
Procedures for Management of Risk

Policy Sponsor:	Vice President Finance and Administration
Name of Parent Policy:	Enterprise Risk Management Policy
Policy Contact:	Vice President Finance and Administration
Procedure Contact:	Director, Strategic Initiatives
Effective Date of Procedures:	January 10, 2014
Review Date:	These procedures will be reviewed annually.

Purpose

The success of Athabasca University (AU) is dependent upon the effective management of those activities that support the key strategic initiatives outlined in the Strategic University Plan. All activity has associated with it an element of inherent risk. In keeping with the ISO Guideline on Risk Management (ISO 31000:2009), it is imperative that all levels of the organization assess risk in order to effectively identify and appropriately address them.

Definitions

Risk exposure description:

- the high level risk category in which the reported risk(s) reside
- the common risk statement applicable for the risk category, as taken from the ERM Framework document

Risk and Risk Owner(s) identify:

- the specific “sub-risk” category in which the risk(s) reside
- the owner of the specific sub-risk as identified by the Executive Group

Current Residual Risk rating identifies:

- the current risk rating for the risk
 - this is reflective of the remaining risk after mitigations are identified and taken into consideration (Likelihood and Impact of the risk occurring)



NOTE: the risk appetite document (to be provided at a later date) will explain the factors which determine the ranking levels for the measurement of Likelihood and Impact

Quarterly Risk Status Progress Indicator identifies:

- an assessment of the current risk for the quarter being reported
- the quarterly reflection of the risk status progress, as defined above, with a comparison to the status from the previous quarters

NOTE: the intention is to report in relation to AU's fiscal quarters; however there could be some minor alignment impacts due to timing of report preparation and the date of the Audit Committee meeting

Current Key Mitigation Measures identifies:

- existing, new or changing mitigation activities which exist or will be put in place to address the risk:

Consequence The outcome of an activity, event, or decision that generates a cost, payback, opportunity, or risk exposure.

Impact Refer to Consequence above.

Likelihood The probability, or frequency, of an activity, event, or decision occurring within a defined time-frame. – generally related to the business cycle (i.e. fiscal year, operational year, or Business Plan cycle). AU Policy defines Likelihood as “The probability or frequency of a risk occurring within a defined timeframe, and in the case of AU, the defined timeframe is 24 months.”

Loss A negative impact on the University, which is of a strategic, operational, financial, reputational and / or compliance nature.

Residual Risk That measure of risk exposure which remains following the application of current controls and mitigation strategies to manage the occurrence and/or outcomes.

Risk The measure, in terms of Likelihood and Impact, of the occurrence of an activity, event, or decision that exposes the University to a potential loss, liability, failure, or opportunity cost.

Risk Assessment or Analysis A prescribed methodology and systematic, consistent approach to evaluation of available information to determine how often/when identified risks may occur and what the magnitude could be of its resulting outcomes.



Risk Avoidance	<p>The informed choice to not proceed in circumstances giving rise to a Risk exposure.</p> <p><i>Note: acknowledgement that such circumstances and decisions could result in overall negative outcomes from opportunity that is not pursued.</i></p>
Risk Identification Form	<p>The Form is initiated at the time of initial detection of a potential Risk exposure. Its purpose is to both track progress of the Risk assessment process and to capture relevant information related to the Risk itself. On Approval, the Form becomes a part of the Risk Register file and its content is recorded on the Risk Register Summary Report. Generally, this Report is presented for approval to the Executive Group and the Board Audit Committee at least once annually.</p>
Risk Management	<p>The proactive process of identification of risk exposures, their assessment, and development/implementation of strategies to address the Risk.</p>
Risk Management Report	<p>A Report issued quarterly, or more frequently as requested, through the Risk Management Team to the Executive Group and the Board Audit Committee. The Report provides the current status of the most significant Risks including the Risk owner, a Progress Indicator, mitigation strategies being implemented, and a status.</p>
Risk Mitigation	<p>As a part of Risk Management, the implementation of strategies based on Policy, Standards, Procedures, and/or physical changes that eliminate, minimize, and manage Risk.</p>
Risk Reduction	<p>The application of strategies/measures that result in a lower probability of occurrence of an activity, event or decision that gives rise to a risk exposure and/or the lessening of its Impact on occurrence. This would include the <i>sharing</i> of risk through strategies based on legislation, contract terms, insurance, waivers, or other means.</p>
Risk Register	<p>The University's formal record of identified Risk exposures that are being addressed for mitigation and management. Maintained, on behalf of the Risk Management Team by the Office of the Vice-President, Finance and Administration, in a digital format consisting of completed and approved Risk Identification Forms and a summation record (Risk Register Summary Report) of all Forms in the Register.</p>
Risk Register Summary Report	<p>A summation of all the Risks recorded in the Risk Register. Provided at least once annually to the Executive Group and Board Audit Committee for approval. Includes information about Risk, Risk Owner, context</p>



summary, impact on achievement of objectives, Initial Risk Level Evaluation result, mitigation plan(s), and Residual Risk Level.

