University of South Wales
Prifysgol De Cymru

UNIVERSITY OF SOUTH WALES RISK MANAGEMENT FRAMEWORK

This document provides an outline of the agreed University of South Wales approach to managing risk. The document outlines the required process for all managers to follow.

Updated Aug 2018

Foreword

This Risk Management Framework sets out the principles underlying Risk Management. It provides the framework for how risk is identified, reported and managed throughout the University Group.

These principles should be utilised in all areas where risk needs to be considered and they should be adopted within the Project Management Framework and in all aspects of strategic planning and project appraisal as well as used in the day to day operational management of Faculties and Departments.

What is Risk?

"Fail to identify the strategic risks and you fail as a business, no matter how well you manage your operational and project risks." - Keith Baxter

A risk simply defined is the possibility of something happening. Important to remember is that a risk is something that **has not happened**. It may never happen but if it did it would impact either negatively or positively on the University.

Risks should not be confused with the normal issues and challenges that we face in our day to day work. Issues and challenges are things that are or will happen and of course need management. For something to be a 'Risk' it has to have that element of uncertainty, it will be talked about in terms of 'if' and 'may' rather than 'when' and 'will'.

What is Risk Management?

Risk management is the identification, assessment, and prioritisation of risks that are followed up by actions that aim to minimise, monitor, and control their probability and/or impact.

The University's approach to risk management is not about trying to eliminate all risks; this isn't possible. It is about understanding and responding positively and effectively to the risks that we face. It considers the threats to the University (negative risk), but also the opportunities (positive risk).

Risk, when it is well managed, can be turned to our advantage. The risk associated with not exploiting an opportunity, may be as equally detrimental as not managing our negative risks.

Risk management is integral to the work of all our staff as everyone has some level of responsibility in terms of risk management in order to achieve their own objectives or their faculty/ department objectives.

"If you don't invest in risk management, it doesn't matter what business you're in, it's a risky business." - Gary Cohn.

Types of Risk

The University has identified three categories of risk:-

Corporate/Strategic risk- these are risks which need to be taken into account in judgments about medium to long term goals and objectives of the organisation i.e. our key strategic priorities) and are usually managed at a corporate level based on the contributions made by each faculty and corporate department.

Operational-these are risks that managers face during the day to day operation of their faculty or department; they could have an impact on the University more broadly or just to that specific area.

Project risk-these are risks that managers face during the delivery of a specific project they could have an impact on the specific project and may have a broader impact on the University.

Risk Appetite and Strategic Planning

The University's risk appetite is the level of risk that the organisation is prepared to accept, before action is deemed necessary to reduce it. It represents a balance between the potential benefits of innovation and the potential loss that changes could bring. The levels of risk appetite are noted below.

Risk Appetite	**Key Characteristics**
Averse	Avoidance of risk and uncertainty is a key organisation objective.
Minimal	Preference for ultra-safe options that are low risk and only have a potential for limited reward.
Cautious	Preference for safe options that have a low degree of risk and may only have limited potential for reward.
Open	Willing to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money.
Hungry	Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.

Risk Management Process

Risk management is not simply about identifying risks and avoiding them. It is about the management of risk in an effective manner. The risk management process can be broken down into a series of common sense steps:

- Identify/assess the risks and log them
- Analyse/evaluate each risk
- Identify and implement ways to manage the risk
- Measure the impact your actions have had
- Keep risks under regular review and update as necessary

Identification

The first key step in the risk management framework is the identification of risks. The risks across the University will vary; they are dependent on the nature of the work undertaken in an area. Also a risk could impact on different parts of the University in different way. Risks can be identified through brainstorming, lessons learned from previous experience, the requirements of external bodies, specialist knowledge of individuals and just common sense.

Analysis & Evaluation

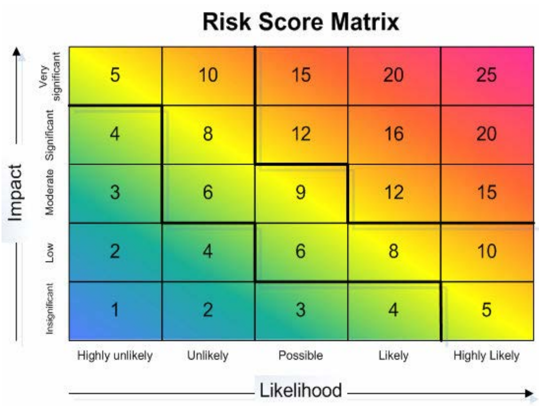
Having identified potential risks it is necessary to evaluate them. The exposure to the risk is measured in terms of the likelihood of the risk occurring and its impact should the risk materialise.

