

Name:	Enterprise Risk Management Framework
Responsibility:	Coordinator, Enterprise Risk Management
Complements:	GOV-080-005: Enterprise Risk Management Policy
Draft Date:	November 2006; January 2012
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Overview

The University of Regina (the 'University') is committed to establishing an institution that ensures risk management is a core capability and an integral part of all the University's activities. The University has developed an Enterprise Risk Management (ERM) Framework to manage change and uncertainty. The ERM framework applies to all academic and administrative levels, and assists in achieving the University's strategic objectives by bringing a systematic approach to identifying, analyzing, mitigating and reporting risks. The ERM process enables enhanced and proactive decision making. This framework is intended to ensure that information about risk is collected and shared in a relevant and timely manner, and that this information sharing leads to continuous improvement.

Objective

To meet the University's strategic goals, the University Executive Team and the Board of Governors (the Board) have committed to develop rigorous, structured and effective risk management processes across the institution. The risk management framework is developed to:

- Establish common risk language and direction related to risk management;
- Assign responsibilities for risk oversight among the Board and other stakeholders;
- Identify critical risks and opportunities in the University's activities and strategy;
- Increase the likelihood that strategic objectives will be achieved;

- Facilitate open communication with respect to risk and risk tolerance;
- Build an appropriate culture of integrity and risk awareness;
- Encourage proactive decision making;
- Guide the University's risk management processes; and
- Improve operational efficiency and effectiveness.

Key ERM Definitions

The University has developed definitions based upon ISO 31000, the internationally accepted risk management standard¹.

Risk – the effect of uncertainty on business objectives. Risk typically refers to an event and related consequences, and is often described in terms of the impact and the associated likelihood of occurrence. Risks may also arise from trends, changes, disruptions and emerging issues, and are not always negative, but may also present opportunities.

Risk Management – coordinated activities to identify, assess and respond to risk.

Risk Management Framework – the plans, directions and guidelines to strengthen risk management practices within the University.

Inherent Risk – the level or amount of risk without management or control

Residual Risk – the level or amount of risk with management or control

Risk Owner – the person or group with the responsibility and authority to manage a risk.

Risk Tolerance – refers to the level of risk the University is willing to accept. The risk tolerance may be different for different risks, and should be aligned with overall strategic objectives. Risk tolerance will inform the University's approach to assess and eventually accept, mitigate, transfer, or avoid risk.

¹ International Standard ISO 31000: 2009 Risk Management Principles and Guidelines

Risk Register – official recording of the identified risks facing the University. A catalogue of the significant risks (with impact and likelihood assessed) forms the University risk register.

Control – measure or action to modify risk. Controls include the policies, procedures, reporting and initiatives performed by individuals to ensure that the desired risk response is carried out. These activities take place at all levels and functions of the University.

Likelihood – the probability of an event occurring. For more information, see Appendix I.

Impact – the severity of an event. For more information, see Appendix I.

Communication and Consultation – continual and iterative processes conducted to provide, share or obtain information regarding the management of risk.

Stakeholders

Roles and Responsibilities

Risk Management is the responsibility of every employee of the University. Different stakeholders have different objectives and levels of accountability with respect to risk management. The risk management framework outlines the roles and responsibilities of stakeholders with significant accountability for risk identification, mitigation and response. The University ensures that those who are responsible are equipped to fulfil their role by providing them with the appropriate authority, training and resources.

Board of Governors

Responsibility for management and administration of the property, revenues, business and affairs of the university is vested in the Board of Governors by The University of Regina Act (1974).

To fulfill this responsibility related to risk management, The Board is required to:

- Establish a strategic planning process
- Ensure the strategic plan considers potential risks and opportunities
- Approve the Enterprise Risk Management policy and framework
- Support management efforts to identify risks and their mitigation strategies, and
- Ensure internal controls are working effectively.

The University's Board of Governors, through its Audit and Risk Management Committee, is accountable for the oversight of risk management. The Board is responsible to ensure the risk management framework and corresponding results work towards achieving the strategic priorities of student success, research impact, and commitment to our communities, as identified in the University's strategic plan 2015-2020 *peyak aski kikawinaw: "We are one with Mother Earth"*.

