University of Aberdeen

Risk Management Framework

Version 5.0

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1. Executive Summary

This document is the University's Risk Management Framework. The Framework is comprised of two key components: the University's Risk Management Policy, and the University's Risk Management Process, which gives a detailed overview of the processes, tools and reporting structures in place for the effective management of risk.

The Framework applies across the University at all levels, including strategic organisational level, Schools, Directorates and on projects; risk management is an important part of the institutional Project Management Methodology. At organisational level, overarching accountability for the management of risk lies with the University Court, with additional oversight provided by the University's Audit and Risk Committee (ARC). ARC undertakes an assurance role, designed to help ensure the effectiveness of the University's risk management arrangements. In turn, the University's Risk Management Arrangements are managed by the Risk Management Committee (RMC), which reports into the Senior Management Team (SMT). Within this wider Framework, the University has a Strategic Risk Register (SRR) designed to support delivery of strategic institutional objectives, and a University Risk Register (URR), which is more operational in focus, spanning a number of key risk areas.

The Risk Management Framework was developed and is maintained by the University's Directorate of Planning and Governance, and management oversight coming from SMT, via the RMC. It aligns with best practice and internationally recognised standards for risk management, such as the ISO31000 Risk Management Principals and Guidelines document.

2. Risk Management - Key Terms and Definitions

The following definitions are provided for key terms. These definitions are recognised and accepted by the University and are applicable to the University's Risk Management Framework, encompassing all risk related policies and processes. All stated definitions are based on those given in the BS ISO3100:2018 Standard, and are therefore widely recognised across different sectors.

- **Risk**: In accordance with the ISO3100 (2018) definition, the University defines risk as the potential "effect of uncertainty on objectives". An "effect" is a deviation from an intended or expected outcome, which can be positive, negative or both, and which can address, create or result in opportunities or threats.

  A risk will be considered as either a threat (negative) to the University's ability to achieve any given objective, or as uncertainty resulting from an opportunity (positive) which offers potential benefits to the institution.

  An objective can have different aspects or categories; such as financial or regulatory, as examples, and can apply at different levels, within different contexts. For example, risks can be strategic or operational, and can apply to projects, processes and "business as usual" activities.

  A risk will usually be referred to in terms of risk sources, such as cost uncertainty; potential events, such as a cyber-attack or a pandemic; the likelihood that they will occur, and their consequences in the event that they do unfold.

  Note: it is important to recognise the difference between a risk and an issue. A risk is something that might happen, and therefore the outcome is uncertain. With an issue, there is no uncertainty; an issue is something that has happened or is happening.

- **Risk Management**: is defined as the "coordinated activities, systems and processes in place to direct and control the University with regard to the management of risk."

- **Stakeholder**: this is defined as a person, group or organisation that can affect or be affected by a decision or activity, or have the perception that they can affect or be affected. Alternatively, a "stakeholder" can also be referred to as an "interested party".

- **Risk Source**: this is an element which either on its own, or in combination with others, can potentially give rise to risk; for example, cost, schedule, user satisfaction.

- **Risk Event**: this is an occurrence or a change in circumstances, which can have several causes and a range of consequences. An event might be something that is expected but does not happen, or something unexpected which does happen. Brexit and the Coronavirus pandemic are both examples of events.

- **Consequence**: this is the outcome of an event which will affect objectives. This can be certain or uncertain, positive or negative, and can have direct or indirect impacts. As an example, consequences of an event like Brexit within a University context might be a decline in student numbers and a drop in tuition fee income.

- **Likelihood**: this is the chance that something will happen, noting it can be defined, measured or determined in quantitative or qualitative terms, objectively or subjectively.

- **Control**: this is a measure or measures that maintain or modify any given risk, and can include actions, initiatives, processes, policies or practices.

- **Risk Appetite**: this refers to the level of risk the University is willing to tolerate or accept in the pursuit of its objectives. When considering threats, risk appetite defines the acceptable level of exposure deemed tolerable or justifiable by the institution; when considering opportunities, risk appetite defines how much the University is prepared to actively put at risk in order to realise potential or expected benefits.

  Risk Appetite is directly linked to Risk Tolerance; an organisation with a higher Risk Appetite will tolerate a higher level of risk, meaning its risk tolerance threshold - the point at which the level of risk exposure becomes intolerable or unacceptable - will also be higher.

