Enterprise Risk Management Framework

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# RISK MANAGEMENT AT SOUTHERN CROSS UNIVERSITY

What is the Enterprise Risk Management Framework and how can it help you

Risk is the potential for an event or events which may impact achievement of Southern Cross University's strategic objectives – either favourably or unfavourably. Understanding, accepting and managing risk is essential to delivering on our purpose of *'changing lives through revolutionary learning and research with real impact'.*

This document outlines the Enterprise Risk Management Framework (ERMF) and the structures and processes to manage risk across the University. It provides the tools to support University officers and employees to embed risk in day-to-day activities. It is important to the Vice Chancellor's Group and University Council that everyone engages with, understands and properly manages our material risks.

The ERMF has been developed with reference to *ISO 3100:2018 Risk Management Guidelines* and the Committee of Sponsoring Organisations of the Treadway Commission (COSO)'s *Enterprise Risk Management – Integrated Framework.* Its purpose is to help us make better decisions and to ensure that decisions are made consistent with our risk appetite.

The University's Enterprise Risk Management Framework Components
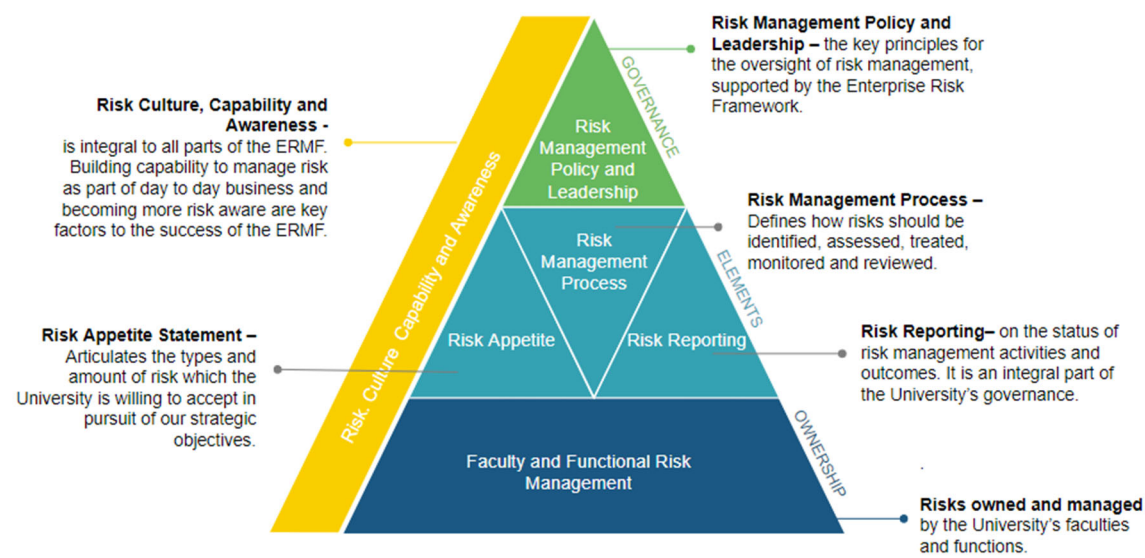
The above diagram shows the ERMF and its four key components which together will assist the University to:

●   Achieve business objectives and strategic goals;

●   Safeguard and enhance brand and reputation;

●   Identify, assess and manage risks in an effective and consistent manner, to sustain and improve performance;

●   Improve resource allocation and deployment;

●   Enhance business resilience and our ability to respond to challenges and change;

●   Maintain high professional standards, business ethics and uphold University values;

●   Meet legal and regulatory requirements including in the Southern Cross University Act 1993 (NSW), the Higher Education Standards Framework (Threshold Standards) 2021 (Cth) and the Education Services for Overseas Students (ESOS) Act 2000;

- Foster strong risk culture and awareness and promote good risk behaviour; and

- Improve collaboration, trust and information sharing across the University.

