Risk Management Policy

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February, 2012
Risk Management Policy

Introduction
Universities face numerous risks that have the potential to disrupt them achieving their strategic and operational objectives. Queen Mary, University of London (College) aims to use risk management to identify risk, and the actions to mitigate it (Controls), to inform and improve its decision-making.

Purpose of this document
1 This Risk Management Policy (the Policy) forms part of College’s internal control and corporate governance arrangements.
2 It is a formal acknowledgement of the commitment of College to risk management and to ensure that every effort is made to manage risk appropriately to maximise potential opportunities and minimise the adverse effects of risk.
3 This Policy:
   a. Identifies the primary areas of risk management within the governance framework;
   b. Outlines risk management as part of the system of internal control;
   c. Explains College’s approach to risk management;
   d. Details College’s risk management strategy;
   e. College’s risk management methodology is covered in a separate document, ‘Risk Management Methodology Jan-12’ and not included within this policy;
   f. Appendix 1 documents the roles and responsibilities of those involved with risk management throughout College;
   g. Appendix 2 Outlines the Strategic Risk Reporting Schedule.

Definitions
4 Governance – the system by which an institution fulfils its purpose, objectives and statutory obligations through consistent management, cohesive policies and processes within the regulatory framework in which it operates. Good governance results in good management, performance and stewardship of public money, while providing good outcomes for its internal and external stakeholders.
5 Risk – anything (an action, event or set of circumstances) that can adversely or beneficially affect the College’s ability to achieve its current or future objectives. This may be:
   a. Strategic (or generic) – those risks, expressed in broad terms, which are the major risks to institutional performance and health and the achievement of the strategic plan;
   b. Operational – those risks that may affect the day-to-day operation of an academic or central service unit.
6 Risk management – the planned and systematic approach to the identification, evaluation and control of risk.
7 Faculty – for the purpose of this document, this refers to the whole body of Professional Service departments, as well as the 3 academic groupings.

Policy Statement
8 College recognises that risk management is a crucial component of corporate governance and is working to integrate it into its strategic, operational and business planning at all levels throughout the college as part of its routine management and decision making processes.
Risk Management Policy

9 College considers risk management to be fundamental to good management practice and a significant aspect of corporate governance. Managing risk effectively provides an essential contribution to achieving the college’s strategic and operational objectives.

10 Risk assessments are conducted on new activities and any risks or opportunities arising from these assessments are identified, analysed and reported at the appropriate management level.

11 A strategic risk register is maintained by the Strategic Risk Management Group (SRMG), and all Faculties and Schools/Institutes/Departments maintain operational risk registers, all of which are subject to regular review.

12 College regularly reviews and monitors the implementation and effectiveness of the risk management processes.

13 A key objective of this policy is the consistent methodology for measuring, controlling, monitoring and reporting risk across college at all levels.

Governance

14 1st June, 2010, HEFCE became the principal regulator of those higher education institutions (HEIs) in England that are exempt charities, which means that it is responsible for ensuring regulatory compliance. In this:

a. HEFCE carries out an annual assessment of Institutional Risk;

b. HEFCE requires that the risks and affordability of any new on- and off-balance sheet financial commitments must be properly considered;

c. Annex A9 of the Financial Memorandum and Audit Code of Practice states that the work of the internal audit service must cover the whole of the risk management, control and governance arrangements of the HEI.

d. The adequacy and effectiveness of risk management, control and governance are reported annually as part of the Annual Accountability Return to HEFCE.

15 Council has overall responsibility for risk and risk management within College charged with ensuring that:

a. risks are managed effectively and College is meeting the accountability obligations set out in the HEFCE Financial Memorandum, and Accountability and Audit Code of Practice;

b. risk assessment and internal control is embedded at all levels in academic and operational areas throughout the college,

c. the identification and management of risk is a continuous process linked to the achievement of college’s objectives,

d. the approach to internal control is risk based, includes assessing the likelihood and impact of risks materialising, and identifying and implementing mitigating actions (Controls),

e. risks and controls are regularly reviewed and reported at the appropriate level,

16 Risk Management is covered by Corporate Governance Section 13 of the Financial Regulations, **May, 2012.** Amend when Financial Regulations are approved, if necessary.
Risk Management Policy

