

# Strategic Risk Management Policy

Strategic Risk  
Spring 2014

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## 1. Context

### Purpose of this policy

The University recognises that all risks need to be managed. The purpose of this policy is to provide a framework for the effective management of risk across the University.

The objectives of the policy are to:

- Continuously develop risk management and raise its profile across the University.
- Further integrate risk management into the culture and decision making of the University.
- Manage risk, including the identification of the University's risk appetite in accordance with best practice.
- Create effective processes that will allow the University to make risk management assurance statements annually.

It is the policy of the University to adopt a proactive approach to the management of risk and opportunities using a structured and focused process.

### What is risk management?

Risk is anything that could impact on the University's ability to achieve its objectives. It can arise through direct threats, leading to a failure to achieve objectives, or through the failure to capture opportunities that could provide a better way of meeting objectives.

Risk management is about identifying risks, assessing their significance and taking appropriate action to manage them. It is a fundamental part of best management practice in governance and business planning.

### What risk management will achieve

Robust risk management will strengthen the ability of the University to achieve its objectives and improve its performance effectively and efficiently. Whilst it is acknowledged that risk cannot be totally eliminated, the University is committed to the management of risk in order to:

- Assist the delivery of the University's aims and objectives
- Preserve and enhance the key strategic priorities of Research, Education and Resources
- Ensure compliance with statutory obligations
- Protect the University's reputation
- Protect the University's property, including buildings, equipment, vehicles and other assets and resources
- Anticipate and respond to changing social, financial and legislative requirements

Risk management is a tool for ensuring we make the most of opportunities as well as managing potential threats. Clear understanding of the risks around opportunities enables us to take innovative decisions with assurance.

The management of risks in the University is carried out within a framework comprising:

- Governance processes
- A defined strategic risk policy
- Identification, evaluation and management of significant risks
- Assurance and audit processes
- The underlying policy and control environment

## 2. Roles and Responsibilities

### Role of the University Council

- A. The University Council has a fundamental role to play in the management of risk. Its role is to:
- i. Set the tone and influence the culture of risk management within the University. This includes:
    - determining whether the University is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue
    - determining what types of risk are acceptable and which are not
    - setting the standards and expectations of staff with respect to conduct and probity
  - ii. Approve the appropriate risk appetite or level of exposure for the University
  - iii. Approve major decisions affecting the University's risk profile or exposure
  - iv. Monitor the management of significant risks to reduce the likelihood of unwelcome surprises
  - v. Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively
  - vi. Annually review the University's approach to risk management and approve changes or improvements to key elements of its processes and procedures

### Role of senior management and university officers

- B. Key roles of senior management and University officers is to:
- i. Implement policies on risk management and internal control
  - ii. Identify and evaluate the significant risks faced by the University for consideration by Council
  - iii. Ensure actions are put in place to mitigate and eliminate risk where possible  
Provide adequate information in a timely manner to the University Council and its committees on the status of risks and controls
  - iv. Undertake an annual review of effectiveness of the system of internal control and provide a report to the Council

### 3. Risk Appetite

Good practice in risk management indicates that any organisation should specify their appetite for risk related to the activities of the organisation.

In pursuing its purpose, values and aims, Aston University will assess the level of risk associated with its various activities. There will be occasions when taking calculated risks will be appropriate. The University consequently engages in a portfolio of activities, some of which are judged to be low risk and others that are higher risk. The University will manage the risk associated with individual activities through an effective system of internal controls.

It is recognised as critical that the University preserves its high reputation for high quality teaching and research, locally, nationally and internationally. The University therefore has a low appetite for risk in the conduct of its activities that could put its reputation in jeopardy, could lead to undue adverse publicity or could lead to loss of confidence by its political or industrial partners and funders.

Aston places high importance on compliance and will not knowingly commit breaches in statute, regulation, professional standards, research or ethics, bribery or fraud. It is important to Aston to maintain accreditations related to its courses or operations and does not wish to unwittingly put such accreditations at risk.

