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EGERTON UNIVERSITY

RISK MANAGEMENT POLICY

2013

Transforming Lives Through Quality Education
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EGERTON UNIVERSITY

RISK MANAGEMENT POLICY 2013

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FOREWORD

In line with the Constitution of Kenya 2010 provisions on the delivery of services by public institutions and corporate governance in public institutions and the University Act No.42 of 2012, it is mandatory for universities to institute responsible stewardship of public resources and guarantee efficient provision of services to stakeholders.

The Egerton University Council has the responsibility of ensuring that the risks facing the University throughout all its units are identified, assessed and appropriate mitigation measures are put in place. This will be done through this Risk Management Policy Framework which enables the University Council to manage in a comprehensive and holistic manner all risks faced by the University.

The University Council shall provide oversight as well as policy direction in managing risks. By instituting this Risk Management Policy Framework it has developed a proactive and effective mechanism for treatment of the internal risks of the University.

Dr. Olubaye Reardon
Chairman
Egerton University Council

PREFACE

Egerton University is the oldest institution of higher learning in Kenya. It started as Egerton Farm School, founded in 1939 by Lord Maurice Egerton of Tatton, a British national. In 1950, the School was upgraded to an Agricultural College. The Egerton Agricultural College Ordinance was enacted in 1955. In 1986, Egerton Agricultural College was upgraded to a constituent college of the University of Nairobi. The following year, 1987, Egerton become a fully fledged university through the Egerton University Act of 1987 (Chapter 214 of the Laws of Kenya) which was repealed with the enactment of the University Act No. 42 of 2012.

In pursuit of its mission and vision, the University is organized into three divisions, Academic Affairs, Administration and Finance and Research and Extension. The implementation of the University mandate is guided by the Strategic Plan 2009-2015 and cascaded and operationalized into University unit annual work plans and annual performance targets. The University management recognizes that in the current competitive and challenging internal and external environment, only those universities that manage risks effectively will be able to meet their objectives, fulfil their mandates and gain competitive advantage.

Since its inception the University has experienced growth in student and staff population necessitating continued investment in physical and human resources towards achieving its core mandate of providing quality teaching, research and community outreach. To manage the increasing risk associated with this growth and in realization of the requirements of the Public Finance

Management Act (2002), the University has developed this Risk Management Policy Framework. It is designed to institutionalize risk management within the University and establishes a monitoring, reporting and communication mechanism. The implementation of the Policy requires ownership of risk management process by the entire university staff. It is my conviction that the University management will use this Policy as a tool to facilitate the continuous improvement of risk management in achieving the University's strategic objectives.

A handwritten signature in black ink, reading "Tuitoek." with a period at the end. The signature is written in a cursive, slightly slanted style.

Prof. j. K. Tuitoek, PhD., EBS
Vice Chancellor

LIST OF ABBREVIATIONS AND ACRONYMS

AGRMC	Audit Governance and Risk Management Committee of Council
COSO	Committee of Sponsoring Organizations of Treadway Commission
DVC	Deputy Vice Chancellor
ERMP	Enterprise Risk Management Policy
ERMPF	Enterprise Risk Management Policy Framework
UMB	University Management Board
RSC	Risk Steering Committee
VC	Vice Chancellor

CHAPTER ONE

1.1 Introduction to the Risk Management Policy

Egerton University is committed to the optimal management of risk in order to achieve its vision, mission, and strategic objectives and protect the core values (Egerton University Statutes, 2013). The University Council is committed to the Constitution of Kenya (2010) on leadership and integrity, values and principles of public service, corporate governance and public finance. It is understood that all university colleges, campuses, university units, support the functions, processes, projects and entities under the control of the University will be subject to the Enterprise Risk Management Policy.

The Egerton University's Risk Management Policy Framework provides the authority for the Risk Management Plan. The purpose of the Risk Management Plan is to ensure the:

1. Comprehensive, systematic and proactive approach to the management of risk;
2. Attainment of University strategic goals;
3. Identification and implementation of risk control measures;
4. Management of risks to minimise adversity, identify and maximise opportunities;
5. Balancing of the cost of managing risk with the anticipated benefits;
6. Allocation of responsibility and identification of necessary

- resources required for risk management;
7. Safeguarding of University's assets; human, financial, reputation, physical, and information;
 8. Continuity in planning in the event that critical threats are realized;
 9. Creation of an environment where the University units assume responsibility for identifying and managing risks; and
 10. Establishment of a system to monitor, evaluate and report on risks.

This document sets out the Egerton University's Risk Management Policy Framework. The Plan is not designed to be a compliance driven program, but one which promotes a culture of good governance and a proactive approach to risk. It describes the risk management policies, roles, responsibilities, processes and requirements established by the Council for the management of risk in the University. These requirements are based on best practice standards and good corporate governance. The Risk Management Policy Framework is adopted from the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Risk Management Framework. By adopting this standard the University is promoting a culture which will have effective risk control and accountability mechanisms to promote organisational success.

