

RISK APPETITE STATEMENT



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1 VISION AND STRATEGIC THEMES

- 1.1 CQUniversity is a great University which partners with our many staff, students, alumni and communities to enable them to be what they want to be. We do this through change making education, research and service – we do this through Daring to BE Different.
- 1.2 CQUniversity is driven and guided by a strong set of values; engagement, can-do, openness, leadership and inclusiveness. These values are used daily in CQUniversity to make decisions and to guide our actions going forward into the future. The University is truly a values-led organization.

2 INTRODUCTION

- 2.1 Risk management is an essential component of the University's governance framework and supports the achievement of the University's strategic themes and objectives. Effective risk management increases the probability of successful outcomes, whilst protecting the reputation and sustainability of the University.
- 2.2 The strategic themes and objectives set out the current [Strategic Plan](#) requires a continuation of our rapid expansion. Such overarching themes demand a risk appetite that embraces the taking and effective management of its inherent risks.
- 2.3 The University takes its responsibilities to its stakeholders seriously and regards risk management as both a tool of good management and an important factor in ensuring that the University meets its obligations to key stakeholders.

- 2.4 The University's [Risk Management Policy and Procedure \(FMPP\)](#) provides the structural framework to effectively manage its risks. The Policy and Procedure looks to maximise opportunities and minimise adverse events/activities in CQUniversity's drive to achieve its strategic plan.
- 2.5 This Risk Appetite Statement considers the most significant types of risks to which the University is exposed and provides an outline of the approach to managing these risks.

3 OVERALL RISK APPETITE

- 3.1 The University Council, management and staff will have regard to the University's stated Risk Appetite in both strategic and operational decision making.
- 3.2 The University's strategic themes and objectives set out above will necessitate that the University accept those risks that accompany growth and are commensurate with the potential reward. While overall the University has limited appetite for risk in many of its activities, it is acknowledged that the University must at times undertake activities that inherently carry greater risks. To that end the University's risk appetite will often be different at an activity level from that at a whole-of-institution level.
- 3.3 The key challenges in achieving this balance are to ensure:
- ethical and effective governance practices including responsible stewardship of resources
 - realisation of opportunities and allowing innovation while avoiding unnecessary bureaucracy, and
 - avoidance of a risk averse corporate culture which stifles innovation rather than supports it through the correct assessment and management of risks.

4 RISK FRAMEWORK

- 4.1 Good practice in risk management indicates that organisations should specify their appetite for risk at a granular level related to the nature of activities in the organisation. The Risk Appetite Statement specifies the amount of risk the University is willing to seek or accept in the pursuit of its strategic objectives. It indicates the parameters within which the University would want to conduct its activities.
- 4.2 In terms of priorities, the need to avoid risk related to compliance and overall health and safety for its people and communities, will take priority over other factors e.g. it will be acceptable to undertake risks in research activities providing they do not expose the University to undue compliance or people risk. This is effectively ensuring the University's license to operate and is integral to providing the foundation to achieve our strategic objectives; however, on its own it will not achieve the university's objectives.
- 4.3 Therefore, a balanced assessment is taken of risks – in many cases there are risks attached to both doing something and doing nothing. The 'do nothing' option may often impose greater risk.
- 4.4 Given the devolved nature of the University, the Risk Appetite Statement is tended to act as a guide indicating:
- areas to step out and be innovative that are key to our growth ambitions
 - areas to be conservative and compliant in their activities that are key to our legislative responsibilities, and
 - the "lines" we will not cross where the implied risk exceeds the potential return.
- 4.5 Risks are to be managed in accordance with the University's [Risk Management Policy and Procedure \(FMPP\)](#) incorporated into other processes and procedures of the University.
- 4.6 Responsibility for managing the University within the Risk Appetite Statement lies with the University Council, management of the University in particular Executive Management, Heads of Schools, Directors of Divisions, support services and controlled entities, as well as relevant University governance committees.

5 STATEMENT OF RISK APPETITE

- 5.1 The University's approach is to minimise its exposure to risks relating to its compliance responsibilities, environment, culture and people, whilst accept and encouraging an increased degree of risk in pursuit of its

vision and strategic goals. It recognises that its appetite for risk varies according to the activity undertaken, and that its acceptance of risk is subject always to ensuring that the potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established where required.

