Risk Management Policy and Procedures.

<table>
<thead>
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<th>Rev</th>
<th>Date</th>
<th>Purpose of Issue/Description of Change</th>
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<td>1.</td>
<td>June 2006</td>
<td>Initial Issue</td>
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<td>2.</td>
<td>November 2009</td>
<td>Revised and updated</td>
<td>6th November 2009</td>
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<td>3.</td>
<td>September 2010</td>
<td>Revised and updated</td>
<td>1st September 2010</td>
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<td>5.</td>
<td>September 2015</td>
<td>Revised and updated</td>
<td>28th September 2015</td>
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<table>
<thead>
<tr>
<th>Policy Officer</th>
<th>Senior Responsible Officer</th>
<th>Approved By</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margaret Jones</td>
<td>Director of Finance</td>
<td>University Council</td>
<td>9th October 2015</td>
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</table>
1. Introduction

The University acknowledges that there are a number of risks inherent in its business, and is committed to managing those risks that pose a significant threat to the achievement of its strategic objectives and financial health.

The University aims to use risk management to identify risk, and the actions to mitigate it, to inform and improve its decision-making.

2. Policy Statement

**Bangor University has adopted a risk based approach to internal control which is designed to provide reasonable assurance that it will achieve the corporate objectives and overall mission.**

The University recognises that in pursuit of its mission and objectives it may choose to accept varying levels 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.

Risk management is fundamental to good management practices and forms part of the corporate governance arrangements. It is an integral part of the University's decision making and routine management, and will be incorporated within the strategic and operational planning processes at all levels across the University. The Council, the Audit and Risk Committee and Executive need a mechanism through which they can gain assurance regarding the ability to meet the University’s objectives, and the risk based approach to internal control described in the procedure that follows provides a basis for the provision of assurance regarding the achievement of the University’s objectives.

The University will maintain a regularly reviewed strategic risk register. Similarly all Colleges and Departments will maintain, and regularly review the operational risk registers.

The University will regularly review and monitor the implementation and effectiveness of the risk management process.

3. What is Risk?

**RISK** can be defined as “the threat or probability that an action or event, will adversely or beneficially affect an organisation's ability to achieve its objectives”\(^1\). In simple terms risk is ‘Uncertainty of Outcome’, either from pursuing a future positive opportunity, or an existing negative threat in trying to achieve a current objective.

**RISK MANAGEMENT** may be defined as the planned and systematic approach within the University to identify, assess and mitigate the impact of these uncertainties which may impact on the achievement of the University’s aims, objectives and opportunities.

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4. **Approach to Risk Management**

The approach to risk management, set out in this Policy and Procedures, has been approved by the Risk Management Task Group, the Audit and Risk Committee and the University Council. The approach allocates responsibility for risk management and establishes a framework within which risks are identified and evaluated so that an appropriate response can be determined and effected.

Risk management needs to allow for the effective assessment and exploitation of opportunities while also identifying what will prevent the University from achieving its objectives, and ensuring it has in place procedures to minimise, or manage, those risks. Risk management therefore involves a planned and systematic approach to the identification, assessment and mitigation of the risks that could hinder the achievement of strategic objectives. The University’s risk management process involves the following main steps:

- identifying the key strategic risks that would prevent achievement of objectives
- assigning responsibility for co-ordinating the management of risk
- evaluating the significance of each risk
- articulating the Council’s risk appetite
- identifying suitable responses to each risk
- ensuring the internal control system helps manage the risks
- developing the assurance mechanism to the Vice-Chancellor and the Chair of Council
- regular review.

To coordinate the risk management process, the approach combines oversight by the Risk Management Task Group, the Audit & Risk Committee and the Executive.

Members of the Executive are responsible for ensuring that relevant Task Groups within their individual areas take responsibility for the management of specific risks. It is the responsibility of the Task Groups to prepare a Risk Schedule that identifies how specific risks are managed.

