

**UNIVERSITY OF NAIROBI**



**RISK MANAGEMENT POLICY**

**JANUARY 2015**

## ***VISION***

A world-class university committed to scholarly excellence

## ***MISSION***

To provide quality university education and training and to embody the aspirations of the Kenyan people and the global community through the creation, preservation, integration, transmission and utilization of knowledge

## ***CORE VALUES***

- Freedom of thought and expression
- Innovativeness and creativity
- Good governance and integrity
- Team spirit and teamwork
- Professionalism
- Quality customer service
- Responsible citizenship
- National cohesion and inclusiveness

## Foreword

This policy document outlines the Risk Management Framework for all activities within the university, its operations and entities. The Framework defines the University's risk management processes, methodology, appetite, training and reporting, and also establishes the responsibilities for implementation.

Risk management is part of the university's day-to-day operations and is undertaken at individual and all levels of management. The aim of the risk management is to ensure that the university's resources are employed in an economical, efficient and effective manner.

This risk management policy provides the framework to identify, assess and mitigate incidences of risk in the university. The preservation of assets and protection of personnel is essential for the continued growth and survival of the university. It is therefore important to manage exposures to risk, which could destroy or deplete assets or cause harm to persons.

This policy therefore provides a structured approach to assist management, employees and students to integrate risk into their decision making processes. All members of staff and students should therefore understand the nature of risks associated with their areas of operation, and accept responsibility for managing them.

Prof. P.M.F. Mbithi  
**Vice-Chancellor**

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## Definition of Terms

**Risk management:** involves taking action to reduce the likelihood or impact of risk event.

**Enterprise Risk Management (ERM):** is a continuous, proactive and integrated process used to identify, assess and manage risks across all areas and at all levels of the organization. It ensures an alignment of strategic planning to risk management.

**Risk Register:** is a central repository for all risks identified by an organization.

**Risk Appetite:** is the amount of risk an entity is willing to accept in pursuit of value.

# **The Risk Management Policy**

## **1.0 Introduction**

### **1.1 Preamble**

Like any other institution, the University of Nairobi faces numerous risks which have the potential to disrupt the achievement of its strategic and operational objectives. The university intends to use risk management framework to make informed decisions and enhance the achievement of its objectives.

The university is accountable to all its audiences and stakeholders, including the government and the general public. The environment in which the university operates is also subject to a wide range of risks, hence the need for an effective risk management framework. The development, implementation and institutionalization of the risk management policy in the public sector is guided by the Treasury's circular No. 3/2009 dated 23<sup>rd</sup> February, 2009.

This risk policy forms part of the University's internal control and corporate governance arrangements, intended to summarize the view of the University Council with regard to risk management. It defines the risk management framework within which the University is expected to operate. The policy outlines the responsibilities of the different organs of the institution, key aspects of the risk management process, and identifies the main reporting procedures.

### **1.2.0 Definition of Risk**

Risk is the possibility that an event will occur and adversely affect the achievement of set objectives. It is measured in terms of impact and likelihood. Risk can be classified into the following categories:

#### **1.2.1 Strategic Risks**

These are events that affect the university's ability to achieve its goals and objectives, including competitive and market factors.

#### **1.2.2 Compliance Risks**

–These are events that affect compliance with laws and regulation, including safety and environmental issues, litigation, and conflicts of interest.

#### **1.2.3 Operational Risks**

–These are events that affect ongoing management processes and procedures.

#### **1.2.4 Technological Risks**

These are events that affect the electronic information flow and communications, including electronic commerce, storage, disaster recovery, interfaces and development cycle.

### 1.2.5 Financial Risks

These are events that affect profitability and efficiency, including loss of assets.

### 1.2.6 Reputational risks

Are events that affect the reputation and public perception of the university, including political issues and negative occurrences on-campus.

## 1.3 Purpose of this Policy

This policy is a formal acknowledgement of the commitment of the university to a holistic, efficient and effective approach to risk management. Its aim is to ensure that every effort is made by the university to manage risk appropriately, to maximize potential opportunities and minimize the adverse effects of risk.

The purpose of this policy is therefore to embody adoption of best practices in the identification, evaluation and cost-effective control of risks, to ensure effective risk management.

## 1.4 Policy Objectives

The main objective of this policy is to confirm and communicate the university's commitment to risk management.

### Other Objectives:

- a) To formalize and communicate a consistent approach to managing risk for all university activities and to establish a reporting protocol.
- b) To ensure that all potentially harmful risks to the university interests and staff are identified, assessed and managed.
- c) To assign responsibility and accountability for the management of risks to all staff within their areas of control.

## 1.5 Scope of the Policy

Risk is an inherent aspect of all academic, administrative and commercial business activities. Sound risk management principles must therefore become part of routine management planning and activity across the university.