- 5.2 The University's appetite for risk across its activities is provided in the following statements, and is illustrated diagrammatically below:

								Primary link to Strategic Themes
	Conservative			Balanced		Entrepreneurial		
Strategic growth						<	>	1,2,3,4,5
Financial viability						<	>	1,2,3,4,5
Safety and health risk	<		>					1,2,3,4,5
Regulatory and compliance risk	<		>					1,2,3,4,5
Teaching, learning risk						<	>	1,2,3,4,5
Research risk						<	>	
Service disruption risk		<		>				1,2,3,4,5
Culture & values risk	<		>					1,2,3,4,5
Social responsibility risk					<		>	1,2,3,4,5

Strategic growth risk

- 5.3 Strategic activities are required and expand the University, and to adapt to changes in the regulatory and technological environment and in the nature and conduct of the University's activities. This will include new campuses, learning centres, courses and research initiatives as set out in the [Strategic Plan](#). The University acknowledges such growth activities carry higher risk that need to be managed according to best practice in project and change management. Consequently, the University measures their value not just on an individual basis but also relative to all available options include the 'do nothing' option. These actions are consistent with our values. The University considers its risk appetite in this area to be **entrepreneurial** in nature.

Financial viability risk

- 5.4 The University aims to maintain its long-term financial viability and its overall financial strength, while also recognizing that achievement of its strategic objectives is important to sustain long term financial viability. Therefore, the University acknowledges that during this phase of rapid expansion it will need to accept the risks associated with growth and expansion, such as capital expenditure and increased borrowings. Consequently, the University considers its risk appetite in this area to be fairly **entrepreneurial**.
- 5.5 The [Treasury and Investments Policy](#) expands and explains the threshold criteria.

Safety and health risk

- 5.6 The University aims to make itself a stimulating and safe place to work and study. It places importance on the health and safety of staff, students and visitors and has no appetite for any deviation from its standards and legislative responsibilities in these areas. It therefore defines its risk appetite in this area to be **conservative**.

Regulatory and compliance risk

- 5.7 The University places great importance on compliance, and has no appetite for any material breaches in statute, regulation, professional standards, research or medical ethics, bribery or fraud. It wishes to maintain its self-accreditation status and professional program accreditations where applicable. The University considers its risk appetite in this area to be **conservative**.

Teaching and learning risk

- 5.8 Two of the University's strategic themes are centred on our vocational education and training (VET), higher education and research activities. Achieving the objectives within these themes will involve increasing the numbers and sources of students the University attracts and enhancing student learning outcomes and experiences. The University considers its risk appetite in this area to be relatively **balanced**, but it also realizes that at times this will require taking an increased degree of risk in:
- 5.8.1 Developing courses and the student experience, and is comfortable in accepting this risk subject always to ensuring that potential benefits and risk are fully understood before developments are authorized and that sensible measures to mitigate risk are established.

Research risk

- 5.9 Separating Research as its own risk is centred on achieving the ambitious and Daring to be Different research activities about growing research productivity and impact. The University considers its risk appetite in this area to be **entrepreneurial**.
- 5.9.1 Developing research activities, and is comfortable in accepting this risk subject to
- limitations imposed by ethical considerations, and
 - ensuring that potential benefits and risks are fully understood before developments are authorized and that sensible measures to mitigate risk are established. This viewpoint is consistent with our [Strategic Plan](#) objectives.

Service disruption risk

- 5.10 It is important to the University that its activities and services operate efficiently and effectively. The University therefore has limited appetite for any risk that may jeopardise its standards of operation; or could lead to a loss of confidence by its stakeholders, communities, or key government agencies. It therefore defines its appetite for risk in this area as relatively **conservative**.

Culture and values risk

- 5.11 The University aims to support, develop and utilize the full potential of our staff and values a culture of scholarship, discovery, sustainability, engagement, social justice and integrity. We are driven by our values and we protect our values. To balance these values and priorities the University accept no risk as we are a values-led organisation. However, this will be subject to always ensuring that the potential benefits and risks are fully understood before initiatives are authorized and that sensible measures to mitigate unacceptable risk are established. It therefore defines its appetite for risk in these areas as **conservative**.

Social responsibilities

- 5.12 The University aims to make a significant, sustainable, and social responsible contribution to all the communities within which it operates. It recognizes that this may at times involve accepting a degree of risk and is comfortable with this, subject to always ensuring that potential benefits and risks are fully understood before developments are authorized and that sensible measures to mitigate risk are established. The University considers its risk appetite in this area to be fairly **balanced**.

