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Audit Committee

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Review of this Framework

The University’s Risk and Assurance Framework will be reviewed every two years to ensure it remains appropriate and takes account of best practice guidelines.

The University Executive will recommend changes to the Risk and Assurance Framework on the advice of the Audit Committee which has delegated responsibility from the Board of Governors to review the effectiveness of the University’s Risk Management arrangements. The Audit Committee may choose, from time to time, to obtain additional independent assurance on these arrangements.
Introduction

The University has extended its Risk Management Framework to create a combined Risk and Assurance Framework which accommodates and articulates a broader set of assurance arrangements and activities than can be relied on through a singular risk policy.

Risk management, and its outcomes is now an embedded activity across the University and provides an established and well-understood means through which the Board of Governors, University Executive and extended leadership of the University receive assurance that the key risks in the University’s wider and immediate operating environment are identified, mitigated and, where judged appropriate, tolerated.

However, risk management represents only one lens through which the University can assess the known or likely impact of a range of activities. Combining Risk and Assurance arrangements into a single framework highlights the extent to which these are complementary, and often overlapping, components of the University’s internal control environment.

The purpose of operating a Risk and Assurance Framework for the University is to provide an overarching apparatus for:

- ensuring that the University’s accountability responsibilities (to both external bodies and stakeholders in terms of legal and regulatory compliance) are addressed, and to enable the University to satisfy itself that the University’s own internal systems of regulation are operating effectively. This seeks to safeguard the University’s reputation and its assets in the widest sense;
- supporting the University’s decision-making responsibilities at a system and strategic level, including taking calculated risks and responses to further its activities.

The components of the University’s Risk and Assurance Framework are as follows:

i. an infrastructure that links risk and assurance activities within the wider Corporate Governance framework;
ii. a clear and consistent Risk Management methodology incorporated within key University business systems;
iii. a business assurance tool which maps a wide range of assurance sources regarding corporate risks and key systems and processes;
iv. identified providers of internal and external assurance information (e.g. data assurance, academic quality assurance, internal and external auditors);

Scope of this Framework

The Risk and Assurance Framework covers all risks affecting the University, its Governors, academic and professional support services, reputation and geographical reach. This includes risks relating to performance plan targets, change management programmes and a variety of project work.

1 The University’s Approach to Risk Management and Assurance: Balancing Compliance and supporting the Corporate Strategy 2013-18 development

The Corporate Strategy 2013-18 is the first phase in achieving a step change in the University’s performance, the long-term framework for which is provided by Vision 2025, an overarching ambition of which is for Northumbria to be ranked in the top 30 UK universities.

In order to achieve the Vision, risks will be actively taken through bold, ambitious, innovative and ground-breaking projects and partnerships. New delivery models and ways of working will be central to the Corporate Strategy 2013-18, bringing uncertainties which require careful assessment of risk and the provision of assurances to University Executive and Governors.

Similarly, assurances will be required about the effectiveness and efficiency of the corporate governance and internal control systems operated by the University, including the extent of compliance with these systems.

Effective risk management is for the most part predictive and preventive, whilst assurance is advisory when it is effectively built into planning processes and arrangements at the early stage of thinking and development. Both risk and assurance systems at their best are used proactively rather than reactively.

The University’s approach is to utilise effective risk and assurance arrangements to inform and support, rather than impede, the decision-making. In this context, effective risk management and assurance arrangements are not an add-on or afterthought to, but designed into strategic decision-making and business processes, while ensuring appropriate independence from, and constructive challenge of, those responsible for delivery.

In the context of the University’s risk and assurance processes, this support might take the form of:

| Using the business assurance map to identify the process/system controls and resources required to deliver the project and the gaps in assurance arising from this | Assessing the accuracy of data which underpins decision-making |
| Assessing the legal and regulatory risks associated with project and partnership development and ensuring that appropriate controls are designed in from the outset | Designing in independent opinions and assessments (e.g., commissioning the internal or external auditors or another body) to support strategic development and projects |
2 Definitions used in this Framework

The University defines risk as ‘the impact of uncertainty on the achievement of its objectives and desired outcomes’. A Glossary of Key Terms is provided in Appendix 2.

Risks typically focus in the following areas:
- Opportunities that must be grasped;
- Threats, challenges or barriers which may impact on the University’s plans;
- Future uncertainties that could help or hinder the University’s activities and future plans;
- Key dependencies upon which the University relies.

Risk management refers to the ongoing process of identification, assessment and maximisation of opportunities and mitigation of threats relevant to the University’s activities and plans.

Assurance management relates to the active management of information sources which provide judgments, opinions and recommendations, which can be relied on for compliance, development or decision-making purposes, to improve governance and internal control systems.

Assurance is often seen as a product of effective risk management, and may in turn feed into specific risk profiles. At the least, it is part and parcel of a risk-based approach to a range of activities.
3 Risk Management Arrangements

3.1 Infrastructure for Risk Management and Assurance Mapping

Robust risk management and assurance mapping provide powerful tools to support Management Teams in achieving their objectives, helps to embed accountabilities and enhance the University’s internal control environment.

