University of Northampton

Risk Management Policy

Purpose

1. This Risk Management 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, documents the roles and responsibilities of the Board of Governors, the University Management Team (UMT), and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.

3. In addition, it describes the process the Board of Governors will use to evaluate the effectiveness of the University's internal control procedures.

Underlying Approach to Risk Management

4. The following key principles outline the University's approach to risk management and internal control:
   - the Board of Governors has responsibility for overseeing risk management within the University as a whole;
   - an open and receptive approach to solving risk problems is adopted by the Board of Governors;
   - a three-stage risk analysis process will be undertaken to assess key risks, consider control measures and monitor the progress of mitigating actions;
   - risk analysis will be undertaken for strategic, financial, legal, political, market, reputational, and operational (people and estates) risks, and for major projects taking into account horizon scanning undertaken by the Board of Governors and the senior management of the University;
   - the Vice Chancellor and the senior management of the University supports, advises and implements policies approved by the Board of Governors;
   - the University ensures that the financial and non-financial implications of risks are recognised and disclosed;
   - the University will actively seek to identify opportunities and quantify the cost associated with missing these as part of the risk management process;
   - Heads of Academic and Professional Service Units are responsible for encouraging good risk management practice within their Faculties and Services;
   - key risk indicators will be identified and closely monitored on a regular basis.

Responsibility and Accountability

5.   Board of Governors.

The Board of Governors has a fundamental role to play in the management of risk. Its role is to:

    a. Set the tone and influence the culture of risk management within the University. This includes:
- determining the attitude to risk (risk appetite) across the University as a whole and on relevant individual issues;
- in the context of key strategic risks, 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. Approve major decisions affecting the University's risk profile or exposure.

    c. Monitor the management of significant risks to reduce the likelihood of damaging surprises.

    d. Satisfy itself that all risks are being actively managed, with the appropriate controls in place and working effectively.

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

6.   Responsibilities of the Senior Management of the University.

The various groupings of the senior management of the University have specific roles in relation to risk management:

    a. UMT has responsibility to ensure that the Risk Management Policy is implemented and that it operates effectively. UMT discharges this responsibility by holding line management responsibility for all operational managers and by monitoring significant risks and being responsible for reporting to the Board of Governors. They have a significant role in respect of incorporating risk management in strategic planning, including:
- identifying an individual who will take overall responsibility for the co-ordination and monitoring of risk management;
- implementing policies on risk management and internal control;
- identifying and evaluating the significant risks faced by the University for consideration by the Board of Governors;
- providing adequate information in a timely manner to the Board of Governors and its committees on the status of risks and controls;
- undertaking termly reviews of the risk register and the associated mitigating action plan, and conduct an annual review of effectiveness of the system of internal control and provide a report to the Board of Governors.

b. Heads of Academic Units (Deans) – have risk management responsibility in respect of the development and delivery of academic study, consultancy and research and general management responsibilities which includes risk management for their areas.

c. Heads of Professional Services Units – have a range of general management responsibilities which involve risk management.

The System of Internal Control

7. The system of internal control incorporates risk management. This system encompasses a number of 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:

a. Institutional Risk Register

This register is prepared under the advice of UMT. Those risks which have a current risk assessment score of 10 or more on Faculty or Service risk registers are considered for inclusion within the institutional risk register which is considered by the Audit Committee. Where appropriate, risks are amalgamated around similar topics.

Of those risks on the institutional risk register, any which have a current risk assessment score of 15 or more are considered by the Board of Governors so as to identify those fundamental risks which could impact upon the University's ability to meet its strategic objectives. The institutional risk register is considered at a meeting of the Audit Committee three times a year and the list of fundamental risks is also considered by the Board of Governors three times a year.

b. Faculty/Service Risk Registers

Heads of Academic and Professional Service Units will develop and use this framework to ensure that significant risks in their Faculties and departments are identified, assessed and monitored. The document is formally appraised at least annually, but emerging risks are added as required, and there should be a mechanism by which improvement actions and risk indicators are monitored regularly (i.e. through Faculty/Service management meetings).

c. Policies and Procedures

There are a number of policies that underpin the internal control process. The policies are set by the Board of Governors and implemented and communicated by senior management of the University to staff. Written procedures support the policies where appropriate.

d. Business Planning and Budgeting

The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives is monitored regularly by the UMT.

e. Regular Reporting

Regular reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of UMT, and the Board of Governors if appropriate.

f. Audit Committee

The Audit Committee is required to report to the Board of Governors on internal controls and alert governors to any emerging issues. In addition, the Committee oversees this policy and its implementation, internal audit, external audit, and, management as required, in its review of internal controls. The Committee is therefore well placed to provide advice to the Board on the effectiveness of the internal control system, including the University's system for the management of risk. The Committee also receives reports on the process and the outcomes in terms of the key risk register.

h. Internal Audit Programme

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.

i. 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.

j. Third Party Reports

From time to time, the use of external consultants will be necessary. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

Risk Register and Process

8. Faculty/Professional Service Risk Register templates have been designed for completion by Faculty and Professional Services staff.

9. Heads of Academic and Professional Service Units will be required to ensure the completion of the templates and bring any of their high level risks to UMT for consideration for inclusion in the institutional register.

10.   All risks should indicate a current and target probability and impact which will derive a rating for each risk[1], the owner of the risk at Faculty or Service level, an indicative action date by which mitigating actions will be in place and a target closed date. This will ensure consistency across the University.

11.   Risks will be rated on a 1-5 scale for probability and 1-5 scale for impact as follows:

Score	Probability	Impact
1	Rare (<5%)	Insignificant (<£100k)
2	Unlikely (5-25%)	Minor (£100–200k)
3	Possible (25%-60%)	Moderate (£200-500k)
4	Likely (60-90%)	Major (£500k-£1M)
5	Almost certain	Severe (£1M+)

Current and target ratings will be calculated by multiplying the probability score with the impact score.

12.   It is key that risks are monitored regularly and at the appropriate level. This process need not become a lengthy or bureaucratic process – quarterly reviews are recommended.

Annual Effectiveness Review

13.   The Board of Governors is responsible for reviewing the effectiveness of internal control of the University, based on information provided by UMT and the Annual Report of the Audit Committee. Its approach is outlined below.

14.   For the significant risks identified, the Board will:
   a. review the previous year and examine the University's track record on risk management and internal control;
   b. consider the internal and external risk profile of the coming year and consider if current internal control arrangements are likely to be effective.

15.   The Board of Governors will consider the following aspects:

---

[1] 'Current' ratings are those which take into account existing controls. 'Target' ratings are those which take into account both existing controls and additional measures which could be brought in to further mitigate the specific risk.

a. Control environment:
  o the University's objectives and its financial and non-financial targets;
  o organisational structure and experience of the senior managers;
  o the University's risk culture, the resources in place to manage risks and the approach adopted with respect to the management of risk;
  o delegation of authority;
  o public reporting as required for compliance with regulatory frameworks.

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

c. The mechanism for assessing and identifying risks:
  o quality and timeliness of information on significant risks;
  o time it takes for control breakdowns to be recognised or new risks to be identified.

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

e. A description of the role of Faculties and departments in identifying and assessing risk at their level.

16. UMT will prepare a report of its review of the effectiveness of the internal control system annually for consideration by the Audit Committee.

17. In this report Heads of Academic and Professional Service Units will require to have certified that controls are in place and key risks been managed.

Revised: February 2020
Last Approved: September 2018