- **Risk Owner**: this is the person, persons or entity in authority accountable for the effective management of a risk.

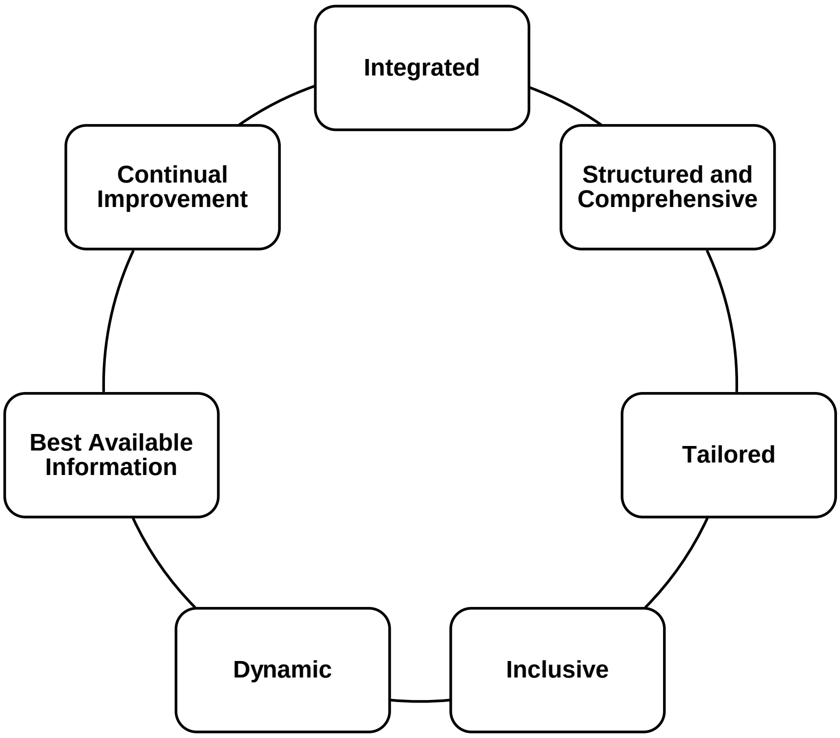
- **Risk Manager**: this is the person, persons or entity with delegated responsibility for the effective management of a risk.

It should be noted that while Risk Owners and Risk Managers may be directly accountable and responsible for the management of specific risks, in practice, all stakeholders and University employees have a responsibility for good risk management.

3. Principles of Risk Management

The University subscribes to the principles set out overleaf for effective and efficient risk management, based on those included in the ISO 31000:2018 standard. These principles underpin this Framework document, and they will inform the continuous development and improvement of all institutional risk management arrangements.

Figure 1: Risk Management Principles



1. **Integrated**: risk management is a central part of the University's activities and its wider management arrangements, applicable institutionally, across Schools and Professional Services, and on projects.
2. **Structured and Comprehensive**: the risk management arrangements in place are structured and comprehensive, ensuring consistency of use across the University at different levels, and where applicable, ease of comparison.
3. **Tailored**: the Framework and processes in place should be customised and proportionate, taking account of context and the environment, internally and externally, as well as relevant institutional aims and objectives.
4. **Inclusive**: risk management will include timely involvement of key stakeholders, ensuring that all relevant knowledge, views and perceptions are considered as and when appropriate.
5. **Dynamic**: risk management provides the ability to dynamically anticipate, define and respond to changes or events timeously and effectively; noting risks will emerge, change and disappear in different areas under different circumstances over varying timelines.
6. **Best available information**: risk management should at all times be informed by the best available information. This is crucial for identifying and defining risks accurately; for determining the likelihood and scale of any consequences posted, and for informing the nature of the required response.
7. **Continual Improvement**: risk management arrangements are continually improved through learning and experience, underpinned by a process of continuous reviews.

