



# Risk Management Policy

**Effective from October 2019**

## **1 Purpose**

- 1.1 This policy forms part of the University's internal control and corporate governance arrangements. It explains the institution's underlying approach to risk management and documents the roles and responsibilities of Council, Audit Committee, Executive Group and other key parties. It also outlines key aspects of the risk management process, and identifies the University risk reporting procedures.
- 1.2 This policy operates in conjunction with all other University policies and procedures and any other applicable regulation or legislation.

## **2 Principles of Risk Management**

- 2.1 Effective risk management informs strategic development through the identification and treatment of risk so that strategic objectives are more likely to be achieved, damaging events are avoided or minimised and opportunities are maximised.
- 2.2 The following key principles outline the University's approach to risk management and internal control:
  - There is an effective and embedded system of risk management in place which forms part of the wider system of internal controls for the University;
  - Council is provided with regular updates on the risk landscape and the level of exposure;
  - The entire University community accepts responsibility for ensuring that adequate risk management is in place;
  - A full corporate risk register is maintained together with more detailed risk registers maintained at School and Departmental level;
  - There is an agreed and documented approach to risk appetite;
  - Each risk will be assigned a risk owner, who will develop and document appropriate actions to reduce the level of any exposure to conform to the University risk appetite.

## **3 Strategic Risk Appetite**

- 3.1 The University has a responsible approach to risk management, seeking to recognise and manage its exposure to risks. In pursuit of achieving its strategic aims and academic mission the University will accept a degree of risk commensurate with the potential reward within defined tolerances for risk appetite as agreed by Council.
- 3.2 The University is committed to ensure an appropriate balance between risk aversion and opportunity is maintained and managed. The University tolerance levels for risk are given in Appendix 1.

## **4 Roles and Responsibilities**

### **4.1 Council**

Council is responsible for ensuring that the University has a robust and comprehensive system of risk management. It achieves this by approving the strategy and policy framework within which risk management is conducted. In determining its opinion on the effectiveness of risk management, Council is informed and advised by Executive Group and Audit Committee on the effectiveness of the framework and its operation.

Council is the Governing body with overall responsibility and oversight for risk management within the University with specific responsibility for:

- Setting the tone and influencing of the culture of risk management;
- Determining the appropriate risk appetite and tolerance levels;
- Providing the strategic focus to the management of significant and contingency risks.

### **4.2 Audit Committee**

The Audit Committee is responsible for monitoring the University's risk management activities. This Committee is led by a member of Council and receives termly reports from both the Executive Group and the University's internal auditors on the effectiveness of Risk Management as part of the profile of Internal Audit work. This committee, on behalf of Council, keeps under review the integrity and effectiveness of the University risk management framework, alerting Council to any emerging issues.

Audit Committee prepares an annual report for Council and expresses an opinion on the adequacy and effectiveness of the institution's risk management, control and governance arrangements.

### **4.3 Executive Group**

The University Executive Group has responsibility for developing the University's approach to risk management and for implementing arrangements that deliver effective risk management. This group:

- Supports The Vice-Chancellor and President in discharging the responsibility for the implementation of the Policy;
- Has responsibility for escalating risks to Council as appropriate;
- Oversees the production of an annual report for Council and Audit Committee on the adequacy and effectiveness of the university's risk management and risk controls in place;
- Formally approves the University's risk management processes and monitors the achievement of the University's objectives;
- Considers and makes recommendations to Senate and Council on the risk policy initiatives and other matters as appropriate.

## **5 Risk Identification, Assessment and Management**

5.1 Risk management is undertaken as an integral part of strategic and operational management and is the responsibility of all staff throughout the University.

5.2 Strategic and operational plans will include an assessment of the risks and mitigating actions associated with each objective; these will be reviewed regularly by the local management

teams with the most significant risks being reported to and reviewed by the University as part of the published review cycle.

- 5.3 Risks must be identified and assessed as part of the business case for all new schemes, investments and projects; once approved risks must be reviewed regularly by the project board or similar governance committee. Further guidance on managing project risk is developed by the Business Projects and Improvements Unit <https://www.kent.ac.uk/bipu/>
- 5.4 It is an expectation that all Schools and PSDs maintain a locally held risk register. Deans, Heads of Schools, risk owners and managers are responsible for identifying and recording risks within their School or Professional Service Department (PSD) risk registers. The register should describe the current status of each risk, evaluate controls already in place and outline further mitigating actions required. Risk owners should have authority to agree actions required to mitigate and control the risk. The Risk Management Team will maintain the University corporate risk register.
- 5.5 Risk status is assessed using the University risk scoring matrix presented in Appendix 2. The underlying status and combined risk score determines if the risk is assessed as a corporate level risk and whether it is to be subject to the additional reporting requirements associated with a significant or contingent risk.
- 5.6 For each risk that has a combined score that defines it as a significant or contingency risk the assigned risk owner must develop an action plan that is subject to annual review by the risk owner and assured by the Executive Group risk owner. The action plan should include control measures to be implemented to mitigate the risk and seek to bring any level of residual risk in line with the University risk appetite.