Aston aims to maintain its long-term financial viability and its overall financial strength. It will not consider risk projects where it can lead to breaching the following minimum criteria:

- University Financial KPIs (Income/Surplus/Net Debt)
- Hefce Financial Sustainability KPIs

Activities which are judged to be high risk (the area highlighted red within the risk profile map) are activities which are important to the University in achieving its objectives and will be undertaken only where they offer benefits commensurate with the level of residual risk involved and do not increase risk to an unacceptable level i.e. where an adverse outcome would seriously jeopardise the overall achievement of the University's strategic plan.

Where risks are either to be tolerated above the red risk line or where mitigating actions are taken to reduce risks significantly below this level the rationale must be documented in the relevant risk register and evidenced through the appropriate governance framework (e.g. through project teams, School Senior Management teams, Executive Operations Group minutes etc.) Where the residual risk remains above the red threshold, these must be reported to Council and have Council approval for the actions etc..

As an example, there may well be occasions or projects that are considered to be of sufficient importance to the University to warrant an increased risk exposure. These will typically be opportunities where the university considers a more entrepreneurial approach is warranted or external environmental changes. These risks will be subject to rigorous review and monitoring. E.g. by the Executive Operations Group, including inclusion within the Strategic Risk Register and reporting to Council.

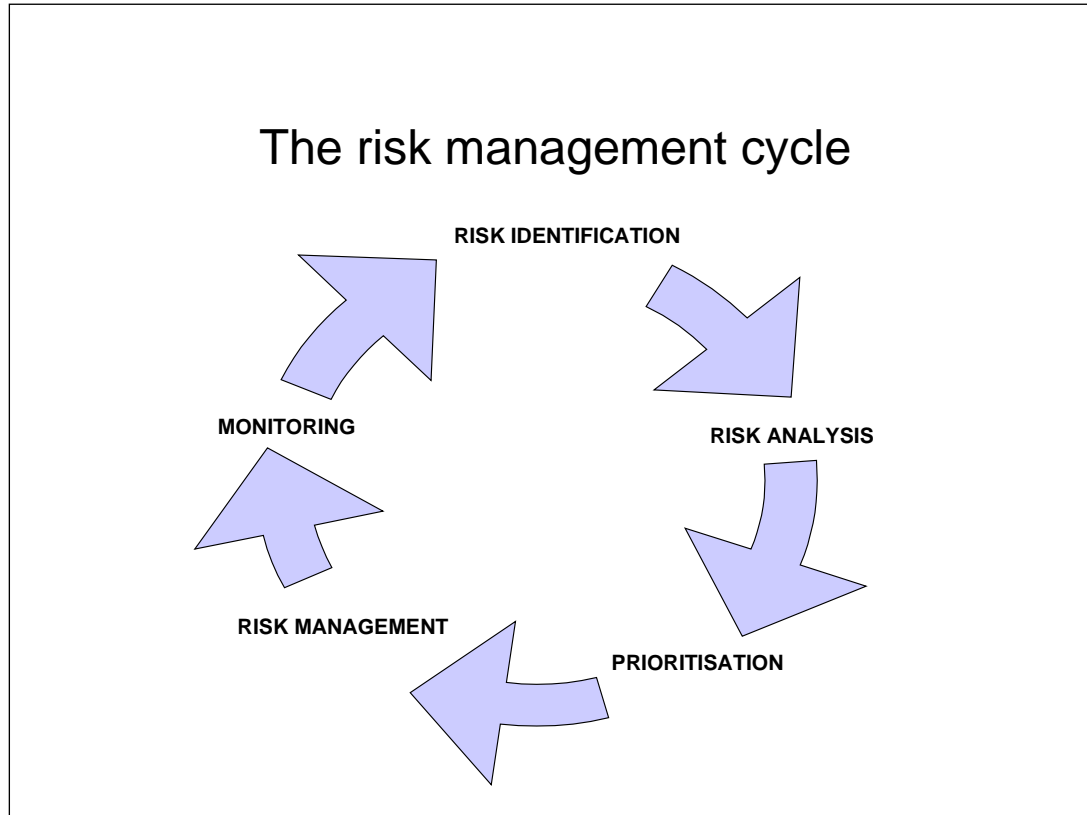
Amber residual risks are dealt with by the Executive as a usual business operational event.

Green residual risks are managed at the School or central support business unit level.

## 4. Implementation of Risk Management

### The risk management process

Implementing the strategy involves identifying, analysing, prioritising, managing and monitoring risks as shown below.