Audit and Risk Management Committee

The Audit and Risk Management Committee of the Board is responsible for:

- Reviewing the risk management policy and framework,
- Supporting management to identify the risks inherent in the University's strategy, and
- Monitoring and evaluating the effectiveness of risk management activities.

University Executive Team (Including the President, Vice-Presidents and University Secretary)

The University Executive Team is responsible for:

- Providing oversight and support
- Reviewing and evaluating key risks, processes, controls and the effectiveness of the corresponding mitigation strategies,
- Ensuring the University has effective crisis management systems and contingency plans, and

- Ensuring alignment between the University’s strategic objectives and risk management.

University Leadership Team (Including AVPs, Deans, Directors, Registrar and Librarian)

The University Leadership Team is responsible for:

- Identifying strategic and operational risks and providing input on likelihood and impact, and
- Ownership and day-to-day oversight and management of individual risks.

Enterprise Risk Management Coordinator

The Enterprise Risk Management Coordinator is responsible for:

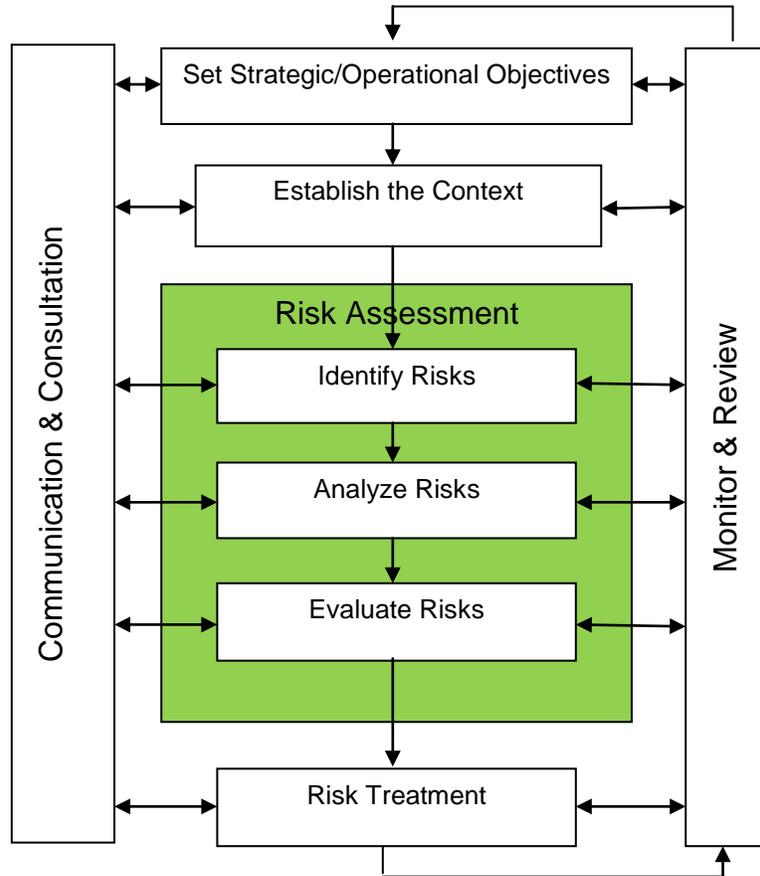
- Facilitating the development and implementation of the ERM framework
- Providing risk assessment training and workshops to University officials as required
- Conducting risk assessments to identify internal and external risks to the University
- Facilitating the development of the risk register
- Ensuring accurate and reliable risk documents exist, and relevant information is provided to the University Executive Team, University Leadership Team and Audit and Risk Management Committee.

ERM Methodology

The University’s methodology for risk management is shown in Figure 1², a flow chart expression of the risk management activities. This process is continuous and can be applied at both the University (enterprise) level or at an individual academic and administrative unit level.

² International Standard ISO 31000; 2009 Risk Management Principles and Guidelines

Figure 1
Risk Management Process



These eight interrelated components form the basis for establishing and putting ERM into practice at the University. Each component is described in more detail as follows:

- a. *Setting Strategic/Operational Objectives* is the process of determining the strategic objectives for the University and its risk strategy. The strategic planning process also requires that all divisions and business units define their key business/operational objectives and targets.