Egerton University strives to be Kenya's leading university with a reputation for excellence in scholarship, learning and student experience. The University believes that the effective management of risks safeguards

the achievement of the strategic priorities and goals, and thereby, the University's Vision as espoused in the Egerton University Statutes (2013). The vision is enabled by the strategic objectives, priorities and goals within the areas of teaching and learning, research, extension and outreach. The University's Strategic Plan 2009-2015 (revised 2012) sets out the University's Vision, Mission and Core Values and is the basis upon which the University's risk management framework has been developed.

University Vision

The university envisions being: **"A world class university for the advancement of humanity."**

University Mission

The University strives:

"To generate and disseminate significant knowledge and offer exemplary education to contribute to and innovatively influence national and global development."

Core Values

The University's activities and decisions will be guided by the following core values:

- a. National unity**
- b. Internationalism**
- c. Passion for excellence**
- d. Professionalism**

e. Devotion to duty

f. Integrity, transparency, and accountability

g. Social fairness

In addition to this, the University commits to respect the National Values as espoused in Article 10 of the Constitution of Kenya (2010).

The University's Strategic Plan commits the University to seven strategic objectives:

Strategic Objectives

SO1: Improve the quality of higher education and training

SO2: Raise student enrolments and completion rates

SO3: Increase research and consultancy output

SO4: Enhance the integration of ICT in teaching, learning, research, and management

SO5: Increase University extension and community outreach projects and programmes

SO6: Raise the number of linkages and collaborations with alumni, institutions, organizations and industry

SO7: Improve the management of University resources, staff and students affairs

Recent trends in public sector management have laid emphasis on transparency and accountability in line with the Constitution 2010

requirements. Treasury circular 3/2009 also requires that all public institutions develop and implement an Enterprise Risk Management Policy and Framework. It is on this basis that Egerton University has developed this risk management policy framework. The University is not immune to risks and cannot remain oblivious of their potential to disrupt its operations. The Risk Management Policy Framework sets out the process to manage and mitigate against present and potential risks faced by the University.

1.2 Egerton University Risk Policy Commitment

Egerton University is committed to managing risks to an acceptable level across all areas of its operations to achieve its Strategic Objectives. Risk Management shall form an integrated part of planning, controlling and reporting procedures in Egerton University. Sound management of risk will enable the University anticipate and respond to changes in its environment, as well as inform decisions under conditions of uncertainty.

The University adopts an enterprise-wide approach to risk management, in which each key risk in every unit of the University must be included in a structured and systematic process of risk management. All key risks will be managed within a unitary framework that is aligned to the University's strategic objectives.

It is expected that risk management processes will become embedded in all the systems and processes of the University, to ensure that responses to risk remain current and dynamic. The University will develop monitoring and evaluation approaches and put in place contingencies and control measures to manage identified risks in order to remain competitive. The risk

management policy extends to third party interactions with suppliers, service providers, and contractors. As a public institution, the University will work closely with other government agencies and departments to ensure that collaborative risk management arrangements are in place. The University will communicate to all staff their role in risk management and incorporate it as part of the University culture.

1.3 Purpose and Importance of Enterprise Risk Management Policy Framework to Egerton University

Egerton University recognizes that successful risk management is an integral part of good corporate governance and management. The University is committed to protecting and advancing its strategic position through effective management of risks which impact on its strategic and operational goals by identifying, analysing, evaluating, monitoring and reviewing risks. Risk management serves to protect University assets, finances, operational and strategic position, and identify opportunities through effective management practices at all levels. Compliance to the Enterprise Risk Management Policy Framework (ERMPF) is expected to lead to competitive advantage and maximization of stakeholder value. The policy provides staff members with information required to manage risk in a cost and time effective manner. It enables the University systematically share risk and internal control knowledge across their functions and departments to obtain best practices.

The Egerton University ERMPF serves to optimize the benefits of risks and minimize their costs and ensure that decisions that trade value and risk will be made on an informed basis and will be aligned with the determined risk

tolerance and strategy. The purpose of ERMPF is to:

1. Supplement the University's internal control and governance arrangements
2. Explain the University's underlying approach to risk management. It gives key aspects of the risk management process, and identifies the main reporting procedures.
3. Describe the process the Council will use to evaluate the effectiveness of the University's internal control procedures.

CHAPTER TWO

2.1 Definition of Terms in Risk Management

Enterprise Risk Management:

This is the process implemented by the University Council, University Management, Senate and Staff, applied in strategy setting and across the operations of the University, designed to identify potential events that may affect the University, and manage risk so that it is within its risk appetite, to provide reasonable assurance for the achievement of the University's Strategic Objectives.

Consequence

This is an outcome or impact of an event

Risk:

- The uncertainty of outcome, that an event will occur and adversely affect the achievement of objectives.
- The chance of something happening that will have an impact on objectives. It is measured in terms of consequence and likelihood of something happening, and the impact that arises if it actually does happen.
- As an exposure to the consequences of uncertainty that prevents the University from achieving its objectives or exploiting the opportunities that it may have.
- Risk can be measured in terms of likelihood of occurrence or impact to the organisation.

Risk Identification:

The process of determining what might happen that could affect the objectives, why and how it might happen. Inherent (gross) risk refers to the status of the risk (measured through impact and likelihood) without taking account of any risk management activities that the organisation may already have in place.

Control:

Measures or management action to minimize negative risk or enhance positive opportunities (mitigate) risk. It includes the policies, procedures, reporting and initiatives performed by the University to ensure that the desired risk response is carried out. These activities take place at all levels and functions of the University.

