

# ORDINANCE 22



## UNIVERSITY OF LONDON

### RISK MANAGEMENT POLICY

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### INTRODUCTION

1. The Statutes provide that the Board of Trustees shall exercise responsibility:  
  
10.1.2 to exercise guardianship over and ensure the effective management, control and use of the University's assets and resources;  
  
and  
  
10.1.6 to ensure the effective management of the University's Central Academic Bodies and Central Activities.
2. This Risk Management Policy (the Policy) is promulgated by the Board of Trustees to contribute to the fulfilment of these Statutes as part of the internal control and corporate governance arrangements of the University of London. The University shall, in common with all other higher education institutions, be obliged to disclose its compliance with the full principles of corporate governance, including the key principles of effective Risk Management.

#### ***Guide to Risk Management***

3. This Policy should be read in conjunction with the Guide to Risk Management<sup>1</sup> which provides advice and guidance on carrying out effective Risk Management.

### UNDERLYING APPROACH TO RISK MANAGEMENT

4. The University's Risk Management arrangements form part of the wider system of internal control and should be understood in that context. For full details of the system of internal control, see Annex 1.
5. Risk Management contributes to the processes of business planning, budgeting and monthly reporting with the objective of achieving a fully 'embedded' process.
6. Within the underlying approach, the Operational Development Group has routine responsibility for managing risk and developing appropriate practices, including drawing up amendments to this Policy. The Audit and Risk Committee monitors and reviews the work of the Operational Development Group and reports its findings to the Board of Trustees, which has overall accountability for Risk Management.

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<sup>1</sup> This is available on the University of London website at [www.london.ac.uk/989.html](http://www.london.ac.uk/989.html)

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### ***Risk Appetite***

7. The University's attitude to risk and how it is applied in decision making regarding the prioritisation of policies, programmes, projects, operations service delivery and the funding decisions that accompany them, can be defined as its 'risk appetite'; specifically the degree and type of risk the organisation is willing to take.
8. Risk appetite cannot be represented by a single number and is not always quantifiable; it is reliant upon the aims of the University and what risks may have to be taken to achieve those aims. However, in the current economic, political and operational environment the University concludes that it has a moderate risk appetite. The University will always use risk as a key decision-making criterion but also needs to balance this with the desire to be a creative and entrepreneurial organisation.

### **COMPONENTS OF THE RISK MANAGEMENT FRAMEWORK**

7. Risk Management in the University shall consist of the following elements:
  - 7.1 The Strategic Risk Register;
  - 7.2 Departmental Risk Registers;
  - 7.3 Peer Reviews of Departmental Risk Registers;
  - 7.4 Risk Registers for Major Capital Investment Projects; and
  - 7.5 Urgent Action taken by the Vice-Chancellor (in some instances in consultation with the Chair of the Audit and Risk Committee).
8. The various roles and responsibilities of each management group, Committee, and individual with regard to these components are detailed below.

### **ROLE AND RESPONSIBILITIES OF ALL EMPLOYEES**

9. All members of staff shall give due attention to managing risk regardless of the role they perform. All staff shall report new risks, or changes to the status of risks, through the management structure.

### **ROLE AND RESPONSIBILITIES OF PROJECT MANAGERS OF MAJOR CAPITAL INVESTMENT PROJECTS**

10. Project Managers of Major Capital Investment Projects shall document evidence demonstrating rigorous Risk Management within the project, consistent with standard project management methodology.

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11. Such evidence shall be commensurate to the level of investment of the project and shall be to the satisfaction of those responsible for each project's governance.

### **ROLE AND RESPONSIBILITIES OF THE RISK MANAGEMENT CO-ORDINATOR**

12. The Risk Management Co-ordinator shall be responsible for identifying risk issues and supporting all staff in managing risk through the timely provision and review of Risk Management policies, processes, procedures and guidance. The Risk Management Co-ordinator attends the Operational Development Group to advise on the status of, and issues in, Risk Management within the University and its constituent Departments.

