Risk Management Policy

1. Purpose

1.1 This Risk Management Policy (“the Policy”):
   a. sets out the high level arrangements for risk management, control and assurance at The Open University;
   b. provides a definition of risk and risk management;
   c. sets out the arrangements for approval and maintenance of the Policy;
   d. defines the University’s approach to risk appetite and tolerance;
   e. defines the University’s risk management strategy; and
   f. describes the governance arrangements and responsibilities for managing risk.

1.2 This Policy is reviewed annually by the Audit Committee to ensure fitness for purpose. It is approved by the Council and has the full support of the Vice-Chancellor’s Executive and senior management of the University.

1.3 Understanding and controlling risk is important to the University. Effective and efficient risk governance and oversight provide management with assurance that the University’s business activities will be positively enhanced by opportunities but not be adversely impacted by threats that could have been foreseen. This in turn reduces the uncertainty of achieving the University’s strategic ambitions as defined in the University’s Strategic Plan.

2. What is Risk?

2.1 Risk can be defined as the uncertainty around the University’s ability to achieve its objectives and execute its strategy effectively. Risks can be positive (opportunities) and negative (threats) and are a combination of the likelihood of an event and the impact of the consequence. Events with a negative impact represent risks that can prevent value creation or erode existing value. Conversely opportunities could, if exploited, offer valued improvements to the University and the students it serves.

2.2 Based on HM Treasury’s guidance the University groups risks into the following categories:
   a) Reputation and Credibility
   b) Operational (teaching, student support and research)
   c) Financial
   d) Compliance
2.3 Although any given risk can impact more than one of the above categories, the categorisation is helpful in the process of identifying the risks that the University faces and for distinguishing the risk appetite across the different categories of risk (see section 5 below).

3. Risk Management

3.1 Risk management can be defined as the systematic application of principles and approach, and a process by which the University identifies and assesses the risks attached to its activities and then plans and implements risk responses. A key component of realising the practice of risk management is enabling a risk culture; section 7 provides more detail on this.

3.2 Guidance and detail on the risk management process is set out in The Open University Risk Management Framework (“the Framework”).

3.3 Effective risk management underpins the University’s long-term success. As such, it is essential that risk management is incorporated into all key University processes, including but not limited to strategy, unit business planning, operations, and programme and project management. It applies in both business and academic environments, and is also integrated into University subsidiary companies such as FutureLearn and Open University Worldwide.

4. Approval and Maintenance

4.1 The Policy is approved by the Council on the recommendation of the Audit Committee. The Policy is reviewed by the Audit Committee at least annually to ensure that it continues to be relevant to the University’s current and planned activities. Changes are recommended to the Council for approval.

5. Risk Appetite Statement

5.1 Risk appetite is the amount and type of risk that the University is willing to take in order to achieve its strategic objectives.

5.2 Appendix 1 sets out the University’s risk appetite statement in relation to the risk categorises set out in paragraph 2.2. The risk appetite statement is based on an HM Treasury framework.

5.3 The annual review of the Policy will include the opportunity for the Council to review its risk appetite statement in light of the context in which the University is operating.

6. Approach to Controls Maturity

6.1 Controls Maturity is a framework for appraising risk management competency. The University is currently assessed against the five definitions below across what is a continuum.

<table>
<thead>
<tr>
<th>Unreliable</th>
<th>Adequate control activities are not designed or are not fully in place</th>
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</thead>
<tbody>
<tr>
<td>Informal</td>
<td>Control activities are designed and in place but are not adequately documented</td>
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</table>
Control activities are designed, in place, consistently applied and are adequately documented

Standardised

Monitored
Standardised controls with periodic testing for effective design and operation with reporting to management

Optimised
Integrated controls with real-time monitoring by management and continuous improvement

6.2 It is not always appropriate to aspire to ‘optimised’ controls. However, it is expected that controls should at least be ‘standardised’, except in the year in which new business processes are being introduced. There is an expectation for management to move control maturity higher within the “standardised” category and into the “monitored” category over time as part of a process of continuous improvement. However, control maturity expectations also depend on the likelihood and impact of risks materialising, and on the University’s risk appetite and risk tolerance levels. In an area assessed as having a lower risk tolerance level, the focus on control maturity will be higher in order to mitigate the inherent risk.