The timeline below shows the annual risk and assurance activities undertaken in the University:

The above cycle is underpinned by the regular review and update of Risk Registers and the Business Assurance Map:

<table>
<thead>
<tr>
<th>Risk Registers/ Business Assurance Map</th>
<th>Frequency</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Risk Register</td>
<td>Annual review with ongoing monitoring prior to submission to each meeting of the Board of Governors (five times per year)</td>
<td>University Executive providing recommendations to the Board</td>
</tr>
<tr>
<td>Strategic Risks</td>
<td>Annual review, as part of the Strategic Plan update</td>
<td>Strategic Plan owners</td>
</tr>
<tr>
<td>Faculty and Professional Service Risk Registers</td>
<td>Annual review, supplemented by in-year updates</td>
<td>Faculty/Professional Service Management Teams</td>
</tr>
<tr>
<td>Programme/Project Risk Registers</td>
<td>As required by Project Plan</td>
<td>Project Managers</td>
</tr>
<tr>
<td>Business Assurance Map</td>
<td>Twice per year (aligned with Audit Committee dates)</td>
<td>University Executive, Governance Services</td>
</tr>
</tbody>
</table>

Governance and Staff responsibilities for Risk Management and Assurance are outlined in more detail at Appendix 1.
3.2 Risk Appetite

Understanding the University’s ‘risk appetite’ is essential in supporting the delivery of the Corporate Strategy 2013-18. The diverse range of University activities means that defining one generic risk appetite can be difficult.

For example, the University wishes to take appropriate risks to achieve a step change across its core areas of activity: learning and teaching and the student experience, of research and business and engagement and operational effectiveness, but will of course adopt a more cautious or risk-averse attitude in matters of legislative and regulatory compliance to reduce exposures to the University’s reputation, its people and its other resources and assets.

At times, the risks and exposures associated with taking a project or initiative forward may be judged to outweigh the known or likely benefits of delivering it and such scenarios may require the involvement of the University Executive or Board of Governors to make a final decision. In turn, the assurances provided may be weak and fail to provide sufficient comfort to the Board of Governors or University Executive to take the project forward. However, in many cases, risk and assurance assessment outcomes will recommend controls which need to be established, or variations to approach to be adopted to minimise or reduce risks. As with any internal control environment, risks cannot be wholly eliminated, but they can be reduced through effective risk management.

The University’s Risk Tolerance Table (shown at Appendix 4) reflects the University’s risk appetite in that it illustrates the types of consequences that are most undesirable. Management Teams use this table to score the impact of consequences that are most undesirable. Management Teams use this table to score the impact of identified risks.

3.3 Alignment of Risk Management with Planning and Performance activities

Risk Management works alongside the University’s Planning and Performance Management Framework (PPMF) as represented in the diagram below. The tier of activities left column relates to the broad arrangements which make up the PPMF, with the right column summarising the risk mechanisms and measures through which support these arrangements and vice-versa.
The diagram identifies the interplay between the suite of Risk Registers (right column) and the key Corporate Strategy and Planning tools (left column). Within this list, reference is made to Annual Plans, and the University’s Annual Planning cycle provides the context and timetable for the main review of Faculty and Professional Services Risk Registers. Beneath this, Programme and Project Risk Registers support specific change management initiatives.

Within the various levels of Risk Registers, Management Teams are encouraged to identify and analyse:
- risks affecting the achievement of key objectives and targets;
- key dependencies within service delivery processes;
- pressure points within budgetary and financial management processes;
- risks from new ways of working, partnership activities and budget cuts;
- the changing internal and external environment.

### 3.4 Risk Methodology and Risk Matrix

The University uses a standard risk analysis methodology, using likelihood and impact scores, to generate a list of significant risks. Using numerical and colour coded values, Risk Ratings are illustrated by the following Risk Matrix, and assist risk sponsors, owners and others, whether Corporate, Faculty and Professional Service or Project level, to determine risk priorities:

<table>
<thead>
<tr>
<th>Impact</th>
<th>Very Low</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>4</td>
<td>8</td>
<td>12</td>
<td>16</td>
</tr>
<tr>
<td>Medium</td>
<td>3</td>
<td>6</td>
<td>9</td>
<td>12</td>
</tr>
<tr>
<td>Low</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Very Low</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

**Red 16 risks = “critical” risks**

**All risks over Amber 8 = “significant” risks**

Detailed information on the University’s methodology for risk identification, analysis and control is given at Appendix 3. When effectively embedded, these processes help to identify and assess the risks associated with undertaking and delivering specific projects and activities and inform the wider assurances required to progress and monitor them.

### 3.5 Review, Monitoring and Escalation of Key Risks

The Corporate Risk Register, which captures the University’s most significant risks, is formally reviewed on an annual basis by the University Executive, which subsequently monitors the Register in advance of the Register’s submission to the Board of Governors which considers the Register as a standing agenda item at each of its meetings (i.e. five meetings per year).

A Corporate Risk Dashboard, which provides a short summary of the Corporate risks, forms a standing agenda item on all Board Committee meetings, to stimulate an ongoing, dynamic dialogue on risk issues.
Submission of the Corporate Register (and associated Business Assurance Map) to the Audit Committee is scheduled to take place every six months.