Residual Risk:

Refers to the status of the risk (net risk measured through impact and likelihood), after taking account of any risk management activities

Risk Appetite:

This refers to the level of risk that the University Council is prepared to accept in pursuit of value.

Risk Tolerance:

This refers to the extent of variation relative to the achievement of an objective that an organisation is prepared to accept.

Enterprise Risk Management Policy:

Describes the University's approach to managing risks and stipulates the standard in respect of risk tolerance. Risk will be measured in terms of impact and likelihood.

Impact:

Is the potential loss should the risk materialize or crystallize.

Likelihood:

Is the probability that an adverse event, which could cause materialisation of the risk, may occur.

Risk Analysis:

This refers to the systematic use of available information to determine the likelihood of specified events occurring and the magnitude of their consequences. This is measured in terms of impact and likelihood.

Risk Evaluation:

The process used to determine risk management priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria.

Risk Assessment:

The identification, analysis and evaluation of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed

Risk Management:

An iterative process consisting of steps, which when taken in sequence, enable continual improvement in decision-making. It is the logical and systematic method of identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process in a way that will enable the University minimise losses and maximise opportunities.

Risk Owner:

This refers to the person primarily responsible for coordinating a response to a particular risk

Strategic Risks:

By nature impact on the achievement of the overall objectives of the University rather than any discrete part of it. They cut across operational and divisional boundaries. These will be high level and strategic by nature.

Operational Risks:

Impact on the effectiveness and efficiency in operations including goals, based on management choice of structure and performance in use of its resources achievement of the objectives of any of the individual Units of the University.

Reporting Risks:

Impact the reliability of reporting. This includes the internal financial and non-financial information appertaining to the University activities

Compliance Risks:

Compliance with applicable laws and regulations.

Political Risks:

Complications faced by the enterprise as a result of political uncertainties and changes which have the effect of altering the expected outcome, contracts and value of its objectives. Includes strategic, financial (funding and resource mobilization), personnel loss, policy changes and political events. They also include the risks for the University in engaging with new constitutional, regulatory and political institutions.

Environmental Risks:

Actual or potential threat of adverse effects on living organisms and the environment from effluent, emissions, waste, resource depletion and

noise arising out of the enterprise activities (teaching, research, consultancy and outreach). Includes human-environment interaction risks

Risk Register:

An official record of the identified risks facing the University. A catalogue of the full spectrum of risks with impact and likelihood assessed within specified time.

Risk Communication:

The process of identifying risk and communicating broadly to enable all personnel to deliver on their responsibilities.

Risk Financing:

Is the provision of funds to cover the financial effect of unexpected losses. Risk financing includes insurance policies and self insurance.

CHAPTER THREE

3.1 Egerton University Risk Management Framework

The University's Risk Management Framework aims to provide staff with a set of structures and processes to facilitate the integration of risk management principles into University culture. The structures and processes ensure that risk management is implemented across all aspects of the University's business, in accordance with good governance guidelines, quality assurance and legislative requirement.

In order to make risk management within the University more efficient and effective, a structured framework consisting of a policy, plan and guidelines has been developed.

The structures and processes include:

1. **Risk Management Policy:** The policy sets out the risk management principles for all members of the University's community. It establishes the risk management culture of the University and ensures that risks are being identified and managed at all levels of the University in order to meet the University's strategic and operational goals.
2. **Risk Management Process:** The process is designed to guide managers in identifying risks which will have an impact on the University's strategic and operational goals, evaluate the risks, identify existing controls, and where necessary establish new control measures to contain or minimise the risk.
3. **Risk Register:** The University Risk Register is a centralised register

of all strategic and operational risks which may have an impact on the University achieving its strategic and operational goals. Each Division, Directorate, Faculty, Department, business/administrative unit is required to compile a risk register.

4. Quarterly Risk Review: The University will review its corporate risk quarterly at all levels of management and the report sent to the university risk manager. The University through the Audit, Governance and Risk Management Committee will conduct quarterly risk assessments and advise the University Management accordingly.

5. Loss Reporting: Loss reporting will occur as part of an annual strategic review process. This will comprise a current and historical data analysis of risk information. Loss reporting will be used to develop synergies between risk management and internal auditing.

6. Risk Review: Review of the Risk Policy will be done every two years while review of the Risk Register will occur annually from the date of the approval of this Policy Framework subject to inputs from the various Risk Owners.

3.2 Risk Management Process

The process of assessing risk and mitigating assessed risk is the responsibility of the teams set out as champions for risk management. This process contains the following key stages;

1. Define objectives of risk management;
2. Risk identification;

3. Risk assessment including risk categorization;
4. Risk ranking;
5. Set acceptable risk levels/risk appetite;
6. Identify suitable risk management response;
7. Implement risk mitigation strategies including treatment and controlling;
8. Risk reporting and communication; and
9. Risk Monitoring and Evaluation for effectiveness of responses.

This cycle of risk management procedures will provide a framework for managing ad-hoc risks as they arise. Sufficient documentation is necessary at all levels of the risk management process.