Other relevant policies, frameworks and practices include

- Work Health and Safety Policy, Workplace Health and Safety Management system (and related policies and procedures)

- Emergency and Crisis Management Policy and Emergency Procedures, Business Continuity Framework, the Business Continuity Management Policy and the Business Continuity Plan

- Compliance Policy and Central Compliance Register

- Fraud and Corruption Prevention Policy

- Treasury and Investment Policy

- Academic Quality, Standards and Integrity Policy

RISK CULTURE, CAPABILITY AND AWARENESS

The University seeks to build a *risk aware organisation* by driving and promoting a shared understanding of acceptable and unacceptable risk decisions, educating and training staff to respond appropriately within the defined risk appetite, and overseeing the effective and efficient implementation of risk management across the University

The tone of an organisation is fundamental to good risk management. A strong and supportive tone from the VCG and other leaders in support of ethical conduct and effective risk management, promotes risk awareness, appropriate responses to risks, effective communication channels, and feedback on business performance that is heard or acted on. Having a consistent tone helps the University establish a common understanding of the core values, business drivers, and desired behaviour of staff and partners. It also helps people understand the boundaries within which they operate.

The University encourages:

- open discussion and challenge of which risks should be taken in pursuit of strategic objectives

- behaviours aligned to the University's Values and risk appetite

- continuous improvement to review and enhance the suitability, adequacy and effectiveness of the University's risk management practices, policies, frameworks and supporting tools.

The University embraces a risk-aware organisation by:

- Maintaining strong leadership - All Council members, VCG and other leaders promote the importance of creating the right level of risk awareness, measurement, management and reward throughout the University, which is consistent with our Values.

- Adopting a participative management style and enforcing accountability for actions - All Head of Work Units promote and implement appropriate risk management and measurement, demonstrating to staff that a lack of accountability is not tolerated and will be escalated where behaviour is inconsistent with the University's Values, and implementing consequences for good and bad behaviour.

- Embedding risk management in decision-making – analysis, incorporation of risk information and innovation in the management of risk is encouraged in order to understand the benefits and risks of new and existing activities.

The University's risk culture is based on the following principles:

- Everyone at the University has responsibility and accountability for managing risk.

- Staff at all levels are encouraged and supported to openly and respectfully discuss and debate which risks should be taken to achieve the University's strategy and business objectives.

- Risk management is transparent and inclusive.

- Risk management is an integral part of management thinking, discussions and decision making and helps management find the right balance of risk, cost and value.

- Risk management is integrated into all University processes, activities and practices including strategic and operational planning, project management and day to day operations.

- Risk management is based on the best available information and recognises any limitations within the underlying data.

- Risk management is dynamic, iterative, responsive to change and continually improving.

- Risk is recognised as having the potential to be both positive and negative and is managed in that context.

● Risk management is proportionate to the context of the decision under consideration.
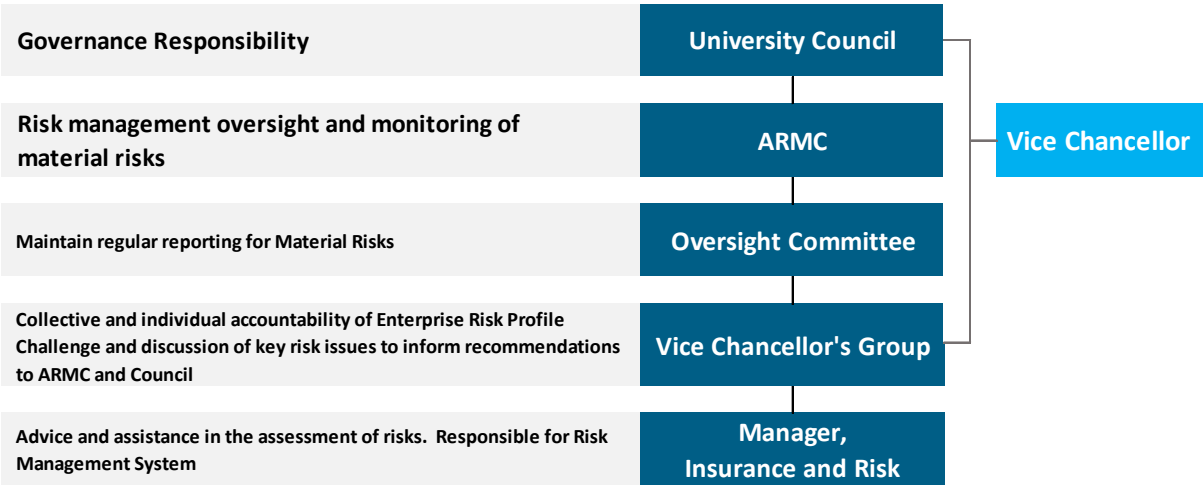
RISK GOVERNANCE