## 1.6 Policy Statement

The university considers risk management to be fundamental to good management practices and a very significant aspect of corporate governance. Effective management of risk will thus provide essential contribution towards achievement of the University's institutional objectives. As such, risk management must be an integral part of the decision making and routine management, and shall be incorporated within the strategic and operational planning processes at all levels across the university. This will be achieved through the following strategies:

- a) Continual risk assessments on all new and ongoing ventures and activities, including projects, processes, systems and commercial activities to ensure that they are all aligned with the university's objective.
- b) Identifying, analyzing and reporting to the appropriate management levels, any risks or opportunities arising from these assessments.

- c) Maintaining of a strategic risk register by the university management.
- d) Maintaining of operational risk registers by all colleges, schools, institutes, departments and sections.
- e) The university management to provide all staff with adequate guidance and training on the principles of risk management and their responsibilities to implement risk management effectively.
- f) The university to regularly review and monitor the implementation and effectiveness of the risk management process, including the development of an appropriate risk management culture.

## **2.0 Responsibilities**

### **2.1 The University Council**

The Council has the oversight responsibility with regard to dealing with the total risk exposure of the university and as such shall, set the tone, influence the culture of risk management within the university and determine the appropriate risk appetite. In addition, the council shall:

- a) Continually review the university's approach to risk management and approve changes or improvements to key elements of its processes and procedures.
- b) Ensure the existence of an effective internal control system to mitigate significant risk.
- c) Determine the university's risk prioritization protocol.
- d) Monitor the management of fundamental risks.

### **2.2 Vice Chancellor**

The Vice Chancellor shall be responsible for ensuring that specific programmes and procedures are developed for establishing and maintaining risk management activities within the established framework. In addition he shall be responsible for:

- a) Managing all corporate risks.
- b) Reporting to council through a summary of the university risk management process and the outcome of the risk management monitoring activities.
- c) Appointing the members of the risk management committee.

### **2.3 College Principals and other Administrative Heads**

College Principals, Directors of Schools and Institutes, Chairmen/Heads of Departments and Sections shall be responsible for the management and monitoring of risk in line with this policy, within their areas of responsibility. In addition they shall be responsible for:

- a) Implementing policy on risk management and the established internal controls.
- b) Identifying and evaluating the fundamental risks faced by the institution in their areas of responsibility.
- c) Providing adequate information in a timely manner, on the status of risks and controls, to the risk management committee.

### **2.4 Risk Management Committee**

The risk management committee is an operational committee appointed by the Vice-Chancellor to oversee the risk management process of the university.

The Committee shall advise the Vice- Chancellor on:

- a) Appropriate risk appetite and level of exposure for the university.
- b) The fundamental risks affecting the university and their mitigation mechanisms.
- c) Appropriate reviews of the risk management policy for the university.

## **2.5 Risk Officer**

The risk officer is responsible for co-coordinating the risk management programme and will provide advice and guidance, including the development of standard templates and tools to assist the university in managing risk. He will be a member of the Risk Management Committee. He will also:

- a) Coordinate the development and training on the principles of risk management.
- b) Assist Colleges, Schools, Institutes and Departments and Sections in the conduct of risk assessments on new ventures and activities.
- c) Develop a comprehensive incident reporting system and maintain information on losses or adverse events when risks eventuate.

## **2.6 Internal Audit**

Internal Audit is an independent, objective assurance and consulting activity. Its role with regard to risk management is to provide an independent and objective assurance to the Vice-Chancellor and the Audit Committee, on the effectiveness of risk management framework and recommending appropriate mitigation measures.

Internal Audit will be required to review the risk management process as part of the audit cycle based on the risk registers in place, provide an opinion as to the adequacy and effectiveness of the risk management arrangements, and to propose improvements where necessary.

## **2.7 Other Members of Staff and Students**

Effective risk management depends on the commitment and co-operation of all members of staff and students. They shall have a significant role in the management of risk, particularly within their own areas of control. Consequently, they shall be responsible for accountability for adherence to the principles outlined in this policy.

## **3.0 Risk Management Strategy**

The university shall adopt the following steps in the management of risks identified in the risk register:

- a) Identifying the risks that could prevent the achievement of strategic and operational objectives.
- b) Determining the owners of the risk and placing the responsibility and accountability on them.
- c) Assessing the impact and likelihood of risk after determining the adequacy of the existing internal controls.
- d) Determining further control and improvements to mitigate the risks.

Risk shall be assessed using brainstorming sessions, analysis of strengths, weaknesses, opportunities and threats or risk assessment user groups. Management shall carry out an annual review of the linkages between strategic objectives and risks to ensure that focus is maintained on priority activities.

## **4.0 Review**

This policy shall be reviewed every three years to keep abreast with emerging and changing trends in global risk management best practices.