

The University of Warwick

Risk Management Policy

1. Introduction

The University has enjoyed remarkable growth in size and reputation during its first 50 years, as a result of a culture of identifying and harnessing opportunities. The University seeks to strike a balance between opportunity and risk that enables innovation, within a controlled environment. The University Council recognises its responsibility to defend and promote the sustainability of the University, through sound management of resources and good stewardship of its assets. Decision-making therefore takes into account the risk/reward balance that can be tolerated over the forthcoming period in the context of three critical aspects of potential risk exposure: financial sustainability, reputation and compliance. The risk/reward balance takes into account the University's Strategy, external operating environment, competitive position and current risk profile (which informs the level of tolerance for further risk-taking).

2. Purpose & Overview

This Policy sets out the University's approach to risk management and is intended to be a useful guide for individuals and committees whose responsibilities include some or all of the elements of risk management or oversight. It replaces the 'University Risk Management Policy' which was approved by the Council on 8 July 2009.

All Senior Managers and Heads of Departments are required to read and implement the approach set out in this document. Heads of Departments are responsible for ensuring that their colleagues are appropriately equipped to manage risk within their responsibilities.

Further guidance, including background reading, training opportunities, and practical tools are provided by the Deputy Registrar's Office and can be found on the University's risk management webpages: <http://www2.warwick.ac.uk/services/gov/riskmanagement>

3. Scope and Definitions

Risk management operates across all levels of the University, from daily departmental activities and the management of projects, to formal bodies charged with institutional governance, decision-making and institutional strategy-setting.

Irrespective of the level at which risk management is operating, the definition of risk used by the University is:

'The threat or possibility that an action or event will adversely affect the achievement of agreed objectives'

The definition of risk management used by the University is:

'The process by which uncertainty is assessed, quantified (where possible), recorded and managed in order to support good, well-informed decision-making at all levels of the institution'

For wholly owned trading subsidiaries, partially owned trading companies, partnerships and joint ventures, the University will seek to promote the adoption of procedures consistent with the principles set out in this document.

4. Benefits of Risk Management

Ultimately, the purpose of effective risk management is to increase the likelihood of objectives being met, in other words, to maintain delivery and improve performance. Where actions or events may hinder the achievement of objectives, these are identified and managed. With adverse events less likely to take place, and plans developed to respond in the event that an adverse event does occur, the financial, reputational and time costs of responding are reduced. Effective risk management also enhances the quality of planning and decision-making, thereby ensuring that capital and resource is used effectively and efficiently.

5. Risk Management Approach

All colleagues are expected to assess and manage risk within their day to day activities, from the delivery of support operations, right through to the strategic prioritisation of resource allocation. This helps to safeguard the future success of the University, by ensuring that activities are undertaken in a compliant and sustainable manner, and that well-informed decisions are made, whether planning at the operational or strategic level.

Figure 1 illustrates the basic steps involved in risk management.