4. Risk Management Policy Framework

4.1. University Position Statement On Risk Management

The University operates in a sector and wider environment where different sources, influences and events create uncertainty. Uncertainty manifests itself as "risk", and risk can affect the University's ability to achieve its aims and objectives across all areas of the organisation. Risk will take the form of a threat or may come with opportunities, but either way, risk management is key to addressing the uncertainty created by reducing the likelihood that risks might be realised, and the resultant consequences in the event that they are. It is the University's position, therefore, that the use of risk management should be a cultural norm, inherent in its governance arrangements, and key to both driving performance and informing decision-making at all levels. The University's commitment to risk management, and the implementation of this framework, brings with it a number of high-level **benefits** which include, but are not limited to:

- Ensuring that risks are adequately identified, understood and considered when setting aims and objectives within the organisation, thereby enhancing the likelihood of successful outcomes.
- Similarly, ensuring that risks are adequately identified, understood and considered as part of decision-making processes, particularly where they concern capital investment decisions, the pursuit of opportunities or managing the impact of external issues like Brexit or Covid-19;
- In all cases, ensuring that the level of risk or the severity of potential consequences is minimised.
- Enabling a more proactive approach to management, which underpins better planning, enhances effectiveness and improves outcomes.
- Ensuring that the amount and types of risks taken across the University reflect its appetite for risk in any given area, and its wider strategic aims.
- Ensuring that information relating to such risks and their management is communicated to key stakeholders, thereby providing increased confidence and assurance when decisions are made.
- Ensuring that the systems and processes articulated herein are followed and are operated successfully, as part of an ongoing process of continuous improvement.

The Framework is owned by the Directorate of Planning and Governance, and endorsed and promoted by the Senior Management Team. It applies across the University at all levels, including at institutional level, and at the level of Schools and Professional Services directorates. Risk management should be integrated as an important governance and management function in each of these areas, making it part of daily business considerations, and a key factor that drives decision-making, as above. Risk management is also an integral part of the institutional Project Management Methodology, which is applied to all major projects undertaken by the University, including major change initiatives, strategic projects, international partnerships, and projects which require significant capital investment, such as those under estates and digital.

4.2. University Risk Appetite Statement

The University's Risk Management Framework defines Risk Appetite as *the level of risk it is willing to accept in the pursuit of its objectives*. Levels of risk are defined by category, as shown in Table 1, below.

Table 1: Risk Appetite - Categories and Definition

Category	Definition
Avoid	Unwilling to accept risk in this area to whatever extent possible; threats posed will have the potential to cause significant damage to the University, either in terms of compliance, health and safety, reputation, or financial sustainability. Detailed and robust plans for risk mitigation and control must be in place.
Averse	Prepared to accept only low levels of risk, with limited appetite for pursing high-risk activities. Where risks are accepted, potential benefits should be significant, with rigorous controls in place to limit the potential for harm. Court approval required where risks are accepted as a consequence of pursing objectives.
Moderate	Pursuit of opportunities is encouraged where the outcomes and projected benefits support the University's strategic vision. The risk identification and management process must be robust, with controls and mitigations in place, and clear processes for monitoring and control established.
Open	Willing to consider all projects or activities to achieve objectives, even where there are elevated levels of associated risk and where failure is possible. The projected benefits should be significant, and in line with institutional objectives. Reasonable measures for monitoring and control of risk should be in place.
High	Risk taking is encouraged in the pursuit of opportunities and objectives, through original, creative, pioneering projects or activities, providing due diligence is applied with risk

	controls in place. The chance of failure can be high and will be tolerated, providing on balance that the potential returns or benefits are significant.

The University acknowledges that in order to achieve its strategic ambitions, there is a requirement to accept varying levels of risk in different areas. The levels of exposure will change depending on the nature of different activities the University is required to undertake, or on the opportunities it chooses to pursue; meaning its appetite for accepting risk will also vary, contingent on these different factors.

However, while the University's risk appetite parameters will vary depending on the area of business under consideration, as above, it will always avoid or seek to minimise, through robust and controlled management, any activity that has the potential to cause the University significant financial, regulatory, legal or reputational harm, to endanger the health, safety or wellbeing of University staff or students, or to affect its ability to achieve its strategic priorities. These factors will be prioritised over any other consideration, including in areas where opportunities are commonly pursued, and the University is open to greater exposure.

Taking account of this, **the University's Risk Appetite at a strategic level is defined as "*Open*"**. In line with the definitions given Table 1, this means that, while maintaining an aversion to risk where appropriate, the University is also open to the acceptance of risk in the pursuit of opportunities, where they underpin its strategic ambitions, and in turn, where on balance, there is confidence that the projected benefits are realistic and achievable, and that they outweigh any potential for significant harm.