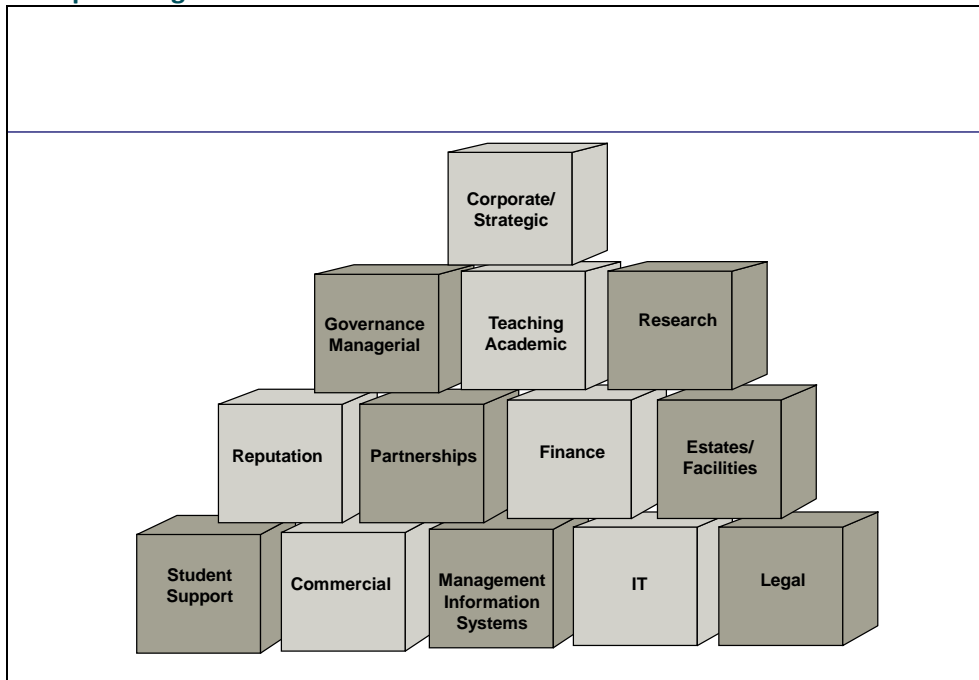


The identification of risks is derived from both a ‘top down’ (Strategic) and a ‘bottom up’ (School) process of risk assessment and analysis resulting in coverage of the whole University. The process then prioritises the risks resulting in a focus on the key risks and priorities. The risks are then managed through the development of appropriate action plans and fed into overall corporate and improvement plans.

### Stage 1 – Identification of the risks

Stage 1 is to identify the ‘key’ risks that could affect the achievement of objectives. The diagram below outlines risk categories that can be used as a prompt to ensure that consideration is given to the broad spectrum of potential risk areas. The focus is on identifying ‘key’ or ‘significant’ risks that would impact on the key objectives.

### Example Categories of Risk



### Stage 2 – Analysing the risks

The information that is gathered is analysed into risk scenarios to ensure clear understanding of the root cause and consequences. There are 2 parts to a risk scenario as illustrated below:

Risk	Example Consequences
A given situation that currently exists and as a result of this a risk that might occur.	Example impacts given the potential importance of the risk event on the achievement of University objectives if the risk occurs.