As noted above the impact and likelihood of a risk occurring can depend on your place in the organisation. The following tables provide guidelines for the scoring of risk but are in no-way definitive and will depend upon local knowledge.

Definition of Impact		
Very Significant	5	• Critical impact on the achievement of overall objectives • Considerable impact on reputation • Substantial financial implications
Significant	4	• Major impact on the achievement of overall objectives • Serious impact on service delivery • Negative impact on reputation
Moderate	3	• Loss of time and resources • Impact on operational efficiency, output and quality • Local negative media attention
Low	2	• Minor loss, delay, inconvenience or interruption • Isolated issues/ complaints
Insignificant	1	• Minimal loss, delay, inconvenience or interruption • No effect on stakeholder confidence

Definition of Likelihood		
Highly likely	5	• Almost certain (>95%). The risk is certain to occur
Likely	4	• Probable (75-95%). The risk will probably materialise at some point
Possible	3	• Possible (25-75%). To be expected
Unlikely	2	• Unlikely (5-25%). The risk will probably not materialise
Highly Unlikely	1	• Rare (0-5%). Will only materialise in exceptional circumstances

The product of these two measures is shown in the matrix below:



The risk should be allocated a score when it is first identified i.e., the 'initial risk score' and over time and through the actions used to manage and control the risk it will be further evaluated and given a 'residual risk score' i.e., the initial risk score, minus the effects of any mitigation and contingency.

Risks that score 1-4 are classed as 'Low'. We can choose to do very little about these other than record them and check them on a regular basis, although should still have some contingency in place to deal with these should they rapidly escalate. These risks will normally be handled at the faculty/departmental level.

Risks that score 5-10 are our 'Moderate' risks. These are the risks that we should be actively managing either as a faculty/ department, or at a corporate level. Active mitigation measures should be in place to reduce the likelihood of the risk escalating and adequate contingency plans should be in place to deal with the impact of the risk should it occur.

Risks with scores of 12-25 are the most important, as these are our 'Critical' risks. These risks should be prioritised as a matter of urgency and managed on an ongoing basis. It is also important that these risks are brought to the attention of senior managers and the Executive team.

Manage

Having identified and evaluated a risk we must now put actions in place to manage the risk. We need to put in place actions that:

- reduces the likelihood of the risk occurring or
- if the risk materialises reduces the impact that it has on our business.

When managing risks we need to ensure that we use risk controls with mitigating actions. Risk control involves taking the information gained during risk assessments and developing and applying actions to mediate the risks. For the University, examples of risk control can be the implementation of project management controls or the raising of the risk with the senior management team. The actions that are then put in place aim to fall into one or more of the following four major categories:

Tolerate

This is where we decide to accept the risk without doing anything to manage it. This type of response is normally only acceptable where the likelihood and impact of the risk are both relatively low. Risks which are tolerated will still need periodic reviews to ensure that they are still scored within an acceptable level.

Even if it is not tolerable, the ability to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit gained. In these cases the response may be to tolerate the existing level of risk. This option, of course, may be supplemented by contingency planning for handling the impacts that will arise if the risk is realised.

Treat

By far the greater number of risks will be addressed in this way. The purpose of treatment is that actions are undertaken to constrain the risk to an acceptable level.

Transfer

For some risks the best response may be to transfer them. This might be done by conventional insurance, or it might be done by paying a third party to take the risk in another way.

Terminate

Some risks will only be treatable, or containable to acceptable levels, by terminating the activity.

Contingency

Equally important to the management of risk is contingency planning, putting in place plans just in case the risk does occur even after you have tried to manage it.

Contingency plans can significantly reduce the impact of the risk, should it occur.

When drafting your risk register it is good practice to ensure that in the mitigation section you highlight your risk appetite (i.e. tolerate, treat, transfer, terminate) and the controls and actions you will be/are implementing. An implementation date for each mitigating action also needs to be included. Including a date will ensure that mitigating actions are implemented on a timely basis, however, we do recognise that some actions will be ‘on-going’ and documented as such.