For the **individual risk areas which comprise the URR**, all considered strategically important, risk appetite is assigned as follows:

Table 2: Risk Areas – Risk Appetite Ratings

Strategic Risk Area	Avoid	Averse	Mod	Open	High
Financial Management & Control					
Estates and Facilities					
Student Recruitment					
Education (UG and PGT)					
Research and PGR					
Digital and Information Services					
People					
Health, Safety and Wellbeing					
International Partnerships					
Reputation					
Reputation & External Environment					
Environmental Sustainability					
Leadership and Governance					
Regional Engagement					

4.3. Risk Management And University Strategy – Aberdeen 2040

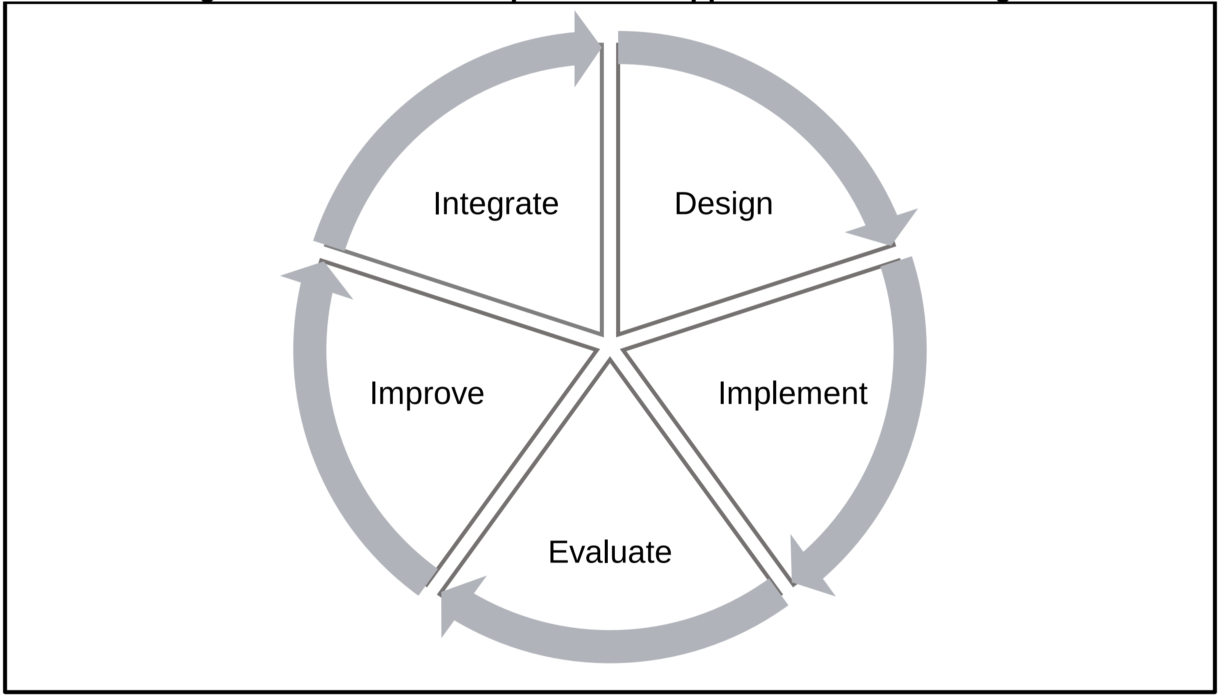
The University's risk management function interfaces directly with its strategic planning arrangements at institutional level; it is a key tool used to mitigate and control risks which might affect the University's ability to achieve the overarching strategic aims and commitments mapped out in the Aberdeen 2040 strategy. Major strategic risks are captured within the University's SRR.

4.4. University Approach To Risk Management – Continuous Improvement

The Risk Management Framework is a live document that will evolve over time, as the University continues to advance and mature its risk management arrangements, under an ethos of continuous improvement. The University will follow a cyclical continuous improvement model based on the following steps:

- **Design** risk management systems and processes, as part of a wider framework.
- **Implementation** of the framework at different levels of the organisation.
- **Evaluation** of the framework and its constituent policy and processes to ensure best practice and ongoing effectiveness.
- **Improvement** of the framework where areas or relative weakness or poor practice are identified.
- **Integration** of risk management into management of the University at all levels.

