UNIVERSITY OF LEICESTER

RISK MANAGEMENT POLICY
(Revised October 2015)

1. This risk management policy (‘the policy’) forms part of the University’s internal control and corporate governance arrangements.

2. The policy explains the University’s underlying approach to risk management, and documents the roles and responsibilities of the Council, Senate, the University Planning Group, and other key bodies. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.

3. In addition, it describes the process used by the Council to evaluate the effectiveness of the institution’s internal control procedures.

Underlying approach to strategic risk management

4. This policy outlines the means by which the University seeks to exercise effective control against the possibility that a specific event or set of circumstances will adversely affect the achievement of its strategic objectives in the medium and longer term. It involves a systematic process for identifying and measuring risks, and for taking action to manage and control them. It helps to focus management attention on priority issues, aids strategic planning and the effective use of resources, and confirms the university’s commitment to good governance and accountability. It is also a demonstration of existing good management practice, and enables risks to be taken deliberately in cases where the potential benefits of a new venture are worth pursuing, but where there is a significant need for potential side effects to be controlled.

5. Risk is managed at all levels within the University: Corporate, College and Departmental; with provision made for escalation of risks where necessary. High-level risks will be identified and closely monitored on a regular basis. The following key principles inform the University’s approach to risk management and internal control:

   ● Council has responsibility for overseeing risk management within the institution as a whole;
   ● Senate has responsibility for understanding and mitigating academic risks;
   ● an open and receptive approach to solving risk problems is adopted by the Council;
   ● the President & Vice-Chancellor and the University Planning Group supports, advises and implements policies approved by the Council;
   ● the University makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
   ● Heads of College are responsible for encouraging good risk practice within their College;
   ● Heads of Department are responsible for encouraging good risk management practice within their Departments;
   ● Heads of Division are responsible for encouraging good risk management practice within their areas of Corporate Services.
Role of the Council and Senate

6. In discharging their responsibilities both bodies have fundamental roles to play in the management of risk. Their roles are to:

   a) Set the tone and influence the culture of risk management within the scope of their remit. 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.

   b) Determine the appropriate risk appetite or level of exposure for the University in any given area of activity;

   c) Approve major decisions affecting the University’s risk profile or exposure;

   d) Monitor the management of significant risks to reduce the likelihood of unwelcome surprises;

   e) Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively;

   f) Annually review the University’s approach to risk management and approve changes or improvements to key elements of its processes and procedures.

Role of the University Planning Group

7. Key responsibilities of the University Planning Group are to:

   ● Implement policies on risk management and internal control ensuring that risk is widely understood and managed across all strategies and delivery plans;
   ● Identify and evaluate the significant risks faced by the University for consideration by the Council;
   ● Provide adequate information in a timely manner to the Council and its committees on the status of risks and controls;
   ● Undertake an annual review of effectiveness of the system of internal control and provide a report to the Audit Committee and thence to Council.

Risk management as part of the system of internal control

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

   ● Policies and procedures
      Associated with significant risks are a series of policies and procedures that underpin the internal control process, which have been approved by the Council and widely disseminated.
• **Regular reporting**
  The President & Vice-Chancellor and the University Planning Group receive regular reports enabling them to monitor key risks and their controls and to initiate corrective action as necessary. Decisions to address problems are made at monthly meetings of the University Planning Group. Council receives regular internal control reports from the President & Vice-Chancellor during the year.

• **The Planning Round**
  The Planning Round, as conducted through Council and associated committees is used to set objectives, understand local risks and opportunities, agree action plans, and allocate resources. Progress towards meeting objectives is monitored regularly.

• **Corporate Strategic Risk Register**
  The Corporate Strategic Risk Register is used by Council, on the advice of the President & Vice-Chancellor and the University Planning Group, to help facilitate the identification, assessment and on-going monitoring of strategic risks significant to the University. The document is appraised termly as part of the Planning Round. But emerging risks are also added as required, and improvement actions and risk indicators are monitored regularly.

  Consideration is also given to the removal of risks from the register based on a range of factors including:

  - the scale of the threat it poses to the University;
  - the nature of the action required to address the risk (i.e. whether a corporate or a local response is necessary);
  - the resources needed to mitigate the threat;
  - the requirement to monitor the risk at a corporate level;
  - the potential for rapid change in either likelihood or impact of the risk.

• **Local Strategic Risk Registers**
  Colleges and Divisions within Corporate Services, the Library, College Court, Sport and Legal and Information Assurance Services are required to maintain Local Strategic Risk Registers as the basis for managing and monitoring lower level risks that are directly relevant to them at a local level and over which they are able to exert some influence or control.

  These Local Strategic Risk Registers are based on the same framework as used for the Corporate Strategic Risk Register. Registers must conform to the standard format for which a template is provided which may be adapted if necessary to suit local circumstances.

• **Review of Risk Registers by Departments**
  Heads of Department must alert the Head of College to any local risks they consider have the potential to develop into risks of institutional strategic significance.
The Corporate Strategic Risk Register and Local Strategic Risk Registers, and the Risk Management process must be shared with all staff to ensure that the process is fully embedded.

- **Review of Risk Registers by College Leadership Teams**

College Leadership Teams must review the Corporate Strategic Risk Register on a termly basis within the College and submit proposed amendments to the University Planning Group.

College Leadership Teams must review the Local Strategic Risk Register on a termly basis and update accordingly.