The Risk Register forms the basis for action plans designed to address weaknesses in controls identified and mitigate risks where this is considered to be necessary. Where there is no relevant Task Group identified members of the Executive should ensure that an appropriate individual or group carries out the same task for their spheres of responsibility.

5. **Key Principles**

The following key principles outline the University’s approach to risk management:

- The risk appetite of the University will emanate from the Strategic Plan which is considered and approved by the Council.

- The Audit and Risk Committee will be responsible for providing the Annual Assurance to Council on the adequacy of risk management. The Audit and Risk Committee will receive quarterly reports and an annual report via the Risk Management Task Group.

- The Executive and its Task Groups will ensure that the necessary steps are taken to actively manage the major risks facing the University, and it will regularly receive the institutional Risk Register and monitor the management of the key risks.
• A Strategic Risk Register, built around the key strategic risk areas (as identified by the objectives of the Strategic Plan), will be created and maintained and will be subject to at least quarterly review by risk owners and the Risk Management Task Group (which will report to the Executive).

• Heads of College and Central Service Departments are responsible for the management of all risks within their areas of control, including ensuring appropriate systems are created to identify, assess, manage and review risks in line with the University Risk Management process.

• Each College and Central Service Department will be required to maintain, create and quarterly review its own Risk Register, using the University’s risk management software.

• New initiatives and projects will undergo a risk assessment, and where appropriate a risk register for the project will be generated.

• Reporting and escalation of risks will be carried out when risks cannot be managed within the College or Central Service in accordance with the procedure outlined under point 6 below.

• The Internal Audit function will consider annually the risk management process at a University and College / Departmental level.

6. Risk Management Responsibilities

Role of the University Council

The University Council is responsible for ensuring there is an effective system of internal control, of which risk management is a key area. The Council sets the tone and influences the culture of risk management at the highest level including determining the ‘risk appetite’ which is the extent to which the University is ‘risk taking’ or ‘risk averse’ as a whole and sets the University’s risk tolerance line.

Role of the Audit and Risk Committee

The Council has a standing Audit and Risk Committee who have delegated responsibility for overseeing risk and risk management and providing advice to Council on the effectiveness of the internal control system and any emerging issues. The Terms of Reference of the Committee are set out in Ordinance XVI

Role of the Executive

The Executive is responsible to Council for ensuring that the University’s risk appetite is applied and that there is an effective process of risk assessment, management, evaluation and review in place. This is to both support the achievement of the University’s strategy and to ensure that risks connected to core operations are appropriately managed. The Executive also provides direction and guidance to all relevant managers and officers in the institution.

Members of the Executive (the risk owners of strategic risks) will ensure all risks are managed appropriately within their relevant areas of responsibility, and that actions on risks affecting multiple areas of responsibility are co-ordinated. This includes tasking the relevant Task Group or
Management Group with oversight of risk management within their spheres of responsibility. Where risks cannot be managed within a specific College or Department, the Executive will need to provide direction as to the University’s approach to responding to the risk.

Role of Task Groups, Sub Groups of Senate, and College Boards

Task Groups are responsible for reviewing the specific risks within their area of concern on a regular basis (at least annually but significant risks being reviewed more often as appropriate) by ensuring that the key risks are recorded and are being effectively managed. Also reporting to the Risk Management Task group following each review with a risk schedule that identifies how specific risks are managed and assurances gained.

Role of Internal Audit

The Internal Auditors will develop a risk-based audit plan, in consultation with members of Executive and approved by the Audit and Risk Committee, so that audit assurance is focussed on the effectiveness of controls in place to manage the most significant risks. Internal Audit is also responsible for providing an annual opinion on the adequacy and effectiveness of the University’s corporate governance, risk management and internal control based on the risk-based audit plan.