7. Risk Management Culture

7.1 The University strives to embed a culture where risk management is a key component in all its decision-making. This will enable individuals and groups to take the right risks in an informed manner.

7.2 The University’s risk culture builds upon its values of responsiveness, inclusiveness and innovation.

7.3 The University maintains a Strategic Risk Register of all significant risks that may affect our ability to achieve our objectives and the risk response actions in place for dealing with them.

7.4 All Units, schools, academic related units and steering groups will record their risks on the University’s Risk Management System. From December 2018 onwards, all risks should be recorded on the System with no locally saved risk registers after this date.

7.5 The benefits of the system include having all risks recorded in one location, bringing consistent reporting, searchable fields and ability to obtain aggregate information.

7.6 The following key characteristics have been adapted from the Institute of Risk Management which recommends these components of a successful key culture:

a) A distinct and consistent tone from The Council and Vice-Chancellor’s Executive in respect of risk taking and avoidance;

b) A commitment to the University’s core values of inclusivity, innovation and responsiveness;

c) A common acceptance through the University of the importance of continuous risk management, including clear accountability for and ownership of specific risk and risk areas;
d) Transparent and timely risk information flowing up, down and across the University;

e) A commitment to ethical principles, reflected in a concern with the ethical profile of individuals and the application of ethics as well as the consideration of wider stakeholder positions in decision making;

f) Actively seeking to learn from mistakes and near misses;

g) Appropriate risk taking behaviours encouraged and inappropriate behaviours challenged and sanctioned;

h) Risk management skills and knowledge valued, encouraged and developed;

i) Sufficient diversity of perspectives, values and beliefs to ensure that the status quo is consistently and rigorously challenged; and

j) Alignment of management culture with employee engagement and people strategy to ensure staff are supported and strongly focused on the task in hand.

8. Governance and Responsibilities

8.1 An effective risk management structure requires governance, oversight and management. The governance role sets strategy and approves the Policy, and receives assurance that they are operating effectively. Risk oversight involves establishing a framework of rules and mechanisms to measure, monitor and report risk exposures. It also provides a process to ensure that risk is managed effectively, as set out in the Framework.

9. Risk Governance

The Council

9.1 The Council has overall responsibility for risk management, sets the tone for risk management within the University and takes an overall perspective of compliance with the University’s policies. The Council determines the University’s overall parameters for the institution’s risk appetite and tolerance. The Council assures itself that risk management requirements are consistently and rigorously applied through receipt of risk reports considered by the Vice-Chancellor’s Executive, the committees reporting to The Council or The Council itself. The Council is assisted in fulfilling its responsibility for risk management by the Audit Committee.

Audit Committee

9.2 The Audit Committee on behalf of The Council considers:

a) Regular assurance reports from management on compliance with the policy and management of risk exposure relative to risk appetite and tolerance;

b) Independent assurance reports from internal audit on the quality of internal controls, and on the adequacy and effectiveness of the Framework;

c) Independent reports from the external auditors and other sources of assurance; and

d) Revisions to the Policy and recommends changes to The Council.
Executive Accountability and Oversight

Vice-Chancellor

9.3 The Vice-Chancellor is accountable to The Council for implementing an appropriate risk management framework and for allocating responsibilities to individuals within that framework so that The Council’s Policy requirements are met.

Vice-Chancellor’s Executive

9.4 The Vice-Chancellor’s Executive is responsible for setting the tone and influencing the culture of risk management across the University. This includes the following:

a) Monitoring day to day risk management activities;

b) Advising the Council on the overall assessed level of risk appetite and tolerance, and reviewing breaches of risk appetite and tolerance;

c) Approving major programmes/projects that affect the University’s risk profile or exposure, deciding what types of risk are unacceptable/acceptable;

d) Actively reviewing the University’s Strategic Risk Register and risk “deep dives” into the University’s principal risks and monitoring significant risks including the effectiveness of controls; and

e) Agreeing actions, changes or improvements to key elements of the process and framework.