Local risks which have the potential to develop into risks of institutional strategic significance must be submitted in a report, in the same format as the Local Strategic Risk Register, to the Secretary of the University Planning Group for escalation, where appropriate, to the Corporate Strategic Risk Register.

- **Review of Risk Registers by the Registrar and Heads of Corporate Services Divisions**

The Registrar and Heads of Corporate Services Divisions must review the Corporate Strategic Risk Register on a termly basis and submit proposed amendments to the University Planning Group.

The Registrar and Heads of Division must review on a termly basis the updated Local Strategic Risk Registers within Corporate Services.

Local risks which have the potential to develop into risks of institutional strategic significance must be submitted in a report, in the same format as the Local Strategic Risk Register, to the Secretary of the University Planning Group for escalation, where appropriate, to the Corporate Strategic Risk Register.

The Corporate Strategic Risk Register and Local Strategic Risk Registers, and the Risk Management process must be shared with all staff to ensure that the process is fully embedded.

- **Escalation of Local Risks arising outside the Risk Register Review Process**

Heads of Department must alert the Head of College immediately to any local risks they consider have the potential to develop into risks of either College or institutional strategic significance. The Head of College must inform the President & Vice-Chancellor as appropriate.

Similarly, Heads of Division must alert the Registrar immediately to any local risks they consider have the potential to develop into risks of institutional strategic significance. The Registrar must inform the President & Vice-Chancellor as appropriate.
The Audit Committee provides oversight of the University’s risk management, control and governance arrangements. Specifically they keep under review the effectiveness of internal control and risk management systems including the risk register. They also review the external auditors’ management letter, the internal auditors' annual report, and management responses.

Internal Audit

Internal audit is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the organisation. The internal auditors will report annually to the Audit Committee on the effectiveness of overall corporate governance procedures.

External Audit

External audit provides feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit.

Third Party Reports

From time to time, the use of specialist external consultants may be necessary in areas such as health and safety, and human resources. The use of specialist third parties for consulting and reporting has the potential to increase the reliability of the internal control system. Their reports will be made to Senate and Council via the appropriate Committees.

Annual review of effectiveness

9. The Council is responsible for reviewing the effectiveness of internal control of the University, based on information provided by the Audit Committee and the University Planning Group. Its approach is outlined below.

10. In reviewing the risks identified on the Corporate Strategic Risk Register, Council will:

- review the previous year and examine the University’s track record on risk management and internal control;
- consider the internal and external risk profile of the coming year and consider if current internal control arrangements are likely to be effective.

11. In coming to a view on the effectiveness of the University’s risk management procedures Council will consider the following aspects:

Control environment:
- the University’s objectives and its financial and non-financial targets;
- Funding Council policy;
- organisational structure and calibre of the senior management team;
- culture, approach, and resources with respect to the management of risk;
- delegation of authority;
- public reporting.

On-going identification and evaluation of significant risks:
- timely identification and assessment of significant risks;
- prioritisation of risks and the allocation of resources to address areas of high exposure.

Information and communication:
- quality and timeliness of information on significant risks;
- time taken for control breakdowns to be recognised or new risks to be identified.

Monitoring and corrective action:
- ability of the University to learn from its problems;
- commitment and speed with which corrective actions are implemented.

Implementation of the Risk Management Policy

12. The Risk Management Policy is delivered through the University’s Planning Round and the established committee system, as the best means of embedding a risk management culture within the institution. A risk management approach informs many of the management, monitoring, planning and policy making activities routinely undertaken within the University, achieved by the following means:

- The University Planning Group is responsible for maintaining and reviewing the Corporate Strategic Risk Register, for determining how the risks are to be addressed, and how the action to be taken should be monitored. To this end the Group routinely receives management information data relating to key corporate risks (e.g. undergraduate and postgraduate admissions statistics; research grant and contract income; budget expenditure profiles; management of capital projects etc.).
- The President & Vice-Chancellor presents an annual report to the Audit Committee on the effectiveness of the risk management controls which it operates.
- The President & Vice-Chancellor presents regular internal control reports to Council.
- A briefing on risk management is provided to new Heads of College, Heads of Department and Heads of Division in Corporate Services, and risk management topics features in the President & Vice-Chancellor’s meetings with Heads of Departments as required.
- Consideration of risk is an explicit feature of departmental interactions with University committees in the areas of academic and financial planning, such as:
  - the Challenge process used as part of the Planning Round;
  - monitoring of departmental research strategies by the Research Policy Committee;
  - evaluation of new course proposals by the Fee Setting and Programme Development Committee;
  - Annual Monitoring procedures within Departments (revisions to the University Code of Practice; scrutiny of departmental practices through the Academic Review process).
• The Audit Committee receives regular reports from the internal auditors, who are asked to give particular attention to the management of key risks in the context of their programme of audit reviews.

• Heads of College and Heads of Divisions in Corporate Services are consulted in the termly appraisal of the Corporate Strategic Risk Register and the preparation of each Internal Control report to Council, enabling new information of institutional significance to be reflected in the reports, and local risks to be escalated to the Corporate Strategic Risk Register where required.

• The review of Local Strategic Risk Registers is embedded in the Planning Round and is directly linked to the review of the Corporate Strategic Risk Register.

• Heads of College, the Registrar and Heads of Division are responsible for ensuring Local Strategic Risk Registers are maintained and reviewed.

Date: October 2015