

Risk Assessment Guidelines for Departments 2011/12:
Completing the Departmental Risk Assessment Form

1. Introduction

This guidance is aimed at groups and individuals who are completing a Departmental Risk Assessment and who may be unfamiliar with undertaking a Risk Assessment at Warwick. It is not designed to be a comprehensive guide to developing Departmental strategy or analysing uncertainty in relation to risk and new opportunities.

You may also wish to review the summary of previous returns which gives some examples of the range of issues the Department may wish to consider. *All documents are available on the University website at <http://www.warwick.ac.uk/go/governance/riskmanagement/>* Additional examples and further advice can be provided by contacting the Senior Assistant Registrar (Governance, Risk and Continuity) within the Deputy Registrar's Office:

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This Guidance outlines how Departments can:

- (a) For Non-Academic Departments Only:** undertake a simple analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT) to inform the Departmental Risk Assessment;
- (b) For All Departments:** undertake a Risk Assessment against the Department's strategic objectives;
- (c)** Use this information to inform the Department's Strategic Plan and the Department's Five Year Financial Plan;
- (d)** Assess the uncertainty or 'risk' in undertaking, or not undertaking, the Department's planned activities.

An electronic Form has been designed in Excel for easy input of the outcomes of the Departmental Risk Assessment. It is advised that the Risk Assessment Form is completed electronically as there are various hints and tips available on the electronic version. The forms (or worksheets) within the overall excel workbook can be downloaded from the Risk Management webpages within the University Governance section at the following address (*by logging in with your University username and password and then using the password "rmatwarwick", if required to download the documents*): <http://www.warwick.ac.uk/go/governance/riskmanagement/swotandrm/>

2. For Non-Academic Departments Only: Undertaking a SWOT Analysis

Non-academic departments are likely to find the SWOT Analysis the most useful tool in developing the Departmental Risk Assessment. Many Departments will undertake a process of consultation as part of the strategic and financial planning processes – the SWOT Analysis is just one simple way of facilitating and enhancing this process.

When undertaking a SWOT Analysis, the Department will need to have a clear idea of its strategic objectives. It is helpful to have these available when completing the SWOT and identifying key areas of uncertainty. When considering the Department's key strategic objectives, you should then consider the factors internal and external to the Department which will help or hinder attainment of those objectives.

The Department can then assess its:

- (a) Internal Departmental **S**trengths: Attributes of the Department which are helpful to attaining Departmental objectives.
- (b) Internal Departmental **W**eaknesses: Attributes of the Department that could hinder attaining Departmental objectives.
- (c) External Departmental **O**pportunities: External conditions which are helpful to attaining Departmental objectives.
- (d) External Departmental **T**hreats: External conditions that could hinder attaining Departmental objectives.

The SWOT Analysis is a list of internal and external factors, not a list of current or proposed activities. It can, however, inform the consideration of what actions the Department should undertake in order to achieve its objectives and what uncertainty (or 'risk') is involved in doing so. The identification of Strengths, Weaknesses, Opportunities and Threats can help inform the future strategies and related activities being put forward in Department's Strategic Plan as well as its Five Year Financial Plan. While many of the external opportunities and threats may be outside of the Department's control, the Department should aim to:

- use its strengths as leverage for building a competitive advantage and achieving strategic objectives,
- correct weaknesses which may hinder success,
- capitalise on opportunities (and make preparations to be able to take advantage of unexpected opportunities that are in tune with a Department's strengths), and
- deter and minimise, where possible, potential external threats.

3. For All Departments: Developing the Departmental Risk Assessment

The Departmental Risk Assessment should be undertaken at an early stage in the development or review of the Department's strategic plan, and subsequently, its financial plan. In order to ensure opportunities and risks from the full range of a department's activities are identified, Heads of Department are encouraged to engage a wide group of staff in the process, perhaps by discussing Risk Assessment with the departmental management group (or equivalent), together with those staff with responsibility for managing specific areas of risk and for departmental business continuity arrangements.

a) Identifying Key Risks

For the purposes of the Departmental Risk Assessment, risk can be defined as any area where you cannot be sure of the outcome (i.e. key areas of weakness, threat or uncertainty) and that, if realised, would hinder the Department in achieving its objectives. However, there may also be risks associated with new opportunities which the Department wishes to develop or with strengths that may not be fully exploited. In order to aid assessment and monitoring of risks, the 'risk' should be written as a negative statement rather than a neutral or positive one.

Each department is requested to identify its 6-10 key risks to achieving its Departmental objectives (and, if applicable, where there are direct risks to the achievement of University goals and objectives). When identifying risks to Department objectives, it is easy to identify a very long list of risks. In considering the risks, it may be the case that many of them are closely related and can be combined into one key risk for the Department, noting the various elements within it. While risk should particularly be considered over the life of the Department's strategic and financial plans and in relation to any activities proposed within it, it is important also to look to the more distant horizon of 10 – 15 years if there are any key areas of uncertainty that can be identified which would hinder Departmental strategic objectives.

