

UNSW



Risk Management Plan *2005 – 2008*

Volume 1: Framework

October 2005

Approved: Risk Management Advisory Group

Date: 22 November 2005

1. UNSW Risk Management Plan 2005-2008

The UNSW Risk Management Policy provides the framework for the development of this new three-year Risk Management Plan (RMP). The plan will incorporate a rolling action plan with an annual cycle of review and budget allocation, which in turn provides the mechanism for implementation of the policy. The purpose of the Risk Management Plan is to:

- Identify priorities;
- Set objectives and targets
- Define performance indicators;
- Document strategies and time frames to achieve targets;
- Allocate responsibilities and identify the necessary resources to enable realisation of the overall plan;
- Establish mechanisms to monitor evaluate and report progress.

2. Background and context

The current UNSW Strategic Plan, which sets out the University's vision, values and priorities based on extensive consultation across the University community, was approved in November 2004. The University's vision is to be Australia's leading international research university with a reputation for excellence in scholarship, learning and the student experience. Complementing the University's commitment to scholarship, diversity and social justice is the belief that ***the principles of risk management should underpin and genuinely apply to all activities in which UNSW is involved.***

The UNSW Strategic Plan commits the University to continual improvement across four broad areas. The strategies and actions set out in this Risk Management Plan will contribute to each of these areas in the following manner.

Research excellence

Develop, support and promote a research risk management framework which will ensure research is not interrupted due to incidents or losses and opportunities for new research can be embraced because risks are managed and controlled.

Teaching excellence

Support teaching excellence through the creation of a culture of risk management which safeguards the university's assets – human, financial, reputational, and physical and information.

International development

Foster projects and programs overseas which permits leadership and innovative program development while not jeopardising UNSW's assets, reputation and international standing.

Community Service

Provide a model for the wider community where all members of the university community assume responsibility for the management of risk.

The UNSW Risk Management Policy commits the University to achieve the following goals, in line with the Strategic Plan:

- Assist the University in achieving its academic, operational, and strategic objectives;
- Safeguard the University's assets – humans, financial, reputational, physical, and information;
- Create an environment where members of the University community assume responsibility for risk management.

3. Guiding Principles

UNSW is committed to the protection of its people, assets and the promotion of strategic opportunities through effective management of risk by identifying, analysing, evaluating and treating exposures that could impact on its goals and objectives. We recognize that risk management is an integral part of good management practice. UNSW is committed to achieving best practice in the area of risk management and will communicate its principles and practices throughout the University.

UNSW recognizes that risk is inherent in all academic, administrative and business activities and that every member of the University community manages risk. Over the years formal and systematic approaches have evolved to manage risks and are regarded as good management practice. UNSW follows the systems based on the Standards Australia **AS/NZ 4369 – Risk Management**. As a result of this system UNSW promotes the adoption of a culture which embraces a strategic and formal approach to risk management which improves decision-making and enhances outcomes and accountability.

4. The UNSW Concept of Risk Management

UNSW is committed to the protection of its assets and promotion of strategic opportunities through effective management of risk by identifying, analysing, evaluating and treating exposures that are likely to impact on its goals and objectives. We

recognize that risk management is an integral part of good management practice. UNSW is committed to achieving best practice in the area of risk management and will communicate its principles and practices throughout the University.

UNSW recognizes that risk is inherent in all academic, administrative and business activities and that every member of the University community manages risk. Over the years formal and systematic approaches have evolved to manage risks and are regarded as good management practice. UNSW follows the systems based on the Standards Australia *AS/NZ 4360 – Risk Management*. As a result of this system UNSW promotes the adoption of a culture which embraces a strategic and formal approach to risk management which improves decision-making, enhances outcomes and accountability.

The cornerstone of UNSW's Risk Management Program is the *Risk Management Policy* (see below), which outlines the expectations that Council and Senior Management have of all members of the UNSW community with respect to risk management. Implementation of the *Risk Management Policy*, through this *Risk Management Plan (Volume 1)* and the *Risk Management Guidelines (Volume 2)* will ensure management can demonstrate that risks in all parts of the University are being identified and managed in a way that is appropriate for the business environment and UNSW's goals and objectives.

5. Key Definitions

Risk management definitions can be found as Appendix Item A of this document as well as the definitions section of the Standards Australia, *AS/NZ 4360 - Risk Management*. The key definitions utilised in this policy are as follows:

- **Risk** – is the chance of something happening which will have an impact on the achievement of UNSW's goals and objectives.
 - The concept of risk includes the possibility of good things not happening (risk as opportunity), the threat of bad things happening (risk as hazard) and the potential that actual results will not equal anticipated outcomes (risk as uncertainty.)
 - We acknowledge that risk not only includes possibility of economic or financial loss or gain but also injury or death, physical damage, environmental harm, business interruption or a negative reputation and image.
 - Risk is measured in terms of consequence and likelihood.

