
Risk Management

July 2014



Formally, the Audit Code of Practice (within the Memorandum of Assurance and Accountability between HEFCE and Institutions) sets out governance responsibilities for risk management – namely that the Audit Committee must provide the governing body with an opinion on its adequacy and effectiveness.

This briefing note is intended mainly for university governors and board members. It outlines the benefits from sound institutional risk management processes and outputs. We start with some of the key messages from recent Uniac training sessions led by the Chairman of the Institute of Risk Management and then cover some further areas for consideration.

Institute of Risk Management Perspective

Topic	Comment
Risk Management – a definition	Risk management has always been an integral part of management practices but over the last few decades steps have been taken to formalise approaches and highlight the benefits that a more transparent methodology can bring. In summary, it's about 'Taking actions to reduce the uncertainty, prepare for the consequences and to make sure that the organisation can leverage risk to its best advantage'.
Risk and context	It is vital when reading a risk register, in isolation, that there is enough information to understand the context of the risk and how the institution is managing it. With that in mind, for every risk, it is useful to detail: Objective – why is this relevant to the organisation Context – without context we do not know why it is relevant

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	<p>Event – if we do not know what it is that might happen, we cannot judge the relevance</p> <p>Consequence – if we do not know what might happen, we cannot know what the impact would be on the objectives of the organisation</p>
The risk intelligent organisation	Risk management is about bringing a perspective to the management of complicated issues in complex organisations. It is about the management (and not the avoidance) of risk. It helps to prioritise your work and that of others in a fast moving context, with an approach that is better than simple intuition and which facilitates communication between people. It is a style of thought and is definitely not a paper chase.

From our work across the Sector, risk management plays out in a variety of ways. There are no right or wrong approaches. However, there are some common themes and topics that we encounter. The list below, which is not exhaustive, is intended as a prompt for governors when considering risk management frameworks and the role they play in the assisting with institutional responsibilities.

Topic	Comment
Linkages between local registers and the institutional registers	Audit Committees tend to only get the institutional/strategic risk register and links to local registers are not always clear. There is an expectation (rightly) that the main risks should influence the risks within the local registers but equally local risks that are 'bubbling under' should be considered as the strategic risk register is updated. An explanation of the process (either in an annual report or as part of the regular updates) will give the Committee an indication that the inter relationships between organisational and local risk registers are being managed and that risk management is embedded across the institution.
Integration between risk management and planning processes	Risk management should not stand alone. A process that stands outside of other mechanisms is likely to be seen as bureaucratic and a paper exercise. The best examples are where it is integrated within planning and strategic processes and can be used to inform decisions and management action.
Risk Management and broader governance	Risk management fits within a broader governance framework and should be used to influence agendas and related processes. Are agendas for committees aligned with the key risks in the register – if not, is the agenda covering the wrong areas or does the register need to be

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	updated? Is the register one of the key drivers for the internal audit programme and management reports presented to the Committees?
Assurance mapping	Assurance mapping (i.e. detailing how institutions gain assurances that controls are in place to mitigate risks effectively) does not need to become an industry. Committees need to understand where assurances are coming from, but an additional column on the risk register can provide that information. Similarly, where an internal audit is undertaken on the management of a key risk, the outputs can be used to capture the assurances in place.
Direction of travel	It is helpful not only to understand the rating of a risk but also any changes in the ratings and why. An update/cover sheet outlining changes pre-empts Committee questions and can also generate a valuable debate on the likelihood of the risk and/or changes in the controls which have led to the amended risk rating.
Peer review	Some institutions have adopted a peer review process whereby, for example, a Head of one Division or Faculty reviews the register from another. The advantages are potentially two fold – it should lead to a more consistent approach to completing the registers and it allows the reviewers to consider the impact of the risks on their own areas of responsibility and hence leads to a more joined up approach.
Beyond control risks	There are benefits in clearly differentiating between risks that can be influenced by an institution and risks that are beyond the institution's control. For those that are beyond direct control, for example, government policy or behaviour, it will still usually be helpful to describe what action is being taken to mitigate the likelihood (for example lobbying and networking) and impact (for example diversification) of the risk materialising.