As part of the risk identification process, the department may wish to consider its Business Continuity Plans, any recent reviews undertaken (Strategic Departmental Reviews, Teaching and Learning Reviews, ASDARs, etc.), or health and safety or audit assessments which may inform some of the risks faced by the Department. In addition, the department may consider it appropriate to consult the recently introduced **University Anti Bribery Policy**, and to consider the risks of bribery occurring or being perceived to have occurred during the course of the department's activities.

b) Classifying Risks

The University uses eight general categories to classify risks:

R	Reputation
T	Teaching
Res	Research
S	Staffing issues
SA	Buildings and Facilities/ Health & Safety
F	Financial issues
O	Organisational issues
IT	Information and IT

The Departmental Risk Assessment Form should identify the key risks for the Department and classify them within the most relevant category above. Risks are likely to be inter-related and may touch on a number of the above categories, but it is helpful to choose the one with the closest fit from the list provided. Also, it is helpful if the context of the 'risk' is briefly outlined. This can be included under each risk within the space for 'Contributing Factors'.

As risks are in part defined as those uncertainties which would hinder or halt the achievement of strategic objectives, a space is also given to note the particular departmental objective(s) that would most be affected.

c) Analysing and Evaluating Key Risks

When considering the risks to achieving departmental objectives, the next step is to consider what activities or management measures are being undertaken to minimise the likelihood of the risk occurring and/or its level of impact (or in the case of a new opportunity, to maximise the possibility and/or scale of success). The actions to minimise risk can be briefly outlined within the section of the form entitled 'Management Measures in Place'. It is also helpful to identify in brackets the team or the position of the person responsible for implementation. Sometimes these measures may be undertaken within the Department and sometimes they may be managed within the central administration, or indeed in liaison between both.

Sample risks are given on the form for reference and further examples are available from the Governance Team. The sample risks will not be relevant to all departments and are given only as an indication of the breadth of key risks that might be faced by your department. As noted previously, some common themes arising from Departmental Risk Assessments in the previous year (2010/11) are also available on the risk management website.

Risks are rated by considering both the **likelihood** that they might occur as well as the potential **impact**. Risks should then be measured on the suggested scale of the impact and the likelihood that the risk will occur on a numerical scale from one to four.

Risks should be considered in relation to their '**inherent or gross risk**' as well as their '**residual or net risk**'. Inherent or gross risk is the likelihood and impact of the risk before any actions have been taken to manage it. Analysis of the inherent risk helps to assess the effectiveness of current activities being undertaken so that the Department and the University does not lose sight of their significance when considering new ventures or the University's changing portfolio of activities (for

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example, if consideration is being given to discontinuing certain activities). After considering inherent risk, you should then assess what the likelihood and impact of the risk is in the light of the management measures in place (assuming they are being effectively undertaken). Score the likelihood and impact of the net or residual risk by picking the appropriate score of 1, 2, 3 or 4 from the pick list.

The definitions that can be applied to a risk are as follows:

Likelihood Score (of occurring within the next 3 years)

1	Improbable (1-20%)
2	Not likely (21-50%)
3	Likely (51-80%)
4	Very likely (81-100%)

Impact Score

1	Will impair achievement of one or a small number of Departmental strategic objectives.
2	Will impair achievement of a number of Departmental strategic objectives and/or significantly impair one Departmental strategic objective.
3	Will significantly impair a small number of Departmental strategic objectives.
4	Will significantly impair a small number of Departmental strategic objectives and/or halt the achievement of one or more strategic objectives.

The following four-tier colour-coded system of status indicators will be applied to establish the overall status of the risk by adding the likelihood score and the impact scores together:

7 or 8	Red	Problematic	Requires urgent and decisive action
5 or 6	Amber/Red	Mixed	Requires substantial attention, some aspects need urgent attention
3 or 4	Amber/Green	Satisfactory	Some aspects require substantial attention, some good
2	Green	Good	Requires refinement and systematic implementation

The overall risk status score is automatically calculated in the spreadsheet once the Likelihood and Impact scores are entered by picking 1, 2, 3 or 4 from the pick list. The scores are added to establish the overall score.

d) Mitigating Action

When considering the risks a department or the University faces there are roughly four options for action which can be categorised under the four 'Ts':

- 1) **Take/Tolerate:** The risk may be worth accepting with no further action. This may particularly be the case if any mitigation would be more resource intensive than the risk itself or indeed if the ability to do anything about the risk is limited.
- 2) **Treat:** The risk may still not rest within the threshold that is tolerable by the Department and/or the University but we would not wish to terminate the activity so we endeavour to undertake further action to minimise the risk. The majority of risks will probably fall in this category.
- 3) **Terminate:** The risk may be outside the threshold that is tolerable and bringing it within the threshold would be prohibitively resource intensive so the activity creating the risk would be stopped or the new activity proposed would not be pursued.

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- 4) **Transfer:** This typically relates to insurance or other mechanisms for releasing the burden of risk such as outsourcing.

The Department should consider its key risks and the '4 Ts' when planning its management measures and proposed future actions. For example, are there areas where the Department has identified that new activities could or should be undertaken to minimise the risk and therefore maximise achievement of Departmental strategic objectives? These can be briefly outlined in the '**Proposed Future Action(s)**' section. One course of action may treat more than one of the risks identified. However, where the costs of taking action may be disproportionate to the potential benefits, the department may decide to simply tolerate the risk.

The University does not wish to create a culture of risk aversion by undertaking Risk Assessment – a certain amount of risk is needed for future success. However, the University's Risk Management process must ensure that risks are identified and the institution is aware of the full portfolio of risks that it is accepting.

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