Risk Tolerance

Stakeholder or Organizational valuation of its readiness to accept Risk in in order to achieve its Objectives.

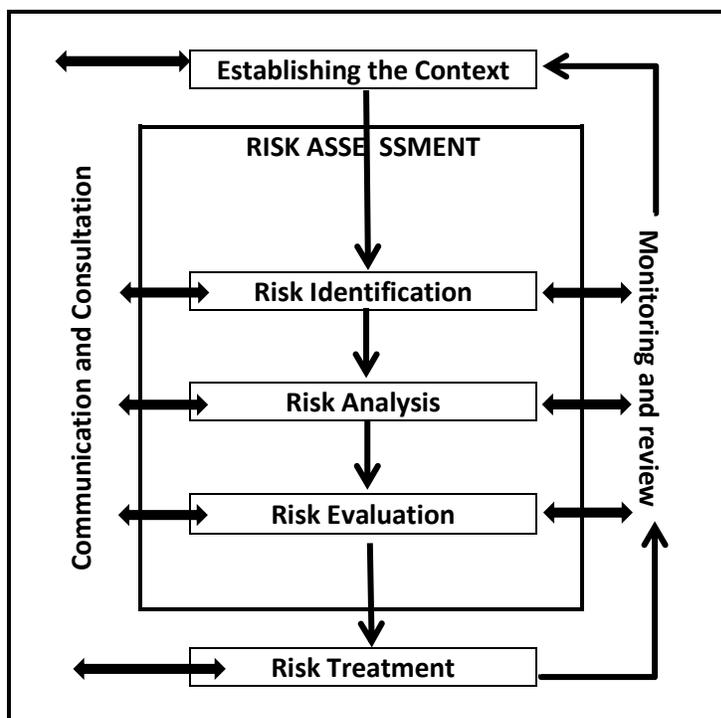
Stakeholder

A person or organization that can affect, be affected by, or perceive themselves to be affected by, a decision or activity

Procedure

IMPLEMENTATION OF RISK MANAGEMENT

The ISO 31000:2009€ standard describes the Risk Management Process using the following diagram:



COMMUNICATION AND CONSULTATION

Communication and/or consultation with internal and external stakeholders, as appropriate, is necessary to fully identify exposure(s) associated with risk arising from a particular decision activity, or event occurrence. The establishment of a comprehensive context, anticipated outcomes, and identification of mitigation measures will also be augmented through a consultative process.

The Risk Identification Form (Attachment 3.1) will be used with this Procedure to track progress (Process Status) through this consultation for each potential risk exposure. The Form captures a description of the Risk, its context(s), the 3 steps of Risk Assessment (i.e. Identification, Analysis, Evaluation) as well as planned actions to remediate/mitigate that Risk (i.e. 'Risk treatment'). The



following steps in this Procedure correspond with the respective sections of the Risk identification form and will inform the user of the requirements for completion and documentation at each step. Supplementary documents supporting development of the risk information should be retained on file with the Form and cross-referenced therein as appropriate.

ESTABLISHING THE CONTEXT

On initial identification of a potential risk exposure, a contextual reference must be attached to it for it to be accurately understood. These are usually brief statements which inform stakeholders about environmental parameters in which the identified risk may occur and that, in turn, must be considered when developing an effective risk mitigation strategy.

Context includes both external and internal parameters to be taken into account when managing risk, and setting the scope and risk criteria for its mitigation. These risk criteria are to be found within the organizations planned objectives, as well as those prescribed by 'industry' standards, governing laws, administrative regulations, and policies.

External context refers to the external environment in which the University seeks to achieve its objectives. This may include community social and cultural considerations, political and legal factors, technological and economic influences, and competitive elements – whether local, regional, or global.

Internal context includes university culture, processes structure, and strategy – those factors which can influence the way in which the university will manage risk.

RISK IDENTIFICATION

The purpose of Risk Identification is to generate a comprehensive list of risks based on events which could affect achievement of objectives. Inclusions would be the risk of not pursuing an opportunity as well as those risks which are beyond AU control but would still impact objectives outcomes.

The University has established Risk Categories based on the type of Risk exposure. These may change over time dependent on the goals of the Strategic University Plan (SUP) and the objectives from the Comprehensive Institutional Plan (CIP).

The Risk Categories and exposure descriptions are defined, developed, monitored, and reported on through the Risk Register and the Risk Management Report(s) - Quarterly.