## **6 Risk Management Reporting Process**

- 6.1 Corporate level risks are formally monitored and reviewed throughout the year, on a twice yearly basis.
- 6.2 A risk that is identified and assessed as having a high likelihood or impact if not treated appropriately is defined as a significant level risk. This level risk may have the potential to severely impact the achievement of strategic objectives and may result in financial, reputational or other losses for the University if untreated.
- 6.3 A contingency risk is one that may expose the University to high impact internal or external threats such as natural disasters or technology threats if left untreated. The university must protect itself from contingent risks by developing and implementing effective business recovery and incident management plans.
- 6.4 The Executive Group receives termly reports on the University's approach to managing risk, highlighting the most significant risks, providing assurances that risks are being addressed satisfactorily and acting as a prompt to further action where risk exposure remains above acceptable thresholds.
- 6.5 The outputs of the Executive Group termly reviews are subsequently reported to Audit Committee and to Council. A full substantial review of all risks held in the corporate register is undertaken and reported to Executive Group, Audit Committee and Council annually.

## **7 INTERNAL LINKS**

<https://www.kent.ac.uk/governance/policies-and-procedures/index.html> - General Policies (including Risk Management)

<https://www.kent.ac.uk/finance-staff/risk/index.html>- Risk and Financial Compliance webpage, where you can locate the risk template, FAQs and further risk information.

## 8 EXTERNAL LINKS

<https://www.officeforstudents.org.uk/site-search/?query=RISK+MANAGEMENT> – Office for Students Approach to Risk Management (draft document)

## APPENDIX 1 University Risk Appetite

The University of Kent notes that in pursuit of achieving its strategic aims that it necessarily accepts a degree of risk commensurate with maximising its potential for success. The University is committed to ensure an appropriate balance between risk aversion and opportunity is managed and maintained.

The University currently has a **NIL** tolerance level to risks impacting regulatory compliance and sustainability and **Moderate** tolerance levels in all other respects, as shown below. The University approach to risk appetite is subject to annual review.

Appetite Level	Definition and Response
High	This area is <b>seen as vital to the University strategy</b> and in order to proceed in line with strategy a high degree of risk to the financial position, reputation etc. <b>must be taken on</b> , subject to appropriate risk management procedures, where available.
Moderate	There is moderate tolerance of risk in this area and any risk exposure should be <b>mitigated to moderate levels</b> .
Low	There is little tolerance of risk in this area and dramatic action should be taken to ensure that the level of risk is <b>lowered to minimal</b> if this activity is to continue.
Nil	There is no acceptance of risk in this area, and <b>immediate action should be taken to cease risk bearing activity</b> .

### University of Kent's Appetite for Risk by Strategic and Supporting Area

Strategic Area 1: Education and Student Experience	MODERATE
Strategic Area 2: Research and innovation	MODERATE
Strategic Area 3: Engagement, Impact and Civic Mission	MODERATE
Enabler 4: Regulatory	NIL
Enabler 5: Enabling Activities	MODERATE
Enabler 6: Sustainability	NIL
7: Horizon and Emerging Landscape Issues	MODERATE

## APPENDIX 2 Likelihood and Impact Matrix and Risk Scores

Likelihood (L) multiply by Impact (I) = Risk Score To have the range as multiples it will look like below:

**L [likelihood] multiply by I [impact] = Risk Score**

		Local Review		EG & Audit Committee review			
Likelihood	5	Very High	5	10	15	20	25
	4	High	4	8	12	16	20
	3	Medium	3	6	9	12	15
	2	Low	2	4	6	8	10
	1	Very Low	1	2	3	4	5
			Very Low	Low	Medium	High	Very High
		Impact	1	2	3	4	5

### Risk Scoring Matrix Guide

Rating	Score (Likelihood x Impact)	Guide
Red	20, 25	Red and Amber risks are deemed significant and reported to EG and Audit Committee termly.  All Green & Amber 'static' risks will still require comments as to why the score has remained the same.
Amber	15, 16	The Risk Management Team maintain regular contact with risk owners.
Green	12	
Yellow	10 (Likelihood 2 Impact 5)	Unlikely but catastrophe risks are called Contingency Risks and reported to EG and Audit Committee termly. The Risk Management Team maintain regular contact with risk owners.
Blue	5-10	Local review by risk owners every 6 months.
Grey	1- 4	Local review by risk owner annually.