- **Risk Management** – is the culture, structures and processes designed for the effective management of potential opportunities and adverse effects within the University environment?
 - It is the understanding of our business objectives and the systematic application of management policies, procedures and practices to the task of establishing context, identifying, analysing, assessing, treating,

monitoring and communicating risks which will direct the University towards the effective management of these potential opportunities or adverse effects.

6. Overall Objectives of the Plan

The ***Risk Management Plan (Volume 1)*** and the ***Risk Management Guidelines (Volume 2)*** are designed to assist members of the UNSW community in the business risk management process. In general, the purpose of the plan is not to make UNSW risk averse but to allow managers, staff and students to pro-actively identify and manage risks in order to optimise business, academic and research opportunities to achieve the objectives of UNSW.

The intent of the ***Risk Management Plan (Volume 1)*** and the ***Risk Management Guidelines (Volume 2)*** is not to create another level of compliance or bureaucracy but to educate the UNSW community and to create a culture of risk management in day-to-day activities in a convenient and cost beneficial manner.

The business risk management process will be conducted as part of the University's regular strategic planning process. A key objective of the plan is to provide a comprehensive and systematic framework for the conduct of risk management at UNSW. To meet this objective, UNSW has developed the following documents:

Volume 1 - The UNSW Risk Management Plan which contains:

- Information on the general concept of risk and its application to the UNSW community, staff and students.
- Information on the implementation of the Risk Management Policy across UNSW.

Volume 2 - UNSW Risk Management Guidelines which contains:

- Procedures, principles, techniques and tools to be applied in all areas of risk exposure with special emphasis on corporate and Business risks which may affect the University in meeting goals and objectives.
- The UNSW Risk Management Assurance Program which outlines how the business risks management process is to be conducted at UNSW at the various levels of the organisation.

7. Risk Standards

Since the release of the Australian New Zealand Standards for Risk Management (AS/NZ 4360) and related standards such as Compliance Programs (AS3806), risk management has become a key focus in academic, public and private sectors in Australia. Australian governments at all levels are developing and promoting risk management as a basis for sound business practice and service delivery.

While AS/NZ 4360 provides a generic framework within which organisations can implement risk management, industry specific guidelines such as those for the Australian Public Service (MAB/MIAC 1996) and the New South Wales Treasury Guidelines for Risk Management and Internal Controls Toolkit and the more recent Draft Enterprise Risk Management Model released by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), have served as resources for the development of the ***Risk Management Plan (Volume 1)*** and the ***Risk Management Guidelines (Volume 2)***. In addition to these sources, examples of industry practice across Australian universities have provided additional guidance in the development of the ***Risk Management Plan***.

The ***Risk Management Plan (Volume 1)*** and the ***Risk Management Guidelines (Volume 2)*** are consistent with AS/NZ 4360 and adopts many of the procedures consistent with its design. Section 2 of the plan outlines the specific steps in the business risk management process, but in general, the plan requires UNSW to:

1. Establish a relevant context to understand the strategic, organisational and operational risk management context against which the risk management process will be evaluated. This context will be closely aligned to the strategic objectives of each Business Unit at the University and how individual Business Unit objectives contribute to the overall objectives of UNSW.
2. Identify risks which the Business Unit can encounter and identify what, why and how risks arise as the basis for further analysis.
3. Analyse & assess identified risks. This is the determination of existing controls and the analysis of business risks in terms of consequence and likelihood in the context of these controls. These risks will be evaluated to allow for the ranking and prioritising of each risk.
4. The treatment or control of unacceptable or higher priority risks or risks which are not adequately controlled. The University is required to develop and implement specific business risk management plans, including funding considerations. Lower priority risks may be accepted and monitored.
5. Monitor and review of risk controls and changes in the context. This is the oversight and review of the risk management system and any changes that might affect it. Monitoring and reviewing occurs concurrently throughout the risk management process.
6. Appropriate Communication and Consultation with internal and external stakeholders should occur at each stage of the risk management process, as well as throughout the process as a whole.