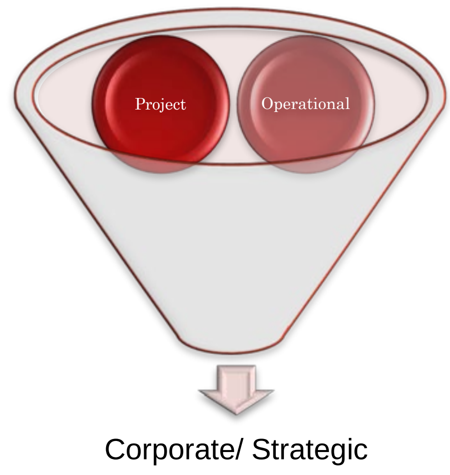
RECORDING AND MANAGING RISKS

The University Group records and manages risk using the 'Insight' system. The system is inherently based upon the University's strategic key priorities with each risk identified being mapped against this structure. This is to ensure that the University remains focused on the agreed key priorities and managing the risks that may impact on its success.

The system follows the structures noted earlier with the operational and project risk that are suitably significant feeding into the University's corporate and strategic risks.

The risks identified and the actions put in place by each faculty and department may also impact on our corporate risks. It is therefore important to note that what we do at the faculty and departmental level will impact upon the successful management of our corporate risks and ultimately the successful delivery of our strategic key priorities.

A training guide is available of the Insight system; please contact the University Secretary's Office for further information.



"Risk management should be an enterprise-wide exercise and engrained in the business culture of the organization." - Julie Dickson

Monitoring Reviewing and Reporting Risks

Monitoring, reviewing and reporting risk are essential elements of an effective risk management system. The senior management team in each area is expected to frequently review the risks in their area and ensure that they are formally updated on the Insight system on at least a termly basis.

The University Secretary's Office will request that each faculty, department and college submits an updated risk register termly. The University Secretary's Office will keep one year's worth of registers for each department/faculty but will dispose of anything older. These registers will be considered and a draft corporate risk register will be prepared.

The draft corporate risk register will then be considered at the Vice Chancellor's Executive Board meetings. These discussions with senior colleagues will focus on the critical risks to the University and will form the basis for the Corporate Risk Register which will be submitted to the Board of Governors Audit Committee for approval.

Roles and Responsibilities

The senior management teams in each faculty and department will assume ultimate responsibility for the management of their risks, including the overall responsibility for their day-to-day management.

The Executive members take specific responsibility for the management of corporate risk as part of their role in the line management of faculties and corporate departments.

The Vice Chancellor's Executive Board will review on a termly basis the University's corporate and strategic risks and formulate the Corporate Risk Register for approval by the Board of Governors Audit Committee. They will also confirm that appropriate assurance and control processes for these risks are operating effectively.

The Board of Governors will also monitor the most significant risks to the University.

The University Secretary & Clerk to the Governors will keep under review the University's processes for Risk Management.

All staff will understand the contribution that they make to the management of our risks, including how what they do can affect the risks that we are exposed to.

It is the responsibility of managers to ensure that their staff are well informed on the University's risk management processes.

Risk Maturity

Risk Maturity considers an organisations risk management systems and assess them against five levels:

Risk Maturity	Key Characteristics
Risk Naive	No formal approach developed for risk management
Risk Aware	Scattered silo based approach to risk management
Risk Defined	Strategy and policies in place and communicated
Risk Managed	Enterprise wide approach to risk management developed and communicated
Risk Enabled	Risk management and internal control fully embedded in the operations

The University considers that given the current systems that we have in place we are a risk managed organisation. We do not consider ourselves risk enabled as the University is still a new institution and the policies and systems that are in place need time to be fully embedded across the new organisation.

Risk Assurance

Conducting reviews of our risk management process and controls is important as effective risk management can improve efficiency and result in significant time and cost savings. However, establishing, maintaining and reviewing these systems and procedures can be onerous and we need to ensure that we have an effective but balanced approach in place.

The current system ensures that the University's risks are formally assessed at least termly and critical risks are fed into the governance structures of the University. Going forward the requirement for all faculties and corporate departments to submit Risk Registers will remain, as will the consideration of 'Critical' risks by senior management and the submission of a Corporate Risk Register to the Audit Committee of the Board of Governors.

We will also ensure that annually we check that relevant regulations, policies and protocols are being followed and carry out testing of the controls being relied upon.