3.3 Risk Identification

Heads of University Units are responsible for identifying all major risks. Risk identification requires regular monitoring and assessments. Risk identification and analysis will be carried out during development of the unit Performance Contract, annual work plan and budget. This will ensure all constraints to achieving set objectives have been identified. The process of risk identification requires a multidimensional approach and initiative

The following may be used in risk identification:

1. Review the key University Unit objectives and identify what inherent risks exist against each objective i.e. what could cause the objectives not to be achieved. What can go wrong? What could happen? If it

happens, how bad could be the threat, impact, risk exposure? How often could it happen (risk frequency/likelihood analyzed)?

2. Analysing the environment of operations and identifying key obstacles in achieving the desired results.
3. Reviewing past experience of similar processes/projects undertaken by the various entities in public sector and assessing the likelihood of their being repeated.
4. Reviewing current internal problems, challenges or events.
5. Feedback reports from staff and third parties; students, customers, suppliers and other development partners.
6. For all risks identified, the following shall be clearly stated;
 - a. Description of the Risk
 - b. The possible or actual underlying cause of the risk. This is important in developing the risk mitigating actions.

3.4 Risk Assessment

Each risk identified will be assigned a value for likelihood and impact.

3.4.1 Likelihood:

Likelihood is the probability that an adverse event, which could cause materialization of the risk, may occur. For every risk identified, a probability score on its likelihood of occurrence will be assigned. The values to be assigned range from 1-5.

Table 3.1: Risk Level and Category

Risk Level	Risk Category	Probability of occurrence
1	Very Low	5% likely to happen
2	Low	10% likely to happen
3	Medium	20% likely to happen
4	High	50% likely to happen
5	Very High	Over 50% likely to happen

3.4.2 Impact:

Impact is the potential loss should the risk materialize. The best measure of impact of a potential risk is its' impact on the University's strategic objectives. Values to be assigned range from 1-5 with the following explanations attached to each value.

Table 3.2: Risk Level and Impact

Impact Level	Impact Category	Description
1	Very Low	No impact
2	Low	Negative outcomes from risks or lost opportunities that are unlikely to have a permanent or significant effect on the Egerton University's performance
3	Medium	Negative outcomes from risks or lost opportunities that will have a significant impact on the Egerton University's but can be managed without major impact in the medium term
4	High	Negative outcomes from risks or lost opportunities with a significant effect that will require major effort to manage and resolve in the medium term.
5	Very High	Negative outcomes from risks or lost opportunities which if not resolved in the medium term will threaten the success of the University.

3.5 Risk Ranking

3.5.1 Inherent Risk: This is a measure of risk in its natural state, i.e. without considering the controlling factors which prevent its occurrences or limit its impact.

3.5.2 Residual Risk: This is the remaining risk that is not eliminated after considering the control mechanisms or mitigating measures of the operating environment.

Before deciding on the appropriate risk mitigating action, Egerton University will prioritize the risks on the basis of their importance to the Strategic Objectives. This will help in the allocation of resources to mitigate risks more efficiently and effectively. Risks will be ranked as high (colour code: red), Medium (colour code: amber) or low (colour code: green). Based on the values allocated for likelihood and impact each risk will fall in one category.

Table3.3: Risk Level and Score

Risk Level	Description	Scores
High Risk	Top level of risk, with high probability of occurrence / major financial impact. Should be constantly monitored and reviewed monthly. Possibly reported to University Council.	16-25 points
Medium Risk	High level of risk, with high probability of occurrence / material impact. Should be constantly monitored and reviewed quarterly. Possibly reported to University Management Board.	9-15 points
Low Risk	Low level of risk, with very low probability of occurrence / low impact. Requires little attention but should be reviewed at least annually by risk owner/manager.	1-8 points

3.6 Types of Risks

Risks can be categorized into four types; Strategic, Operations, Compliance and Reporting. However risks may cut across categories and do not always fit or remain in the identified categories

Table 3.4: Description of Risk Type

Type of risk	Description
Strategic	High-level goals, aligned with and supporting its vision, mission and strategic objectives
Operations	Effectiveness and efficiency in operations including goals, based on management, choice of structure and performance in use of its resources
Reporting	Reliability of reporting. This includes the internal financial and non-financial information
Compliance	Compliance with applicable laws and regulations

3.7 Risk Appetite

Risk appetite is the amount of risk that the University is willing to accept in pursuit of value, and should reflect the:

1. Risk management philosophy
2. Capacity to take on risk.
3. University's objectives, business plans and respective stakeholder demands.
4. Evolving industry and market conditions.
5. Tolerance for failures within qualitative values

Level of tolerance is categorized per risk as high, medium and low.

3.7.1 High level of tolerance: Acceptable risks that are unlikely to cause much damage and/or threaten the efficiency and effectiveness of the University. Mitigation strategies and control plans are considered effective and these risks are monitored at the operational/University unit level. Control plans are developed and implemented by risk owners.

3.7.2 Medium level of tolerance: Generally not acceptable risks and are likely to cause some damage, disruption or breach of controls. Mitigation strategies and action plans are adequate but require monitoring by the University Management Board.

3.7.3 Low level of tolerance: The risks are not acceptable and are likely to threaten the survival, achievement of the University Strategic objectives or continued effective functioning of the University either financially or corporate image. Immediate action is required and must be managed by the University Management Board and monitored by the University Council.