8. Legislative Responsibility

There is legislation in place for the management of specific risks such as Occupational Health and Safety, Equal Opportunity and Research Ethics, etc. The ***Risk Management Plan*** does not relieve the University's responsibility to comply with Acts of legislation or similar statutory obligations. However, the UNSW risk management culture guides our risk management actions, rather than being a compliance driven program. The ***Risk Management Plan*** is devised to:

- Implement risk management across all aspects of the University in accordance with best practice guidelines, in conjunction with compliance obligations and
- Integrate risk management into the general management and compliance management culture of UNSW and
- Foster an environment where all members of the UNSW community assume responsibility for managing risks.

9. UNSW Risk Management Framework

UNSW has developed a framework to ensure risk is managed in a systematic and comprehensive manner across the University.

While recognising the management of risk is the responsibility of all members of the UNSW community and is an integral function of all managers within the University, we recognize that the key to efficient and effective risk management relies on this process occurring within a framework or structure of guidelines principles, policies, processes and procedures. We also recognise the imperative of having a system of control in place, not only for the management of risk but also to ensure that the business risk management process occurs consistently across the wide range of University activities.

It is recognized that all members of the UNSW community have a significant role in the management of risk. While this role may vary from identifying and reporting risks associated with their own jobs or activities to participation in the formal Business risk management process, it is important this process takes places in a consistent, systematic framework.

Table 1 below is an illustration of the UNSW Risk Management Framework

UNSW Business Risk Framework		
Structure & Processes	Resources	Risk Financing
RM Policy	RM Committee of Council	Commercial Insurance
RM Plan		
Risk Register	RM Advisory Group	
Annual Risk Review	Internal Audit	Self - Insurance
Loss Reporting	RMU	

Table 1 - UNSW Business Risk Management Framework

As Table 1 shows the key elements of the UNSW Business Risk Management Framework include:

- Structures and Processes
- Resources
- Risk Financing

Structures and Processes

The structures and processes of the UNSW Risk Management Framework ensure that a systematic process is created and implemented across the University. They include document hierarchies, policies, procedures and reporting guidelines which will assist UNSW in implementing risk management across all aspects of the University in accordance with best practice guidelines and legislative requirements.

These structures and processes enable risk management to become integrated into the general management and culture of UNSW and will foster an environment where staff and members of the University community assume responsibility for managing risks.

The key components of the structures and processes for the Risk Management Framework include:

1. *Risk Management Policy*

This is the cornerstone document which outlines the risk management culture of UNSW and the expectations placed on UNSW staff by Council and Senior Management regarding the management of risk. Implementation of the policy will ensure management can demonstrate that risks in all parts of the University are being identified and managed in a way that is appropriate for the UNSW environment and objectives.

2. *The Risk Management Plan*

A document designed to guide the implementation the UNSW Risk Management culture as expressed in the ***Risk Management Policy***. When joined with the ***Risk Management Guidelines (Volume 2)*** both documents ensure the delivery of consistent business risk management practices across the University. They outline the methodology of UNSW's business risk management program and should be applied to any risks of a general nature.

A key audit point in the *Risk Management Plan (Volume 1)* and the *Risk Management Guidelines (Volume 2)* is the Business Risk Assurance Framework which outlines how individual Business Units at UNSW will demonstrate their awareness of key Business risks and how those risks will be managed and controlled. This will demonstrate to UNSW Senior Management and Council a systematic process is in place to address the management of risks in the strategic planning process.

3. The Risk Register

This is a key risk reporting tool by which all strategic, operational and Business Unit level risk information will be stored centrally by the Risk Management Unit, who will be responsible for ensuring the information is available for reporting and analysis of cross-organisational risk.

4. Annual Risk Reviews

This is a critical element of the UNSW Business Risk Assurance Framework, which involves an annual examination of risk on a University wide basis. This review will be conducted using a two-tier approach with Senior and Executive managers annually reviewing corporate risk as part of a scheduled Risk Management Forum.

5. Loss Reporting

Historical and current information regarding the risks which have occurred at UNSW is collected by the Risk Management Unit and distributed on a routine basis to UNSW management as part of the annual strategic review process. Accurate data, depicting frequency and severity of historic losses will be used as part of the risk identification, analysis and assessment process.

Incident and hazard reporting are additional sources of risk information which may assist UNSW Business Units in the identification of risk and the monitoring the success of risk treatment and control strategies. This information is available from the Risk Management Unit as part of the annual strategic review process.

Key Resources

The key resources of the Risk Management Plan are the committees and internal consultants who will guide and assist the University in the business risk management process. Committees and resources include:

- The Risk Management Committee of Council
- The Risk Management Advisory Group
- UNSW Internal Audit Office
- The Risk Management Unit.

The functions of each of these resource groups are found in Section 3 of this Plan, in the UNSW Business Risk Assurance Framework.