Annual reviews of Faculty and Professional Service risk registers occur as part of the Annual Planning process, enabling senior management to identify key opportunities, threats and other uncertainties which could enhance or threaten their ability to achieve stated objectives and the continuity of their activities.

Risk Registers are updated and reviewed on a regular basis by the relevant Management or Project Team to ensure that future control improvements are implemented on time and new risks are highlighted. Executive Deans and Professional Service Directors are encouraged to utilise their Risk Registers with their own senior management teams, to ensure a shared awareness of risks relating to their areas of responsibility, and how these relate to the University's Corporate Risks.

In conjunction with the in-year review of Annual Plans, in-year monitoring of Risk Registers will identify:
- new and emerging risks;
- slippage in implementing control improvements;
- areas where perceptions of risk are considered inaccurate and may need revised;
- significant risks which may need to be brought to the attention of, or formally escalated for action or further investigation by, other parties (e.g. internal specialists, Corporate Committees, University Executive or a Committee of the Board of Governors, for example).

Governance Services review the significant and critical risks (i.e. Amber and Red risks) on Faculty and Professional Service Risk Registers with a view to possible escalation. Escalation to the Corporate Risk Register would be considered where there has been a significant adverse change in the status of a significant Faculty or Service risk or to reflect the aggregated significance of similar risks presenting on several Registers.

For example, a risk located on a Faculty or Professional Service Register may merit entry to the Corporate Risk Register or exceptional circumstances involving an unanticipated significant risk external to the University are judged to have a significant impact on the University and will therefore merit entry onto the Corporate Risk Register. Escalation may or may not involve moving a risk onto the Corporate Risk Register; a report to the University Executive on the risk issue may be a sufficient method of escalating the issue for consideration.
4 Assurance Arrangements

The University does not regard assurance activities as a substitute for good management. Indeed some elements of business assurance are consciously independent of management and those charged with making decisions, to ensure objectivity and criticality, such as the judgments and opinions provided by the external auditors. However, effective assurance arrangements function to advise management, and tools such as business assurance mapping is led by management as a self-evaluation and development tool, the outcomes of which are independently reviewed.

4.1 Business assurance mapping and monitoring of key systems and enablers

A Business Assurance Map has been designed and populated for the University to summarise, in one document, the key internal controls and internal/external assurances relevant to the University’s key corporate risks and core processes. Related areas of weakness and associated improvements are also summarised, which assists the Audit Committee to determine its views on the adequacy of Internal Control arrangements when preparing the annual Statement on Internal Control.

The University’s internal and external auditors do not have the capacity or resource to review all areas of internal control, and the BAM therefore covers a range of areas that would not always be subject to independent audit, but over which the University Executive and their senior teams, Audit Committee and ultimately the Board of Governors require some form of assurance.

A Business Assurance Map provides an at-a-glance overview of the internal controls in place, relevant to each corporate risk or core system/process, and indicates where other independent sources of assurance exist. The Map will therefore include reference to the existence of the following types of controls:

<table>
<thead>
<tr>
<th>Management Level Controls</th>
<th>Functional Oversight</th>
<th>External Assurances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Strategy developments</td>
<td>Corporate Committee/Group/Project Board</td>
<td>Internal and external audit outcomes</td>
</tr>
<tr>
<td>Policy/Framework</td>
<td>UE member oversight/accountability</td>
<td>HEFCE</td>
</tr>
<tr>
<td>Procedures</td>
<td>University Executive</td>
<td>QAA</td>
</tr>
<tr>
<td>Risk Register coverage</td>
<td>SPC review/scrutiny</td>
<td>External Data recipients</td>
</tr>
<tr>
<td>Business Continuity arrangements</td>
<td>E&amp;F review/scrutiny</td>
<td>League tables/survey outcomes</td>
</tr>
<tr>
<td>Exception reporting</td>
<td>Audit Committee review/scrutiny</td>
<td>Peer Reviews</td>
</tr>
<tr>
<td></td>
<td>Board review/scrutiny</td>
<td>Others</td>
</tr>
</tbody>
</table>

The outcomes of these reviews are captured by the University’s Business Assurance Map which is a live, dynamic monitoring system, based on best practice models used in a range of sectors.

4.2 The role of the internal and external auditors

The internal and external audit function forms a key part of the University’s assurance arrangements, and is a requirement of HEFCE Financial Memorandum and, in particular, its Audit Code of Practice.

The internal auditors report to the Board of Governors through the Audit Committee on the systems of governance, risk management, data quality and accuracy, as well as other aspects of internal control, including value for money. Their annual programme of risk-based audits is shaped on the advice of the University Executive and takes into account the significant risks on the University’s Corporate Risk Register. The Audit Plan is agreed with the Audit Committee.
While internal audit focusses on core corporate controls (such as financial systems), the University also works with its internal auditors to design an annual programme of audits which seek to provide assurance and identification of good practice and enhancement of critical activities which support the Corporate Strategy 2013-18. The internal audit plan ensures that internal audits provide recommendations and evidence to support the delivery of the University’s Strategic outcomes and Corporate KPIs and which strengthen the corporate internal control environment, systems and processes through which the University is managed. Clearly the University’s core business is academic: teaching and learning, the student experience and research and innovation. However, internal audits would generally not focus on core areas of academic audit, for which separate quality assurance and enhancement procedures operate.

