to day operational performance of staff, the risk inherent in the Schools and Services and the manner in which core operations and services are delivered.

Partnership - those associated with achieving the outcomes set by partnerships (academic and non academic). It is essential that the risks the University may face when entering into a partnership are clearly identified and managed prior to the partnership being initiated.

Project risks - those associated with projects are of a specific, sometimes short term nature and are frequently associated with the new teaching and learning courses, significant new research or acquisition, change management, integration, major IT and capital development projects. Project sponsors are accountable for the achievement of project deliverables and outcomes. However, specific risks associated with project management are normally delegated to project managers for attention and action. Included among the benefits of efficiently managing projects are the avoidance of unexpected time and cost overruns. In addition when project risks are well managed, there are fewer integration problems with assimilating required changes back into general management functions.

Each risk needs to be allocated to an owner who will be responsible and lead on the management of that risk, taking forward any action to minimise the risk.

3. Assess

Having indentified the risks it is then necessary to assess which are going to pose the greatest threat or opportunity by looking at both the **impact** that might result and the **likelihood** of the risk occurring, producing the overall **risk rating.**

These scores are not intended to provide precise measurements of risk but to provide a useful basis for identifying vulnerabilities or opportunities, ensuring that any necessary actions are undertaken. The University has developed a standard methodology to score risks and it is intended to help ensure consistent, meaningful scores that can be used to assess risks.

The risk rating needs to be regularly reviewed at strategic and operational level to check that existing controls are effective and to assess any changes should new controls be established and the risk rating should be amended to reflect changes. You will find the criteria for assessing the likelihood and impact on the following page, it should be noted that the information provided is a guideline, there may be many other factors which may impact on your assessment.

4. Control

This stage of the process is to decide on a course of action to address the risks identified, to ensure that they do not develop into an issue, where the potential threat is realised. There are four approaches that can be taken to address the risks that have been identified and assessed, these being terminate, transfer, treat and tolerate. Control measures are concerned with the actions taken to reduce the impact or likelihood of risks, not wholly to terminate or transfer.

Appendix 1 - Table 5 - Provides details of risk control approaches

5. Monitor and Review

Few risks remain static. New issues and risks are likely to emerge and existing risks may change. Having identified the risks, assessed them and put control measures in place, it is essential that they are routinely monitored. (See table 4 – Risk Control).

Risk management needs to be seen as a continuous process. It is essential that the incidence of risk be reviewed to see whether it has changed over time. Risk Management is a dynamic process which means new risk will be identified some will be terminated and control measures will need to be updated in response to changing internal and external events. The assessment of the impact and likelihood will also need to be reviewed in light of management actions.

Monitoring progress and regular reviews provides:

- Assurance that progress is being made towards controlling risks

- Assurance that controls are effective
- Knowledge of any changes to the risk brought about shifting circumstances or business priorities.
- When undertaking the monitor and review process, guidance is given below on the sorts of questions that should be taken into account:
- Are the risks still relevant?
- Has anything occurred that could impact on them?
- Are performance indicators appropriate?
- Are the controls in place effective?
- Have risk scores changed, and if so are they decreasing or increasing?
- If risk profiles are increasing, what further controls might be needed?
- If risk profiles are decreasing, can controls be relaxed?

The monitoring and review process should be integrated into existing business processes so that it adds value and supports the successful achievement of objectives and is not just seen as a 'bolt on'. Where objectives have not been achieved or are not on course to be achieved, the cause(s) should be investigated to inform and improve the risk assessment process.

Categories of risk

Categories are widely used to identify sources of risk some will be of greater concern at the corporate level and some at the operational level, however there is no clear distinction and all levels of management should be concerned, to varying degrees with the majority of categories. These risks can be categorised by using the prompt list in Appendix 2.which can be used to aid risk discussions. These can be used as a guide, a starting point or as a checklist for existing registers.

6. Risk Register

It is good governance for the University, Schools and Services to maintain and review its risks assigning a named individual as those responsible and accountable for the management of the identified risk(s).

The risk register is the tool used for capturing important information about the risk or opportunity and is a continual process. New risks will be identified, some will be terminated, and control measures will need to be adapted in response to changing internal and external events or factors. The University has adopted a standard approach to the recording of risks University wide. The risk register template can be found on the following web page www.hw.ac.uk/riskmanagement

The information contained in the Strategic and operational risk registers will be used to inform our performance reporting to:

- The Univeristy Executive
- Risk Management Group
- Audit and Risk Committee
- University Court
- Scottish Funding Council.

To meet this requirement the Risk and Internal Audit Management Service maintains a register of all risks for reporting purposes. Heads of Schools and Services are required to provide an updated risk register at quarterly intervals in line with the University's reporting schedule or in the event that significant risks arise or where there is significant escalation to an existing risk.