- b. *Establishing the Context* consists of an assessment of the internal and external environment of the University. This forms the foundation for defining the University's risk approach and risk appetite. *Internal Environment* comprises the University's history, culture, values, organizational structure, strategy, policies or procedures. *External Environment* comprises the social, cultural, political, legal, regulatory, financial, economical or technological environment in which the university operates.

- c. *Risk Identification* describes those developments either internal or external to the University that could significantly affect its ability to meet its strategic objectives. In order to assure that the full scope of the University is considered, event and trend identification is done broadly, engaging a cross-section of University members.

There are two approaches utilized for identifying key risks at the University:

1. Top-down approach: starts by identifying enterprise-wide risks that affect the University's strategic objectives. This approach involves the University's Leadership Team and the Board.
 2. Bottom-up approach: starts by identifying business unit level or operational risks.
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- d. *Risk Analysis* describes the extent to which potential events and trends might affect the University's objectives. Events and trends are assessed by two criteria – impact and likelihood. Figure 2 displays a matrix known as a Risk Heat Map that graphically represents the impact and likelihood of each risk, as well as the corresponding management action. The color gradient from green (low) to red (high) provides a comparative level of priority when evaluating the University's risks. This matrix is used to evaluate risk at both the inherent (without management or control) and residual (with management or control) levels. The corresponding management action guide suggests the appropriate response or treatment for risks assessed in that area of the matrix. Risk analysis can be done by qualitative and/or quantitative methods.

**Figure 2
Sample Risk Heat Map**

IMPACT					
Severe 5					
Major 4					
Moderate 3					
Minor 2					
Insignificant 1					
	Rare 1	Unlikely 2	Possible 3	Likely 4	Almost Certain 5
	LIKELIHOOD				
 Significant Risk  Moderate Risk  Low Risk					

- e. *Risk Evaluation* is the process of prioritizing risks (based on the result of risk analysis) for making a decision which risks require immediate treatment. The decision takes into consideration the risk tolerance level of the University, along with the interrelation and aggregate effect of key risks.

- f. *Risk Treatment* means that once the risks are clearly identified, assessed, and prioritized, it is essential to evaluate existing mitigation plans. ERM best practices suggest first listing any mitigation plans and controls that already exist, then, brainstorming and proposing additional mitigation plans. Finally, it is important the Board and the University Executive Team assess the adequacy of existing mitigation

plans in relation to the significance of the risk³. Typical risk response considered for a risk event includes avoidance, reduction, transferring, sharing, or acceptance.

- g. *Communication and Consultation* is required for an effective ERM program and requires information to be obtained from all levels of the University for identifying, assessing and responding to risk. Consultation will be as broad as possible within the University community and will use a variety of approaches. University personnel will be encouraged to identify risks that are both internal and external to the institution. The knowledge gained through ERM will be communicated with stakeholders in a relevant and timely manner.
- h. *Monitoring and Review* refers to managing risk in the course of day-to-day operations. Management will complete periodic evaluations to assess the scope, methodology and frequency of risk assessment practices to ensure the currency of information in the University's risk register.

Integration

Universities are complicated institutions that typically generate a risk register that is broad and diverse, while several laws, regulations, policies and agreements also affect the operating environment.

The ERM framework is a methodology that formalizes the risk management process in order to support the achievement of the University's strategic objectives. A systematic and integrated risk management approach ensures that risk management practices are an integral part of strategic planning, budget planning and audit planning. ERM creates efficiency and effectiveness by promoting team work, strengthening trust, reducing redundancies, and sharing responsibility.

³ Risk Management Guideline for the BC Public Sector:
http://www.fin.gov.bc.ca/pt/rmb/ref/RMB_ERM_Guideline.pdf

Within the University, the following considerations will apply:

- a. All ERM practices will be guided by the following essential elements:
 - i. **Assurance:** Stakeholders are assured that risk is being managed and receive information regarding the quality and type of control in place.
 - ii. **Oversight and responsibility:** All critical risks facing the University are identified, managed and reported on a level and frequency aligned with the University's risk tolerance.
 - iii. **Ownership:** Risk owners are assigned and understand their responsibility for risk management, oversight and assurance.