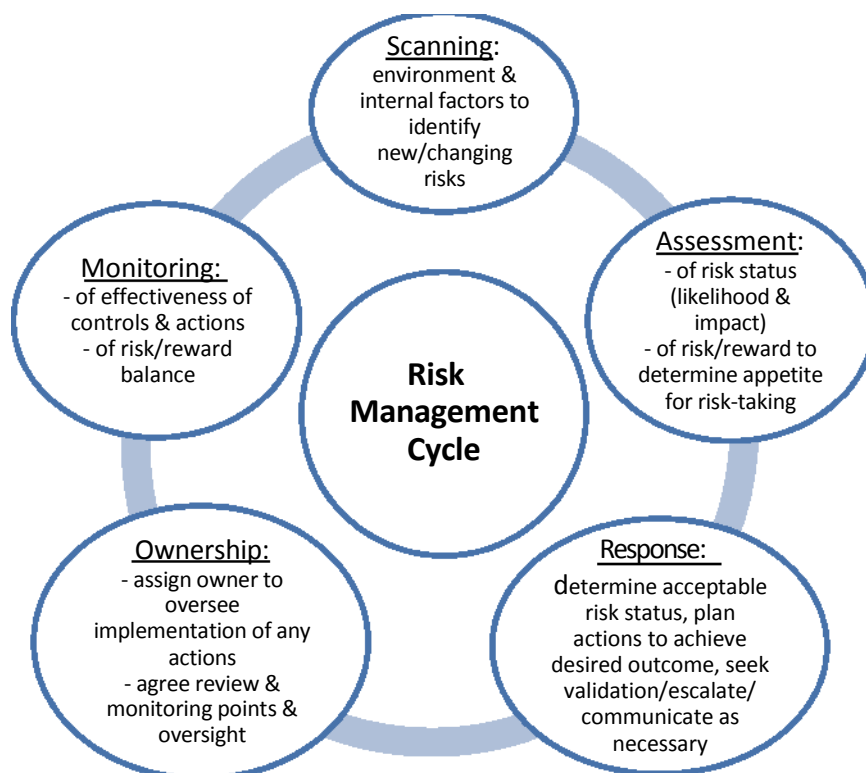


Figure 1 Risk Management Cycle

The diagram is cyclical because risk management is dynamic: the nature and level of uncertainty changes over time, both as a result of external changes, and as a consequence of decisions and actions. How often each stage needs to be revisited and how formally actions need to be recorded in relation to each of the stages, will depend on the role of the person responsible, the level of uncertainty that is being dealt with, and the potential impact of the risks that are identified.

6. Effective Risk Management

There are five guiding principles for effective risk management at Warwick:

(i) Risk management should be informed

In order to identify and assess risks to the achievement of objectives, there must be clarity about goals. The University strategy will be underpinned by an implementation plan that flows through to academic, administrative and professional, and campus and commercial operations. Heads of Department must ensure that Department and individual objectives are clearly articulated and understood, and that everyone is clear about priorities.

University colleagues are expected to be well-informed about their areas of expertise, particularly with respect to new or emerging risk areas or compliance requirements. Colleagues are expected to maintain and develop their professional knowledge and competencies, and to share knowledge within the institution. There are many opportunities for cross-functional collaboration in the institution (see section (ii) below), and professional colleagues are supported by many sector networks.

All colleagues should take advantage of the informal and formal opportunities to learn about the wider University perspective, and to link in with the work of colleagues, in order to identify and manage risk in a joined-up way.

(ii) Risk management should be connected and communicated

The University is prepared to tolerate a level of uncertainty that is commensurate with the level of reward on offer, within certain boundaries. Colleagues should be careful not to exceed their authority in taking risk, and should seek support for decisions in such cases.

The University undertakes a diversity of activities through a range of delivery mechanisms. Risks may be common across some activities, and a particular institutional response may be required that is not evident if risks are considered in isolation (see figure 2). Colleagues should therefore consider the institutional perspective when considering risk-related decisions to ensure that the optimal solution is reached.

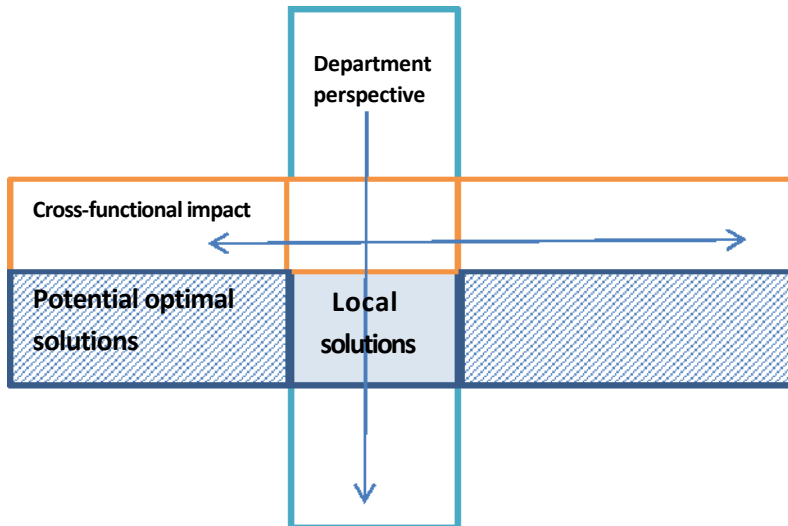


Figure 2 Cross-functional perspective on risk assessment and response

There are many opportunities to share information and to test and agree solutions. These include team meetings and staff meetings as well as more formal opportunities e.g. Operational Risk Management Group, Academic Resourcing Committee, Heads of Department Forum, Academic and Professional Services Group, the Commercial and Campus Services Group and the Strategy and Governance Network. The Deputy Registrar's Office plays a central role in connecting and communicating risks and mitigating actions and can advise on formal and informal opportunities to share information - please contact risk.management@warwick.ac.uk.