Role of the Risk Management Task Group

The Risk Management Task Group:-

- Establishes, reviews and oversees the effectiveness of the University’s Risk Management processes including the effective implementation and operation of the Quarterly Review and Reporting Cycle (See Appendix 1)
- Reviews and amends the Strategic Risk Register when appropriate.
- Identifies any omissions or significant deficiencies in the management or controls of Strategic risks and submits recommendations for improvements to the senior manager, the monitoring management group/committee and / or the Executive.
- Receives regular reports from senior managers / lead officers, committees and Task Groups on the risk management and control strategies for both strategic and operational risks.
- Provides a quarterly report for the Audit and Risk Committee on the adequacy of the overall risk management system.
- Reports quarterly to the Executive.

The Risk Management Task Group should meet at least quarterly to review and approve the updated Strategic Risk Register.

Role of Heads of College and Central Departments

Heads of College and Central Departments are responsible for actions to manage all risks within their areas and are responsible for implementing appropriate procedures to manage and monitor these risks, and for ensuring that all changes in key risks are reflected in the College / Departmental level
risk register. Where a risk cannot be managed at this level it should be escalated to the appropriate member of the Executive for guidance.

**Role of Project Boards**

Project Boards are responsible for overseeing that the assessment and management of risks within projects are in line with the project methodology set out Project Management Framework.

**Role of Risk Assurance Section**

Advising on the development and implementation of the risk management policy and procedures and facilitating implementation together with maintaining the Strategic Risk Register. Risk reviews will be examined by Risk Assurance to challenge risk controls and sources of assurance together with monitoring the implementation of action plans.

**Role of Individual Members of Staff**

Individual members of staff within a College or Department are responsible for ensuring individual risks are controlled and monitored, including the implementation of actions identified to strengthen controls, and where appropriate escalating any changes or concerns to their line manager.

7. **Evaluating Risks**

Risks will be assessed on the likelihood of occurrence and the potential impact on the strategic aims and objectives of the University should they be realised. This provides a hierarchical assessment of the risks as illustrated in Appendix 2.

This methodology helps to prioritise the response to risk, to determine which risks the University needs to manage and which are less critical.

8. **Assessing Risk Appetite**

The level of risk that is acceptable, the University’s ‘Risk Appetite’, will be advised and determined by the Council who, in turn, are advised by the Audit and Risk Committee and the Executive. Risk appetite may vary on a case by case basis depending on the perceived benefits of the issue being considered.

9. **Risk Registers**

The University’s Strategic Risk Register and College and Central Service Department Registers will be held and updated using the University’s risk management software.

Approved by the Risk Management Task Group, 6th November, 2009
Amended and approved by the Risk Management Task Group, 1st September 2010
Amended and approved by the Risk Management Task Group, 24th June, 2013
Reviewed, amended and approved by the Risk Management Task Group, 11th September 2015.
APPENDIX 1

Risk Management Cycle and Assessment Process

Risk Management is a process that affects all areas of planning, decision making and operations and because circumstances change an important part of managing risk is regular review. Key stages in the risk management process are set out below:

The University’s risk assessment process is operated at three different levels covering strategic, project and operational risk. The underlying principles and framework of risk assessment is the same at all levels.

1. **Identifying Risks**

Risk is grouped according to the strategic area that it relates to:

- **Strategic Priority 1**: An Excellent Education and Student Experience
- **Strategic Priority 2**: Enhancing Research Success
- **Strategic Priority 3**: An International University for the Region
- **Strategic Priority 4**: Welsh Language and Civic Engagement

**Strategic Enablers:**

- People
- Resources
- Governance and Management
- Brand and Marketing
- Sustainability
**Owner and Lead Officer**
The Owner has overall responsibility for the management and reporting of the risk.

The Lead Officer has operational responsibility for the risk, ensuring that mitigating actions (controls) are in place and ensuring that they are operating effectively.