The primary focus of the work of the external auditors is the statutory requirement to check that the University’s accounts present a true and fair view of the financial position and also as proof to HEFCE that finances are properly expended. The focus of the external audit takes place between July to November, leading to completion of the audit of the annual financial statements, which are adopted by the Board of Governors and submitted to HEFCE. Their audit work provides assurance on internal financial controls and highlights sector wide challenges and forthcoming changes, thereby informing University risk and assurance activities.

It is important that the internal and external auditors work in dialogue with each other and rely on each other’s reports and findings to ensure that work programmes are complementary.

4.3 Key internal sources of assurance

4.3.1 Reportable Incidents Policy

Unexpected or undesired incidents may reveal weaknesses in internal controls and therefore act as an additional source of assurance on risk management and the internal control environment.

The University’s Reportable Incidents Policy provides the Framework by which all unexpected or undesired events or incidents are reported and escalated appropriately, using four levels of incident:
- Minimal;
- Referable (i.e. to the responsible University Executive member);
- Reportable (i.e. to University Executive and possibly the Board of Governors or its Committees);
- Notifiable (i.e. to external authorities or regulators).

These classifications ensure the University Executive and/or the Board (or its Committees) are informed of significant incidents and the circumstances surrounding such incidents will be used as an assurance indicator for key internal control processes and systems.

4.3.2 Business Continuity Arrangements

Continuity of the University’s operations underpins all other development work required to achieve the Corporate Strategy 2013-18. The University’s approach to Business Continuity, coordinated by Campus Services, centres on the production of a tailored Business Continuity Plan, based on a formal Business Impact Review process within each Faculty and Professional Service. These Plans are linked with the Corporate Business Continuity Plan which is maintained and operated by the central Business Continuity Steering Group.
The regular testing of Business Continuity Plans, from 2013/14 onwards, provides insightful and useful assurance information about the adequacy of plans and staff awareness levels, which should ensure that the University continues to function in the face of significant disruption.

4.3.3 Academic Quality Assurance

The University’s Academic Quality Assurance and Enhancement activity is ultimately overseen by the Vice-Chancellor and Chief Executive and led by the Pro Vice-Chancellor (Teaching and Learning), with much of the academic quality activity co-ordinated by the Quality Support Team and overseen in the faculties by the Associate Deans (Learning and Teaching). Central to the work of the area is to provide assurance on the quality and standards of the academic awards made in Northumbria’s name. The Quality Assurance Agency for Higher Education (QAA) is the national body with which HEFCE contracts to work with HEIs to assure and enhance the academic quality and standards of UK awards. The University applies ‘The Quality Code’ of the QAA which is divided into three parts and entails: Part A: Setting and maintaining threshold standards, Part B: Assuring and enhancing academic quality and Part C: Information about Higher Education provision.

The work of the Academic Quality Team centres on:

Frameworks, Approvals, Assessment, Information and Review:
- Supporting annual and periodic review and developing our processes;
- Supporting QAA Audits and other external reviews including student surveys;
- Supporting the development of our academic frameworks, our processes for programme and module approval and revision;
- Updating and advising on University assessment regulations and procedures including Exam Board support and external examiner appointments;

Collaborative Ventures:
- Developing/implementing procedures for collaborative programmes and frameworks including articulation agreements, partnership reviews, foundation degrees and corporate and community collaboration.

Advising on and supporting approval processes for UK and international collaborative ventures. The work of the Academic Quality Team supports the Student Learning and Experience Committee (SLE) and its sub-committees, which assists the Academic Board to fulfill its role to oversee academic quality and standards.

4.3.4 Financial Assurances

The Finance and Planning Team are responsible for the management of University-wide processes relating to the University’s Financial Regulations, Planning functions and Treasury Management services, including the provision of advice and guidance to Faculties and Professional Services.

Their work provides assurance around the University’s performance against KPIs and related financial indicators via a regular Financial Management Report and related University Executive Performance Pack. Finance and Planning staff work closely with Faculties and Professional Services to monitor budget compliance and give early consideration to the financial implications of proposed initiatives and projects. Internal and external auditors provide additional independent assurance of financial processes and associated financial controls.
4.3.5 Value For Money (‘VfM’)

The University’s approach to Value for Money (VfM) includes the definitions, objectives, governance and the designated role-holders with responsibility for specific aspects of VfM. Further development work is planned to embed a more holistic, whole-cycle approach to VfM, including the implementation of a strategy, to ensure that considerations are built into decision-making at input and development stage, and that the deliverables are assessed against the intended efficiencies and effectiveness set out from the start. Implementation of the strategy will increase the level of assurance to the University Executive and Governors, through an annual VfM Report as well as periodic reports.