Risk Management Policy

The University's Risk Management Policy outlines the University's risk oversight and management throughout the University. It should be applied and read in conjunction with the SCU Enterprise Risk Management Framework.

Governance Structure

Risk governance at the University requires the management of risk to be integrated into all faculties, work units and functions, processes, systems, programs and projects to drive informed decisions and assure that proper controls are in place to manage risks.

The structure for the governance and oversight of risk at the University is depicted in the diagram below:

Governance Responsibility	**University Council**	
Risk management oversight and monitoring of material risks	**ARMC**	**Vice Chancellor**
Maintain regular reporting for Material Risks	**Oversight Committee**	
Collective and individual accountability of Enterprise Risk Profile Challenge and discussion of key risk issues to inform recommendations to ARMC and Council	**Vice Chancellor's Group**	
Advice and assistance in the assessment of risks. Responsible for Risk Management System	**Manager, Insurance and Risk**	

Key Roles and Responsibilities

Role	Responsibilities
University Council	Oversees risk management across the University
Audit and Risk Management Committee	Monitors and advises Council on the University's risk management, including the risk management framework and material risks.
Oversight Committee	Maintains oversight and receives regular reporting in relation to relevant Enterprise Material Risks.

Role	Responsibilities
Vice Chancellor's Group	The VCG have collective and individual accountability for the management of risks. They are accountable for the oversight, implementation, management and embedding of the Enterprise Risk Management Framework throughout the University, including: • Setting the right "tone from the top" • Agreeing, endorsing and ensuring compliance with the Risk Appetite Statement, Enterprise Risk Management Framework and Risk Management Policy • Reviewing and managing exceptions to Risk Appetite, establishing and monitoring actions to bring Material Risks within appetite, escalating material matters to the Audit and Risk Management Committee; • Regularly identifying, reviewing and assessing risks in achieving the University's strategic objectives and implementing actions to manage these risks. • Allocating the right skills and resources to effectively implement the Enterprise Risk Management Framework throughout the University
Material Risk Leads	Material Risk Leads are responsible for managing the Material Risks for which they are accountable, including: • Facilitating the Risk Management Process; • Assessing the level of the Material Risk against the University's Risk Appetite and implementing additional controls where required to bring the Material Risk within appetite. • Monitoring the effectiveness of existing controls; • Identifying appropriate metrics for the ongoing monitoring and reporting of the Material Risk. • Reporting on the Material Risk to relevant governance committees, including VCG, the relevant Oversight Committee, ARMC and Council. • Where necessary, escalating the Material Risk to ensure there is sufficient support and resources to carry out appropriate risk management
Executives, Executive Deans and Heads of Work Units	• Identify material operational and functional risks within their portfolio, faculty or work unit and assigning a Risk Lead for each of the risks. • Escalate the management of any operational risks that cannot be sufficiently mitigated at the work unit level to the Vice Chancellor's Group. • Managing business as usual operational risks.

