



UNIVERSITY of LIMERICK

OLLSCOIL LUIMNIGH

GUIDE TO RISK MANAGEMENT

1. Risk Identification

1.1 The purpose of risk identification is to produce a list of the potential risks that could impact on the University achieving its objectives. Risks will be identified under four commonly used headings i.e.

- **Strategic Risks:** the inability to achieve the University's strategic and operational objectives as set out in the Strategic Plan and not availing of opportunities when they arise;
- **Operational Risks:** the inability to prevent a loss resulting from inadequate internal processes and systems;
- **Financial Risks:** exposure to losses arising as a result of the need to improve the management of the University's financial assets;
- **Reputational Risks:** exposure to losses arising as a result of bad press, negative public image and the need to improve stakeholder relationship management.

Risks will be identified and prioritised using a variety of techniques such as interviews, workshops, Faculty/Divisional meetings etc.

2. Risk Assessment

2.1 Having identified a risk, the potential impact and likelihood of the risk being realised will be rated.

2.1.1 Impact

To ensure consistency across the University, the following method will be used in assessing risk impact (examples supplied):

IMPACT RATING	Financial Impact		Examples of Intangible Impacts		
	Financial	Strategic	Operational	Reputational	
Extreme	4	Over €1 million	Non completion of new facility resulting in non-recruitment of students to new programme	Closure/disruption of the University for greater than 2 days Serious debilitating injury/loss of life	Prominent coverage of the University in national news media.
Serious	3	€500,000 – €1 million	Reduced research income of greater than 10% per annum Widespread irregularity in academic processes resulting in overhaul/review of processes	Unavailability of facility/service of the University for up to 2 days Injury requiring hospitalisation.	Embarrassment within a department/function leading to adverse media coverage.
Moderate	2	€100,000 – €500,000	Reduced research income of up to 2% per annum. Significant delay in the delivery of planned new academic programmes	Disruption to a few departments delaying the academic process for up to 1 day. Injury requiring attendance at medical facility	Reputational impact in local/ specialist area covered in the media.
Minor	1	Up to €100,000	Minor delay in e.g. achievement of goals relating to integration of teaching & research.	Non-delivery of classes for up to half a day. Injury resulting in cuts/bruises.	Potential damage evident to those close to the event/area of interest.

2.2 Likelihood

2.2.1 Analysing risks requires an assessment of their frequency of occurrence also. The following table provides broad descriptions used to support risk likelihood ratings:

Rating	Likelihood
4 Very Probable	Very Likely, will occur in most circumstances (within the next year)
3 Quite Probable	Likely, may occur (once every 1-2 years)
2 Possible	Very Unlikely, may occur at some point (once in 3-5 years)
1 Improbable	Rare, never happen, may occur in exceptional circumstances (once in 5-10 years)

2.3 When are Risks Assessed

2.3.1 The above risk assessment exercise should be carried out at two levels:

- At an '*inherent*' risk level where the potential risks affecting the University are assessed in the absence of current controls (at least annually);
- At a '*residual*' risk level where the risks affecting the University are considered with selected current controls fully implemented (at least annually).

Having identified the inherent risk and the impact and likelihood of that risk, it is necessary to consider the controls which would mitigate the impact and likelihood of that risk being realised.

A control has three characteristics:

- 1 An action - what is the control trying to achieve,
- 2 An owner - who exercises the control and
- 3 A timeline - how often is the control exercised?

It is essential to distinguish between those controls that are in place (current controls) and those that are planned (future controls).

Current Controls

A current control is any measure or action that is in place and mitigates risk. Controls include the implementation of any policy, procedure, practice, process or technology that modifies or manages risk.

It is important to note that the assessment of residual risk can only be based on current controls being implemented.

Future Controls

A future control is any measure or action that has been identified to be implemented to mitigate the risk and reduce the residual risk score. Future controls and action items are always required for each identified risk with a residual risk rating of 3 or more.

A future control moves to a current control when it has been implemented fully.

It should be noted that a current control can also be deemed a future/ongoing control where a future action is required to ensure continual monitoring and mitigation of the risk identified.

If the risk identified has a Residual Risk rating of 3 or less it should remain as an identified risk at this residual risk rating for two review periods. At the end of the second review if the Register Owner is satisfied that the residual risk is being managed and maintained at the minor score level then the risk may be removed from the Register.