- b. Risk response for identified risks will be assessed by management.
The five possible risk responses are to:
 - i. Avoid (eliminate) the risk;
 - ii. Reduce (mitigate) the risk;
 - iii. Transfer the risk (e.g. insurance);
 - iv. Share the risk; or,
 - v. Accept the risk.

- c. There will be a desire to learn from events that have transpired. The risk management process is a cycle where experience provides key information for new decisions and actions. Open and appropriate communication of results and lessons learned is required to facilitate learning.

- d. The University risk register will be evaluated at least once annually. New risks will be considered and risks no longer relevant will be removed. Identification of risks will occur on an on-going basis and on an ad-hoc basis as required for significant changes or new processes, program and initiatives. Through ongoing communication and consultation, risks will be rated and prioritized, and this information, in turn, will be aligned with University strategic planning.

- e. Any discussions of risk that occur within externally facing reports, such as the Annual Report or Strategic Plan, will be consistent with the annual risk assessment results. That is, the identification of risks for external disclosure purposes will not be a completely separate process from the regular risk management process.

References

1. International Standard ISO 31000: 2009 Risk Management Principles and Guidelines
2. Treasury Board of Canada. Secretariat - Framework for the Management of Risk. <https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=19422>
3. Risk Management Guideline for the BC Public Sector. http://www.fin.gov.bc.ca/pt/rmb/ref/RMB_ERM_Guideline.pdf

APPENDIX I: University of Regina ERM Impact and Likelihood Rating Guide

IMPACT	Financial	Human			Interruption			Reputation
		Student	Faculty / Staff	Injury / Illness	Teaching	Research	Service	
Severe 5	Above \$2M income impact	Inability to attract or retain students	Inability to recruit or retain faculty or staff	Death (single or multiple)	Inability to provide teaching activities university-wide for more than one week	Inability to increase significant research funding for one year or more	Inability to provide key administrative functions at critical times (i.e. missing payroll run, system crash impacts graduation)	Sustained front page adverse national media coverage (>2 weeks) Adverse international media coverage
Major 4	Between \$1M-\$2M income impact	Negative university-wide student experience	Low morale university-wide	Multiple individuals with serious injury Campus-wide severe illness	Inability to provide teaching activities university-wide for up to one week Cancellation of examinations	Cancellation of a significant research project	Inability to provide key administrative functions over a sustained but non-critical period	Intermittent adverse national media coverage (<2 weeks) Stakeholder faith impacted (>1 year)
Moderate 3	Between \$500 000 - \$1M income impact	Negative student experience within more than one faculty	Low morale within more than one faculty	One individual with serious long-term injury Severe illness within a single faculty/unit	Inability of one faculty/unit to provide teaching activities for up to one week Examinations postponed	Cancellation of multiple research projects Loss or corruption of research data	Inability to provide key administrative functions for up to one week	Sustained front page adverse local media coverage (>2 weeks) Public demonstration of students and/or community concern
Minor 2	Between \$100 000-\$500 000 income impact	Negative student experience within a single faculty	Low morale within a single faculty/unit	Single or multiple minor injuries requiring off-campus medical treatment	Inability of one faculty/unit to provide teaching activities for more than one day	Cancellation of a single research project Sustained complaints from sponsors	Reduced ability to perform key administrative functions for more than one day	Intermittent adverse local media coverage (<1 week) Stakeholder faith impacted (<1 month)
Insignificant 1	Up to \$100 000 income impact	Isolated complaints from students	Isolated complaints from faculty / staff	Single or multiple minor injuries requiring first aid	Inability of one faculty/unit to provide teaching activities for one day	Intermittent complaints from sponsors	Intermittent reduced ability to perform key administrative functions	Intermittent adverse coverage within campus communication channels

APPENDIX I: University of Regina ERM Impact and Likelihood Rating Guide

LIKELIHOOD	Frequency	
Almost Certain 5	Once a year or more	Fully expected to occur; already happening
Likely 4	At least once a year	Most probably will occur
Possible 3	Once in 3 years	May occur at some time; more likely than not
Unlikely 2	Once in 10 years	May occur at some time; less likely than not
Rare 1	Once in 30 years	May occur only in exceptional cases; highly doubtful