Figure 2: Continuous Improvement Approach to Risk Management



The University will evaluate and review the Framework annually via the Directorate of Planning and Governance. This will ensure that the Framework remains aligned to best practice and that the arrangements in place remain effective.

4.5. Risk Management: Accountability and Responsibility

Accountability and responsibility for risk management sits at all levels of the organisation:

- **University level**: as part of the institutional corporate governance structure, accountability for risk management lies with the University Court and with the Audit and Risk Committee (ARC). Within this context, Court has a remit to ensure the establishment and monitoring of systems of control and accountability for risk assessment and management; the remit for ARC can be accessed here. SMT has delegated responsibility, as a core function, for oversight of the University's risk management arrangements, which includes management of all strategic risks via the SRR. SMT is informed in discharging this remit by the University's Risk Management Committee (RMC). SMT is also required to ensure that authority is delegated to manage risk at different levels of the University, including across Schools and Professional Services Directorates.

- **School level**: every School should have a risk register in place, and School Executive Committees have overarching responsibility for the management of all risks which might affect the School's ability to achieve its strategic aims and objectives. Heads of School will normally undertake the risk owner role, and will be responsible for appointing risk managers. School risk registers will be considered annually at institutional level as part of the annual planning process.

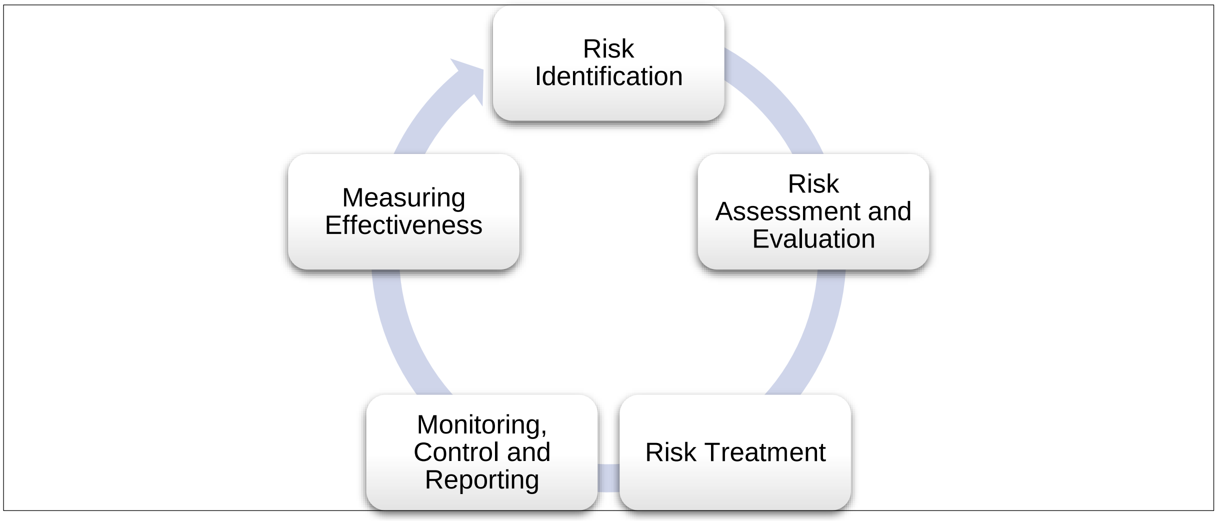
- **Professional Services Directorates**: significant risks are captured and controlled via the URR, which spans a range of risk areas designed to cover the full scope of University operations. Risk Owners and Managers will be appointed accordingly; risk managers normally from the relevant business area. Directors will also commonly act as risk manager for risks under the SRR in areas relevant to them, supporting the SMT lead designated as risk owner. The URR is overseen by the RMC, and where appropriate, risks may be escalated from the URR to the SRR.

- **For institutional projects of strategic importance**, including Digital, Estate-based and International projects, the Project Board will have overarching responsibility for ensuring that key risks are identified, monitored and controlled throughout the project lifecycle. Accountability for ensuring effective risk management takes place will normally sit with the Project Sponsor, with day-to-day responsibility falling to the project manager. The Project Board will normally report on risk as part of regular reports submitted to the appropriate authority; for example, the Digital Strategy Committee for Digital projects. Further information on risk management within a project context can be found within the University's Project Management Methodology.