### **ROLE AND RESPONSIBILITIES OF HEADS OF DEPARTMENTS<sup>2</sup>**

13. Heads of Departments shall be responsible for ensuring that effective Risk Management takes place within their areas of responsibility.
14. Each Head of Department has responsibilities in Risk Management with respect of: (i) Departmental Risk Registers; (ii) Peer Reviews of Departmental Risk Registers; and (iii) Risk Management for Major Capital Investment Projects.

#### ***Departmental Risk Registers***

15. Each Head of Department shall prepare or revise a Departmental Risk Register detailing the primary risks faced by that Department, assessments of their likelihood, impact, the actions and controls formulated in response (with timeframes for their realisation), and an appropriate named officer to whom responsibility for each risk has been assigned, together with a date for actions to be implemented or the risk to be reviewed.
16. The preparation or revision of a Departmental Risk Register shall take place:
  - 16.1 within one calendar month of any internal audit report where recommendations graded as 'Fundamental' are recorded;
  - 16.2 following Major changes to the structure, funding or strategic direction of the Department;

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<sup>2</sup> Where the Head of Department is the Head of a Central Academic Body (as established in accordance with Statute 17.1), s/he may choose to delegate the responsibilities enumerated in this Policy to a suitable person within that Body; s/he nevertheless remains responsible for the timely and effective management of risk within the Central Academic Body.

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- 16.3 following a specific request by the Operational Development Group;
  - 16.4 from 'scratch' at least once every three years, using the risk management prompt list in the Guide to Risk Management as a starting point, to prevent the Departmental Risk Register from becoming 'set in stone';
  - 16.5 at least twice in each academic year, notwithstanding the above conditions.
17. For those Departments designated as Central Academic Bodies, the Departmental Risk Register shall be considered by the Board for that Central Academic Body, in line with its terms of reference as set out in Ordinance 11. The risk register must be reviewed, and revised if necessary, at least twice a year. This shall not preclude consideration of the Departmental Risk Register by other Committees or management groups.
  18. Heads of Departments must include a suitable system for tracking the progress of risk mitigation actions and controls identified on the Departmental Risk Register, forwarding a copy to the Risk Management Co-ordinator following each preparation or revision.

### ***Peer Reviews of Departmental Risk Registers***

19. Peer Review provides an assurance to all stakeholders of the University, and its funders, that effective Risk Management is taking place within the Departments of the University. In addition to the above requirements, each Head of Department shall, in alternate academic years, either:
  - 19.1 conduct a Peer Review of the Departmental Risk Register of another Department; or
  - 19.2 have his/her Department's Risk Register reviewed by another Head of Department.

This arrangement shall operate so that each Head of Department alternates his/her role in consecutive years.

20. Guidance on participation in Peer Reviews is given in the Guide to Risk Management.

### ***Risk Registers for Major Capital Investment Projects***

21. Each Head of Department shall ensure that Major Capital Investment Projects within their Department are subject to rigorous Risk Management controls, consistent with standard project management

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methodology (e.g. PRINCE2, the University's endorsed project management methodology). The degree of scrutiny required shall be commensurate with the level of Investment being made.

### **ROLE AND RESPONSIBILITIES OF THE OPERATIONAL DEVELOPMENT GROUP**

22. The Operational Development Group is appointed by the Vice-Chancellor and currently comprises the following Officers:
  - 22.1 The Chief Operating Officer and University Secretary (Chair);
  - 22.2 The Director of Finance and Estates;
  - 22.3 The Director of Human Resources;
  - 22.4 The Director of Projects;
  - 22.5 The Chief Operating Officer of the University of London International Academy;
  - 22.6 The Director of Information and Communications Technology;
  - 22.7 The Chief Operating Officer of the School of Advanced Study;
  - 22.8 The Director of Senate House Libraries
  - 22.9 The Director of The Careers Group
  - 22.10 The Director of the University Marine Biology Station
  - 22.11 The Head of Communications
  - 22.12 The Head of the Central Secretariat
  - 22.13 The Head of Financial Planning
  - 22.14 The Head of Accommodation and Hospitality
  - 22.15 Representative from University of London Institute in Paris
  - 22.16 The Risk Management Co-ordinator (in attendance when matters of risk management are to be considered).
23. The Operational Development Group shall have responsibilities in Risk Management with respect of: (i) the Strategic Risk Register; (ii) Peer Reviews of Departmental Risk Registers; (iii) Risk Management for Major Capital Investment Projects; and (iv) general Risk Management responsibilities.