The reporting schedule for Court, Audit & Risk Committee, University Executive and the Risk Management Strategy Group is as follows.

- June 2012
- September 2012
- November 2012
- February 2013

7. Annual Assurance Statement by Heads of Schools and Services

Heads of Schools are required to provide an annual assurance statement for reporting to the Audit and Risk Committee annually. The assurance statement will include the following documents:

- Current risk register
- Supporting comments for any of the risks in the risk register (if any)
- Highlight any significant changes to risks over the last 12 months
- Review of effectiveness of internal process and structure (what worked well and what did not, including proposed improvements in the next year if any)
- Review of escalated risks in the last 12 months (if any)
- Review of embedding of risk management across the School or Service.

Heads of Schools and Services will also be invited annually to present their risk register and discuss their approach to risk management to the Risk Management Strategy Group.

8. Summary

This guidance document is intended to provide a simple methodology to help with the risk management process. It may be helpful to understand how managing risk through this process fits in with the overall approach to managing risk throughout the University. Details of this can be found in the Risk Management Strategy.

Important

Risk Management in not the responsibility of a few it is the responsibility of every employee.

Appendix 1 - Table 1 – Impact

Rating	General	Compliance/Legal	Employee HS & E	Financial	Reputation	Service Levels
Insignificant (1)	Some localised inconvenience, but no impact to the School, Service Project or University. Absorbed with school/service running costs.	Breach of legislation, contract or policy that does not have any penalty or litigation impact.	Localised morale issues or potential employment continuity concerns. HS&E incident reported but not requiring follow up action.	<u>Strategic</u> Surplus <£0.3m Turnover Up to £1m <u>Operational</u> Surplus < 30k Turnover Up to 100k	Issue resolved promptly by operational management processes. Minimal or no stakeholder interest.	Loss of less than one days teaching, research and or service functions.
Minor (2)	Disruption to operations with no permanent or significant effect on the School, Service, Project or University.	Breach of legislation, contract or policy that may have an impact on the relationship with the third party or enforcing authority, but no long lasting effect. No litigation or prosecution and or fine. Regulatory consequences limited to standard inquiries	Continuity of employment concerns localised to once school/ service. HS&E incident requiring medical attention or explanatory report.	<u>Strategic</u> Surplus £0.3m<£0.5m Turnover £1m - £2m <u>Operational</u> Surplus £30k - £50k Turnover £100k-£200k	Issue raised by students and or local press. Adverse local public or media attention and complaints. Reputation is adversely affected by a small number of affected people.	Loss of one full day of teaching, research and or service function.
Moderate (3)	Some impact on the School, Service, Project or University's operational performance. Less impact on strategic goals in the medium term.	Breach of legislation, contract or policy leading to escalated legal enquiries. Regulatory or legal consequence limited to additional questioning or review by enforcing authority.	Continuity of employment across the university. HS&E incident requiring significant medical attention. HS&E event reported and investigated.	<u>Strategic</u> Surplus £0.5m<£1.0m Turnover £2.1m-£3.0m <u>Operational</u> Surplus £51k-100k Turnover £201k-£300k	Student and or community concern. National media coverage and external criticism. Reputation impacted with some stakeholder.	Loss of 1-7 days of teaching, research and or business functions.
Major (4)	Significant effect on operational performance will require operational resource reallocation (financial, assets and or people) to manage and resolve in the medium term to avoid non achievement of strategic goals.	Breach of legislation, contract or policy leading to significant and costly legal action with widespread potential impact for the University. Litigation or criminal prosecution and or substantial major negative sanction by a regulatory body.	Significant loss of staff contained to one school /service. Widespread damage to staff morale. HS&E event causing serious injury or negative environmental impact and the relevant external authority notified.	<u>Strategic</u> Surplus £1m<£2.0m Turnover £3.1m-£10m <u>Operational</u> Surplus £101k-£200k Turnover £301k-£1m	Loss of student confidence in a school or service. Sustained national media and public coverage. Reputation impacted with a significant number of stakeholders. Breakdown in strategic and or business partnership.	Loss of two weeks to two months of teaching research and or service functions.
Extreme (5)	Achievement of operational and strategic goals in the medium term jeopardised. Existence of the School, Service, Project or University under threat.	Breach of legislation, contract or policy leading to significant and costly legal action with widespread potential impact for the University. Litigation or criminal prosecution and or substantial major negative sanction by a regulatory body.	Significant loss of staff extending to the entire University. HS&E event causing serious permanent injury, death or environmental impact leading to costly action and widespread impact on the University and or senior staff.	<u>Strategic</u> Surplus >£2.0m Turnover >£10m <u>Operational</u> Surplus >£200k Turnover >£1m	Loss of student confidence in the University. Reputation and standing of the university affected nationally and internationally. Serious public outcry and or international coverage. Reputation impacted with majority of key stakeholders. significant breakdown in strategic and or business partnerships.	Total loss of research or service functions. School, Service, Project or University failure.