5. Risk Management Process

The following gives a detailed overview of the University's Risk Management Process, which is based on the cyclical workflow as below under Figure 3.

Figure 3: Risk Management Process



5.1 Risk Identification

The first step in the risk management process is risk identification. A variety of methods can be used for identifying risks, including brainstorming sessions with key stakeholders; formal or informal workshops; benchmarking exercises; horizon scanning; formal consideration by management groups, committees, boards or equivalents. When looking to identify uncertainties, a number of factors should be considered, noting these are often interlinked:

- Aims and objectives;
- threats and opportunities;
- vulnerabilities and capabilities;
- changes in the internal and external environment;
- the nature and value of assets or resources, for example buildings and finance;
- potential consequences and their impacts on objectives;
- limitations of knowledge and reliability of information;
- time-related factors.

The process of risk identification will vary depending on context and the level at which risks are being assessed. For example, at organisational level, strategic risks should be identified for ongoing management at the start of any major planning period to ensure that the strategic priorities outlined in any new strategy, like Aberdeen 2040, are taken account of. Consequently, risk identification at this level should be part of wider strategic planning arrangements. Similarly, at School or Directorate level, risks should align with the strategic priorities articulated in School or Directorate plans, and should therefore be identified early as part of the respective planning process.

Within a project setting, key risks should be identified at the start of a project, and managed throughout the project lifecycle. This should be done in accordance with the University's Project Management Methodology.

All identified risks should be recorded using the University's standardised risk register template, which comes with a supporting technical guide. These documents are available here via the University website.

5.2 Risk Assessment And Evaluation

5.2.1. Consideration of Risk Appetite

The risk appetite ratings applied to individual risk areas (*see Table 1, section 4.2, above*) should be used as a subjective tool to inform the decision-making of Risk Owners and Managers within each respective area when assessing and evaluating activities which incur risk; both in terms of potential mitigations, and when weighing up opportunities. The appetite ratings in this context thereby serve as guidance. This approach reflects the nature of risk management at the University, and across the wider sector, where the assessment of risk is predominantly – but not exclusively - a subjective or qualitative exercise, rather than data-driven.

5.2.2. Risk Scoring

When analysing and scoring risks, a number of factors should be considered, including:

- The likelihood of events and consequences unfolding, in terms of probability, and proximity - meaning time related factors.
- The nature and magnitude of those consequences, meaning their potential impact.
- The complexity of risks, and their connectivity and overlap across different risk areas.
- The effectiveness of current controls and planned or ongoing mitigating actions.

Once scored, risks can be categorised based on their perceived severity and the level of threat that they pose. This enables prioritisation, and it informs decision making on how to respond, both in terms of applying controls, or initiating mitigating actions. A determination can also be made on whether the level of risk incurred is in line with the University's appetite for risk in that area, and whether risk escalation is required.

The University determines risk scores using a 4 x 4 scoring matrix, shown in Figure 4. The matrix is designed to help project the ***likelihood*** of a risk occurring, in terms of probability and proximity, and the expected consequences or ***impact*** in the event that it does. The matrix provides a visual representation of the risk score via colour coding, which enables RAG ratings to reflect the perceived severity that each risk poses. Those risks RAG rated lowest will be coloured green, and those highest coloured red.

Figure 4: Risk Scoring Matrix

					Impact			
	Probability		**Proximity**		**Low (1)**	**Moderate (2)**	**High (3)**	**Critical (4)**
Likelihood	This event is highly likely to occur	76 - 100%	Could happen imminently	**Highly Likely (4)**	4	8	12	16
	This event is likely to occur	51 - 75%	Within 3 - 6 months	**Likely (3)**	3	6	9	12
	This event could feasibly occur	26 - 50%	Within 6 months to a year	**Feasible (2)**	2	4	6	8
	This event is unlikely to occur	1 - 25%	Unlikely for foreseeable future	**Unlikely (1)**	1	2	3	4

It should be noted that each Risk will be allocated two risk scores, as follows:

- **Unmitigated Risk Score –** often referred to as an inherent or gross risk score. This refers to the level of risk an activity would pose if no controls or mitigating actions were put in place.