Role	Responsibilities
Operational Risk Leads	Operational Risk Leads are responsible for managing the operational risks for which they are accountable, including: ● Facilitating the Risk Management Process; ● Assessing the level of the risk against the University's Risk Appetite and implementing additional controls where required to bring the risk within appetite. ● Monitoring the effectiveness of existing controls; ● Identifying appropriate metrics for the ongoing monitoring and reporting of the risk. ● Reporting on the risk to the Head of Work Unit and relevant work unit executive committees. ● Where necessary, escalating the risk to ensure there is sufficient support and resources to carry out appropriate risk management
Project Managers	● Identify material project risks and monitor throughout the life of the project. ● Incorporate risk management throughout the project life cycle ● Incorporate risk reporting into the project reporting processes
Manager, Risk and Insurance	The Manager Risk and Insurance is responsible for providing advice and support across the University, including: ● Identify, encourage and coordinate risk management initiatives and strategies. ● Facilitating the Risk Management Process, including providing training and resources to support staff and help them understand their roles and responsibilities ● Facilitating a review of the Enterprise Risk Management Framework and associated documents annually and following a strategic refresh or significant event ● Facilitate reporting on material risks, trends, and emerging risks.

RISK ELEMENTS

The elements component of the Enterprise Risk Management Framework consists of:

- the Risk Appetite Statement

- the Risk Management Process

- Risk Reporting

1.   Risk Appetite Statement

What is Risk Appetite and why is it important?

Risk appetite is the amount of risk the University is prepared to take to meet its strategic objectives. The Risk Appetite Statement creates clear expectations by defining the key risk types which the University is exposed to, its appetite for them, and the consequences it is prepared and not prepared to accept.

The Risk Appetite Statement provides essential 'guardrails' at both spectrums, to protect the University on one end and to allow opportunities to be leveraged at the other end. The University can move freely within the 'guard rails' without exposing the University to unacceptable risk or foregoing opportunities.

Appetite is expressed using a combination of qualitative statements about what is acceptable and unacceptable (tolerances) and (where possible, existing and leading) quantitative measures (with thresholds) to enable forward-looking monitoring.

Clear articulation of risk appetite directly guides and informs strategic planning and budgeting. It facilitates consistency and guides how far the University is willing to go when determining and operationalising our strategy. It also supports work units in making decisions by referencing and linking back to, the University's risk appetite. University staff are empowered to make decisions based on a consistent understanding of the type and amount of risk the University is prepared to take. Delegations of Authority are consistent with and aligned to the Risk Appetite Statement.

Understanding and applying the risk appetite, the University will:

- promote a strong risk aware organisation and an environment which encourages timely and transparent escalation of issues and risks.

- empower our people to make good decisions across the University after careful consideration of risks and appetite.

- commit to operating within the appetite parameters and University's values, responding quickly to situations which are outside of appetite.

- review the Risk Appetite at least annually, in conjunction with our strategic priorities, stakeholder expectations, changes to operations and the macroeconomic environment.

How Risk Appetite is determined

The Risk Appetite Statement is developed and maintained by VCG and approved by Council.

In determining the University's risk appetite, the following were considered:

- Southern Cross University's Strategy

- The best interests of stakeholders including students, staff, regulatory bodies, government, education partners, critical service providers and broader community.

- The strategy of the University's campuses and overall enterprise goals, governance and budget

- Current and planned projects, including implementation of the Southern Cross Model

- The status of the key strategic, financial and operational risks, as well as emerging risk areas to watch

- The nature and extent of the key controls in place and assurance of their effectiveness

- Significant matters which have arisen during the year, and are expected to arise in the coming year

- External factors such as regulatory decisions, climate change, government policy changes or changes in political environment

Alignment to our Strategy
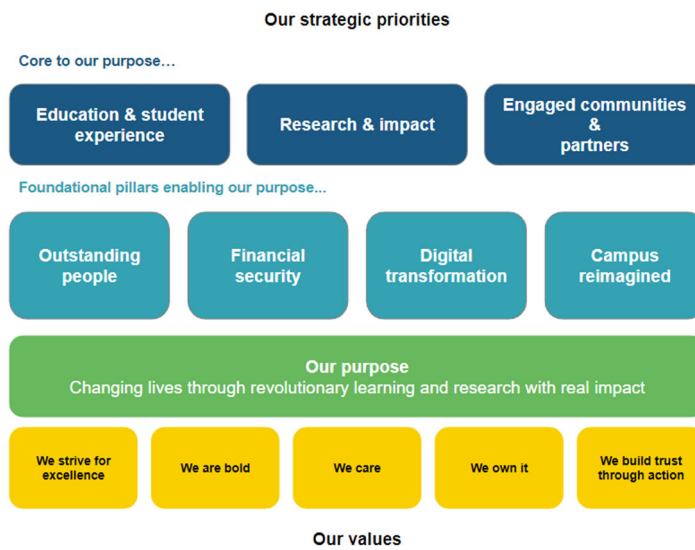
The pillars of our strategy, provide the framework to strengthen and grow the University, drive innovation and deliver on our purpose of *'changing lives through revolutionary learning and research with real impact'*.