Risk Management as part of the system of Internal Control

College’s system of internal control incorporates risk management, which encompasses a number of elements that together facilitate an effective and efficient operation, enabling the institution to respond to a variety of operational, financial, and commercial risks. These elements include:

a. **External Audit**
   
   External audit provides feedback to the Audit and Risk Committee on the operation of the internal financial controls, including risk management, reviewed as part of the annual audit.

b. **Internal Audit**
   
   Internal audit is responsible for the annual review of the effectiveness of the system of internal control, including risk management.

c. **Council**
   
   Council has overall responsibility for risk and risk management within College.

d. **Audit and Risk Committee**
   
   The Audit and Risk Committee has delegated responsibility for overseeing risk and risk management and providing advice to Council on the effectiveness of the internal control system and any emerging issues. The committee oversees internal audit, external audit and management as required, in its review of internal controls.

e. **QMSE**
   
   QMSE has overall responsibility for the identification of strategic risk and the implementation of risk management processes throughout College.

f. **Strategic Risk Management Group**
   
   SRMG is a sub-group of QMSE with delegated responsibility for risk management processes and the identification and monitoring of strategic risks (primarily those that relate to the Strategic Plan) and to ensure Controls are identified and implemented effectively. Strategic Risk is formally appraised quarterly by SRMG, for consideration by Audit and Risk Committee and biannual review by Council.

g. **Faculty Review**
   
   Faculties review their risk registers at least on a quarterly basis, with reference to the Strategic Risk Register, to ensure that significant risks in their faculty are identified, assessed and monitored. The register is formally appraised annually as part of the Planning and Accountability Review.

h. **School/Institute/Department Review**
   
   Risk is considered as part of regular Senior Management Team discussions, with registers being reviewed and discussed at faculty level at least quarterly and as part of the background to the annual Planning and Accountability Review.

i. **Planning and Accountability Review**
   
   The PAR annual review includes a formal reporting of faculty and overarching professional services risk as part of the review documentation. Background processes include risk documentation and review from the Schools/Institutes/Departments.

j. **Business planning and budgeting**
   
   The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Identifying risks, and Controls to mitigate them, informs implementation of planned activities, and is monitored regularly as part of the progress towards meeting business plan objectives.

Appendix 1 provides further information on roles and responsibilities.
College’s approach to Risk Management

18 The following key principles outline the institution’s approach to risk management and internal control:
   a. to embed risk management throughout all academic and professional service areas at all levels,
   b. to relate all risk to the strategic and enabling aims of the college,
   c. to devolve responsibility for non-strategic risk to the faculties,
   d. to use a consistent and transparent approach to risk and methodology based on industry standard practice that is not overly onerous,
   e. to ensure that risks are identified and closely monitored on a regular basis at all levels,
   f. to make conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.

Risk Management Process

19 The strategy for managing risk is standardised across all areas and involves the following steps:
   a. Identify the risks to achieving strategic and operational objectives and the KPI to which they relate;
   b. Determine the Owner and Lead Officer who are responsible for managing the risk;
   c. Assess the Impact and Likelihood of the risk materialising according to the methodology;
   d. Determine and assess any existing Controls that are in place;
   e. Reassess the Impact and Likelihood of the risk materialising;
   f. Determine any further actions that could be implemented to mitigate the risk;
   g. Ensure that controls are robust, realistic, properly implemented and effective, especially where there is a heavy reliance on them.

20 Risk is normally identified and assessed on a regular basis by senior management teams or committees in each area, but any staff may report risk if they identify it.

21 College uses a risk model that defines risk severity in terms of likelihood and impact:
   a. Impact is a measure of the effect of a risk materialising on a scale of 1 to 5;
   b. Likelihood is the probability of a risk occurring on a scale of 1 to 5;
   c. The product of the ratings given to impact and likelihood represents an evaluation of the risk;
   d. A further evaluation (net risk) takes into consideration the Controls and so provides an indication of their adequacy;

22 The net risk is a representation of the actual risk to College, and is denoted by a traffic light system. All ‘amber’ and ‘red’ (medium and high) risks are reviewed by the Audit and Risk Committee and Council.

Methodology

23 College’s risk methodology is dealt with in a separate document, Risk Management Methodology Jan-12.
Roles and responsibilities

Council
24 Council has overall responsibility for risk and risk management within College. It:
   a. It sets the tone and influences the culture of risk management within College. It:
      i. Determines whether the institution is ‘risk taking’ or ‘risk averse’ as a whole, or on
         any relevant individual issue,
      ii. determines the types of risk that are acceptable and those which are not,
      iii. sets the standards and expectations of staff with respect to conduct and probity;
   b. Determines the appropriate risk appetite or level of exposure for the institution;
   c. Approves major decisions affecting the institution’s risk profile or exposure;
   d. Satisfies itself that less significant risks are being actively managed;
   e. Biannually reviews College’s medium and high level strategic risks;
   f. Annually review College’s approach to risk management, and approve any changes
      or improvements to key elements of its processes and procedures.