The University needs to be able to assess and report on the totality of risk exposure from an institutional perspective. Risk reporting mechanisms play a vital role in the escalation and amalgamation of risk exposure (see section 6.)

(iii) Risk management should be embedded in key processes

In order that effective risk management underpins all institutional activities, it needs to be embedded in the following processes:

<i>Policy-making</i>	Committees consider and manage the risks associated with the development of new policy.
<i>Decision-making</i>	Risk management is an important enabler in decision-making. Decision-making takes place following consideration of the associated risks and rewards, both in terms of taking and not taking the proposed action. Decisions relating to risk-taking take into account the overall University risk exposure at any one time.

<i>Project and programme management</i>	A risk assessment is carried out before the approval and commencement of all formally defined projects. For successful projects, the risks are reviewed at regular intervals to determine the continued validity of the initial risk assessment and to identify any new and emerging risks. Cross-departmental projects make use of a consistent and common approach to managing risks that cut across departmental boundaries.
<i>Operational management</i>	The Operational Risk Management Group (ORMG) plays a key role in identifying and managing institutional operational and compliance risks. Risks are managed as part of daily operational management across all departments under the direction of those in leadership positions.
<i>Strategic planning</i>	Risk identification and management is an integrated part of the institutional and departmental strategic planning processes.
<i>Financial planning</i>	Institutional and departmental risk assessments inform decisions around the future allocation of resources.

(iv) Risk management should be proportionate, balanced and dynamic

Leaders and managers should take a proportionate and balanced approach to the identification, management and reporting of risk, to ensure sufficient resource is allocated to each element. It is not enough to complete a risk register as an end-point in itself: rather, risk reporting should be the periodic recording of a dynamic and ongoing activity.



Figure 3 A balanced approach to risk management

The frequency of monitoring and reporting of risks should be commensurate with the combined assessment of the likelihood and impact of the risk: high status risks should be monitored and reported more frequently than low status risks. In addition, the level of uncertainty around the risk needs to be considered. There will be greater uncertainty where activities or processes are novel, or where the operating environment is unsettled e.g. when taking or implementing a decision to move into a new overseas market or to work with a new partner. In such circumstances all relevant stakeholders should proactively consider the risks and mitigating actions, and these should be revisited more frequently than risks which have the same status but a lower degree of uncertainty.

When considering risk assessments relating to potential opportunities, it is important to gather sufficient available information. However, it is also important to recognise the risk of missed opportunities that can arise from seeking an unrealistic level of certainty about potential outcomes.

(v) Risk management should provide assurance

The University is required to put in place effective risk management processes. In order to provide assurance that effective risk management is taking place, senior managers are required to report formally, from time to time, to an appropriate oversight body. The University's Risk Management Assurance Architecture is described in more detail in section 7 of this document.