The University's Values are the foundation of our culture and guide how we work.

The Risk Appetite Statement sets out the University's risk categories within six broad categories, aligned with the University's strategic pillars, as depicted below.

Financial security	Our financial strength and growth is driven by optimising our base operating margin and return on investments, building sustainable long-term business value by investing for excellence, diversifying our funding streams and maintaining continuous annual underlying growth in our operating surplus.
Education and Student Experience	It's paramount we meet all licensing requirements and higher education standards now and into the future. We recognise we need to seek innovation and entrepreneurial opportunities to enhance the viability of the University. Creating outstanding student outcomes through our revolutionary Southern Cross Model and delivering an engaging and seamless student journey and learning experience is critical.
Research and Impact	We strive to deliver transformative research that makes an impact locally, regionally and globally. Research should be connected to our teaching, balancing global relevance, with the strategic and sustainable growth of the University's research enterprise. Our research must be undertaken, managed and promoted in a responsible and ethical way at all times.
Campus environment and People	We provide all students (including high school, Indigenous Australians, non-school leavers, international and researchers) with a rich student experience, with relevant research and teaching delivered to a high quality and standard. We will invest in modern, flexible spaces that promote collaboration, community and connection. Providing an inclusive and safe work and study environment where everyone is valued, respected and acknowledged is paramount.
Digital infrastructure	We seek to transform our digital and analytics capabilities to deliver outstanding digital experiences, and drive connectivity, efficiency and support innovation across the University campuses online. We seek to protect our technology and cyber assets, and minimise disruptions to our business systems and infrastructure.
Enabling Risks	We will ensure our services, systems and processes are optimised to enable our University and its community to excel and deliver on its strategic priorities.

The Risk Appetite Statement specifies the University's risk appetite within each of these risk categories.

Risk Appetite Tolerances

Risk Tolerance is defined as *the amount of risk we are willing or not willing to take in executing on our strategic plan.*

The table below defines our scale or tolerance levels of risk appetite.

We have **no appetite** for risk.	We have a **low or limited appetite** for risk.	We have a **moderate appetite** for risk.	We have a **high appetite** for risk.
We will take all possible measures including prioritising capital and resource allocation to avoid an adverse outcome. We do not support any activities which impact our license to operate, result in behaviour counter to our values or code of conduct, or compromises the health, safety and wellbeing of our students, staff or put the community at risk.	We will take all reasonable measures including adequate resourcing and funding to minimise exposure to the specific risk and reduce the residual risk to a low level. Limits and tolerances will be low. Triggers to based on likelihood of risk events and strength of controls. Requires regular monitoring and testing. Clarity of and commitment to action is required when triggers are hit, before a limit is breached.	We recognise we cannot prevent all risks and accept some exposure, provided there is a clear understanding of potential impacts to business and there are controls in place to manage the residual risk to acceptable levels. Designing an effective risk management process to keep risk to an acceptable level (within risk appetite) or manage them when they occur is key.	Some risks, typically strategic risks are desirable to generate returns, provided the risks taken do not exceed our capacity to manage them. We are prepared to accept greater risk and recognise that increased return also requires greater management scrutiny. Tolerances are high to allow for upside opportunities, however downside still requires managing. Triggers should be set for periodic evaluation of changes in the business or conditions.

We recognise that different types of risks require different management approaches and result in different risk appetites.