3.8 Risk Mitigation and Action Plan

When risks have been identified, analyzed and ranked, the next stage is to prepare and agree on an appropriate risk action plan. The risk action plan describes controls or actions meant to address the risks identified. Risk management provides appropriate mitigation actions that reduce either the probability of the risk occurring or the impact of the risk if it occurs or both. The appropriate risk action plan will take into consideration the current efforts or controls. Mitigation strategies reduce the risk level without reducing the level of expected return value creating room for assuming

more risks to the acceptable risk appetite. The mitigation strategies in the action plan sets out a timeframe for action, the risk owners and action managers charged with implementing agreed action plans.

It is the responsibility of each University Unit head to establish and agree with the University Management on the system to handle risk. Based on the risk matrix, an action plan of top risks, or risk map will be produced. The action plan will document the individual risk treatment measures. An integral part of the risk controlling is determining the acceptable risk level. This is a threshold or level, above which a single risk alone or together with other risks could threaten the further existence of the University or could cause serious damage. Risks below this level should be deemed as acceptable. Special attention should be paid to this threshold because it is linked to monitoring of the risk. These are internal control policies and procedures established to ensure that risk responses are effectively carried out in the University. They include:

1. Approvals and authorisations,
2. Verifications and reconciliations,
3. Segregation of duties,
4. Security and safeguarding of assets,
5. Review of periodic performance of University units by UMB

The University management will decide on the best approach for risk management which may involve; risk treatment, risk sharing/transfer, risk acceptance and risk termination.

3.8.1 Risk treatment This involves risk reduction by instituting effective business processes, establishing operational limits and enhancing management involvement in decision making. Treating the risk in an appropriate way is aimed at constraining the risk to an acceptable level or to actively take advantage of an opportunity to gain a benefit. Treating risks involves taking a corrective action to reduce the negative magnitude of the risks. For negative magnitude of risks action taken will reduce likelihood or impact or both. Risk control actions shall be used in mitigating operational risks (high likelihood – low impact risks) and major risks (high likelihood – high impact risks).

3.8.2 Risk sharing/transfer

The risk identified is such that it is best managed and assumed by a professional risk manager. This is achieved by transferring the risk by insurance or paying a third party to take the risk in another way.

3.8.3 Risk acceptance

When the value of a risk is such that it is so low that the cost of mitigating it is higher than the value of the risk, the University can accept the risk and do nothing about it. Minor risks fall into this category. However, such risks must be constantly monitored to ensure that they do not mutate into other more serious or significant risks. This tolerating of the risk can be supplemented by contingency plans if deemed necessary.

3.8.4 Risk termination/avoidance

Risks that are significant and may not be cost effective to treat or there are no practical ways to mitigate them, the solution is to terminate them.

Terminating the activity gives rise to the risk that it may limit University activities and mandate as set out in University Strategic Plan 2009-2015 (Revised 2012).

3.9 Risk Reporting and Communication

The risk management strategy requires effective communication throughout the University to obtain the relevant information on risks and to fulfill the governance function of ensuring risks are properly managed and reported. Risk communication comprises of the following documents; Risk registers, Annual Risk Matrix, Quarterly Risk Map, Ad hoc reporting and Whistle blowers log.

Risk reporting and communication ensures;

1. Risk registers are prepared and maintained at all levels.
2. Risk communication is done quarterly to the University Council.
3. Risk Manager reports to UMB on medium risks quarterly and act as a link between Internal Audit and the rest of the staff
4. Risk Coordinators report to the Risk Manager quarterly and acts as a link between University units and the Risk Steering Committee.
5. The risk policy framework once established is communicated to all staff and their roles.
6. Sharing of risk intelligence, management strategies and lessons learnt across University units.
7. Each level of management receives regular feedback about the management of risk within their area of control.

3.9.1 Risk register

The Risk Manager will maintain a current register of all the risks identified and details of how risks have been disposed off. This register shall be available for inspection by the Audit Governance and Risk Committee of Council and the University Management Board.

3.9.2 Annual risk matrix

Each University Unit shall prepare annual risk matrices and forward these to the University Risk Manager. The manager will review the annual risk evaluation reports with the risk owners. The risk matrix will contain a follow up action plan with an allocation of responsibility for risk mitigation and the time frame. Newly detected risks should be added while risks that have been fully mitigated in the course of time should be removed. The Risk Manager will produce an Annual University Risk report and Risk Map to the University Management Board for review and appropriate feedback.

3.9.3 Quarterly risk report

The Risk Manager, in line with the guidelines of Risk Based Internal Audit (RBIA), will follow-up on major risks from the Annual Risk Matrix and Action Plan on a quarterly basis and monitor the newly identified material risks. This process will be compiled from the quarterly risk assessment reports as part of the monitoring and forecast process.

The purpose of the Quarterly Risk Review will be to:

1. Allow a comprehensive assessment of the University units' risks including identifying new risks which may affect the Unit meeting their goals and objectives.

2. Permit the University units to update their Risk Register for all identified risks for submission to the Risk Manager.

3.9.4 'Whistle blower' programme

To strengthen its approach to risk identification, monitoring and mitigate fraud and corruption, Egerton University shall develop a whistle blower program as part of the Integrity Promotion procedures. This will ensure critical risks incidents are promptly brought to the attention of the Risk Manager and the University Management Board.