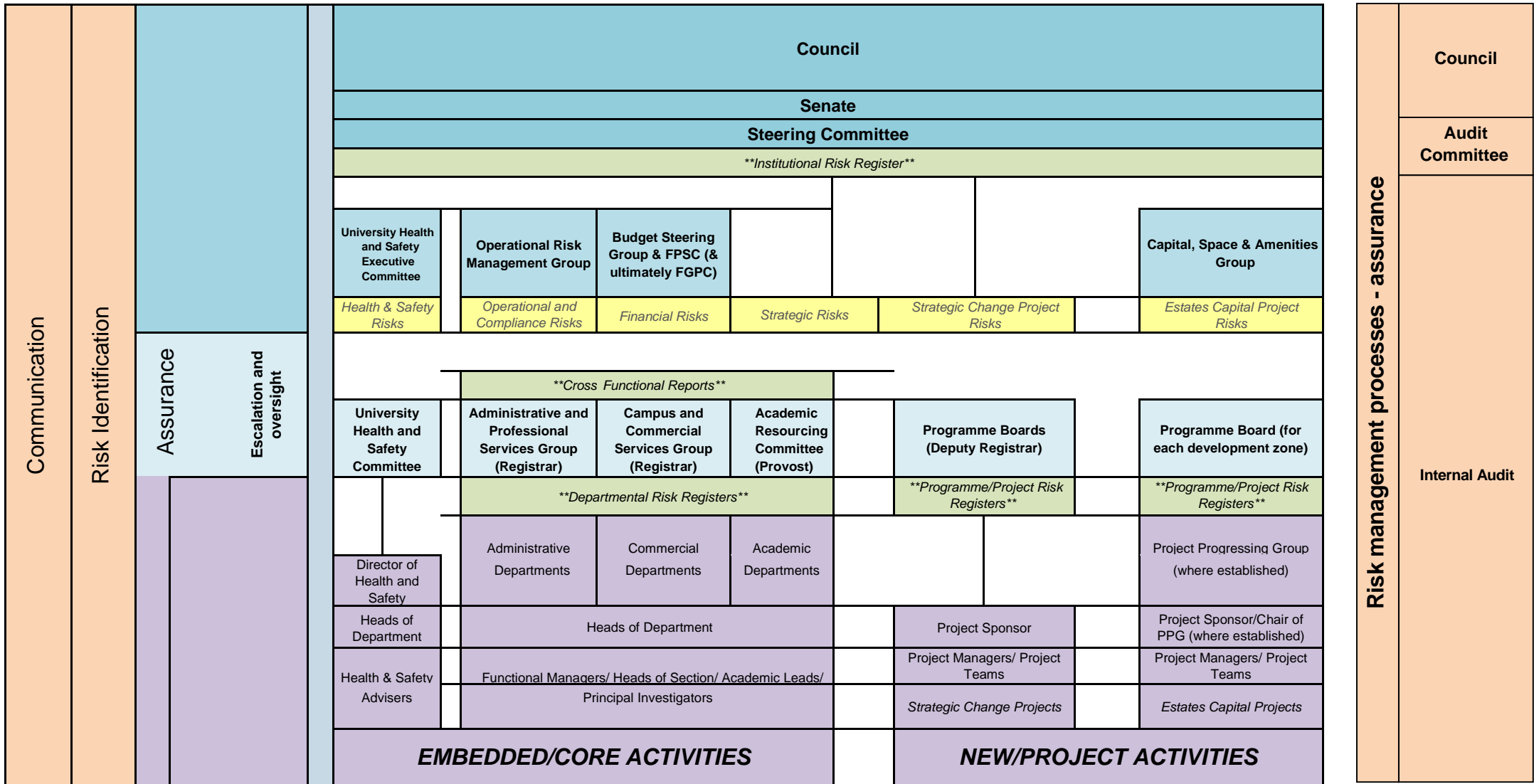
7. Risk Management Assurance Architecture

(a) Outline and Purpose

The Risk Management Assurance Architecture (figure 4, overleaf) illustrates the coordination of the risk management activities that take place across all parts of the University. It shows how assurance is provided to the senior executive and the Council that the process of identification, management and reporting of risks is taking place effectively at all levels.

Figure 4 shows that the responsibility for identifying risks and the importance of communication rests at all levels of the architecture. Oversight and monitoring assurance takes place through a layered escalation and reporting process. Committees with particularly important assurance roles are included in figure 4. The figure also shows the roles of Internal Audit and the Audit Committee in assuring Council on the effectiveness of the University's risk management processes. Further information on assurance and oversight is provided in section 7 of this document.

Figure 4: University Risk Management Assurance Architecture



(b) Thematic Structure of Architecture

The risk architecture in figure 4 operates thematically. At the macro-level, risks are classified in relation to whether they are 'embedded/core activities' or whether they pertain to 'new/project activities'. 'New/project activities' relate to those that have a defined life cycle, or a particular deliverable, such as capital or change projects. New initiatives may over time become embedded in the core activities of the University; however at the initial stages they may share some features of projects:

- There is typically a risk/ reward decision to be made that determines whether and the extent to which the University will engage with a particular opportunity. As there is an element of choice in this decision, it is important to understand the extent of the University's risk exposure across all programmes and activities.
- The University's understanding of the risk environment is likely to be less mature than that of its core business, and therefore greater attention will be required to identify, manage and review the risks and the effectiveness of their treatment.

