HE Update
Risk Management
September 2015

Context

Audit Committees must give an opinion on the adequacy and effectiveness of risk management arrangements. This is not specific to Higher Education. The updated UK Corporate Governance Code (Financial Reporting Council) states that 'Companies will now need to present information to give a clearer and broader view of solvency, liquidity, risk management and viability'. It goes onto state that 'The Board should maintain sound risk management and internal control systems'.

While not prescriptive, any approach to risk management will almost certainly include some form of risk register. To support universities' evaluation of their existing risk management arrangements, we have undertaken a twofold exercise to:

- bring together thoughts on risk management practices across the sector
- review institutional risk registers, highlight the common themes and offer comments on changes over the last few years and what these recent registers may indicate in terms of priorities and management focus.

Observations and Best Practice Thoughts

Capturing the real risks

It may appear pedantic but there are significant benefits in paying close attention to how risks are phrased in order to ensure that risk management activities are not misdirected.

Sometimes there is a tendency to express risks as 'Failure to…' which can narrow rather than open up thinking – and obscure what the actual risk is. For example, if we define "failure to achieve student number targets" as a risk what does this mean? Could the consequence be embarrassment, could it simply mean that the target is wrong, or could it mean financial ruin for the organisation – or that parts of the University have their operations seriously curtailed or that development plans have to be shelved? Embarrassment or ambitious targets may not qualify as real risks, whereas something that threatens financial stability, discrete areas of an institution or future business plans feels much more compelling. Risks management works best, and management action can be focused most effectively, when risks are expressed in a way so that their impact and importance is self-evident.

Recording the real risk it means that it is easier (and more beneficial) to document the related controls and thus facilitates more focus. As way of a good example (in our opinion):

- Overseas students are not attracted to the University:
  - They are unaware of the University and / or its offering
  - They are aware of the University but not attracted

- Having engaged with the University they are deterred by the recruitment process.

The alternative e.g. Failure to recruit sufficient overseas students does not provide the same preciseness and can lead to an unfocussed summary of the controls in place.

Risks beyond institutional control

We have seen examples whereby institutions maintain two strategic registers – one covering risks specific to the institution and another covering sector risks – where little can be done to influence the likelihood but consideration can be given to mitigation of the impact. The separation can have the benefit of 'de-cluttering' the institutional register and allowing greater focus on risks that the Board and management can concentrate on (whilst not ignoring, through reference to the sector risks) the broader context.

Number of risks

Institution	Number of risks	Scoring Matrix (Impact x Likelihood)
1	13	4x4
2	10	5x5
3	15	5x5x5 (with the latter number covering 'an ability to manage' scale)
4	29 (6 risk themes)	5x5
5	13	3x3
6	10	6x6
7	18 (split between treated and tolerated risks)	5x5
8	19	5x10
9	23 (split between sector wide and institution specific)	5x5
10	10	5x5
11	12	3x3

10-15 risks seem to be the norm in terms of risks recorded and the highest (29) was based around six risk 'themes'. In terms of scoring, between a 4x4 and 6x6 scale are the most common. The numerical scores facilitate ranking and prioritisation of risks and risk management. However, quantification can conceal essentially subjective judgements and distract from managing risks.

Other areas to consider

- Updating and review of the risk register – some institutions tie in the update of the registers with the planning cycle and therefore may update it twice a year while others update theirs for each meeting of the Audit Committee. Clearly, there is a balance between creating an onerous process and ensuring the register remains relevant. While the Audit Committee normally sees the register at each meeting, how often the document is received and reviewed by the Board / Council varies – from each meeting to once a year

- Risk appetite – some institutions have spent considerable time on defining risk appetite and, for example, separating it into categories – be it financial, legal and reputational elements. Others have presented the position graphically – showing acceptable and unacceptable positions for the risks.

The table overleaf includes the results of our register review.

Risk Register Review

The table below details a desk top review of risk registers from our member institutions and beyond (eleven in total) across the sector – ranging from small specialist providers to large Russell Group institutions. It shows 21 risk themes (from registers no more than six months old) – we have not captured risks that are clearly institutionally specific and we have anonymised the actual wording in some cases. Where appropriate, we have also added comments highlighting, for example, how the registers have changed in the last few years, adding thoughts on new and emerging risks.