RISK ANALYSIS

For each decision, activity or event, the University is able to determine a level of risk by assessing the *Likelihood* of its occurrence and assigning an *Impact* or *Consequence* value reflective of the effect on successful achievement of institutional Goals and Objectives.



Likelihood of Occurrence

AU Policy for ERM defines Likelihood as “The probability or frequency of a risk occurring within a defined timeframe, and in the case of AU, the defined timeframe is 24 months.”

The levels to be used to determine ‘Likelihood’ of occurrence of an event or condition are:

<u>Level</u>	<u>Quantitative Interpretation</u>
Rare	Requires significant, multiple ‘control’ failures; occurrence is not probable given current practices.
Possible	Single control failure necessary; could occur given current practice; periodic occurrences documented in post-secondary institutions.
Almost Certain	No control failure(s) required; one or more occurrences within one year past; management or mitigation responses not established, applied, nor effective.

Impact or Consequence value

The *Impact* or *Consequence* is a ‘qualitative’ assessment of the outcomes to be anticipated from the occurrence of a risk event. The levels of qualitative value identified for risk assessment at the University are:

Severe	Risk occurrence will result in loss that is non-recoverable during the current Business Plan cycle or loss having negative outcomes in several departments/operational units across the University
Major	Risk occurrence will result in loss that is recoverable at extensive effort and cost/opportunity cost during current Business Plan cycle or loss with negative outcomes in a few select departments without impacting continuity of core operations.
Moderate	Occurrence of risk event results in loss that is recoverable within the current fiscal year or loss has negative outcomes for a single department /unit that are recoverable with effort from existing resources and manageable costs.
Minor	Risk occurrence results in loss that can be off-set by reallocation within existing resources/budget of a single department/unit.
Insignificant	Risk occurrence results in a reported variance to operational plans and budget for Executive Group approval.

If a risk occurrence falls into multiple levels of *Likelihood* or *Impact*, it will always be placed in that level where the *Impact* or *Consequence* value is Highest.

RISK EVALUATION

Evaluation is intended to assist in making decisions, based on the outcomes of the risk analysis, about which risks need treatment and the priority for that implementation. The assessment of an



identified potential risk occurrence determines its consequential impact on achievement of University objectives.

It also provides direction for the extent of investment in mitigation strategies and management effort necessary to reduce outcomes to acceptable levels. Risk Level and investment effort in mitigation are defined in the following Table:

Risk Level	Risk Definition / Remedial mitigation action requirement
ZERO TOLERANCE	Risk poses non-recoverable, immediate and/or lasting threat of loss. Not acceptable under any circumstances.
	Requires Board of Governors <u>approval</u> of mitigation strategies and accommodation of Residual Risk. Risk exposure is an institutional priority that requires immediate, continued, mitigation and/or cessation of activity giving rise to the Risk.
UNACCEPTABLE	Risk poses significant but recoverable (with effort) loss. Not acceptable given existing circumstances.
	Requires Executive Group <u>approval</u> of mitigation strategies and accommodation of Residual Risk. Requires mitigation measures to immediately reduce Risk Level and /or continued effort with additional mitigation strategies to reduce risk exposure to acceptable levels.
CONDITIONAL	Risk exposure is known and is being successfully managed.
	Requires Executive Group <u>approval</u> of mitigation strategies and accommodation of Residual Risk. Continuation of planned/existing mitigation strategies.
ACCEPTABLE	An acceptable level of planned-for risk inherent in approved business operations.
	Requires Dean or Director <u>approval</u> of risk exposure and on-going mitigation measures to manage.

Placement of the results for Risk Analysis (*Likelihood, Impact*) into a Risk Tolerance Matrix informs the University of the degree to which the individual Risk is acceptable and provides direction for the required response to manage and mitigate that risk. A Risk may also be evaluated relative to AU's defined Risk Tolerance by category to determine its prioritization with all other Risk and activities underway.

RISK TOLERANCE MATRIX – Athabasca University			
		L I K E L I H O O D	
I		Almost Certain	Possible
M	Severe	ZERO TOLERANCE – Risk NOT Acceptable under any circumstances. First Priority Immediate corrective Action REQUIRED.	



P	Major		UNACCEPTABLE - Significant Mitigation measures REQUIRED to immediately
A	Moderate	Reduce Risk Level	CONDITIONAL – Requires Executive Group
C	Minor	<u>Approval</u> of Mitigation Strategies and accommodation of Residual Risk.	
T	Insignificant	ACCEPTABLE – Requires Dean or Director <u>approval</u> of risk exposure and on-going mitigation measures to manage.	

RISK TREATMENT

All Risks will not be treated as equal (i.e. of equal priority for treatment, resources). In addition to consideration of the ‘likelihood’ of occurrence, selection of risk mitigation strategies involves balancing the costs and efforts of implementation against the benefits to be derived – both those that are ‘real’ and ‘perceived’ by stakeholders.