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### ***The Strategic Risk Register***

24. The Operational Development Group shall prepare or revise, at least twice in each academic year, a Strategic Risk Register detailing the primary risks faced by the University at a corporate and strategic level, assessments of their likelihood, impact and the control over the risk, the actions and controls formulated in response (with timeframes for their realisation), and an appropriate officer to whom responsibility for each risk has been assigned.

### ***Peer Reviews of Departmental Risk Registers***

25. The Operational Development Group shall consider all completed Peer Reviews, and shall, on an annual basis, review the guidance information pertaining to the Peer Review process and the effectiveness of Peer Review arrangements, reporting its findings, and on significant risks at a Departmental level, to the Audit and Risk Committee.

### ***Risk Registers for Major Capital Investment Projects***

26. The Operational Development Group shall satisfy itself that appropriate Risk Management arrangements are in place as part of Major Capital Investment Projects through the receipt of appropriate reports and documentation such as Risk Registers and the reports that analyse them.

### ***General***

27. The Operational Development Group shall act upon proposals by the Risk Management Co-ordinator to produce, support and implement policies, procedures and processes necessary for the effective management of risk in all aspects of the University's operation as part of the internal control arrangements.
28. The Operational Development Group shall provide any and all appropriate information in a timely manner to the Board of Trustees, *via* the Audit and Risk Committee, on the status of risks and controls.
29. The Operational Development Group shall recommend any appropriate urgent action regarding the management of risk to the Vice-Chancellor, who may liaise with the Chair of the Audit and Risk Committee as appropriate.

### **ROLE AND RESPONSIBILITIES OF THE AUDIT AND RISK COMMITTEE**

30. Pursuant to Ordinance 6, the Audit and Risk Committee is responsible for keeping under review the University's arrangements for Risk Management and internal control, including reference to the Strategic Risk Register.

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- 30.1 The Audit and Risk Committee shall, on at least an annual basis, receive a report from the Vice-Chancellor, which reviews the purpose, membership and remit of the Operational Development Group.
31. The Audit and Risk Committee shall have responsibilities in Risk Management with respect of: (i) the Strategic Risk Register; (ii) Peer Reviews of Departmental Risk Registers; and (iii) Risk Management for Major Capital Investment Projects.

### ***The Strategic Risk Register***

32. The Audit and Risk Committee shall review, at least twice in each academic year, the Risk Management arrangements for the University, with reference to the Strategic Risk Register. In so doing, the Audit and Risk Committee shall:
  - 32.1 monitor the management of significant risks to reduce the likelihood of adverse outcomes or events;
  - 32.2 satisfy itself that less significant risks are being actively managed, with appropriate and effective controls in place; and
  - 32.3 recommend the Strategic Risk Register to the Board of Trustees for approval, subject to the Committee being content with the University's identification and management of risk as detailed in the Strategic Risk Register.

### ***Peer Reviews of Departmental Risk Registers***

33. The Audit and Risk Committee shall receive reports annually to assess the effectiveness of the Peer Review of Departmental Risk Registers, and reports on significant risks therein, in ensuring that effective Risk Management takes place at a Departmental level.

### ***Risk Registers for Major Capital Investment Projects***

34. The Audit and Risk Committee shall satisfy itself that appropriate Risk Management arrangements are in place as part of Major Capital Investment Projects through appropriate reports and documentation.

### ***Annual Report to the Board of Trustees***

35. Pursuant to Ordinance 6 (Annex 1) the Audit and Risk Committee shall prepare an annual report to the Board of Trustees which shall include details of Risk Management arrangements at a strategic and at a Departmental level, as well as within Major Capital Investment Projects.

