

HARPER ADAMS UNIVERSITY

Board of Governors

Risk Management Policy 2020/21

November 2020

Purpose of this document

1. The risk management policy (the policy) forms part of the University's internal control and corporate governance arrangements. It is reviewed annually and recommended to the Audit and Risk Management Committee for approval. The review has been completed for the forthcoming year and no major changes to the policy are being proposed for 2020/21.
2. Members are reminded that the University's approach to Risk Management has also been informed regularly in the past 10 years by publications from RSM and UNIAC (internal auditors for a range of HEIs) and in 2019 by a benchmarking report on risk management in HEIs published by KMPG and analysed in the University's Risk Analysis and Action Plan. These reports summarised the key risks identified by HEIs and in some instances make suggestions for further risks to be considered where appropriate. The reviews confirm that Harper Adams University has appropriately considered all of the risks including new areas (such as Brexit) and therefore no major changes to existing arrangements are required. In one or two areas further clarification of how the University addresses risks relating to organisational change and business models has been included in the Risk Analysis and Action Plan (RAAP). Updates to the RAAP itself have been made and are reported to the Audit and Risk Management Committee for recommendation to the Board of Governors.
3. This policy explains the University's underlying approach to risk management and documents the roles and responsibilities of the Board of Governors, the senior management team, and other key parties. It also outlines major aspects of the risk management process and identifies the main reporting procedures.
4. In addition, it describes the process the Board of Governors will use to evaluate the effectiveness of the institution's internal control procedures.

Underlying approach to risk management

5. The following principles summarise the University's approach to risk management and internal control:
 - The Board of Governors has responsibility for overseeing risk management within the institution as a whole
 - An open and receptive approach to solving risk problems is adopted by the Board of Governors
 - The Vice-Chancellor and the senior management team support, provide advice on, and implement, policies approved by the Board of Governors
 - The University takes a prudent approach to risk and the disclosure of the financial and non-financial implications of risks. Its decision making is informed by the Risk Appetite Statement approved by the Board

- Line Managers are responsible for encouraging good risk management practice within their areas of responsibility
- Key risk factors are identified and closely monitored on a regular basis

Role of the Board of Governors

6. 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 whether the University is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue and reviewing the University's risk appetite statement at least annually
 - Determining which 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 level of risk exposure for the University
 - 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 that are 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 senior management team

7. The key roles of the senior management team are to:
 - a. Implement policies on risk management and internal controls
 - b. Identify and evaluate the significant risks faced by the University for consideration by the Board of Governors
 - c. Provide adequate information in a timely manner to the Board of Governors and its committees on the status of risks and control
 - d. Undertake an annual review of effectiveness of the system of internal control and provide a report to the Board of Governors.

Risk management as part of the system of internal control

8. The system of internal control incorporates risk management. The system will include a number of elements that will enable the University to respond to a variety of operational, financial, and commercial risks. These elements include:
 - a. *Policies and procedures*

Attached to significant risks are a series of policies that underpin the internal control process. The policies are set by the Board of Governors and implemented and communicated, by senior management, to staff. Written procedures support the policies where appropriate.

- b. *Reporting*
Comprehensive reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the senior management team and the Board of Governors, or its committees, if appropriate.
- c. *Business planning and budgeting*
The business planning and budgeting process is used to ensure that the objectives set in the University's Strategic Plan and Corporate Planning Statement are supported by the appropriate allocation of resources. Progress towards meeting business plan objectives and corporate planning objectives are monitored regularly.
- d. *High level risk framework (significant risks only)*
The framework is compiled by the senior management team and helps to facilitate the identification, assessment and on-going monitoring of risks significant to the University. The document is formally appraised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly.
- e. *Audit and Risk Management Committee.*
The Audit and Risk Management 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 internal audit, external audit and management as required in its review of internal controls. The committee provides advice to the Board on the effectiveness of the internal control system, including the University's system for the management of risk.
- f. *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.
- g. *External audit*
External audit provides feedback to the Audit and Risk Management Committee on the operation of the internal financial controls reviewed as part of the annual audit.
- i. *Third party reports*
From time to time, the use of external consultants will be necessary in areas such as health and safety, human resources and market research. The use of specialist third parties for consulting and reporting is intended to increase the reliability of the information on which the internal control system is based.
- j. *Risk Scoring system*
The University scores its risks in three ways:
Gross Risk is a product of likelihood that a risk will materialise multiplied by impact should the risk materialise
Residual Risk is the product of likelihood plus management status multiplied by impact plus management status
Target Risk is the level of score that the University assesses could be reasonably attained if all factors within its control were able to fully mitigate the risk

Risk Scoring is determined and reviewed at least annually (or more often if required due to major changes) by experienced risk leaders, in discussion with their teams.

Scores are determined after careful consideration of the likelihood of the risk materialising and the impact of the latter if a risk did materialise. Management controls and sources of assurance are considered and these lead to an assessment of management status, which can be added to the likelihood/impact score. Risk Management training/briefings for risk leaders and the wider University staff are provided to help promote a common understanding of risks and how to quantify likelihood/impact and management status.

The Deputy University Secretary and Vice-Chancellor review proposed risk scores set by risk leaders and ensure that there is a consistent approach. The full RAAP is also reviewed by University Executive and the Senior Management Team to allow for peer review of scores and/or discussion and moderation of any risk scores as necessary.

The RAAP is also subject to annual review and approval by Audit and Risk Management Committee and the Board of Governors.

The Risk Scoring Rubric is set out on the front cover of the RAAP in the form of a key. Residual risks are assessed with an overall score of Low, Low/Medium; Medium, Medium/High, High, Very High. Gross Risks are assessed as Low; Medium, High or Very High. Target risks are assessed as Low; Medium; High or Very High.

Annual review of effectiveness

- k. The Board of Governors is responsible for reviewing the effectiveness of internal control of the University, based on information provided by the senior management team. Its approach is outlined below.
- l. For each significant risk identified, the Board 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 for the coming year and consider if current internal control arrangements are likely to be effective
- m. In making its decision the Board will consider the following aspects:
 - i. Control environment:
 - The University's objectives and its financial and non-financial targets
 - 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
 - ii. On-going identification and evaluation of significant risks:
 - Timely identification and assessment of significant risks
 - The priority of risks and the allocation of resources to address areas of high exposure
 - iii. Information and communication:
 - Quality and timeliness of information on significant risks
 - The time it takes for control breakdowns to be recognised or new risks to be identified

- iv. Monitoring and corrective action:
- Ability of the University to learn from its problems
 - Commitment and speed with which corrective actions are implemented.
- n. The University will prepare a report of its review of the effectiveness of the internal control system annually for consideration by the Board of Governors, which will normally take the form of a section of the Audit and Risk Management Committee's annual report to the Board of Governors.

Mrs K S Baker
Deputy University Secretary
November 2020

Approved by Board of Governors 26.11.2020