Leaders and managers who are responsible for new initiatives must ensure that the associated risks are documented, managed, and reviewed more frequently than 'embedded/core activities' related risks in recognition of the higher levels of uncertainty and the likely temporary increase in exposure that is an inevitable part of innovation.

Conversely, the management of strategic, operational, financial, compliance and hazard risks inherent to the core activities should be well-understood, clearly articulated and owned, and managed by well-established internal controls. Leaders and managers are expected to work across functions and utilise their expertise and networks to identify internal and external changes that may indicate the need to revise the measures in place to manage such risks. Compliance risks should always be managed in line with the University's low tolerance for breaches of legislative, statutory and regulatory requirements. In making a distinction between different types of risks (strategic, operational etc.), it is acknowledged that the line between the associated definitions can be difficult to draw in practice. In such cases, the most appropriate committees will consider the risks, with the Steering Committee having oversight across all risk types.

(c) Risk Ownership

Within the Risk Management Assurance Architecture there is a clear allocation of risk ownership: Heads of Departments are ultimately responsible for departmental risks, there are named risk owners for institutional level risks (which align with activity portfolios) and Committee Chairs are responsible for risks being managed by their Committees. Whilst risk ownership therefore relates to activity portfolios, all colleagues are encouraged to consider cross-functional risks i.e. risks that cross departmental/portfolio boundaries. It is often the case that cross-functional risks are of a relatively high risk status, and it is therefore important that a single risk owner is identified who liaises with other colleagues to ensure that such risks are mitigated through effective liaison across departmental boundaries. It is also important that the interdependence of risks across the full breadth of institutional activities is considered and addressed.

(d) The Role of Committees

University Committees play an important role in risk management, in relation to decision-making, and in the provision of oversight assurance.

Committees (and Management Groups) are therefore expected to consider relevant risks and their mitigation as an integral part of their decision-making. Figure 5 provides examples of the ways in which Committees can embed risk in their activities.

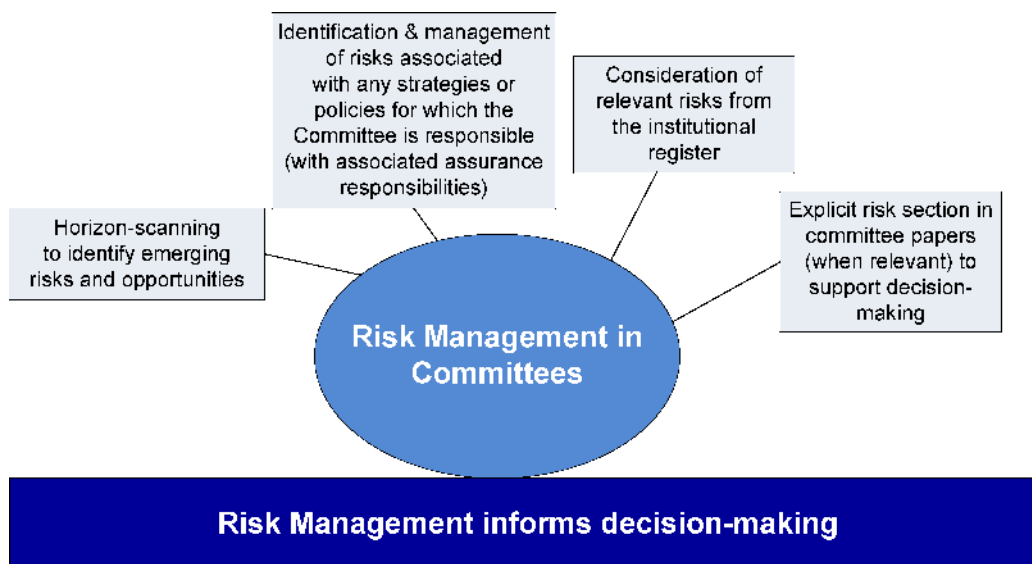


Figure 5: Examples of ways in which Committees can embed risk management in their activities.