The University has specific areas where taking more risk is more actively encouraged in the pursuit of its strategy. These include, but are not limited to:

- Innovation to achieve the vision for the future delivery of education and research excellence at the University

- Investment in the attraction and retention of students and staff, utilisation of campus infrastructure and implementation of Southern Cross Model

- Strengthening our position to deliver world-class results in research, rankings, student satisfaction and overall reputation

- Initiatives to pursue entrepreneurial opportunities and realise transformational change to enhance the University's viability and performance

The University does not support any activities which inhibit the achievement of our strategy and which are contrary to our core values. This includes activities or decisions which may:

- Cause a prolonged disruption to our University

- Compromise the health, safety and wellbeing of our students, staff or put the community at risk

- Expose us to greater quality risks or responsibilities

- Result in behaviour counter to our values or code of conduct

- Have an adverse impact on our reputation and brand.

2. Risk Management Process

At the University, the process for managing risk is an integral part of overall governance. It is important to maintain a structured and consistent University–wide approach to ensure it remains a risk aware organisation and continuously integrate risk management into 'business as usual'.

Process	Objectives	Key activities
Establish context	Define the purpose and scope of the risk assessment including goals and what success looks like.	- Define the objectives of the activity, decision, project, program or issue requiring analysis - Identify relevant stakeholders or areas involved or impacted - Consider the internal and external operating environment.
Risk Identification	Understand sources, events, drivers and causes of potential risks which could impact the University achieving its strategic objectives	- Identify risks that might have an impact on the activity, strategy or objective under consideration. Depending on the activity or decision under consideration, risk identification may occur at the University, Executive portfolio, work unit, project or activity level. - Identify sources of risk, areas of impact, events and their causes and consequences. Aim to identify - o both positive and negative risks (opportunities and threats) - o risks associated with undertaking the activity - o risks associated with not undertaking the activity, i.e. missed opportunities.

Process	Objectives	Key activities
Risk Analysis	Understand the nature of the risks identified, how they might occur, what may happen if they did, and how they can be mitigated	• For each of the risks identified, describe how the risk might occur, what the consequences would be if it did happen, and what controls exist to mitigate it. • Perform assessment of the current risk – i.e. level of risk remaining after consideration of the control environment and other actions to mitigate it. • The risks identified and assessed are documented in a risk register or risk assessment
Risk Evaluation	Understand how the risk should be treated, and determine whether additional action is required.	• Each risk requires a decision on the likelihood and consequence of a risk occurring to develop a risk rating. • For each risk, determine its priority/ ranking to the University using the Risk Assessment Matrix (Heat Map) and Risk Appetite. • From the risk rating, determine whether a risk is one that is acceptable to the University. If it is unacceptable, the risk should generally not be taken. E.g. breach of Code of Conduct. If acceptable, risk should be managed through a treatment plan. • Risks which impact the entire University or result in the University operating close to or outside a tolerance measure per the Risk Appetite Statement are given highest priority. • The Risk Leads should determine the level each risk should be kept at, to stay within the Risk Appetite.
Risk Treatment	Identify appropriate responses for each risk to optimise the level of risk exposure. Identify additional controls or mitigations that may need to be put in place. Escalate risks which sit outside of appetite.	• Risk treatment involves balancing the potential benefits against cost and effort. Consider and implement actions on a regular basis to improve a risk's ranking and bring in back to appetite: o Reduce the risk through remedial action o Accept the risk at elevated levels based on expected returns o Remove the risk if deemed to be unmanageable or expected to increase o Transfer the risk, e.g. through outsourcing o Consider insurance coverage for risks which cannot be mitigated Escalate risks which fall outside of Risk Appetite.