4.3.6 Legal Compliance

The University’s Legal Services Team oversees all matters of legal compliance and provides regular updates to the University Executive on legal claims and forthcoming changes to legislation following environment scanning. The Team works closely with other Professional Services (e.g. Procurement, Campus Services, RBS) on legal and contractual matters to ensure that legal requirements are appropriately considered and incorporated in proposed arrangements. A contract checklist, which monitors whether key activities have been undertaken prior to contract signature, forms part of the contract approvals process and is managed by Legal Services.

Specialist staff in other Professional Service areas (e.g. Health & Safety, Visa Compliance) supplement corporate guidance on legal requirements, with formal monitoring mechanisms to ensure that any suspected areas of non-compliance are investigated, escalated and resolved appropriately.

4.3.7 Project Assurance

The Corporate Strategy 2013-18 sets the framework for a significant change programme within the University. A Vision 2025, or Corporate Strategy 2013-18 project is a unique activity with a definite start and finish, needed to deliver change that is justified by an agreed Business Case. A project management framework has been established to provide assurance on Vision 2025 projects. Key change projects, which follow the University’s Project Management Framework, involve a five-stage gateway process (Decide, Define, Design, Develop and Deploy) the work of which is co-ordinated by the Change Management Team. The University Project Board has overarching responsibility for monitoring all projects which fall within the remit of the team. Specific governance arrangements exist for each project including a designated Project Sponsor, Project Manager and a Project Board.

4.3.8 Data Assurance

The University operates a Data Assurance Service as a key vehicle for the assurance of major corporate datasets and external returns (i.e. non-research related) created and compiled in the University’s name. Located in the Governance Services Team in the Vice-Chancellor’s Office, the Data Assurance Service operates independently of the Faculties and Professional Services with responsibility for the creation, processing, collation, compilation and, where relevant, submission of major corporate datasets to external bodies.

The Data Assurance Service is responsible for planning, commissioning, co-ordinating and, where relevant, conducting a programme of assurance exercises for data returns. The outcomes of the assurance process provide an independent vehicle to validate the accuracy of data in terms of its completeness and compliance with internal or external requirements, including for submission to external regulators and bodies such as HEFCE, the Higher Education Statistics Agency (HESA) and other sector bodies.
In addition to working in partnership with colleagues to promote and safeguard data accuracy and compliance across the University, the Service also champions ‘data quality’, as shorthand for the robustness, relevance of, and reliance which can be placed on University data as business-critical information and as evidence to inform decision-making to ultimately support the Corporate Strategy 2013-18. The Service provides a source of advice for recommending, bringing together and sharing, existing and emerging good practice in the management of data quality across the Faculties and Professional Services.

The Data Assurance Service deploys a risk-based approach to determine [a] which datasets and returns require coverage as part of the Service’s annual programme and [b] areas for priority coverage within each individual dataset and return agreed for review. This entails the Data Assurance Service working collaboratively, constructively and through a process of critical engagement with key sponsors of datasets and returns, to design and deliver data assurance and quality activities, which:

- test compliance and accuracy of data in targeted or broad areas of focus for each dataset;
- are both fit-for purpose and risk-based in terms of priority areas of focus proportionate to the significance of the dataset in terms of the financial, wider resource or reputational returns from it;
- are time-critical, providing a snapshot of data accuracy and quality at the appropriate point for the University to receive the maximum benefit from the exercise, whether in terms of improved accuracy of submissions, or to inform decision-making at the most appropriate point in the cycle;
- provide realistic and focused recommendations, the implementation of which are measurable to help reach a point of compliance in the areas of coverage, and/or enhance practice and performance in the use and application of the data;
- robust feedback, follow-up and monitoring of observations and recommendations arising from the assurance process, and post-exercise engagement with those responsible for managing the data.

The Data Assurance Service is in the process of re-calibrating its core activities and revising its Data Assurance Policy to ensure that its contribution to harnessing data quality is brought to the fore, to ensure the use and application of University datasets and returns to support strategic decision-making is maximised, whether compiled for internal or external purposes.
APPENDICES
# Governance Responsibilities for Risk & Assurance

## Board of Governors

- To set the Institutional tone for the management of risk, thereby creating the environment in which the University is confident to take calculated risks;
- To oversee the effective and efficient management of risk by the Vice-Chancellor and Chief Executive and the University Executive;
- To review the significant risks to the University and highlight any potential strategic risks for inclusion in the appropriate Risk Register;
- To take decisions with due regard to the risk implications identified in Board reports and other strategic reports and proposals;
- To provide direction and challenge to the University’s approach to managing specific risks.

## Strategic Performance Committee and Employment & Finance Committee Members

- To scrutinise areas of significant opportunity, uncertainty and risk relevant to their Committee’s Terms of Reference, which may require further analysis; to discuss and recommend additional and/or corrective action where necessary;
- To provide feedback at the end of each meeting on any issues arising from the Committee’s discussions that pertain to the University’s Corporate risks;
- To consider matters referred to the Committee(s) by the University’s Audit Committee and to highlight suspected internal control weaknesses to the University’s Executive and the Audit Committee, as required.

