

Risk Management Strategy

Introduction

1. The risk of adverse consequences is inherent in all activity. Dynamic enterprise will inevitably create new risks. Risk management is about ensuring that all significant relevant risks are understood and prioritised as part of normal management practices. Information on risk must be organised in a way that is useful for management purposes and enables decisions to be taken based on the knowledge of risk versus reward. Risks can give rise to adverse consequences (for example, hazardous to achieving strategic objectives) but can be associated with potential rewards (for example entrepreneurial benefits).
2. Universities have for a long time managed risk, for the most part successfully, pursuing greater enterprise and exploiting new opportunities while at the same time protecting their reputation and long-term financial viability.
3. All organisations face increasing demands for improved corporate governance. In recent years an effective approach to risk management has increasingly been seen as a key element of best practice in the corporate governance framework. Moreover, in the HE Sector the need to have a risk management programme in place is now a Funding Council (SHEFC) requirement.
4. The recognition and management of risk is the responsibility of everyone with the responsibility for the allocation and/or exploitation of resources. Risks need to be evaluated and embraced in a controlled manner and the uncertainties involved in risks need to be evaluated and minimised. The approaches available to managing risk include:
 - Transfer (insure)
 - Exploit
 - Reduce
 - Retain
 - Avoid
5. The University is incorporating risk management formally into its management processes by articulating its risk management policy, describing the process of risk management and the framework for reporting to the Court (the University's governing body) on the significant risks it faces, both in terms of likelihood and impact.

Purpose of this document

6. This risk management strategy forms part of the University of Edinburgh's corporate governance arrangements. This document comprises a Policy Statement and specification of Roles and Responsibilities. It is supported by existing related University policies and will be further developed into Risk Management guidance notes.

Policy Statement

7. The University Court has approved the following policy on risk management.

The University's general approach is to minimise its exposure to risks; it will seek to recognise risk and to mitigate the adverse consequences.

However, the University recognises that in pursuit of its mission and academic objectives it may choose to accept an increased degree of risk. It will do so subject always to ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to mitigate risk are established.

8. The University will adopt best practice in the evaluation and cost effective management of risks to which it is exposed in pursuing its strategic objectives.
9. The University's Risk Management policy statement is supported by related University policies, in areas such as:
 - Health and Safety
 - Information Services and Information Technology
 - Treasury
 - Human Resources
 - Insurance

Risk mitigation is supported by the work of a number of individual departments, such as Communications and Public Affairs and Health and Safety.

Underlying Approach

10. To assist in implementing this policy, the University will:
 - Identify, analyse and produce a risk management strategy for those risks which might inhibit the University from achieving its strategic objectives and which would threaten its ongoing survival as a leading international institution;
 - Raise awareness of and integrate risk management into the way in which the University, Colleges, Schools, and Support Services are managed;
 - Promote an understanding of the importance and value of risk management, particularly associated with development opportunities;
 - Establish, regularly review and maintain a register of the major risks facing the University.

Roles and Responsibilities

11. An effective risk management programme should permeate existing management processes and provide assurance over the management of key risks. It requires interdependence between strategic and operational objectives, management processes, governance arrangements and other policies.
12. It is recognised that in order to pursue its objectives and to take advantage of opportunities, the University cannot avoid taking risks, and that no risk management programme can aim to eliminate risk fully. Accordingly, the University's approach to risk management is intended to increase institutional risk awareness and understanding, and thus support taking risks where appropriate, in a structured and controlled manner.
13. Risk management must be embedded throughout the University. It is not the sole responsibility of senior managers but should be exercised by all staff, particularly those with management or operational responsibilities. The means of achieving this may vary according to the needs of different parts of the University.

Role of the Court

14. The Court has a fundamental role to play in the management of risk. Its role is to:
 - Set the tone and influence the culture of risk management within the institution. This includes determining what types of risk are acceptable and which are not, and to provide a framework within which the appropriate level of exposure to risk can be determined in particular circumstances; and

- Approve major decisions affecting the University's risk profile or exposure.
- Submit an annual Corporate Governance statement to the Funding Council following advice from the Audit Committee, Risk Management Committee, senior management, external and internal audit.

Role of the Central Management Group

15. CMG is responsible for:

- Implementing the Court's risk management policy.
- Ensuring that the major risks associated with significant proposals put to it have been properly considered and can be appropriately managed within the policy framework set by the Court.
- Ensuring that corporate risks are properly managed, reviewing evidence to this effect and ensuring measurement of results as appropriate.
- Communicating University policy and information about the risk management programme to all staff, subsidiary organisations and external partners.

Roles of Heads of Colleges, Schools and Support Services

16. Responsibility for identifying and managing the risks in the University, as in any other organisation, lies with the management of the University. Heads of Colleges, Schools, and Support Services are responsible for ensuring compliance with University and College policies. They have a responsibility to identify, evaluate and manage strategic and operational risks and bring emerging corporate risks to CMG's attention.
17. These managers should ensure that everyone in their area of responsibility understands their risk management responsibilities and must make clear the extent to which staff are empowered to take risks.

Role of the Risk Management Committee

18. The role of the Risk Management Committee is to support and advise CMG, and through it the Court, on the implementation and monitoring of the risk management policy. Its remit is to:
- Ensure that the identification and evaluation of key risks that threaten achievement of the University's objectives is carried out, and that a register of these risks is maintained.
 - Identify the strategy in place to manage such risks, including identification of appropriate risk owners, and monitoring the satisfactory operation of the management strategy.
 - Satisfy itself that other risks are being actively managed, with the appropriate strategies in place and working effectively.
 - Report regularly to the Court through the CMG and the Audit Committee on the achievement of the remit.
 - Contribute to raising awareness of risk generally across the University and to maintaining the profile of risk management.
 - Address such other matters related to risk as may arise from time to time.

Role of Internal Audit

19. Internal audit is responsible for independently and regularly reviewing the operation of the overall risk management process in the University. In doing this it has regard to best practice as recommended by professional institutes and other relevant organisations. Internal Audit will:

- Report its findings to the Audit Committee.
- Advise and make recommendations to the Risk Management Committee and senior managers as appropriate.

Role of the Audit Committee

20. The Audit Committee is responsible for monitoring the University's general arrangements for risk management, and specifically for:

- Advising the Court on the effectiveness of policies and procedures for risk assessment and risk management.
- Annually reviewing the University's approach to risk management and, if appropriate, recommending changes or improvements to key elements of its processes and procedures.
- Providing a statement to the Court annually indicating how the University has complied with good practice with regard to Corporate Governance and, in particular, in relation to effective risk management.

***Risk Management Strategy, Agreed by the University Court on 16 December 2002.
Reconfirmed by Court on 30 October 2006.***