Risk Financing

A desired outcome of the Risk *Management Plan (Volume 1)* and the *Risk Management Guidelines (Volume 2)* will be the greater understanding of UNSW's risk appetite. That is to say, the extent to which the University is comfortable self-funding identified areas of risk and the potential losses associated with such risk.

Through more effective business risk management and through the delivery of a risk management culture at UNSW, there is greater potential to implement cost effective risk financing methodologies which will assist the University in meeting its goals and objectives through maximising internal and external financial resources.

The Risk Management Program is expected to clarify to what extent, based on a critical analysis of likelihood and consequence of losses, appropriate levels self insurance and internal sources of funding of risk.

10. Plan Timeline

Year of Plan	Date	Action
Year 0	June 2005	Risk Management Policy finalised and approved by Council, including rolling action plan
	December 2005	Completed UNSW Register of Risks
	December 2005	Risk Management Plan Finalised
	December 2005	Approved Plan
Year 1	Jan. – Dec. 2006	Implementation of School and Faculty Annual Risk Reviews as part of annual strategic planning process.

	March 2006	Approval of Risk Management Guidelines by RMAG
	June 2006	Development of risk management strategies and risk registers for all UNSW operating/business units.
	October 2006	Completion of UNSW operating/business units risk registers and strategies.
Year 2	Jan 2007	Procurement of UNSW wide risk management software.
	Feb 2007	Development of risk strategies and registers for UNSW controlled entities and joint venture partners.
	October 2007	Completion of UNSW controlled entities and joint venture partners risk registers and strategies.
	October 2007	Strategies and action plans reviewed, updated and approved by RMAG by end of October.
Year 3 (etc)	Jan – Dec 2008	Delivery / review / planning / funding cycle continued as per above model

Functional area	Performance indicators
UNSW Risk Register	<ol style="list-style-type: none"> 1. Completion of UNSW-wide Risk Register on an annual basis. 2. Approval of UNSW-wide Risk Register by Risk Management Committee of Council. 3. Annual Risk Review by VCAC 4. High level of awareness by SMG of responsibilities for risk management. Senior management owns supports, promotes and leads in the management of risk.
Faculty Risk Registers	<ol style="list-style-type: none"> 5. Completion of an annual risk review as part of the strategic planning process of each UNSW Faculty. 6. Compilation of a risk registers for each UNSW Faculty and review of risks on an annual basis. 7. Widespread recognition among Faculty executives of the risk management process. 8. Update information in UNSW Risk Data Base. 9. Clear definition of responsibilities for risk management and fully aligned to existing managerial culture behaviours across Faculty. 10. Business continuity planning is routinely performed. 11. Structures in place to provide oversight, support, education and measurement of the management of Faculty risk.
Business Units and School Risk Registers	<ol style="list-style-type: none"> 12. Completion of an annual risk review as part of the strategic planning process of each UNSW business unit and School. 13. Compilation of a risk registers for each UNSW School and business unit and review of risks on an annual basis. 14. Widespread recognition among business unit and School staff of the risk management process. 15. Risk management reviews of projects and commercial programs. 16. Widespread recognition of risk management principles among students. 17. Clear definition of responsibilities for risk management. 18. Business continuity planning is routinely performed. 19. Structures in place to provide oversight, support, education and measurement of the management of Faculty risk.

Functional area	Performance indicators
Controlled Entities and Partners Risk Registers	20. Deployment of UNSW risk management framework over controlled entity. 21. Completion of an annual risk review as part of the strategic planning process of each UNSW controlled entity. 22. Compilation of a risk registers for each UNSW controlled entity and review of risks on an annual basis. 23. Widespread recognition among controlled entity staff of the risk management process. 24. Risk management reviews of projects and commercial programs 25. Clear definition of responsibilities for risk management.
Risk Data Systems	26. Procurement of UNSW wide risk management IT system. 27. Administer system and audit for community wide compliance to risk management assurance program.
Risk Assessments	28. The utilisation of UNSW risk guidelines in the planning and review of: <ul style="list-style-type: none"> • Commercial ventures • New projects • UNSW paid outside work • Strategic planning • Operational goal and priorities • Intra-University programs • Inter-university programs 29. Standard risk profiling tools for UNSW operations. 30. Improved risk analysis methods by all UNSW entities to reduce the impact of losses on operations.
Risk Monitoring	31. Use of UNSW wide risk and loss reporting across the organisation. 32. Agreed UNSW & controlled entity wide monitoring /update/reporting program. 33. Develop synergies between risk management and Internal Audit.