## Audit Committee Members

- To review the adequacy of the University’s risk management systems and internal control arrangements;
- To review the University’s Corporate Risk Register and Business Assurance Map;
- To investigate any concerns relating to areas of significant risk and/or the internal control environment relevant to their remit;
- To consider the implications of serious or significant incidents, identifying lessons learned and recommendations as appropriate to prevent recurrence;
- To refer particular risk issues to other Board Committees for further analysis as required;
- To provide an annual report to the Board outlining the Committee’s opinion of the adequacy and effectiveness of the institution’s arrangements for risk management and internal control, for incorporation within the associated internal control statements in the University’s Financial Statements;
- To provide an annual opinion on the adequacy of the management and quality assurance of data provided to HEFCE, HESA and other public bodies.

## External Support related to responsibilities for Risk & Assurance

### Internal Audit

- Working with the Head of Governance and University Executive Internal Audit sponsors to ensure that the University’s risk priorities are built into the annual Internal Audit Plan and individual audits;
- To provide assurance on the University’s Risk Management arrangements by reviewing their effectiveness and providing an annual comment to the Audit Committee.

### External Audit

- To ensure external audit work considers risk management and related arrangements;
- To highlight Sector Developments which relate to known or emerging Higher Education risks and opportunities.
## Staff Responsibilities for Risk and Assurance

### Vice-Chancellor and Chief Executive
- To perform an Executive leadership role for the spectrum of risk and assurance management;
- To report to HEFCE and other regulators, as Accountable Officer, significant risks and serious incidents as required under the HEFCE Financial Memorandum and other regulatory requirements;

### University Executive
- To take responsibility for the management of risks associated with the strategic direction, resources and compliance of the University;
- To identify and manage, shifting resources as required, significant areas of risk and to ensure, utilising assurance sources, that appropriate controls are in place or are developed to manage these risks effectively and efficiently;
- To review the Corporate Risk Register and Business Assurance Map and ensure significant changes or significant failures are addressed and/or communicated to the Board as required;
- To review, and provide input to, the University’s Internal Audit Plan and associated assurance arrangements;
- To ensure appropriate mechanisms (e.g. via Faculty Executive) are utilised to embed risk management within Faculties and Professional Services.

### Head of Governance & Secretary to the Board
- To support the Vice-Chancellor and Chief Executive to discharge his role in relation to risk and assurance management;
- To ensure that the constituent parts of the Framework are developed, communicated and implemented in accordance with the timescales agreed;
- To ensure that the constituent parts of the Framework are reviewed on a regular basis;
- To ensure timely engagement of any appropriate professional support.

### Risk Manager
- To lead on the development of risk management processes, develop the Risk and Assurance Framework and embed risk considerations within related business processes;
- To ensure that risk management is consistently embedded within the University;
- To support and guide University managers in their efforts to manage risk;
- To coordinate, where relevant, a cross-University response to specific risk areas which could benefit from a short term project group approach to achieve consistency;
- To network with local, regional and national groups in order to gain knowledge of topical risks, related initiatives and developments and to share best practice.

### Executive Deans, Professional Service Directors and their Management Teams
- To ensure that risk management is incorporated into Faculty and Service decision-making, planning and other key business processes;
- To monitor and review key risks within their Faculty or Service via Risk Registers and other mechanisms as required;
- To highlight any significant risks which may require escalation with their line manager via 1:1 discussions or with the University’s Risk Manager.

### All employees
- To manage risk appropriately within their job area and participate in activities (e.g. training etc) which assist in managing key risks;
- To take calculated risks in order to innovate and progress activity in their own area of work within the context of agreed performance objectives and in consultation with risk professionals, where appropriate;
- To identify to managers any risks within the Faculty/Service area that require management attention including minor or more serious incidents in line with the Reportable Incidents Policy, including opportunities as well as challenges.
## Glossary of Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assurance</td>
<td>The process to investigate the effectiveness of the key internal controls</td>
</tr>
<tr>
<td>Business Assurance Map</td>
<td>A document which summarises the outcomes of all assurance work undertaken in an organisation, normally presented to senior management and the Audit Committee</td>
</tr>
</tbody>
</table>
| Controls (or “internal controls”) | Measures taken to mitigate or reduce the risk.  
  • Current controls: those measures currently in place which mitigate the risk  
  • Future controls: those measures yet to be implemented which will further mitigate the risk |
| Controls Adequacy Rating          | A judgement by the relevant Risk Owner/Management Team as to how well the risk is controlled by the controls currently in place.            |
| Current Risk Rating               | The current level of risk based on the adequacy of current controls, the likelihood and impact levels                                    |
| Horizon scanning                  | The systematic review of internal and external activities to enable the early identification of emerging or changing risks                  |
| Impact                            | The rating which measures the consequences of the risk. Impact is measured against a pre-defined Risk Tolerance Table.                    |
| Likelihood                        | The rating which measures the probability of the risk occurring                                                                         |
| Projected Risk Rating             | The estimated level of risk, if all of the identified future controls were to be implemented                                             |
| Risks                             | Risks describe the most significant opportunities, threats and uncertainties associated with the University’s activities.                 |
| Risk Description                  | A summary of the cause, scenario and/or circumstances that present the opportunity, threat or uncertainty                                  |
| Risk Appetite                     | The amount of risk that the University is prepared to accept, or be exposed to, at any one time. The appetite for risk will depend on the nature of the identified risk. |
| Risk Owner                        | The individual responsible for ensuring the risk is managed and for escalating the risk, if necessary.                                    |
| Risk Rating                       | The risk level, determined by multiplying the Likelihood x Impact of the risk                                                             |
| Risk Register                     | The document which summarises significant areas of risk, related controls, risk ratings and control improvements required. Used to inform Strategies, Policies, Plans and resource requests and within Programmes and Projects |
| Risk Tolerances                   | The levels of impact (i.e. consequences) resulting from a risk that are most undesirable, captured in a Risk Tolerance Table. These Tolerances are used for scoring the Impact of identified risks. |
| Scenario planning                 | The in-depth process of reviewing how a risk, or combination of risks, might impact on the University’s activities and future plans. It may include the use of tools such as statistical modelling and sensitivity analysis. |
Risk Identification, Analysis and Control – methodology and scoring