Table 2 - Likelihood

Rating	Score	Threat	Opportunity
Almost Certain	**5**	Expected to occur or a common occurrence	Favourable outcome is likely within 6 months
Likely	**4**	Will probably occur in most circumstances	Favourable outcome is likely in one year
Possible	**3**	Might occur at some point	Some chance of favourable outcome
Unlikely	**2**	Small chance of occurring at some point	Some chance of favourable outcome in the long term 10% - 30%
Rare	**1**	Only in exceptional circumstance	Less than 10%of occurrence

Table 3 – Risk Matrix

I M P A C T		Rare (1) Less than 10% chance of occurrence	Unlikely (2) 10-39% chance of occurrence	Possible (3) 40-69% chance of occurrence	Likely (4) 70-79% chance of occurrence	Almost Certain (5) 80% or above chance of occurrence
	Extreme (5)	High	High	High	Extreme	Extreme
	Major (4)	Medium	Medium	Medium	High	Extreme
	Moderate (3)	Low	Low	Medium	Medium	High
	Minor (2)	Low	Low	Low	Medium	Medium
	Insignificant (1)	Low	Low	Low	Low	Low
		Likelihood Scale				

Table 4 - Risk Control

Level of Risk	Level of concern	Target Resolution & Review Period	Approach options	Other actions required
Extreme (all extreme risks wil be reported to Court)	An extreme risk is unacceptable. Immediate notification to the Secretary of the University is required and a detailed mitigation plan must be put in place.	Target resolution should be within 1 month. Review period: weekly or as and when a significant change occurs.	Terminate Transfer Treat	Report directly to Principal in the absence of the Secretary of the University.
High	A high risk is usually unacceptable. University Executive consideration is required and a mitigation plan must be developed.	Target resolution 6-12 months. Review period every month or as and when a significant change occurs.	Terminate Transfer Treat	Report Directly to the Head of Risk Management and Audit Services
Medium	A mitigation plan must be developed; existing controls, consequences and likelihood do not substantially change.	Target resolution – 12 months. Review period 3 months or as and when a significant change occurs.	Terminate Transfer Treat	Head of School/Service to ensure mitigation plans are developed and put in place.
Low	Risk is tolerable. Manage by well established, routine processes and procedures and be mindful of changes to the nature of the risks.	Review period: 6 months or as and when a change occurs.	Tolerate	Monitor and treat if cost effective.

Table 5 - Risk control approaches

Approach	Description
Terminate	A decision is made not to undertake the activity that is likely to trigger the risk. Where the risks outweigh the possible benefits, terminate the risk by doing things differently and thereby removing the risk.
Transfer	Share the exposure, either totally or in part, with a partner or contractor, or through insurance. Any partnership will need to be carefully monitored as it may not be possible to transfer all risks and certain aspects may remain, such as loss of reputation.
Treat	The most common approach is to introduce preventative actions to reduce the probability or impact if the risk occurs and maximise the potential for success.
Tolerate	The ability of an effective action against some risks may be limited or the cost of taking such action may be disproportionate to the potential benefits gained.

Appendix 2 - Categories of risk

Categories are widely used to identify sources of risk. Some will be of greater concern at the corporate level and some at the operational level, however there is no clear distinction and all levels of management should be concerned, to varying degrees with the majority of categories. These risks can be categorised as follows:

This list provides a prompt which can be used to aid risk discussions. These can be used as a guide, a starting point or as a checklist for existing registers.

Category	Indicative Guidelines given as examples
Strategic Management Risks	• Budgeting (relates to availability or allocation of resources) • Fraud or Theft • Unethical dealings • Product and or services failure (resulting in lack of support to business process) • Public perception and reputation • Exploitation of employees and or suppliers (availability and retention of suitable staff) • Environmental (mismanagement issues relating to fuel consumption, pollution etc) • Occupational health and safety mismanagement and or liability • Failure to comply with legal and regulatory obligations and or contractual aspect (can you sue or be sued) • Civil Action • Failure of the infrastructure (including utility supplies, computer networks etc) • Failure to control intellectual property (as a result of abuse or industrial espionage) • Failure to take account of widespread disease or illness among the workforce • Failure to complete to published deadlines or timescales • Failure to take on new technology where appropriate to achieve objectives • Failure to invest appropriately • Failure to control IT effectively • Failure to establish a positive culture following business change • Vulnerability of resources (material and people) • Failure to establish effective continuity arrangements in the event of disaster • Inadequate insurance/contingency provision and disasters such as fire, floods and bomb incidents • Failure to address economic factors (such as interest rates, inflation) • Political and market factors (for management of risk, security etc) • Operational procedures – adequate and appropriate • Capability to innovate (to exploit opportunities)