The Terms of Reference set out Committee responsibilities for risk identification and management.

(e) Risk Reporting

Risk reporting enables the escalation and cascade of those risks that have the potential to disrupt business at institutional level. It also enables an assessment to be made of the appropriateness of proposed risk treatment, and the acceptability of target levels and dates for reducing unacceptable levels of exposure. In addition, it allows the gathering of an institutional assessment of potential impact, as well as the identification of common themes and sharing of good practice. The coalescing of risks that are escalated from a range of sources is particularly important in ensuring there is effective consideration and management of the totality of the University's risk exposure.

Effective communication is crucial in order to gain a shared understanding of the assessment and treatment of risk, and therefore standard templates and risk assessment scales are adopted in formal risk reporting. There is flexibility in the mechanisms employed to communicate risk outside of formal processes. Leaders, managers and the committee secretariat must ensure that risks are communicated up, down and across the University's management and governance structures (see section 5 (ii)).

(f) Institutional Risk Register

The Risk Management Assurance Architecture in figure 4 shows the formal stages of oversight responsibility in relation to assessing the effectiveness of the identification and management of risks at each level. The institutional risk register represents the output of the risk management processes that are embedded within the institution's activities.

The institutional risk register is intrinsically linked to the University's Strategy. It identifies risks that have a fundamental impact on the University's ability to deliver its Strategy or to operate effectively. Risk management is incorporated into the institutional strategic planning process to minimise any negative impact on the achievement of institutional Strategy goals. Reports to the Steering Committee on Strategy goal implementation, associated institutional risks and key performance indicators (KPIs) are undertaken in a coherent and 'joined up' manner. The KPIs, where appropriate, are aligned to risks and show measurement and monitoring in relation to the risks over time.

(g) Detailed Responsibilities for Risk Management

A list of detailed responsibilities for risk management is included as Appendix A.

8. Assurance and Oversight

The Council is ultimately accountable for ensuring that effective risk management is undertaken by the University. The Council must be kept informed of the University's total risk portfolio when reaching its decisions as well as receiving appropriate reassurance as to the effectiveness of the processes in place to monitor and assess the University's risks.

The Council has delegated to the Audit Committee the responsibility for concluding on the adequacy and effectiveness of the processes in place for the management of risk. In forming its judgement on an annual basis, the Audit Committee takes into account the work of the Internal Audit function. Internal Audit undertakes an annual assessment of the institution's overall risk management capabilities using tools such as the HM Treasury Risk Management Toolkit and the CIIA Risk Maturity Model, as well as assessing the adequacy and effectiveness of local risk management processes as part of their audits of departments.

The Council formally considers the institutional risk register twice a year.

9. Support for Risk Management

Training and support is available to all colleagues and committee members who have risk management responsibilities. The Deputy Registrar's Office also provides support for colleagues and departments through risk management guidance and tools to aid the effective identification, management and reporting of risk. Please contact risk.management@warwick.ac.uk for further information.

10. Resilience Planning Beyond Risk Management

The University recognises that whilst effective risk management reduces the likelihood of an unexpected event occurring, it is inevitable that any organisation will occasionally have to respond to unexpected shocks. The University continues to build on its centralised and local incident response and business continuity capabilities, through the roll-out of detailed planning and protocols for incident response, together with the continuity and recovery of critical activities.

Leaders and managers are responsible for ensuring that local incident response and business continuity capabilities are developed in line with University protocols. Major incidents are likely to impact more than one department or activity, and are likely to be geographically based, or to affect the availability of one or more critical infrastructure function. It is therefore essential that good communication underpins the development and implementation of measures to enhance resilience. Department and activity leaders and managers should bear in mind their place in and impact on the wider university community when incident response and business continuity plans are considered.

The Deputy Registrar's Office is responsible for the University's business continuity framework and manages major institutional incident responses. It can therefore provide support and guidance to managers who are responsible for local resilience planning. Please contact businesscontinuity@warwick.ac.uk for further information.