2.4 Risk & Control Template

2.4.1 The following Risk & Control Template shows an example of a risk in the financial area and the **Residual** Risk Heat Map should be used in the assessment of Risk (the Risk & Control Template is set out in Appendix 2):

Risk & Control Template					
Risk No	Risk Description	Risk Category Highlight those that apply	Inherent Risk Rating		
			Impact	Likelihood	Score
1	Failure to achieve budget strategy	Strategic Reputational Operational Financial	3	4	12
Current Controls			Residual Risk Rating		
1. Financial Controller has a budgetary process in place that is reviewed on a quarterly basis to ensure actual spend is within budget 2. 3. 4.			Impact	Likelihood	Score
			3	3	9
			Risk Owner		
			Director of Finance		
Future Controls		Action Plan and Timeframe			
1. Ensure adherence to budgetary constraints 2. 3. 4.		1. Communication with Faculties/Admin Units – end of AY 2. Implementation of increased controls over spending end of AY 3. 4.			

2.5 Overall Risk Rating - Based on Impact x Likelihood

		<i>Risk Likelihood</i>			
		Improbable (1)	Possible (2)	Quite Probable (3)	Very Probable (4)
<i>Risk Impact</i>	Extreme (4)	4	8	12	16
	Serious (3)	3	6	9	12
	Moderate (2)	2	4	6	8
	Minor (1)	1	2	3	4

2.6 Residual Risk and Level of Reporting Required

Residual Risk & Level of Report	Further Information
<p>Extreme</p> <p>The Executive Committee</p>	<p>If the residual risk is deemed to be extreme, then immediate action is required. In this case the activity/project should not proceed or if it relates to an existing activity/project then the Manager of the area who is a member of the Executive Committee must inform the Executive Committee of the matter so that action can be taken immediately to either moderate the risk or close the activity/project.</p>
<p>Serious</p> <p>Dean of Faculty or Director of Department who is a member of the Executive Committee</p>	<p>Serious risks require careful on-going management with frequent evaluation of the risk factors by the manager of the area who is a member of the Executive Committee in order to restore them to more acceptable levels of risk. Risks at this level should be reported to the Executive Committee at its bi-annual risk management meetings. In the interim, any escalation of risk should be reported to the Executive Committee immediately by the relevant Executive Committee member.</p>
<p>Moderate</p> <p>Head of Department/Unit</p>	<p>Moderate levels of risk may be acceptable for certain projects and these risks require approval of the Head of Department/Unit prior to commencing the activity/project or to allow the project/activity to continue. Re-assessment of the risk factors should be conducted at regular intervals to assure stakeholders that the risk has not escalated.</p>
<p>Minor</p> <p>Line Manager</p>	<p>This is the lowest and most tolerable level of risk. Student projects and individual staff research should carry no higher than tolerable risk without the express approval of the Head of Department/Unit. Re-assessment of the risk factors should be conducted at regular intervals to assure stakeholders that the risk has not escalated.</p>

2.7 Risk Register

2.7.1 The University's Risk Register is a risk recording and monitoring tool for the management of the University. It is a hierarchical entity, for example, the University's Fundamental Risk Register is informed by Faculty/Division Risk Registers. The following is the format of the risk register using the Finance example used at 2.4 above. The Risk Register Template is set out in Appendix 2.

UNIVERSITY OF LIMERICK (Insert Area) Risk Register												
No	Risk Category	Risk	Inherent			Current Controls	Residual			Risk Owner	Future Controls & Actions Required	Dates
			Impact	Likelihood	Score		Impact	Likelihood	Score			
1.	Financial	Failure to achieve budget strategy	3	4	12	Budgetary process in place that is reviewed on quarterly basis to ensure spend is within budget	3	3	9	Dir. of Finance	Communication with Faculties/Admin Units Implement increased controls	End of Academic Year

APPENDIX 2



UNIVERSITY of LIMERICK
OLLSCOIL LUIMNIGH

RISK & CONTROL TEMPLATE

and

RISK REGISTER TEMPLATE

Corporate Secretary's Office
University of Limerick

Approved by Governing Authority – February 2016

Risk & Control (insert name of area)

Risk No	Risk Description	Risk Category <small>Highlight those that apply</small>	Inherent Risk Rating		
			Impact	Likelihood	Score
		Strategic Reputational Operational Financial			
Current Controls			Residual Risk Rating		
1. 2. 3. 4.			Impact	Likelihood	Score
			Risk Owner		
Future Controls		Action Plan and Timeframe			
1.		1.			
2.		2.			
3.		3.			
4.		4.			

**UNIVERSITY OF LIMERICK
(Insert Area) Risk Register**

No	Risk Category	Risk	Inherent			Current Controls	Residual			Risk Owner	Future Controls & Actions Required	Dates
			Impact	Likelihood	Score		Impact	Likelihood	Score			

An online risk management tool is used to record the risks of each Division/Faculty. Please refer to www.ul.ie/risk