The risk management process is cyclical and has several stages, described below.

The process is informed by past experience, knowledge of present circumstances and horizon scanning for opportunities, challenges and other uncertainties. Using this pragmatic process, Management and Project Teams assess what may help or hinder their ability to achieve objectives through a continual process of risk identification, analysis, control and monitoring.

The University’s risk management process captures important risk information within a consistent Risk Register template, shown at Appendix B.

Defining the context of risks

Clarity about the scope of a Risk Register is essential. As illustrated below, the mechanisms which form part of the Planning & Performance Framework are used to ensure that risks are focussed on, and aligned with, the relevant set of objectives.

| Corporate Risk Register | • Key risks directly linked to the achievement of the Corporate Strategy 2013-18 and Vision 2025  
| • Significant cross-cutting risks (if required)  
| • Certain internal control weaknesses (where identified as significant) |
| Strategic Plan Risks | • Key risks directly linked to the achievement of the Strategic Plan |
| Faculty Risk Registers | • Key risks directly linked to the delivery of Faculty Annual Plans |
| Service Risk Registers | • Key risks directly linked to the delivery of Service Annual Plans  
| • Cross-cutting risks (where Services lead on these) |
| Programme and Project Risk Registers | • Key risks associated with key Programmes and Projects |

Risk Identification

Risks are derived from relevant objectives, internal control information and other key sources of information. Use is made of the following tools:

• Management Team discussions;
• risk workshops and project board discussions;
• SWOT analyses and other self-assessment checklists/audit;
• knowledge and review of previous incidents, claims and other non-conformances;
• findings of lessons learned reviews;
• results of Internal Audit work and other independent inspections or reviews.

Allocating responsibility for individual risks

The University requires that, for each identified risk, Management Teams allocate a nominated Risk Owner who is ultimately responsible for ensuring the risk is managed.

Risk Analysis

The risk analysis process allows risks to be considered with due regard to the:

• risk controls already in place (including the adequacy of these);  
• likelihood of the risk occurring;  
• impact of likely consequences of the risk occurring;  
• cost effectiveness and feasibility of proposed future controls.

The Current Risk Rating is then identified by estimating the likelihood of the risk occurring and its impact should it occur, taking into account the adequacy of existing internal controls.
Once future control improvements have been identified, a “projected” risk score is used to test how the risk rating should change as a result of the improvements. The “projected” risk scores show the anticipated Risk Profile of the University.

Risks in main University Risk Registers are scored as at the “current” risk rating and a “projected” rating, based upon the anticipated risk score as at the date of the next Annual Review of the Corporate Strategy (approx. September each year). Programme and project risk registers use only the “current” risk rating.

**Risk Likelihood Score**

**Adequacy of Current Internal Controls**
The likelihood of a risk occurring is influenced by the adequacy of the current controls in place to manage the risk. Management Teams make an explicit judgement of the controls adequacy, prior to scoring likelihood, using a five-point scale:

- Very Good
- Good
- Average
- Limited
- Poor

This judgement can be compared with Internal Audit (and other) assessments on the University's internal control environment. It will supplement the sources of assurance available to the University's Executive Management and Audit Committee.

**Likelihood Ratings**
The following definitions are used to ensure consistency of scoring across the University:

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Very likely to occur in the future, strong evidence of control weaknesses and/or high level of recorded incidents</td>
</tr>
<tr>
<td>Medium</td>
<td>Moderate likelihood of risk occurring; some recorded incidents or opportunity for the risk to occur</td>
</tr>
<tr>
<td>Low</td>
<td>Little opportunity for the risk to occur, few incidents in comparable organisations</td>
</tr>
<tr>
<td>Very Low</td>
<td>Risk may occur only in exceptional circumstances</td>
</tr>
</tbody>
</table>

**Risk Impact Score**

Various consequences can arise from a risk occurring. The Risk Tolerance Table (shown at Appendix 3) illustrates the University’s tolerance towards the impact of these consequences. In this way, it reflects the University’s “risk appetite”.

The University measures the Impact of risk, using the Risk Tolerance Table, against the following criteria:
- impact on key objectives and standards – reflecting Corporate Strategy aims;
- financial impact – reflecting current budget;
- delays in service delivery – reflecting current service plans;
- damage to the University's image or reputation – reflecting key positioning issues.