3.10 Loss reporting

Loss reporting will occur as part of an annual strategic review process. This will comprise a current and historical data analysis of risk information. Loss reporting will be used to develop synergies between risk management and internal auditing as outlined in the RBIA guidelines.

CHAPTER FOUR

4.1 Roles and Responsibilities

Risk management is the responsibility of all staff in Egerton University as they work towards achievement of all the University's strategic goals. The implementation of the risk management policy shall not impose extra overhead on the University since it is embedded in the university's internal management, reporting and communication frameworks. Figure 4.1 depicts the parties in the Risk Management System and their relationships.

4.2 The Egerton University Council

The University Council is ultimately accountable for risk management. It is responsible for the identification of major risks, the total process of risk management, as well as for forming its own opinion on the effectiveness of the process. The University Management Board is accountable to University Council for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the University.

The University Council must identify and fully appreciate the risk issues and key performance indicators affecting the ability of the University to achieve its strategic purpose and objectives. It must ensure that appropriate systems have been implemented to manage the identified risks, to measure their impact and probability and to proactively manage them. This is to ensure that the assets and reputation of the University are suitably protected.

The University Council will, through the Audit Governance and Risk Management Committee (AGRMC) accountable for reporting of the Risk

Management Policy Framework in the University. It will provide stakeholders with assurance that key risks are being properly identified, assessed, mitigated and monitor the risk/reward appetite of the University. This should assure that risks are managed in a pre-emptive manner. The University Council will ensure that a formal risk management policy for the University is maintained, evaluated and reported as appropriate.

The University Council will, for the purpose of internalizing the Enterprise Risk Management framework for the University, adopt and set structures to implement the Risk Based Internal Audit (RBIA) system.

EGERTON UNIVERSITY FRAMEWORK FOR RISK MANAGEMENT

UNIVERSITY COUNCIL

The Council retains the ultimate responsibility for risk management and determination of the appropriate level of risk that the University is willing to accept.

AGRMC of Council

- Oversees risk management activities in the University
- Advises on appropriate risk management related procedures
- Advises on measurement methodologies throughout the University



VICE CHANCELLOR

University Management Board

- The principle risk owner of the University
- Bears overall responsibility for risk management in the University
- Responsible for ensuring that risk management activities are carried out effectively within the University
- Approves changes to the University Risk Register
- Presents to the AGRMC an updated register of the key risks for the University.



RISK MANAGER

- Responsible for the development of systems, policies, processes and procedures that promote effective responses to critical risks
- Maintains the risk register of the university
- Responsible for risk reporting and communication
- Conducts quarterly feedback meetings with risk owners to communicate management decisions and concerns
- Undertakes Quarterly Risk reports for UMB
- Reports directly to AGRMC



RISK OWNERS

- Senior staff members of the University, who are responsible for the management of the particular risk in each area
- Provide reports on risk mitigation plans and the results of risk assessments performed on new initiatives.
- Advises Risk manager on risk controls and responses
- Updates risk register

4.3 Audit, Governance and Risk Management Committee

The Audit, Governance and Risk Management Committee (AGRMC) in performance of its existing tasks of risk management and institutional governance as outlined above, will be responsible for:

1. Implement policies on risk management and internal controls;
2. Identify and evaluating the significant risks faced by the institution for consideration by the appropriate Committee and Council;
3. Monitor the management of significant risks to reduce the likelihood of unanticipated risks;
4. Satisfy the University Council, that the less significant risks are being actively managed, with the appropriate controls in place and working effectively;
5. Set acceptable risk appetite for the university;
6. Develop and institute an audit policy to shift the university to the Risk Based Internal Audit structure.

4.4 Vice Chancellor and University Management Board

The effectiveness of risk management is unavoidably linked to management competence, commitment and integrity, which form the basis of sound Corporate Governance. The Vice Chancellor and the University Management Board are responsible for:

- 1) Provide direction and guidance within their areas of accountability so that teams best utilize their abilities in the preservation of the

University's resources;

- 2) Successfully promote, sponsor and coordinate the development of a risk management culture throughout the University;
- 3) Guide the inclusion of risk management in all strategic , compliance, reporting and operational decision making;
- 4) Maintain a framework to manage, monitor and report risk;
- 5) Set and monitor effectiveness of control/mitigation strategies and actions plans by ensuring they are adequately provided for;
- 6) Support the Management of risks to meet University objectives, goals, mission and vision.
- 7) Provide adequate information in a timely manner on the status of risks and controls.
- 8) Ensure that an annual review of effectiveness of internal controls and reporting to the University Council is done;
- 9) Assist in the development of benchmarks for achievement of the University mission;
- 10) Make reports to Council and the relevant state institutions as required;
- 11) Initiate and coordinate the review of the Risk Policy Framework every two years and the Risk Register annually.

The UMB will reconstitute itself into the Risk Steering committee which shall sit once every quarter and deliberate on matters concerning Risk Management and reporting. In so doing, it shall receive audit reports and

produce management response to audit queries. The Deputy Vice Chancellors (in charge of Academic Affairs, Administration and Finance, and Research and Extension)shall steer the cascading of risk management with the Risk Owners under them, to ensure all University risks are identified, assessed, ranked, and adequate mitigation strategies put in place and monitored regularly.