The prioritization of the university’s risk exposures assists with selection of appropriate strategies and then assignment of resources/effort to mitigate the risk to an acceptable level (the ‘Residual Risk’ following application of mitigation efforts).

Residual Risk is that measure of risk exposure which remains following the application of current controls and mitigation strategies to manage the occurrence and/or outcomes. The Risk Levels will also be used to describe residual risk. This value will be represented in the Enterprise Risk Tolerance Statement and the regular Risk Management Report(s).

RISK REGISTER

The Risk Register is the University’s formal record of identified Risk exposures that are being addressed for mitigation and management. It will be maintained on behalf of the Risk Management Team by the Office of the Vice-President, Finance and Administration in a digital format consisting of completed and approved Risk Identification Forms and a summation record (Risk Register Summary Report) of all Forms in the Register.

Note: The following template is for procedural purposes and is to be appropriately re-sized for content documentation and presentation.

RIF Ref. #	Risk Description	Risk owner(s)	Context summary (internal, External)	Impact on AU Objectives	Risk Level Evaluation (initial)	Mitigation Plan(s)	Residual Risk Level



Completion of the annual_Risk Register Summary Report is the responsibility of the Risk Management Team. Frequency of reporting may be more than once annually as required by Executive Group and/or the Audit Committee of the Board.

The Risk Register Summary Report will be provided annually to the Executive Group. It will include those Audit recommendations identifying Risks as appropriate The Risk Register Summary Report will be provided to the Audit Committee of the Board on request

RISK MANAGEMENT REPORT

The reporting of Risk exposures and their mitigation and management is the responsibility of the Risk Management Team through the Executive Group to the Audit Committee of the Board of Governors. The Risk Management Report is updated on a quarterly basis to include those Risks having current HIGH Residual Risk Levels (i.e. 'Zero Tolerance' and 'Unacceptable').-. Updates will focus on progress of Mitigation strategies and changes in Residual Risk levels resulting therefrom.

Approval of the quarterly updated Risk Management Report will be through the Executive Group and is the responsibility of the Audit Committee of the Board of Governors.

Note: The following template is for procedural purposes and is to be appropriately re-sized for content documentation and presentation.

Risk Description	Risk Owner(s)	Residual Risk Level (Current)	Quarterly Risk Status Progress Indicator	Current Key Mitigation Measures	Timeline	Status Update
			<i>Report 1 or 2 Qtrs</i>			<i>Current</i>
						<i>Quarter</i>

Reporting of progress of implementation of mitigation measures utilizes a 'stop-light' indicator as follows:

Quarterly Risk Status Progress Indicator		
 Green - Risk is at a low level	 Yellow - Risk is elevated	 Red - Risk is at a high level
Mitigation progressing according to plan; the potential for problems with	Mitigation measures are not progressing as planned, mitigation	Significant problems exist; the current risk is at a high level.



the current risk is at a low level.	actions not having the desired effect, or mitigations not fully implemented; potential for problems with the current risk is at an elevated level; concerns have arisen which require attention	Mitigation actions have not had the desired effect or have not been able to be implemented. This risk requires <u>immediate</u> management attention or remedial action(s).
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MONITORING AND REVIEW

Monitoring of risk and its management will be on-going by Risk Owner(s) and regularly reviewed with the Risk Management Team (RMT) as prescribed above. Mitigation strategy implementation, investment of effort/resources, and additions/changes to mitigation treatment all are the responsibility of the Risk Owner(s).

A part of the review processes includes ensuring risk management activities are ‘traceable’. Documentation of risk identification (Risk Identification Form), the Risk Register, Risk Register Summary Report, and the Risk Management Report will establish the historic record of AU efforts to manage risk liabilities.

On-going monitoring is accomplished through ongoing management activities, separate evaluations using the ERM processes or a combination of both.

- The University will measure risk management performance against identified risks; annual review and update of the framework; quarterly reporting on risks and an annual assessment of compliance with the risk management policy.
- Based on results from ongoing monitoring and review over the entire ERM process and of the framework, the University will make decisions on how the risk management framework, policy, procedures and planning can be improved.

Applicable Legislation and Regulations

Related References, Policies, Procedures and Forms

- [Enterprise Risk Management Policy](#)
- [ERM Governance Structure](#)
- [ERM Risk Tolerance Statement](#)
- [ERM Framework](#)
- [RMT Terms of Reference](#)
- [ERM Risk Identification Form](#)
- [ERM Risk Management Report\(s\)](#)
- [ERM Risk Register](#)

History

Governors of Athabasca University, October 26, 2012, Motion # 179-2 (Associated policy approved)