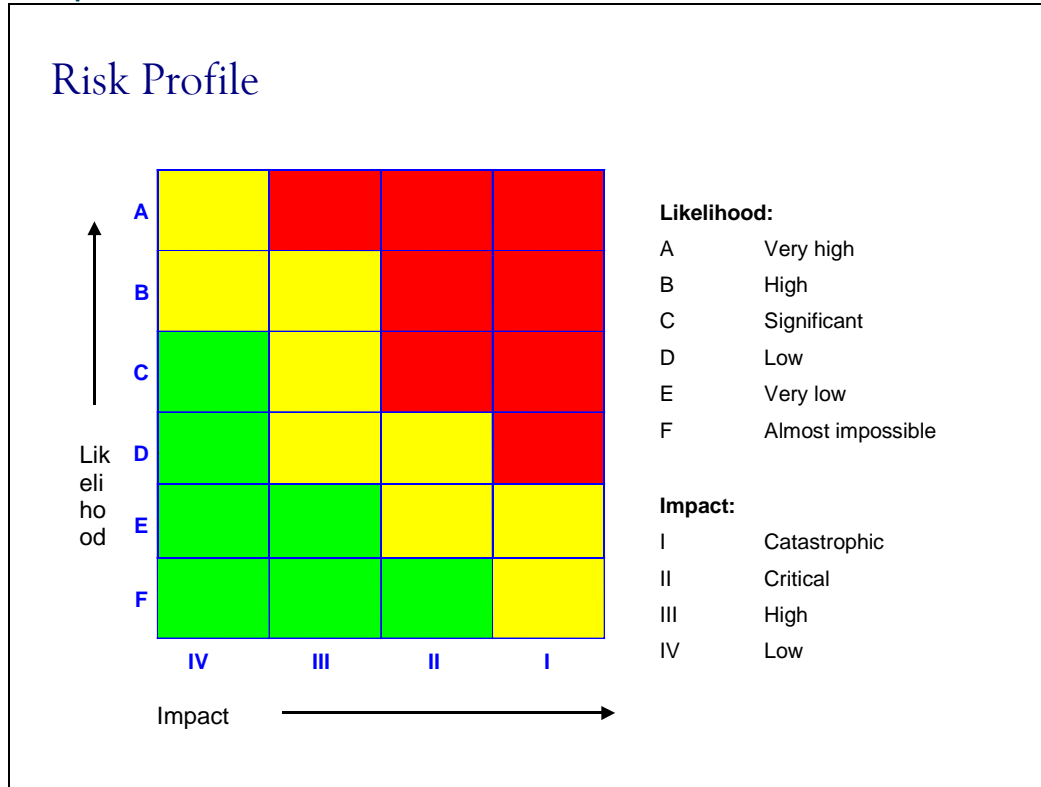
### Stage 3 – Risk profiling and prioritisation

Risks are assessed using a 6x4 matrix, recognising the importance of the event to the University according to the potential likelihood of the risk occurring (within a specified timescale) and its impact on objectives if it does.

Once risks are profiled the matrix is overlaid with red, amber and green sections. The Executive Risk owner will consider the risks assigned to them as follows;

- Red risks are high priority and must be addressed immediately then reviewed monthly
- Amber risks are medium priority and must be addressed as soon as possible then reviewed quarterly
- Green risks are those which are judged to be adequately controlled currently but must still be reviewed 6 monthly as things change.

### Example Risk Prioritisation matrix and definitions



### Example Likelihood definitions

Level	Likelihood	Description
A	Very High	Is expected to occur in most circumstances 70% - 100%
B	High	Will probably occur at some time, or in most circumstances 50% - 70%
C	Significant	Likely to occur at some time, or in some circumstances 30% - 50%
D	Low	Unlikely to occur 10% - 30%
E	Very Low	Very unlikely to occur 1% - 10%
F	Almost Impossible	May occur only in exceptional circumstances 0% - 1%



### Example Impact definitions

Level	Impact	Description
I	Catastrophic	<ul style="list-style-type: none"> <li>• Major financial loss (loss of £10million or more) / major impact on funding</li> <li>• Unable to deliver most or all strategic objectives</li> <li>• Unable to undertake most or all operations</li> <li>• Major disruption to research activities</li> <li>• Extensive / multiple injuries</li> <li>• Serious breach of legislation leading to legal or disciplinary action</li> <li>• Negative coverage in national press and national TV reporting</li> </ul>
II	Critical	<ul style="list-style-type: none"> <li>• Significant financial loss (loss of £5million to £10million) / significant impact on funding</li> <li>• Unable to deliver a number of strategic objectives</li> <li>• Significant disruption to normal operations</li> <li>• Unable to undertake significant amount of research activities</li> <li>• Violence or threat or serious injury</li> <li>• Breach of legislation or regulatory frameworks requiring corrective action</li> <li>• Negative coverage in national / local press</li> </ul>
III	High	<ul style="list-style-type: none"> <li>• High financial loss (loss of £0.5million to £5million) / some impact on funding</li> <li>• Unable to deliver a strategic objective</li> <li>• Some disruption to normal operations</li> <li>• Inability to undertake certain research activities</li> <li>• Minor injury</li> <li>• Minor breach of legislation resolved internally</li> <li>• Negative coverage in local press</li> </ul>
IV	Low	<ul style="list-style-type: none"> <li>• Low financial loss (loss of up to £0.5million) / limited or no impact on funding</li> <li>• No impact on delivering strategic objectives</li> <li>• Insignificant disruption to operations</li> <li>• Limited or no impact on research activities</li> <li>• No injuries</li> <li>• No breach of legislation</li> <li>• No press coverage</li> </ul>