4.5 Risk Manager

The Risk Manager will deliver and maintain a Risk Management System within the University. The Risk Manager will be the custodian of the University's Risk Register. This will include coordination of the risk management processes described in this policy framework, for example; maintaining risk matrices, holding risk management reporting and feedback meetings and assessing progress against agreed action plans with Risk Owners. The Risk Manager will provide a risk update to the AGRMC and be accountable for the risk management on all areas of functional responsibility (designated by types of risks i.e. strategic, operations, compliance and reporting risks).

All divisions in the University should contribute to the Risk reporting by maintaining a Risk register at each level. This will ensure that issues of risk are in-built into all units of the University. The Risk Manager will examine and analyze the Risk Register before it is presented to the AGRMC for deliberation. They will also follow-up action plans recommended by the UMB, the risk mitigating actions taken and thereafter coordinate the development of the risk control system.

The UMB will act as the Risk Steering committee. In matters risk, it will be coordinated by a Risk Manager who will act as the facilitator of the risk management system. The Risk Manager will report directly to Vice Chancellor and may be invited to make presentation to the AGRMC on topical issues related to the implementation of the risk management system. The UMB, in pursuit of steering the Risk Management Policy Implementation, shall undertake quarterly and annual reporting, monitoring and evaluation of risk profiles. The committee may also receive ad hoc reports from risk owners and with approval of the Vice Chancellor distribute such reports within the University. Critical risks must be reported by the Risk Manager directly to UMB through a risk paper.

4.6 Risk Owner

These are University line managers at all levels who will be responsible for the adoption of risk management practices and will be directly responsible for the results of risk management activities, relevant to their area of responsibility. They are responsible for identifying, assessing risks, developing and instituting management strategies at all levels of University activities. As part of the annual planning cycle all responsible managers will be required to consider and document existing risks and their impact on proposed plans. Risk owners monitor the level of risks that have not crystallized. Any new risks identified due to changes in the business environment must also be documented. Up-to date risk records must be maintained.

The risk owners shall collate all the risks from the units under them to create a risk register and manage the risk reporting process at a faculty,

departmental, division, college and campus level. The University shall designate and develop terms of operation with the Risk Manager.

The principal risk owner for the University risks is the Vice Chancellor. At a campus, college, directorate, institute, faculty and departmental level, it is necessary to determine where the risk lies and the respective risk owner.

4.7 Internal Audit Department

The ERMP framework will integrate and complement other risk monitoring and mitigating actions such as performance contract, internal and external audit, implementation of service charters, financial reporting systems including business plan development for new capital projects in the University. It will guide budgeting and procurement plan policy and activities of the University and rationalize investments. The University shall adopt the RBIA, and in pursuit of this, the audit department shall host the Risk manager, although the audit department is itself a risk owner and hence must also manage its related risks.

The audit department will set up audit frameworks and audit the risk management activities in the entire University as part of their normal RBIA audit mandate. The department shall incorporate non-finance auditors and provide training for them to form the risk audit team.

The Internal auditor will give risk owner confidence that risks identified are managed and adequately addressed by the responsible persons including the UMB and if not, discuss with the UMB and individual risk owners on the desired corrective action.

4.8 Egerton University Employees

The engagement of all staff in the risk management process is mandatory and hence the Policy Framework statement will apply to all staff. University managers by virtue of their responsibilities have personal risk responsibilities as owners or coordinators. Their risk management responsibilities will be included in their individual work plans and performance objectives in line with achieving University Strategic Plan

CHAPTER FIVE

5.1 Integrating Risk to the University Management Systems

Risk management is part of the University planning system, and it must be continually improved in line with emerging risks and changing environment. The management of risk at the strategic, operations, compliance and reporting levels needs to be integrated so that the levels of activity support each other. In this way the risk management policy of the University will be led from the top but embedded in the normal working routines and activities of the University. The Risk Management System must give rise to a risk management culture in the entire University. All staff should be aware of the relevance of risk to the achievement of their objectives

.The Risk Policy Framework aims at developing a governance structure which will:

1. Ensure more effective and efficient decision-making;
2. Provide an integrated approach to strategy in key areas such as planning, resource allocation, educational policy and standards, and personnel.
3. Enable the University respond swiftly, decisively and appropriately to new opportunities and new issues;
4. Devolve more power and operational responsibility to respective offices;
5. Enhance institutional accountability and transparency in decision-making.

These are essential to achieve successful alignment of University unit activities with University strategic objectives, mission and vision as spelt out in the Strategic Plan. This will ensure that the University can demonstrate progress toward achieving world class excellence.

5.2 Developing the University Risk Management Culture

In developing the University risk management culture, a comprehensive strategy that supports the generation and exchange of innovative ideas should be internalized.

This includes:

1. Providing information on risk management.
2. Integrating into the Performance Appraisal objectives of staff.
3. Developing a communication strategy using formal and informal meetings, departmental visits, inclusive task groups, interviews, circulars and the institutional intranet.
4. Promote the participation of all members of the University community by providing timely and accessible updates.
5. Achieve risk management compliance while maintaining privacy, security and rights of the University, staff and external contacts.