- **Mitigated Risk Score -** often referred to as a residual or net risk score; this refers to the level of risk remaining after controls and mitigating actions are taken into account. The Mitigated Risk Score should ideally reflect the applicable risk appetite, and should fall within any agreed tolerance threshold; this can be shown via a *Target Risk Score*.

Given that the mitigated risk score is applied taking account of actions designed to mitigate the risk, it will normally be lower than the initial risk score, either in terms of impact, likelihood, or both.

The matrix as shown above is included within the University's Risk Register Template, along with guidance on how to score impact. More detail can also be found in technical guidance documents, available on the University's Risk Management Resources site.

5.3 Risk Treatment

When an initial risk score is determined, a decision should be made on how to respond to the risk. This is referred to as **risk treatment**. There are four main options:

- **Avoid**: this means avoid taking the risk by not starting the relevant activity, or terminating the risk by discontinuing and thereby removing the risk source. This will not always be possible, particularly where risks are posed by external events outwith the University's control, such as Brexit or Covid.

- **Treat**: this means adding controls and/or taking mitigating actions to reduce the likelihood of a risk occurring, or its consequences if it does. Unless a decision is made to avoid a risk, almost all risks should undergo some form of treatment if possible.

- **Tolerate**: this means accepting risk where this is an option, usually in pursuit of an opportunity. This should always be an informed decision that takes account of the expected cost-benefit trade-off. This might apply to opening an overseas campus, as an example.

- **Transfer** (the risk): this is normally done via insurance or through contractual arrangements; for example, on a capital construction project in Estates, the risk of cost overrun could be transferred to the contractor by agreeing a fixed price contract.

All controls applied to any risk, and all mitigating actions agreed, should be recorded in the risk register. This will then be used as a key tool for monitoring and controlling progress, which will include appraising the effectiveness of different treatments, and their impact on risk scores.

5.4 Monitoring, Control And Reporting

5.4.1. Monitoring and Control

Risks should be monitored and controlled on an ongoing basis. At an individual level, responsibility for monitoring and control lies with the risk owner and risk manager, in consultation with key stakeholders. This includes individual stakeholders and more collectively, stakeholder groups; for example, any relevant committee, project boards, or School Executive Committees (within Schools).

The SRR is owned by the Senior Management Team, with each individual risk owned by an SMT member. As stated above, oversight and accountability sits with the ARC, and the University Court.

The URR is overseen by the RMC, though each risk area is overseen by a committee or committees (or equivalent) relevant to the business area in question (see Table 3, below). Risk owners and managers are required to ensure that their risk areas are routinely reviewed via those groups on a routine basis.

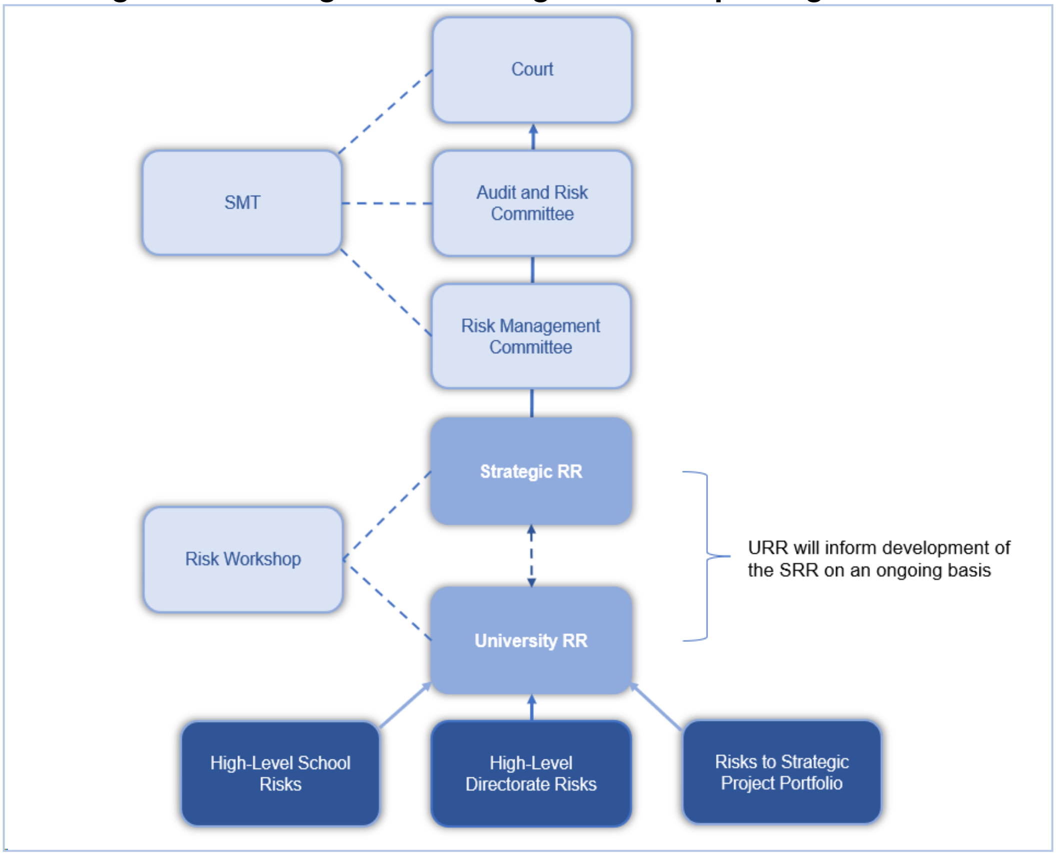
Table 3: Mapping Risk Areas to Committees