Strategic/Commercial Risks	• Under performance of services relative to specification • Management will under perform against expectations • Collapse of contractors • Failure of suppliers to meet contractual commitments (this could be in terms of quality, quantity, and timescales on their own exposures to risk) • Insufficient capital investment, shortfall in revenue expected / planned • Fraud/Theft • Partnerships failing to deliver desired outcome • An event being non insurable or cost of insurance outweighs the benefit
Economical/Financial/Market	• Exchange rate fluctuation • Interest rate instability • Inflation • Shortage of working capital • Failure to meet project revenue targets • Market developments will adversely affect plans
Legal and Regulatory	• New or changed legislation may invalidate assumptions upon which the activity is based • Failure to obtain appropriate approval (e.g. planning consent) • Unforeseen inclusion or contingent liabilities • Loss of intellectual property rights • Failure to achieve satisfactory contractual arrangements • Unexpected regulatory controls of licensing requirements • Changes in tax structure
Reputation	• Adverse media attention • Policies misunderstood or misinterpreted • Negative implications identified by others which have not been previously considered • Failure to keep partners on side • Breach of confidentiality • Lack of business continuity plan • Failure to maintain property
Organisation/Management/Human Factors	• Management incompetence • Inadequate corporate policies • Inadequate adoption of management practices • Poor leadership • Key personnel have inadequate authority to fulfil roles • Poor staff selection procedures • Lack of clarity over roles and responsibilities • Vested interest creating conflict and compromising the overall aims • Individual or group interests given unwarranted priority • Personality clashes • Indecisions or inaccurate information • Health and safety constraints
Environmental	• Natural hazards • Security • Public Health (legionella/food safety) • Emergency management • Waste and refuse • Pollution incidents • Transport problems

	• Radiation • Hazardous and toxic materials(chemicals asbestos, gas etc)
Political	• Change of government policy • Change of government • War and disorder • Adverse public opinion/media intervention
Technical/Operational/Infrastructure	• Inadequate design • Professional negligence • Human error/incompetence • Infrastructure failure • Increased dismantling/decommissioning costs • Safety being compromised • Performance failure • Residual maintenance problems • Unclear expectations • Breaches in statutory/information security • Lack or inadequacy of business continuity plans
People Risks	• Human Resource Management practices • Recruitment • Induction • Training and development • Health and Safety Management Systems • Industrial action • Occupational Health • Fraud, corruption and crime
Operational Risks	• Lack of clarity of service requirements • Inadequate infrastructure to provide required operational services • Inadequate or inappropriate people available to support the required service provision • Inappropriate contract in place and or inadequate contract management to support the required level of service provision • Changing requirements, enabled in an uncontrolled way • Products passed to operational teams without due consideration to implementation, handover, subsequent maintenance and decommissioning • Unexpected or inappropriate expectations of service users • Inadequate incident handling • Lack or inadequacy of business continuity or contingency measures with regard to maintaining critical business services • Failing to meet legal or contractual obligations

Appendix 4 – Corporate/Strategic/Operational Risk register structure

Central hub: **CORPORATE/ STRATEGIC RISK REGISTER**

Surrounding nodes:

- **Strategic Student Experience** Risk Owner (Deputy Principal - Learning & Teaching)
- **All Other Professional Services** Risk Owner
- **Operational Schools** Risk Owner(s) (Head of School)
- **Operational Governance & Legal Services** Risk Owner (Secretary of the University)
- **Operational Finance** Risk Owner (Director of Finance)
- **Strategic Research** Risk Owner (Deputy Principal for Research)
- **Project Malaysia** Risk Owner (Senior Deputy Principal)
- **Operational External Affairs** Risk Owner (Director of Corporate Communications)
- **Operational Information Services** Risk Owner (Director of IS)
- **Operational Dubai** Risk Owner (Vice Principal - Dubai)
- **Operational Health & Safety** Risk Owner (Secretary of the University)
- **Operational Business Continuity Management** Risk Owner (Secretary of the University)
- **Campus Services** Risk Owner (Director of Campus Services)
- **Student Recruitment** Risk Owner (Director of External Affairs)
- **Strategic International** Risk Owner (Senior Deputy Principal - Resources)
- **Human Resources** Risk Owner (Director of HR)
- **Operational Academic Registry** Risk Owner (Academic Registrar)
- **Strategic Financial Sustainability** Risk Owner (Director of Finance/Vice Principal)