Executive Responsibilities

University Secretary

9.5 The University Secretary has executive accountability and responsibility for risk management across the University. All updates and reviews of the Policy and risk appetite statement must be approved by the University Secretary.

Chief Commercial and Strategy Officer

9.6 Operational responsibility for the development and maintenance of the Policy, the Framework, Risk Management System and all associated activity is delegated to the Chief Commercial and Strategy Officer. The Strategy & Information Office is responsible for monitoring implementation of the Policy, Risk Management System and Framework through the University’s planning processes and reporting to the Chief Commercial and Strategy Officer, University Secretary and the Vice-Chancellor’s Executive. The Strategy & Information Office is responsible for producing the Strategic Risk Register for consideration by VCE, Audit Committee and Council, drawing on inputs from a Risk Management Group comprised of staff from different parts of the University.

Heads of Unit

9.7 Heads of Unit are responsible for managing risks inside their own areas of accountability and articulating them within the unit planning process by maintaining a risk register to be discussed with their Planning and Resource Officer. Whilst Heads of Unit maintain responsibility for their areas they may delegate responsibility for specific risks to named Risk Owners.
Risk Owner

9.8 Risk Owners are responsible for the management and control of all aspects of the risks assigned to them, including implementation of risk response actions to address threats and maximise opportunities. The responsibility for implementation of risk response actions may be delegated to a named individual who supports and takes direction from the risk owner.

9.9 All Risk Owners must review the adequacy and appropriateness of the entries in the Risk Management System whenever circumstances change and in any event not less than annually as part of the planning process.

All staff

9.10 Staff throughout the University are responsible for complying with the Policy and for managing the risks associated with their operational activities and processes. The Framework describes the method for applying Policy requirements, including the tools and techniques for risk identification, assessment, planning, implementing, monitoring and reporting. The University uses a Risk Management System to record all its business as usual risks. PPM will continue to be used for all project related risks. These should be reviewed regularly to ensure threats are being managed and opportunities exploited.

10. Risk Assurance

10.1. Assurance is provided through transparent, timely and objective risk reporting. High quality and accurate risk management information helps to ensure that senior management is fully aware of material risks to which the University is exposed.

10.2. The Chief Auditor provides regular reports and insight to management and the Audit Committee on governance, risk management and internal control. Additionally an annual report on the overall effectiveness of governance risk management systems and controls across the University, (which helps to inform the Audit Committee’s opinion on the effectiveness of risk management) is provided to The Council.

11. Portfolio, Programme and Project Assurance

11.1. Following the formation of Major Change Board and the agreement of project minimum standards, there is in place a rational, robust and coherent framework within which routine independent and objective assurance activity can be performed across the breadth of the University’s projects, programmes and portfolios.

11.2. The primary provider of assurance for all change initiatives lies with the project sponsor, who is ultimately accountable for the delivery of both the project objective and benefits. Second and third line assurance providers, Portfolio Office and Internal Audit respectively, are independent of the project, programme and portfolio and have the authority and opportunity to challenge, scrutinise and speak with an independent voice.
## APPENDIX 1: Risk Appetite Statement

<table>
<thead>
<tr>
<th>Risk Factor</th>
<th>Averse</th>
<th>Minimalist</th>
<th>Cautious</th>
<th>Open</th>
<th>Hungry</th>
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<tbody>
<tr>
<td>Reputation</td>
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<tr>
<td>Operational</td>
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<tr>
<td>a) Innovation of</td>
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<td>approach</td>
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<td>b) Implementation</td>
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<td>Financial</td>
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<td>a) Core income</td>
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<td>b) Core Expenditure</td>
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<td>c) New income &amp; expenditure</td>
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<tr>
<td>Compliance</td>
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Shaded areas represent risk appetite.

**Key**
- Risk Appetite
- Previous position (2017)
- Movement in risk appetite from previous position
- Potential for further movements in some areas