6 IMPLEMENTATION OF THE UNIVERSITY'S RISK APPETITE

Responsibility

- 6.1 All Executive and Senior Staff are responsible for the implementation of, and compliance with, this Risk Appetite Statement.

Communication

- 6.2 The University's Risk Appetite Statement is to be published on the University StaffNet and University website.

Risk tolerances and limits

- 6.3 Council has approved the University's risk tolerances and limits are set out in the [Appendix](#).

Risk assessments

- 6.4 All Senior Staff develop and maintain a Risk Register of the business risks faced by each Business Unit in its day-to-day operations and the control framework which is in place to mitigate these risks. These Registers take into account risks from within the University and external sources and are reviewed regularly throughout the year as part of the Planning Process of the University. Risk Registers are also updated when there are key changes in policies, structures or functions.
- 6.5 All risks which are judged as unacceptable at business unit level are reported to the University's Risk Manager and placed in StaffNet. Actions plans are monitored to reduce these risks to acceptable levels and reported where appropriate to the Executive.
- 6.6 All Senior Staff are delegated responsibility to manage their specific operational risks in a manner which is consistent with this Statement and appropriately escalating any risks outside appetite or agreed tolerance levels. Business Unit risk appetite for each risk in their Risk Registers must also be consistent with this Statement.

Confirmation and review

- 6.7 This Risk Appetite Statement has been considered by the University Council subcommittee of Audit, Risk and Finance is formally evaluated and approved each year by this Committee and Council.
- 6.8 This Risk Appetite Statement is reviewed and coordinated by the Chief Financial Officer and Deputy Vice-Chancellor (Planning and Finance).

7 APPROVAL AND REVIEW DETAILS

Approval and Review	Details
Approval Authority	Council
Advisory Committee to Approval Authority	Audit, Risk and Finance Committee
Administrator	Deputy Vice-Chancellor (Finance and Planning)
Next Review Date	25/08/2020

Approval and Amendment History	Details
Original Approval Authority and Date	Council 25/08/2017
Amendment Authority and Date	
Notes	

8 APPENDIX – risk tolerances and definitions

Whilst the University adopts a bespoke approach to setting of risk appetite, the University recognises the value in providing guidance for Business Unit Managers in the setting of risk appetite and identification of acceptable tolerances. This is shown graphically below:

Conservative – The University will not accept opportunities with risks attached that could result in significant exposure or loss.

Conservative Risk Appetite		Consequences				
		1. Insignificant	2. Minor	3. Moderate	4. Major	5. Catastrophic
Likelihood	a. Almost Certain	Medium	High	High	Extreme	Extreme
	b. Likely	Medium	Medium	High	High	Extreme
	c. Possible	Low ←	Medium	Medium	High	Extreme
	d. Unlikely	Low	Low ←	Medium	Medium	High
	e. Rare	Low	Low	Low ←	Medium	High

Monitoring | Action

Balanced – There are some risks associated with the opportunities being pursued. However mitigating actions have reduced these risks to a low level of exposure.

Balanced Risk Appetite Guideline		Consequences				
		1. Insignificant	2. Minor	3. Moderate	4. Major	5. Catastrophic
Likelihood	a. Almost Certain	Medium ←	High	High	Extreme	Extreme
	b. Likely	Medium	Medium ←	High	High	Extreme
	c. Possible	Low	Medium	Medium ←	High	Extreme
	d. Unlikely	Low	Low	Medium	Medium ←	High
	e. Rare	Low	Low	Low	Medium ←	High

Monitoring | Action

Entrepreneurial

There are some risks associated with the opportunity being pursued. There may be some actions to mitigate the risks.

Entrepreneurial Risk Appetite Guideline		Consequences				
		1. Insignificant	2. Minor	3. Moderate	4. Major	5. Catastrophic
Likelihood	a. Almost Certain	Medium	High	High ←	Extreme	Extreme
	b. Likely	Medium	Medium	High	High ←	Extreme
	c. Possible	Low	Medium	Medium	High ←	Extreme
	d. Unlikely	Low	Low	Medium	Medium	High ←
	e. Rare	Low	Low	Low	Medium	High ←

Monitoring | Action

Where risks are either to be tolerated above this risk appetite line or where mitigating actions are taken to reduce risks significantly below this level the University documents the rationale and analysis supporting these decisions in the relevant Risk Registers and through the relevant governance framework (e.g. Executive Management Committee, Council sub-committees, Academic Board). Where there is significant risk exposure this decision will be escalated to the next layer in the management structure. As an example, where risk above the published risk appetite is agreed to be tolerated there may be occasions or projects that are considered to be of sufficient importance to the University to warrant an increased risk exposure. These typically will be opportunities where the University considers a more entrepreneurial approach is warranted and is consistent with our Strategic Themes and values. These risks will be subject to rigorous review and monitoring by Senior Executives and Council as applicable.