Process	Objectives	Key activities
Monitoring, Review and Reporting	Monitor and report status of controls, action plans and their effectiveness in managing risks. Reporting should provide insights to support the governance and oversight of risk management. Internal and external assurance to assess the risk and control environment	● Controls and actions for high rated risks should be monitored regularly. Risk Leads should reassess their risks when issues arise with control weaknesses or events result in changes to the initial risk assessment. ● Risk Leads and Head of Work Units should ensure the accuracy and currency of the risk exposure i.e. risk ratings reflect the current state of action plans and effectiveness of the current controls. ● Identify and assess any emerging risk. On a regular basis, the Vice Chancellor's Group will identify emerging risks and opportunities and the risk profile will be revised accordingly. ● The Material Risk Register, and discussion of any emerging risks, are items on the agenda for Vice Chancellor's Group meeting on a quarterly basis. All papers considered by the Vice Chancellor's Group will include a risk assessment, any proposed risk treatment, and where relevant, the process for monitoring and reviewing identified risks. ● An in-depth review of the Enterprise Risk Register will be undertaken by the Vice Chancellor's Group annually. The Risk Team will coordinate and support this review. ● An in-depth review of the relevant Operational Risk Register will be undertaken by the Head of Work Unit or Executive annually. The Risk Team will support this review.

Enterprise Risk Profile and Key Material Risks

The University's Enterprise Risk Profile is made up of risks which have the potential to materially impact the University's strategic priorities or its viability as a University. From the Risk Profile, the University's Key Material Risks have been identified, assessed and are monitored by the Vice Chancellor's Group, the relevant Oversight Committee, the Audit and Risk Management Committee and the Council as set out below.

3.   Risk Monitoring and Reporting

Our Risk Appetite Measures & Thresholds

For the Material Risk Categories, the University identifies appropriate measures and applies a threshold to measure the risk tolerance, using a Red, Amber and Green methodology indicating if the University is:

● within tolerance (green)

● outside of tolerance (red)

● getting close to being outside of tolerance (amber).

Performance for risk measures against the thresholds will be regularly monitored and reported to the VCG and the Audit and Risk Management Committee.

Where the University is operating close to or outside a tolerance threshold, the relevant Material Risk Lead will:

● For Green level thresholds (within tolerance) - consider strategies which take more risk and may deliver higher returns to achieve the University's objectives while remaining within risk appetite.

● For Amber level thresholds (early warning) - understand the cause of the outcome and make the requisite changes to bring it back within acceptable tolerance, then closely monitor it to avoid going outside tolerance. Corrective action should be considered by the Material risk Lead to reduce, accept, remove or transfer the risk.

● For Red level thresholds (exceeding or outside of tolerance) - take action to bring the measure back within tolerance, escalating to the Vice Chancellor in the first instance, and then to the Audit and Risk Management Committee through the appropriate governance as required, based on the nature and severity of the exception. There should be subsequent close monitoring to keep it within tolerance.

Reporting Structure

Committee	Reporting Structure	Report
Council	Annual risk report including review of the Risk Appetite Statement and the Material Risk Profile	● Enterprise Risk Management Framework Review Report
	High level reporting on identified key material risks	● Annual and quarterly WHS reports
ARMC	Annual risk report including review of the Risk Appetite Statement and the Material Risk Profile	● Enterprise Risk Management Framework Review Report
	Quarterly Risk Reporting	● Material Risk Summary Dashboard ● Material Risk Measures Dashboard
	Oversight Committee reporting	● Quarterly cyber-security report ● Bi-annual complaints report ● Risk Deep Dives
Finance and Investment Committee	Oversight Committee Reporting	● Quarterly Finance Scorecard Report ● Quarterly Investment Report
People and Culture Committee	Oversight Committee Reporting	● Annual and quarterly WHS Reports ● Quarterly HR Reports

Committee	Reporting Structure	Report
Academic Board	Oversight Committee Reporting	• Quarterly Academic Risk Reports • Annual academic misconduct reports • Annual research misconduct reports • Bi-annual student cohort reports
VCG	Annual risk report including review of the Risk Appetite Statement and the Material Risk Profile	• Enterprise Risk Management Framework Review Report
	Monthly Risk Reports	• Material Risk Summary Dashboard • Material Risk Measures Dashboard
	Quarterly Risk Register Report	• Material Risk Register Report
	WHS Reporting	• Monthly WHS incident report • Annual and Quarterly WHS reporting
	Financial Reporting	• Monthly Financial Scorecard
	Complaints Reporting	• Monthly student complaints report • Monthly staff complaints report