**2. Evaluate Risks**

Having identified the key risks an assessment of the likelihood of the event occurring and the potential impact on the University’s objectives should the risk be realised needs to be considered. The University have adopted standard criteria for scoring risks (See Appendix 2)

**Impact**
This indicates the seriousness of the risk materialising, and is scored on a scale of 1 – 5:
1. Negligible
2. Minor
3. Moderate
4. Major
5. Critical

**Likelihood**
This represents the likelihood of the risk happening, and is scored on a scale of 1 – 5
1. Rare
2. Unlikely
3. Possible
4. Likely
5. Almost Certain

**Risk Score**
This is a product of the impact score multiplied by the likelihood score. The score is calculated twice: once to represent the initial estimation of the severity of the risk i.e. gross (inherent) score before controls are assessed, and a second time to calculate the residual risk score once the assessment of the effect of the controls have on the impact and likelihood.

**3. Assess Risk Appetite**

The level of residual risk that is acceptable, ‘risk appetite’ has been determined by Council, who are advised by the Audit and Risk Committee and Executive and is set out in the Risk Appetite Statement (see Appendix 3)

**4. Identify suitable risk response – Controls**

These are actions that are intended to manage risk by reducing its impact, its likelihood of occurrence, or both. They should be genuine, practicable and realistic.
5. **Gain assurance on the effectiveness.**

Assurances are derived from a number of different sources to confirm that risk management systems and processes are appropriately identifying and managing risks. For example:

- Performance reports to Executive via Task Groups outlining achievement against key performance and strategic objectives.
- Compliance with Regulatory Standards
- Assurance from internal and external audit reports
- Annual review

6. **Monitor Review and Reporting Cycle**

The relevant risk owner will, on at least a quarterly basis, fully review and, where necessary, update the risks within their sphere of responsibility.

The Risk Management Task Group will, on receiving the updated Strategic Risk Register:

- Review the previous quarter and examine the University’s track record on risk management and internal control relating to risks.
- Consider the internal and external risk profile of the coming quarter and consider if current internal control arrangements are likely to be effective.
- Assess and review the control environment for each significant risk. This will include:
  - The University’s objectives and its financial and non-financial targets
  - Organisational structure and effectiveness of the Executive
  - Culture, approach and resources with respect to the management of risk
  - Delegation of authority
  - Public reporting
- Ensure that there is a process for the on-going identification and evaluation of significant risks. This will include:
  - Timely identification and assessment of significant risks
  - Prioritisation of risks and the allocation of resources to address areas of high exposure
  - Assessment of the University’s Risk Register, reports by senior managers to the relevant Task Groups / committees and assessment of Colleges and Central Departments’ risk registers.
  - Receive and assess sources of assurance.
- Consider the effectiveness of information and communication on risk management. This will include:
  - Quality and timeliness of information on significant risks
  - The time it takes for control breakdowns to be recognised or new risks to be identified
• Monitor and take corrective action. This will include:
  o Ability of the University to learn from its problems
  o Commitment and speed with which corrective actions are implemented

Reporting Cycle

A quarterly review of the Strategic Risk Register, College and Central Service Department Risk Registers by risk owners will take place. There will be quarterly reporting to Risk Management Task Group and onwards to the Executive, and also quarterly reports to Audit and Risk Committee.

The Audit and Risk Committee will receive the Risk Management Annual Report and a full Strategic Risk Register for review at the September meeting
Risk management scoring methodology

- **Likelihood Rating: Evaluation Criteria** – This table will help determine how likely it is that the University will be exposed to each specific risk considering factors such as:
  - Anticipated frequency of occurrence
  - The external environment (e.g. regulatory, economic, community expectations etc.)
  - History of previous events

- **The Impact Rating Evaluation Criteria** – This table defines the consequences or impact criteria, assessed against potential financial loss, reputation impact, safety, disruption etc.

- **Risk Ranking Matrix** – This table has ranked potential risks as Extreme, High, Moderate and Low.