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### ROLE AND RESPONSIBILITIES OF THE BOARD OF TRUSTEES

36. The Board of Trustees has responsibility for overseeing Risk Management within the University and is ultimately accountable for it.
37. To discharge its responsibilities, the Board of Trustees shall:
  - 37.1 at least every six months, satisfy itself, through the consideration of reports, including the Strategic Risk Register, from the Operational Development Group, via the Audit and Risk Committee, that analyse the risks faced by the University, assessments of their likelihood, impact and the control over the risk, the actions and controls formulated in response (with timeframes for their realisation), and an appropriate officer to whom responsibility for each risk has been assigned;
  - 37.2 satisfy itself, that appropriate arrangements are in place to ensure effective Risk Management at a Departmental level, as well as for Major Capital Investment Projects;
  - 37.3 satisfy itself that all appropriate policies and procedures pertaining to the University's framework of internal control are in place, including those for Risk Management, approving new policies where appropriate;
  - 37.4 review the University's risk appetite on at least an annual basis;
  - 37.5 approve decisions that will have a major impact on the University's risk profile and risk exposure, such as (but not limited to) the analysis of risk in business cases and strategic initiatives or similar documentation; and
  - 37.6 foster a culture of Risk Management through the determination of the University's risk appetite and the acceptability of various types of risk; and setting the standards and expectations of staff with regard to conduct and probity.

### ***Annual Review of Effectiveness***

38. The Board of Trustees shall receive from the Audit and Risk Committee, an annual review of the effectiveness of the University's internal control arrangements, including Risk Management. In considering this review, the Board of Trustees shall consider the effectiveness of the University's internal control arrangements, including:
  - 38.1 Risk Management culture, and the conduciveness of its approach and resources (such a review may be based on, *inter alia*, opinions of the internal auditors, the external auditors or the Higher Education Funding Council for England's Assurance

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Service; third party opinions; reports received from the University's management regarding risk management arrangements at both a Departmental and a strategic level (including the Strategic Risk Register); and the effectiveness of risk management in contributing to the achievement of the University's strategic objectives);

- 38.2 the timely identification, evaluation, prioritisation and management of its risk profile and the resultant allocation of resources, both at a strategic and at a Departmental level (including the Strategic Risk Register) as well as, if appropriate, that of individual Departments or Major Capital Investment Projects;
- 38.3 the University's objectives and its financial and non-financial targets including its operating statement for the coming year;
- 38.4 delegation of authority;
- 38.5 public reporting; and
- 38.6 an assessment of whether internal control arrangements are likely to remain effective in the forthcoming year.
- 38.7 Information and communication:
  - 38.7.1 quality and timeliness of information on significant risks; and
  - 38.7.2 the time it takes for control breakdowns to be recognised or new risks to be identified.
- 38.8 Monitoring and corrective action:
  - 38.8.1 ability of the University to learn from its problems; and
  - 38.8.2 commitment and speed with which corrective actions are implemented.

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## **RISK MANAGEMENT POLICY**

### **ANNEX 1: RISK MANAGEMENT AS PART OF THE SYSTEM OF INTERNAL CONTROL**

1. Risk Management forms part of the wider system of internal control. This system consists of a number of elements that enable an effective and efficient operation and help the University to respond to a variety of operational, financial, and commercial risks.

#### ***Policies and Procedures***

2. Associated with significant risks are a series of policies that underpin the internal control arrangements. These policies are set by the Board of Trustees and implemented and communicated by Heads of Departments to staff. Written procedures support the policies where appropriate. Compliance with all policies and procedures is compulsory for all staff.

#### ***Internal Audit Programme***

3. 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.

#### ***External Audit***

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

#### ***Third Party Reports***

5. From time to time, the use of external consultants will be necessary in areas such as health and safety, and human resources. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

#### ***Business Planning and Budgeting***

6. 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.