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Appendix A

RISK MANAGEMENT RESPONSIBILITIES

The Council:

- Holds ultimate responsibility for ensuring the effective and efficient management of institutional risk. This is an essential component of good corporate governance and contributes to the preservation and protection of the University's assets.
- Is responsible for considering and approving the Risk Management Policy every 3 years, following consideration by the Audit Committee.
- Considers the institutional risk exposure in its decision-making.
- Formally monitors the institutional risk profile twice a year and is ultimately responsible for the University's key risks.
- Receives reports on the effective operation of the risk management process.

The Audit Committee:

- Supports the Council in its governance role by:
 - Ensuring the appropriate risk management processes are in place.
 - Providing an opinion to the Council as to whether the University has adequate and effective arrangements in place for risk management, control and governance. This includes a consideration every 3 years (and the making of a recommendation to the Council) of the appropriateness of the Risk Management Policy.

The Audit Committee receives reports on particular areas of institutional risk and internal control and will undertake an annual review of the effectiveness of the system of internal control, providing a report to the Council.

The Audit Committee also receives reports from all committees with a compliance oversight responsibility.

- Is supported by the assurances and work undertaken by internal and external audit as well as other self-assessments/assurance provided by senior management and external independent reviews.

The University's External Auditors:

- Audit the University's financial statements and produce a report for the Council stating whether in their opinion the financial statements show a true and fair view of the University's affairs.
- Report to the Council (by way of a management letter which is forwarded to the HEFCE), any significant matters arising from the audit which might lead to material errors or have an impact on future audits. This letter may include weaknesses in the structure of accounting systems and internal control, deficiencies in the operation of accounting systems and internal control (including internal audit) and the extent to which reliance can be placed on the work of the internal auditors in support of external audit work.

Internal Audit:

- Advises the Audit Committee on the effectiveness of the University's Risk Management processes through:
 - Testing periodically whether institutional controls are being carried out and are effective in mitigating the associated risks.
 - Testing particular areas of institutional risk to:
 - Consider whether the mitigating actions planned and the cost of performing them is efficient and commensurate with the risk.
 - Confirm that actions for improvement have been addressed.
 - Determine whether further actions are required to reduce the risk to an acceptable level and tracks/monitors whether these actions are implemented.
 - Testing departmental risk management processes and concluding on their adequacy.
 - Providing assurance on the effectiveness of internal control and an annual opinion thereon.
- Assists in communicating good practice to departments in relation to risk management.

The Senate:

- Supports the Council in its governance role by considering a summary of the institutional risk register twice a year following consideration by the Steering Committee.
- In its role as the supreme academic authority of the University, maintains an oversight of all academic risks facing the institution.
- Undertakes horizon scanning and 'blue skies' activities in relation to academic risk identification.

The Steering Committee:

- Supports the Council and Senate in their governance roles through its responsibility for:
 - The initial identification of risks associated with a new or revised University Strategy (as part of its responsibility for strategic institutional planning and the assessment of strategic opportunities).
 - The oversight of resource prioritization in a risk/opportunity context.
 - The oversight of strategic risks (i.e. risks that could hinder the achievement of the University's Strategy) as well as key institutional financial and strategic/capital project risks.
 - Undertaking regular horizon scanning and 'blue skies' activities in relation to strategic risk identification.
 - Considering the key risks identified by major stakeholders to determine any related risks facing the University.
 - The oversight of all types of risks, in advance of the Senate and Council's consideration of the institutional risk register.
 - The management of the key institutional risks agreed by the Council, including the determination of appropriate risk mitigation.
 - The operation of risk management processes across the University (including responsibility for the approval of the risk management processes and/or guidance that underlie the Risk Management Policy).

- Promotes the value of effective risk management to Heads of Departments and encourages understanding and application of the associated procedures. *The above responsibilities for the Steering Committee are subject to revised Terms of Reference being approved by the Senate.*

Academic Resourcing Committee, Administrative and Professional Services Group, Campus and Commercial Services Group:

- Consider departmental risk assessments (for the departments for which they have responsibility) within the context of the relevant strategic planning process.
- Determine whether any departmental risks could have significant institutional impact, and escalate these to the Steering Committee (potentially for inclusion on the institutional risk register).
- Maintain an oversight of key departmental risks throughout the year.
- Determine and oversee departmental risk-taking to help seize opportunities and support innovation.
- Promote the value of effective risk management to Heads of Departments and encourage understanding and application of the associated procedures. In addition, the Administrative and Professional Services Group:
- Considers twice a year the Institutional Risk Register (proposing amendments if required) and recommends to the Steering Committee the University's key risks that should be reported to the Council.
- Ensures that proactive operational cross-functional planning is undertaken to inform the mitigation actions set out on the institutional risk register.
- Undertakes horizon scanning and 'blue skies' activities in relation to non-academic risk identification.