Definitions

Risk appetite (*): “the amount and type of risk that an organization is willing to pursue or retain”, that is, appetite to about the pursuit of risk.¹

Risk tolerance (*): “an organization’s readiness to bear the risk, after risk treatment, in order to achieve its objectives”, that is, tolerance is about what an organization can actually cope with.¹

Risk thresholds (**): “the level of uncertainty or the level of impact at which a stakeholder may have a specific interest. Below that risk threshold, the organization will accept the risk. Above that risk threshold, the organization will not tolerate the risk.”²

To help contextualize these concepts: Organisations have to take risk to make a profit, or deliver value to their stakeholders. The level of risk they pursue is their **appetite** for risk. But they may be able to **tolerate**, or absorb, a different level of risk without significant pain and impact on achieving their strategic objectives. This is their tolerance.

¹ [AS/NZS ISO 31000:2009 Risk Management International Standard](#)

² [PMBOK Guide, Fifth Edition](#)

Likelihood³

Level	Descriptor	Definition	Indicative frequency
A	Almost certain	Is expected to occur in most circumstances.	80 – 99%
B	Likely	Will probably occur in most circumstances.	60 – 79%
C	Possible	Might occur at some time.	40 – 59%
D	Unlikely	Could occur at some time.	20 – 39%
E	Rare	May occur only in exceptional circumstances.	1 – 19%

³ [AS/NZS ISO 31000:2009 Risk Management International Standard](#)

Consequences⁴

Level	Descriptor	Financial	Environmental	Health and Safety	Operational	Reputational
1	Insignificant	<ul style="list-style-type: none"> Financial loss up to \$10K 	<ul style="list-style-type: none"> Brief pollution No impact or measurable impairment 	<ul style="list-style-type: none"> Incident requiring first aid only 	<ul style="list-style-type: none"> No effect on operations No impact on student numbers 	<ul style="list-style-type: none"> Little or no public/local interest
2	Minor	<ul style="list-style-type: none"> Financial loss between \$10K to \$100K 	<ul style="list-style-type: none"> Transient harm Minor impact 	<ul style="list-style-type: none"> Incident requiring medical treatment 	<ul style="list-style-type: none"> No effect on operations Up to 1% impact on student numbers 	<ul style="list-style-type: none"> Minor public/local interest Reputation adversely affected with a small number of affected people
3	Moderate	<ul style="list-style-type: none"> Financial loss between \$100K to \$1M 	<ul style="list-style-type: none"> Moderate harm Measurable impact but not affecting ecosystem function 	<ul style="list-style-type: none"> Incident requiring hospital treatment 	<ul style="list-style-type: none"> Some effect on strategically critical operations Between 1% to 5% impact on student numbers 	<ul style="list-style-type: none"> Significant public/local interest Reputation impacted with some stakeholders
4	Major	<ul style="list-style-type: none"> Financial loss between \$1M to \$10M 	<ul style="list-style-type: none"> Significant harm Serious impact with some impairment of ecosystem function 	<ul style="list-style-type: none"> Incident causing disability or longer term hospitalisation 	<ul style="list-style-type: none"> Major effect on strategically critical operations Between 5% to 10% impact on student numbers 	<ul style="list-style-type: none"> Major public/media attention Reputation impacted with a significant number of stakeholders
5	Catastrophic/ Extreme	<ul style="list-style-type: none"> Financial loss in excess of \$10M 	<ul style="list-style-type: none"> Long term harm Very serious impact with significant impairment of ecosystem function 	<ul style="list-style-type: none"> Incident causing death 	<ul style="list-style-type: none"> Major effect on operations and on-going viability Greater than 10% impact on student numbers 	<ul style="list-style-type: none"> Serious or sustained public/media attention Reputation impact with majority of key stakeholders

Acknowledgement: In creating this CQUniversity's Risk Appetite Statement, we acknowledge and have benchmarked the work done by [University of Sunshine Coast](#) (USC).

⁴ [AS/NZS ISO 31000:2009 Risk Management International Standard](#)