This multi-dimensional approach provides a more accurate and robust overview of the true potential impact of a risk on the University and ensures clarity and consistency across risks and risk registers. It provides clear guidance to Management Teams as to the types of risk consequences that should be scored as High, Medium, Low and Very Low.

**The University Risk Matrix**

When the likelihood and impact of the risk occurring are analysed, a list of significant risks can be generated as follows:

\[
\text{Likelihood} \times \text{Impact} = \text{Current Risk Rating}
\]
Using numerical and colour coded values, the Current Risk Rating can be illustrated by the Risk Matrix:

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Very Low</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>4</td>
<td>8</td>
<td>12</td>
<td>16</td>
</tr>
<tr>
<td>Medium</td>
<td>3</td>
<td>6</td>
<td>9</td>
<td>12</td>
</tr>
<tr>
<td>Low</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Very Low</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

*Red 16 risks = “critical” risks*

*All risks over Amber 8 = “significant” risks*

**Risk Control**

Any significant risks (i.e. Red or Amber risks scoring 8 or above) identified using the above mechanism must be assessed for future internal control improvements.

Further risk control actions to reduce likelihood and/or impact can then be identified and recorded. The University requires SMART targets to be identified, with a Control Action Owner and a deadline for the action to be completed.

Where elimination of a risk is not possible or desirable, Management Teams are encouraged to consider the following issues:

- Extent of improvement possible
- Policy and procedural implications
- Resource implications
- Ease of implementation
- Statutory and external guidance
- Equipment implications
- Financial implications
- Timescales for implementation

By carrying out the major revision of Risk Registers within the Annual Planning process, any agreed future control improvements which require decisions by senior managers or which present resource implications can then be easily highlighted via the Faculty and Service planning framework. This should ensure that the University shifts resources to manage its most significant areas of risk.
<table>
<thead>
<tr>
<th>Impact on Objectives</th>
<th>Impact on Service Delivery</th>
<th>Financial Impact</th>
<th>Reputation Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HIGH</strong></td>
<td>• Critical activity or service failure (e.g. &gt; 2 weeks)</td>
<td>• Loss of over 1% of University total gross income</td>
<td>• Widespread/sustained adverse media attention</td>
</tr>
<tr>
<td></td>
<td>• Total loss of service for &gt; 3 days at one or more buildings</td>
<td>• &gt; 5% loss in Faculty gross turnover or Service total expenditure</td>
<td>• Major decline in staff/student satisfaction</td>
</tr>
<tr>
<td></td>
<td>• Serious decline/impact on performance indicators or academic quality standards</td>
<td>• Major adverse impact on corporate income streams</td>
<td>• Serious External or Board Governor concerns</td>
</tr>
<tr>
<td></td>
<td>• Major project failure</td>
<td>• Prosecution</td>
<td>• Relationship with major partner dissolves</td>
</tr>
<tr>
<td></td>
<td>• Major forced re-prioritisation of resources and/or priorities</td>
<td>• Published accounts qualified</td>
<td>• Significant loss of stakeholder confidence</td>
</tr>
<tr>
<td></td>
<td>• Serious adverse outcome of inspection or assessment</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MEDIUM</strong></td>
<td>• Significant disruption to core service/activity (1-2 weeks)</td>
<td>• Loss of between 0.5% and 1% of University total gross income</td>
<td>• Adverse media attention</td>
</tr>
<tr>
<td></td>
<td>• Total loss of service for 1-3 days at one or more buildings</td>
<td>• &gt; 3% loss in Faculty gross turnover or Service total expenditure</td>
<td>• Decline in staff/student satisfaction</td>
</tr>
<tr>
<td></td>
<td>• Notable decline/impact on performance indicators or academic quality standards</td>
<td>• Significant adverse impact on income streams</td>
<td>• Decline in partner confidence</td>
</tr>
<tr>
<td></td>
<td>• Significant threat to a major project</td>
<td>• Loss of major funding opportunity</td>
<td>• Failure to reach agreement with individual partner</td>
</tr>
<tr>
<td></td>
<td>• Some re-prioritisation needed</td>
<td>• Fines/Penalties</td>
<td>• Moderate Board or internal concerns</td>
</tr>
<tr>
<td></td>
<td>• Adverse inspection outcome</td>
<td></td>
<td>• Continuing, unresolved complaints</td>
</tr>
<tr>
<td><strong>LOW</strong></td>
<td>• Partial loss of service/isolated or minor service reduction</td>
<td>• Loss of between 0.25% and 0.5% of University total gross income</td>
<td>• Low level internal criticism or sporadic complaints</td>
</tr>
<tr>
<td></td>
<td>• Recoverable impact on performance indicator</td>
<td>• &gt; 1.5% loss in Faculty gross turnover or Service total expenditure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Threat to project</td>
<td>• Minor adverse impact on income stream</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Remedial action required from inspection or audit reports</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>VERY LOW</strong></td>
<td>• Minor/isolated service disruption with no impact on PIs</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LOW</strong></td>
<td>• Negligible effect on Strategic Objectives</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Isolated minor injury/ill health</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>