The Operational Risk Management Group (ORMG):

- Supports the Steering Committee through its responsibility for *operational and compliance* risk identification, analysis, evaluation and monitoring.
- Encourages the development of University and departmental business continuity plans, and monitors the University's insurance portfolio.
- To undertake these responsibilities effectively, the ORMG has a membership and mode of operation that flexes as necessary to ensure appropriate participation on each agenda item.

The Registrar & Chief Operating Officer:

- Is responsible for the effective implementation of the risk management processes.

Heads of Departments:

- Are responsible for the consideration and dynamic management of risk associated with all departmental activities.
- Must ensure that all strategic proposals from the department take into account the risk/reward balance and clearly evidence that the associated risks have been considered and are being actively managed.
- Are responsible for ensuring that the consideration of risk is an integral part of operational practice across all areas of activity.
- Are responsible for the escalation to the relevant Group/Committee (when necessary) of risks at departmental level.

- Promote the value of effective risk management to colleagues within their departments and encourage understanding and application of any associated procedures.

Chairs of Committees (with support from their Committee Secretariats):

- Are responsible for ensuring that a culture of risk identification and management is reinforced through meeting agenda and papers, considerations, discussions and decision-making within meetings. To facilitate this, any reports seeking a significant policy or decision should incorporate a brief assessment of the key risks, indicating what measures would be put in place to address them.
- Are responsible for the identification and management of risks associated with any strategies or policies for which the Committee is responsible (with associated assurance responsibilities)
- Ensure that their Committee undertakes horizon scanning within its terms of reference to ensure that longer-term risks are identified (as well as those that are more immediate).
- Should be mindful of any agreed delegated authorities to provide assurance as to the effectiveness of the systems in place to monitor and manage risks within their areas.
- Should escalate any significant risks to the next Committee in the governance hierarchy.

Risk Owners:

- Are identified on risk registers and have responsibility for:
 - Managing their assigned risks.
 - Developing and monitoring the progress of action plans to remedy control weaknesses after the initial assessment of the risk.
 - Reporting as necessary to the Institutional Risk Adviser to highlight significant changes in risk priority or where risks are not being effectively managed.
 - Acting as Sponsors for high-impact, risky projects.
 - Ensuring that controls are regularly carried out and that all relevant colleagues are aware of them and their importance.
 - Ensuring that controls are regularly reviewed to consider whether they continue to be effective.
 - Overseeing the satisfactory completion of actions assigned to Risk Action Managers.
 - Ensuring that Risk Action Managers are provided with sufficient breadth of context on the relevant risk to understand the importance of their actions being completed successfully.

To ensure there is appropriate accountability and responsibility in relation to risk management, the owner for each risk is clearly identified and is the same person who owns the relevant objective to which it relates.

Risk Action Managers:

- Are identified on the risk register and have responsibility for ensuring one or more actions is completed within the designated timescale.
- Should ensure the Risk Owner is appropriately informed of progress towards action completion.
- Ensure that the detail underpinning actions is recorded in whatever format is most appropriate.

The Institutional Risk Adviser(s) (based in the Deputy Registrar's Office):

- Helps the institution manage risk - is responsible for communicating and encouraging understanding of risk management across the University and facilitating the sharing of good practice. This will involve the co-ordination of risk management training.
- Undertakes initial assessments to determine whether risks are being appropriately considered by Committees/Groups and works with relevant colleagues to ensure the outcomes of Committee/group discussions are appropriately communicated to relevant stakeholders.
- Is responsible for maintaining and co-ordinating updates to the institutional risk register and for providing guidance on risk management.
- Prepares twice yearly and ad hoc reports from the risk register to key committees and groups.