#### Stage 4 – Risk Management (Action Planning)

Risk owners are assigned to each red and amber risk and for each risk an assessment is made as to whether to control, accept, transfer or terminate the risk.

- **Control** – It is usually possible to mitigate the risk by ‘managing down’ the likelihood, the impact, or both. Any control measures must reflect the potential frequency, severity and financial consequences of the risk event.
- **Accept** – Some risks may have to be accepted as they form part of, or are inherent in, the activity. In addition there are some risks over which we can have no control and some for which any management actions would be prohibitive in terms of resource. The important point is that these risks are identified, are clearly understood and are acknowledged.
- **Transfer** – Some risks can be transferred to another body or University i.e. insurance, contractual arrangements, outsourcing, partnerships etc. It is however acknowledged that some risks e.g. reputation can never be transferred.
- **Terminate** – We may be able to eliminate a risk by ending all or part of a particular activity or project.

#### Stage 5 – Monitoring risk management

The Executive Operations Group is responsible for ensuring that the key risks on the Strategic Risk Register are managed, and the progress with the risk controls monitored, on an at least 6 monthly basis. The Risk Register is reviewed regularly in light of current activity with risks being added, amended or deleted as appropriate. A full review of the Strategic Risk Register is carried out bi-annually as part of the corporate planning cycle.

Executive Deans are responsible for ensuring that the key risks in their School Risk Registers are managed and that progress with the risk controls are monitored at appropriate intervals on an at least 6 monthly basis. A full review of each School Risk Register is carried out bi-annually as part of the University planning cycle.

The Executive team will, on an at least 6 monthly basis, review the Risk Registers for each of the Schools and the University Strategic Risk Register in light of changing legislation, government initiatives, best practice and experience gained within the University. Any amendments will be recommended by the Executive for approval by the University Council. The strategic risk management process including the register is reviewed by the Audit committee. At least annually the Strategic Risk Register is to be reviewed by Council.

## 5. Strategic Risk Register format.

An approved format for the Strategic Risk Register has been designed to ensure completeness and consistency of reporting of Strategic risks and the associated Assurances of key control operations.

A copy of the current format to be used in the production of University and School Risk Registers is included below.

Each section should be completed as follows:

**Risk No.:-** the number assigned within the Risk Register as agreed by the Executive.

**Risk owner:** - Each risk should have a named member of the Executive or School management team as the risk owner in order to assign accountability.

**Risk Score:** - As defined by the risk matrix.

**Risk Commentary:** - A summary prepared by the Executive risk owner highlighting any key environmental or operational factors currently impacting on the risk.

**Root causes:** - Key issues which have the potential to cause the risk to crystallise.

**Consequences of Risk:** - Key consequences if the risk occurs.

**Current Mitigating Activities:** - Key actions currently underway to reduce the likelihood or impact of the risk.

**Current Risk Matrix:** - Risk profile today.

**Target risk matrix:** - Risk profile assuming current and planned activities are effective.

**New Actions/Controls:** - Confirmed new actions in order to reduce the potential of the risk and specifying who is responsible for the action, by when and current progress towards completion of the new action.

**Sources of Assurance:** - External sources which confirm the activity as reported by internal management e.g. Internal & External audit, Regulatory Authorities, External returns etc.

M Hodgson  
Chief Financial Officer

Risk No.	Consequences of Risk	Current Mitigating Activities
<b>Risk Owner:</b>  <b>Risk Score:</b>  <b>Risk Commentary:</b>	•	•
<b>Root Causes:</b> •		

Current Risk Matrix	New Actions/controls with responsibilities	Action Target Date	Action By	Current Status	Sources of Assurance																										
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