Risk Themes	Uniac Comment
Staffing: • Failure to recruit / retain staff of sufficient calibre • Failure to develop a more performance orientated culture • Lack of robust corporate approach to the development of skills and capacity • Lack of staff engagement • Lack of staff quality • Failure to develop staff skills and expertise • Failure to prioritise staff workload effectively • Failure to deliver an effective motivational and reward system	There is an increased focus on institutional staff and the detail beyond the headline risks (which we have not captured in this summary) highlights a concentration on performance review, appraisals, PDPs etc and (in some cases), research and income targets. With institutions introducing more dynamic strategies and updating them more regularly, there is perhaps a concern that there may be an impact on staff engagement and morale. The full registers include further narrative which covers the need / expectation that staff are engaging in teaching, research and external engagement e.g. short course delivery, development of new courses.
Student Recruitment: • Under-recruitment of undergraduate and post graduate students • Under-recruitment of international students and UKVI non-compliance • Student numbers detrimentally affected by UKVI regulations • Loss of Highly Trusted Sponsorship status with UKVI	This has moved from a general risk to one that is split down into specific categories with accompanying risk management approaches and includes, for example, part-time provision, distance learning and mature students. International student recruitment and related risks e.g. overseas ventures / partnerships and the related governance arrangements are detailed more than in the

Risk Themes	Uniac Comment
	past. UKVI compliance continues to be prevalent with some institutions requesting an internal audit review every year.
Student retention: • Significant increase in students leaving before completing their studies	
Student Satisfaction: • Insufficient progress in providing a world class teaching and learning experience • Failure to achieve standards required to charge £9K tuition fee for UK students • Poor student experience • Poor employability rates	
League Tables: • Drop or no improvement in league table positions	This is not a risk prevalent across the registers but does indicate that some institutions are focusing on league table management.
Research: • Failure to enhance research volume and quality • Increased competition for reduced research funding resulting in loss of research capability	
Social Responsibility: • Failure to reduce carbon emissions / footprint • Aims and objectives conflicting with other University activities and objectives	Whilst the first bullet point will not be a surprise, interestingly, some institutions are starting to recognise the potential tensions that some aspects of social responsibility bring.
IT: • Failure to match IT infrastructure to the University's ambitions • Risk of major incident which impacts on continuity and reputation • Cyber • Information Security / loss of data • Information security systems are compromised or fail to deliver services	All registers had IT related risks, with most having cyber as a separate risk or sub risk. The detail behind the headlines highlights that some risk management strategies recognise that the IT risks (and particularly cyber) need addressing through communications and

Risk Themes	Uniac Comment
	training plans – for all staff – and cannot simply be bracketed as a technical IT risk.
Governance: • Fundamental failure in governance/management/legal compliance • Not compliance with legislative and regulatory requirements	A very broad risk that, at one institution, had been split into numerous sub-risks and then the assurances mapped against each sub-risk to inform the internal audit programme.
Health and Safety: • Incident resulting in negative impact on reputation and finances • Increased levels of accidents amongst students and staff	
Marketing: • Failure to develop a powerful and distinctive brand • Failure to maximise opportunities	Marketing related risks are becoming more common – perhaps a reflection on the 'customer' focus in a more competitive environment
Equality and Diversity: • Failure to demonstrate E&D	This area is also given increased focus in the updated CUC HE Code of Governance.
Pensions: • Failure to adequately manage exposure to pension scheme risks	
Finance: • Failure to grow income, control costs and continue to invest in the future • Failure to generate sufficient cash to meet investment needs • Failure to diversify and grow income streams • Potential government cuts to HE funding • Significant additional financial investment does not deliver returns required by the University • Not achieving income targets • Failure to meet fundraising targets	Not surprisingly, finance related risks are prominent. However, in terms of risk management approaches, there is increasing reference to income diversification and fund raising activities.

Risk Themes	Uniac Comment
Estates and infrastructure: • Space, building, campuses are inadequate and / or maintained • Support and infrastructure not matching student expectation	An increased focus on the estate and whether it is fit for purpose as the student mix (and demands) change.
External relationships: • Failure to develop and maximise stakeholder relationships • Inappropriate institutional contracts and partnerships • Inadequate governance	
Academic Quality: • Failure to meet quality standards • Academic course provision fails to meet student needs and quality expectations	Whilst not a surprise, the risk is recognising QAA, OFSTED and other external body requirements – highlighting increasingly diverse agendas.
Teacher Education: • Loss of students / income	Examples of this as a standalone risk and strategies to engage with local schools.
Collaborative provision • Quality of academic provision provided by partners damages the student experience and reputation of the University	A theme throughout this exercise is the increased institutional focus on collaborative arrangements and particularly the governance and oversight.
Planning process • Failure to link planned investment to strategic goals • Strategic objectives are not effectively translated into operational business plans	
Data • Regulatory failures in relation to data responsibilities • Failure to maintain student related data quality, management control and resilience	From our engagement with HEFCE and feedback from their assurance reviews, there is an expectation that Audit Committees understand the main data returns, the related risks and the risk management approaches in place – with an internal audit being one of the means of gaining assurance.

How we can help you

We recognise that risk management is not an exact science and what works for one institution (at Executive and / or Board level) may not work at another. However, we have experience of auditing risk management frameworks across the sector – reviewing outputs and speaking with staff and governors. This means that we are well placed to make suggestions to get the most from the related activities.

For further information on how we can help or any other aspect of Uniac's internal audit and assurance service please do get in touch.

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