Audit and Risk Committee (A&RC)
25 The Audit and Risk Committee has delegated responsibility for overseeing risk and risk
management. It:
   a. Reviews the effectiveness of mechanisms for identifying, assessing and mitigating
      risk;
   b. Makes recommendations for improving risk management processes and procedures
      within College;
   c. Considers the current status of core risks to the College’s strategy, through the
      quarterly review of the Strategic Risk Register;
   d. Periodically tests risk severity and controls in selected areas of College activity
      through consideration of specific reports;
   e. Provides assurance to Council that:
      i. there is a robust system of risk management throughout College,
      ii. significant risks are being managed properly and that appropriate controls in
         place and working effectively.
   f. Undertakes an annual review of effectiveness of the system of internal control and
      provide a report to the Council.

QMSE
26 QMSE has overall responsibility for the identification of strategic risk and
implementation of risk management processes throughout College. Its key roles are
   a. Oversee the implementation of policies and procedures in respect of risk
      management and internal control;
   b. Satisfy itself that significant [strategic] risks faced by College are properly identified
      and evaluated for consideration by Audit and Risk Committee and Council;
   c. Ensure that a robust system of risk management is embedded throughout College;
   d. Review risk throughout College through the annual Planning and Accountability
      Review.
Internal Audit
27 Internal Audit is responsible for:
   a. providing Council, the Principal and QMSE with assurances on the adequacy of the Risk Management Policy and the Internal Control System;
   b. undertaking an annual review of the implementation of risk management throughout College.
   c. Annual internal audit plans are based on risk analysis.

Strategic Risk Management Group
28 The Strategic Risk Management Group has delegated responsibility for strategic risk and risk management processes throughout College. It:
   a. Identifies and evaluates strategic risk and ensures that it is adequately managed through the use of controls and review;
   b. Provides strategic risk reports in a timely manner to Council and its committees on the status of risks and controls;

Vice Principals
29 Vice Principals are members of SRMG, along with the Chief Administrative Officer, who has a comparable role in this context.
   a. They are responsible for encouraging good risk management practice within their areas of responsibility:
      i. Faculties,
      ii. External Partnerships and Public Engagement,
      iii. Professional Services,
      iv. Research and International Affairs,
      v. Teaching and Learning;
   b. Reviewing risk within the faculties at least quarterly and ensuring that it is being adequately and appropriately managed in line with this policy;
   c. Ensuring that significant risks identified in their areas of responsibility inform the management of strategic risk.

Heads of School/Institute/Department
30 These are responsible for:
   a. identifying and managing risk and controls within their area of responsibility in line with this policy,
   b. reporting to faculties at least quarterly.

Planning Office
31 The Planning Office is responsible for co-ordinating the risk management programme. It:
   a. services SRMG,
   b. Maintains the Strategic Risk Register, and produces reports for QMSE, A&RC, and Council,
   c. provides advice and guidance, including the development of standard templates and tools to assist the University in managing risk.
The Strategic Risk Reports are compiled by the Strategic Risk Management Group (SRMG) with the reporting schedule timed to enable review and approval by each committee.

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<th>Document</th>
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<th>Frequency of preparation</th>
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<td>Audit and Risk Committee</td>
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<td>QMSE [A&amp;RC – 3 Wks]</td>
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<td>Strategic Risk Management Group [QMSE – 2 Wks]</td>
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<td>Risk Map</td>
<td>Graphical representation of the strategic areas in which the College’s risks lie. Each risk is colour coded based on the residual risk score and is linked directly from the risk register described below.</td>
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<td>Risk Matrix</td>
<td>A 5x5 Risk Matrix showing plotting initial and residual risk in terms of likelihood and impact. Connecting arrows represent the use of controls, and block arrows show an improving or worsening position.</td>
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<td>Summary Risk Register</td>
<td>Provides details of individual high and medium risks (defined as having a residual risk score of 7 or over).</td>
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<td>Full Risk Register</td>
<td>Provides full details on all strategic risks.</td>
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