- **Review** – Having identified and prioritised the risk this table give a guide to determine the level of review required to monitor the assessed risks.
<table>
<thead>
<tr>
<th>Rating</th>
<th>Rating Scale</th>
<th>Likelihood</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>RARE</td>
<td>1</td>
<td>This will probably never happen / recur</td>
<td>0-5%</td>
</tr>
<tr>
<td>UNLIKELY</td>
<td>2</td>
<td>Do not expect it to happen / recur but it is possible it may do so</td>
<td>5-10%</td>
</tr>
<tr>
<td>POSSIBLE</td>
<td>3</td>
<td>Might happen or recur occasionally</td>
<td>10-25%</td>
</tr>
<tr>
<td>LIKELY</td>
<td>4</td>
<td>Will probably happen / recur but it is not a persisting issue</td>
<td>25-75%</td>
</tr>
<tr>
<td>ALMOST CERTAIN</td>
<td>5</td>
<td>Will undoubtedly happen / recur, possibly frequently</td>
<td>75-100%</td>
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<tr>
<td>Rating</td>
<td>Rating Scale</td>
<td>Safety</td>
<td>Reputation</td>
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<tr>
<td>------------</td>
<td>--------------</td>
<td>---------------------------------------------</td>
<td>--------------------------------------</td>
</tr>
<tr>
<td>NEGLIGIBLE</td>
<td>1</td>
<td>No risk of injury. H&amp;S compliant</td>
<td>External parties not impacted or aware of problem</td>
</tr>
<tr>
<td>MINOR</td>
<td>2</td>
<td>Small risk of minor injury. H &amp; S policy not regularly reviewed.</td>
<td>Some external parties aware of problem, but impact on external parties is minimal</td>
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<tr>
<td>MODERATE</td>
<td>3</td>
<td>High risk of injury, leading to loss of staff time. H &amp; S standards insufficient/poor training</td>
<td>Significant number of external parties aware of problems.</td>
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<tr>
<td>MAJOR</td>
<td>4</td>
<td>Serious risk of injury. HSE involvement and concern that causes operations to be stopped and possible loss of revenue.</td>
<td>Long and short term local reputational damage.</td>
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<tr>
<td>CRITICAL</td>
<td>5</td>
<td>Potential to cause one or a number of fatalities. H &amp; S breech causing serious fine, investigation, legal fees and possible stop notice.</td>
<td>Third parties suffer major loss or cost.</td>
</tr>
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# RISK RANKING MATRIX

<table>
<thead>
<tr>
<th>Impact</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<tr>
<td><strong>Likelihood</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rare</td>
<td>Medium (5)</td>
<td>High (10)</td>
<td>Extreme (15)</td>
<td>Extreme (20)</td>
<td>Extreme (25)</td>
</tr>
<tr>
<td>Unlikely</td>
<td></td>
<td>High (8)</td>
<td></td>
<td>High (12)</td>
<td>Extreme (16)</td>
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<tr>
<td>Possible</td>
<td></td>
<td></td>
<td>High (9)</td>
<td></td>
<td>High (12)</td>
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<tr>
<td>Likely</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Extreme (15)</td>
</tr>
<tr>
<td>Almost Certain</td>
<td></td>
<td></td>
<td></td>
<td></td>
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- **5 Critical**
- **4 Major**
- **3 Moderate**
- **2 Minor**
- **1 Negligible**

- **Low** (1, 2, 3)
- **Medium** (4, 6, 9)
- **High** (8, 10, 12, 15)
- **Extreme** (16, 20, 25)
<table>
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<th>Overall Risk Rating</th>
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<tr>
<td>15 - 25</td>
<td>Extreme</td>
<td>Monthly</td>
</tr>
<tr>
<td>8 - 12</td>
<td>High</td>
<td>Quarterly</td>
</tr>
<tr>
<td>5 - 6</td>
<td>Medium</td>
<td>Every 6-9 Months</td>
</tr>
<tr>
<td>1 - 4</td>
<td>Low</td>
<td>Every 12 Months</td>
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