CHAPTER SIX

6.1 Proposed Implementation Plan

The Risk Management Policy Framework (RMPF) approved by the University Council in December 2006, however it was not implemented. With regard to the new statutory requirements, (University Act, 2012; Constitution of Kenya 2010; Treasury circular No.3/2009) it is mandatory for the University to incorporate the Risk Management Policy Framework into the University governance structure.

The implementation steps required of the University are:

1. Complete a comprehensive audit of governance practice based on the University Strategic Plan and the University Act 2012 to assess the impact of the latest changes and restructuring.
2. Develop the ERMP expertise through training of the University managers.
3. Establish an effective feedback system for quarterly and annual reporting of the ERMP.
4. Develop risk management and disaster recovery strategies for ERMP.
5. Ensure audit of institutional performance with regard to the critical risks highlighted in the Risk Register.

Table 5.1: Proposed Implementation Framework

	Task	Target Date	Responsible person	Remarks
1.	Refine ,Publish and disseminate of ERMPF to all University Units	January 2013	VC DVC AF	ERMPF Approval by Senate and University Council
2.	Recruitment of Risk Manager and appointment of Risk Steering Committee	February 2013	VC DVC AF	<ul style="list-style-type: none"> • VC and University Management to approve the proposed implementation structure and appoint relevant responsible persons. • Develop lines of reporting and communication and feedback within the existing University frameworks.
3.	Implementation of ERMP in all University units	March 2013	VC, DVCs RSC Risk Owners and Risk Coordinators	<ul style="list-style-type: none"> • Identification of risk owners and risk coordinators and approval of RSC TOR • Identification and assessment of risks in all units • Ranking of Inherent risks, Identification of controls, Assessment of suitability of controls, Ranking of residual risks, developing suitable response and management systems. • Documenting the Risk Registers in each section • Refine the University Risk Register
4.	Institute the Risk Reporting Framework	March –June 2013	DVC AF RSC Risk Owners and Risk coordinators	<ul style="list-style-type: none"> • Maintain Risk Register • Develop a Framework for Monitoring and evaluating risk • Institute quarterly reporting by Risk Coordinators and Risk Manager • Implement quarterly reports to University Council by Risk Manager • Implement Risk Reporting as per Statutory

ANNEXES

Annex A: Principle University Risks

The principle risks identified within the university

1. Strategic Risks

- a) Admission
 - Admission procedure
 - Registration process
- b) Academic
 - Completion rates
 - Cost of university education
 - Irrelevant curriculum
 - Examination matters
 - Ineffective teaching
- c) Power supply
- d) Teaching and learning facilities
- e) Research
 - Research funding
 - Inadequate facilities
 - Poor attendance of conferences/ workshops
 - Low lecturer publication ratio
 - Research in Contemporary issues
- f) Human resources
 - Staff productivity and development
- g) Poor Marketing
- h) Utilization of allocated funds

2. Operations Risks

- a) Academics:
 - Certificate processing
 - Exams processing
 - E-learning resources
- b) Research
 - Calls for proposals
 - Conflict with the community when establishing research sites and undertaking research in communities
 - Delay in executing Research activities
- c) Infrastructure
- d) Human Resources
 - Staff employment and development
 - Inadequate qualified Staff / staff shortage
 - Staff retention
- e) Finance
 - Access and availability of financial information to students
 - Delay in disbursement of funds
 - Over committing/Under committing funds
 - Loss of funds
- f) Data security
- g) Low integration of ICT in Teaching, Research & Management
- h) Sustainability of Linkages
- i) Branding and marketing
- j) Delay in procurement of goods and services

- k) Resources
 - Loss of resources
 - Water shortage

3. Compliance Risks

- a) Monitoring of teaching effectiveness
- b) Research
 - Research ethics
 - Intellectual Property Rights
- c) Students' accommodation
- d) Finances
 - Disbursement of funds
 - Misappropriation of funds
- i) Implementation of University policies
- j) Control of documents and records
- k) Monitoring of strategic plan
- l) Environmental Health and Safety regulations
 - Fire
 - Solid (including asbestos) and liquid waste management
- m) Food contamination

4. Reporting Risks

- a) Dissemination of research findings
- b) Disaster management systems
- c) University Data base

- d) Data and record retrieval

5. Environmental Risks

- a) Dealing with expansion of facilities
- b) Access to ICT and equipment
- c) Buildings, food facilities and offices
- d) Utilization of land and water resources
- e) Waste Management.

6. Political Risks

- a) Negotiation with National and county governments for funding support
- b) Liaison with Stakeholders and industry
- c) Financial support to the University and the student loan facilities
- d) Institutional Mandate
- e) Dealing with Staff unions

Annex B: Egerton University Risk and Assessment Matrix

EGERTON UNIVERSITY RISK ASSESSMENT AND REPORTING MATRIX									
Risk Owner									
Date:									
Risk Factors	Ref. Doc	Class of Risks	Risk Appetite	Risk Owner	Inherent Risk Rating	Control	Residual Risk Rating	Action	Current Status
Key for Risk Rating									
1					Very Low Impact				
2					low impact				
3					Medium				
4					High				
5					Very High				

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