

## LEEDS METROPOLITAN UNIVERSITY

### **RISK MANAGEMENT POLICY**

July 2004

#### **Purpose of this Document**

1. This risk management policy (the policy) forms part of the institution's corporate governance and control arrangements.
2. The policy explains the institution's underlying approach to risk management, sets out the roles and responsibilities of the Board of Governors, the Vice-Chancellor and his/her senior management team (the Senior Executive Team), and other key parties, most notably the Internal Auditor.

It also outlines key aspects of the risk management process, and identifies the main reporting procedures, and in addition, it describes the process the Board of Governors will use to evaluate the effectiveness of the institution's internal control procedures.

#### **Underlying Approach to Risk Management**

3. The following key principles outline the institution's approach to risk management and internal control:
  - a) the Board of Governors has responsibility for overseeing risk management within the institution as a whole. It will do so as part of the process of the approval, monitoring and review of the Corporate Plan, annual Operational Plan, budget and medium term financial planning and formulation, review and monitoring of key policies and strategies.
  - b) there is no overriding risk culture in the University; this is determined according to the potential activity, objectives and outcomes. The Board of Governors however, encourages a transparent approach to the consideration and disclosure of the financial and non-financial implications of risks. In doing so, the Board accepts that the University should have a balanced portfolio of risk; high risk/high return and low risk/low return.

- c) In accordance with the Articles of Government, the Vice-Chancellor (and the Senior Executive Team) advises the Board of Governors on the development of policy and strategy, and ensures the implementation of the decisions of the Board at a corporate and departmental level. The management of risk will form a key part of these processes;
- d) the Registrar and Secretary is responsible for the development of a risk management policy, and its co-ordination and implementation across the University;
- e) Deans of Faculty and Heads of Service within the Met Office are responsible for the consideration of risk as part of their own planning processes and for encouraging good risk management practice within their faculties and services;
- f) corporate key risk indicators will be identified and closely monitored at each meeting of the Board, on the advice of the Audit Committee: Key risks identified by Faculties and Departments in their plans will be monitored by the Vice-Chancellor and Senior Executive Team.

### **Role of the Board of Governors**

- 4. The Board of Governors has a fundamental role to play in the management of risk. Its role is to:
  - a) Approve major decisions which may affect the institution's risk profile or exposure, in particular the Corporate Plan, Operational Plan, Annual Budget and other major policies and strategies;
  - b) Set the tone and influence the culture of risk management for each of these key decisions within the institution and determine the appropriate level of exposure for the institution;
  - c) To monitor the management of key risks to ensure that appropriate plans are in place to achieve objectives, mitigate the impact of risk, or ensure that sufficient contingency plans are in place if risks materialise;
  - d) Satisfy itself that arrangements are in place to manage the less significant risks; through appropriate controls;
  - e) Annually review the institution's approach to risk management as part of the review of the Corporate and Operational Plan, and approve changes or improvements to key elements of its processes and procedures.

### **Role of the Vice-Chancellor**

5. The Vice-Chancellor, through his/her colleagues on the Senior Executive Team, and in particular the Registrar and Secretary, will
  - a) Implement the University's policy on risk management and internal control;
  - b) Identify and evaluate the significant risks faced by the institution in the Corporate and Operational Plan, the medium term financial plan and annual budget, and key policies and strategies when these are presented for consideration by the Board of Governors;
  - c) Provide adequate information in a timely manner to the Board of Governors and its committees on the risks and controls;
  - d) Require the Registrar and Secretary to undertake an annual review of effectiveness of the system of internal control and provide a report to the Board of Governors;
  - e) Ensure that significant risks are identified and assessed in Faculty and Departmental Plans.

### **Risk Management as Part of the System of Internal Control**

6. The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the institution to respond to a variety of operational, financial, reputational, and commercial risks. These elements include:
  - a) *Policies and Procedures*

Major policies are approved by the Board of Governors, and implemented by the Vice-Chancellor, senior management and staff. Major policy of an academic nature is normally remitted to the Academic Board. Written procedures support the policies where appropriate. Each policy will explicitly assess significant risks associated with it.
  - b) *Reporting*

The achievement of objectives and plans; key risks and their controls will be monitored on a regular basis at both a Corporate and at Faculty and Departmental level. At a Corporate level decisions to rectify problems are made at regular meetings of the Senior Executive Team and through the Audit Committee and the Board of Governors if appropriate.
  - c) *Corporate Planning and Budgeting*

The corporate operational planning and budgeting process is used to reflect corporate objectives, to agree action plans, and to allocate resources. These plans will explicitly address the issue of risk management. Progress towards

meeting business plan objectives is monitored regularly by the Senior Executive Team and the Board of Governors.

d) *High Level Risk Framework*

The identification, assessment and ongoing monitoring of risks significant to the institution are reviewed by the Audit Committee at each of their meetings and formally appraised annually. Emerging risks will be added as required. Improvement actions and risk indicators are monitored regularly.

e) *Faculty and Service Risk Frameworks*

Deans of Faculty and Heads of Service in the Met Office will use this framework to ensure that significant risks in their faculty and service are identified, assessed and monitored and will formally be appraised annually by the Vice-Chancellor. Emerging risks will be added as required, and improvement actions and risk indicators are monitored regularly.

f) *Audit Committee*

The Audit Committee is required to report to the Board of Governors on internal controls and alert the Board of Governors to any emerging issues. In its review of controls, the committee oversees internal audit, external audit and the activities of the Vice-Chancellor and Senior Executive Team. The Committee also reviews the plan in place to address key risks arising from the Operational Plan. The Committee is therefore well placed to provide advice to the Board on the effectiveness of the internal control system, including the institution's system for the management of risk.

g) *Internal Audit Programme*

Internal audit is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible for advising the Audit Committee and Board on the adequacy of the University's approach to risk management, identifying risks which have not been addressed through the University's planning processes, advising on best practice on risk in the sector and on any other aspects of the annual review of the effectiveness of the internal control system within the organisation;

h) *External Audit*

External audit will provide feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit, which will include the University's approach to risk.

i) *Third Party Reports*

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.

### **Annual Review of Effectiveness**

7. The Board of Governors is responsible for reviewing the effectiveness of internal control of the institution, based on information provided by the Vice-Chancellor and Senior Executive Team.
8. For each significant risk identified in the Corporate Plan and Operational Plan, the Board will, as part of the review of these plans:
  - review progress over the previous year and examine how risk was managed;
  - consider the internal and external risk profile for the coming year, and consider if current internal control arrangements are likely to be effective.
9. In undertaking the review the Board of Governors will consider the following aspects:
  - a) Control environment:
    - the institution's objectives, and its financial and non-financial targets;
    - organisational structure;
    - culture, approach, and resources with respect to the management of risk;
    - delegation of authority;
    - public reporting.
  - b) On-going identification and evaluation of significant risks:
    - timely identification and assessment of significant risks;
    - prioritisation of risks and the allocation of resources to address areas of high exposure.

c) Information and communication:

- quality and timeliness of information on significant risks;
- time taken for control breakdowns to be recognised or new risks to be identified.

d) Monitoring and corrective action:

- ability of the University to learn from its experiences;
- commitment and speed with which corrective actions are implemented.

10. The Registrar and Secretary will prepare a report annually for consideration by the Board of Governors on a review of the effectiveness of the policy on management of risk.

Steve Denton  
Registrar and Secretary

To be considered by the Board of Governors in July 2004