	Strategic Risk Area	Committees
1	Financial Management and Control	• SMT • Finance and Resourcing Committee
2	Estates and Facilities	• Estates Committee
3	Student Recruitment	• Student Recruitment Committee
4	Education (UG and PGT)	• Education Committee
5	Research and PGR	• Research Policy Committee
6	Digital and Information Services	• Digital Strategy Committee • Information Governance Committee
7	People	• SMT • Finance and Resourcing Committee
8	Health, Safety and Resilience	• Health and Safety Committee • Finance and Resourcing Committee
9	International Partnerships	• International Partnership Committee
10	Reputation and External Environment	• Risk Management Committee
11	Environmental Sustainability	• Sustainable Development Committee
12	Leadership and Governance	• Governance and Nominations Committee
13	Regional Engagement	• Risk Management Committee

5.4.2. Reporting

Reporting arrangements provide an additional level of monitoring and control. At University level, ARC and Court receive a high-level report on risk twice per year in February/March and September/October, as part of a bi-annual reporting process. Each of these reporting rounds will involve a workshop with key stakeholders, overseen by the RMC, and coordinated by the Directorate of Planning and Governance. These reports will provide summary updates on management of the risks which comprise the SRR, with a particular focus on those areas which pose the most significant risks at that time. The URR is also reviewed as part of this process, with an update on that going to the RMC. As part of that process, there is a concerted focus on potential risks at a more operational level, which may evolve into more strategic risks, which in turn might be escalated into the SRR. Therefore the interface between the URR and SRR is a key focus. In these ways, a monitoring and control function is being exercised at the highest level. Additionally, these reports will also provide assurance to ARC and Court that the University's risk management processes are being followed, and that they continue to function well. A visual representation of the institutional reporting structure for the SRR is given below.

Figure 5: Strategic Risk Management - Reporting Structure



5.5 Measuring The Effectiveness Of The Risk Management Process

5.5.1 Internal Assurance

The Directorate of Planning and Governance has responsibility for ensuring that the Risk Management Framework is kept up to date, in line with best practice, and that it remains effective. The Framework is reviewed on an annual basis, with oversight from the RMC, done in consultation with internal auditors if or where appropriate. Each review will take account of external risk management standards, with the overarching purpose of driving continuous improvement and enhancing maturity. On completion, a report on the review outcomes should be made to the RMC as standard. Additionally, by reporting to ARC biannually, as above, ARC will undertake an assurance function designed not only to ensure that all major risks facing the University are being effectively managed, but also to provide assurance that the University's wider risk management arrangements are being properly implemented, and that they remain fit for purpose. This ensures that the Framework and its constituent processes are subject to scrutiny by an objective third party, albeit one internal to the University.

5.5.2 Internal Audit

The University's risk management arrangements will also be subject to review as part of the internal audit process, carried out by auditors appointed at institutional level; currently PwC. Audits will take place on an ad-hoc basis; the last audit on risk management took place in 2019. This is an important assurance function carried out by an external authority on risk management.