Risk Appetite Statement

May 2018

WESTERN SYDNEY
UNIVERSITY

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Risk Appetite Statement

Contents

1. Mission, Vision, Values and Beliefs

The Western Sydney University's Risk Appetite Statement is set in the context of its Mission, Vision, Values and Belief system as follows:

Mission	Vision
To be a university of international standing and outlook, achieving excellence through scholarship, teaching, learning, research and service to regional and international communities, beginning with the people of Greater Western Sydney.	To secure success for our students and the Greater Western Sydney region through innovation and discovery in a dynamic and technology-enabled world.
Values	**Beliefs**
- Commitment to our region and communities - Excellence and quality - Scholarly rigour and integrity - Equity and inclusiveness - Recognition and respect for Aboriginal and Torres Strait Islander peoples and their diverse knowledge systems - Collegiality and participation - Academic freedom - Relevance and responsibility - Ethics and accountability	- The primacy of the student experience - Environmental and social responsibility - Accountability to the traditional Aboriginal and Torres Strait custodians and owners of the lands we occupy - A vibrant and inclusive intellectual community - Opportunity for excellence - Being connected locally and internationally - Valuing, developing and rewarding our staff

2. Introduction

Risk management is an essential component of the University's governance framework and it supports the achievement of the University's strategic goals and objectives. Effective risk management increases the probability of successful outcomes, whilst protecting the reputation and sustainability of the University.

The University's strategic goal and objectives set out in the Securing Success Strategic Plan (2018-2020) requires building on the University's significant achievements and positioning itself for rapid growth in the Western Sydney region, considering the region's growing diverse population. The University is embarking on a large-scale transformation program that will bring the highest quality educational opportunities and world-class research expertise to the region. Such an overarching goal demands a risk appetite that sets the tone for taking effective management of its risks.

The University takes its responsibilities to its stakeholders seriously and regards risk management as both a tool for good management and an important factor in ensuring that the University meets its obligations to key stakeholders.

The University's Enterprise Risk Management policy and procedures provide the framework to effectively manage its risks. The framework looks to maximise opportunities and minimise adverse outcomes.

The risk appetite is the amount of risk an organisation is willing to accept in pursuit of its strategic goals. The Risk Appetite Statement (RAS) 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

The University's Board of Trustees, subcommittees, management and staff will have regard to the University's stated Risk Appetite in both strategic and operational decision making.

The University's vision and strategic objectives will necessitate that University accepts those risks that accompany growth, transformation, innovation and are commensurate with the potential reward. Overall, the University has a balanced approach to its risk appetite aligned to its strategic objectives. It is acknowledged that the University may at times undertake activities that inherently carry greater risks. As a result, the University's risk appetite will often be different at an activity level compared to enterprise-wide level.

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 growth, transformation and innovation while avoiding unnecessary negative impacts
- avoidance of a risk averse culture which stifles growth, transformation and innovation rather than supports it through the correct assessment and management of risks.

4. Risk Framework

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 pursuit of its strategic objectives. It indicates the parameters within which the University would prefer to conduct its activities.

Risk appetite applies to the management of existing activities, as well as seeking out new opportunities. It is the responsibility of the University management and staff to continually review what the University does, to investigate new opportunities and to take account of individual risks in decision-making.

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 provided they do not expose the University to undue compliance or people risk. 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 strategic risks.

The University's Risk Management Framework seeks to ensure that there is an effective process in place to manage risks across the University. Risk management is integral to all aspects of the University's activities and is the responsibility of all staff. Managers have a particular responsibility to evaluate their risk environment, to put in place appropriate controls and to monitor effectiveness of the controls. A good risk management culture emphasises careful analysis and management of risks in all the business processes.

These risks are identified, assessed and managed at both enterprise level (top down approach) and unit level (bottom up approach). The Audit and Risk Committee has oversight of these processes.

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
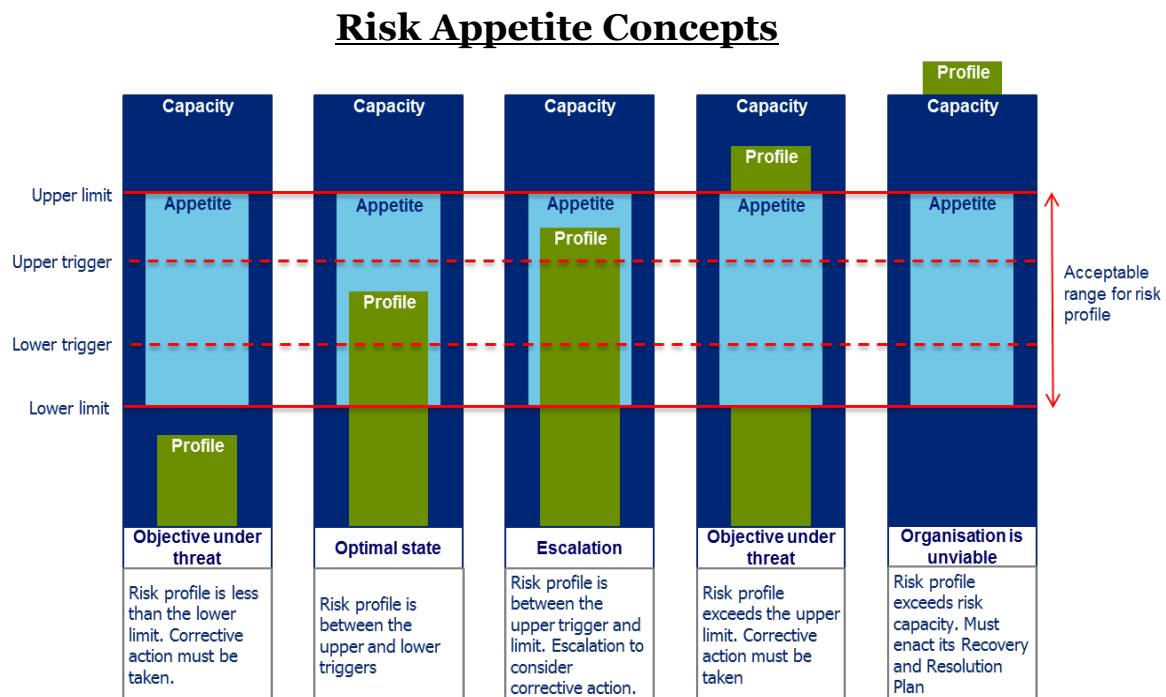
- the "lines" we will not cross where the implied risk exceeds the potential return.

5. Key Risk Appetite Concepts

Risk appetite is an interaction of the University's risk profile and capacity to take risks. Below are a number of important concepts and definitions when applying the risk appetite framework in risk management activities.

- **Risk profile** – the University's entire risk landscape reflecting the nature and scale of its risk exposures aggregated within and across each relevant risk category.
- **Risk capacity** – the maximum level or 'ability' of the University to take risk in each risk category, while remaining within constraints implied by its capital and funding needs and its expectation of stakeholders.
- **Risk appetite** – the risk University is willing to accept in pursuit of strategic goals and objectives.
- **Risk tolerance (upper and lower limits)** – the level of risk which, if reached by the University's risk activity that would require an immediate escalation and corrective action.
- **Risk appetite trigger** – the level of risk which, if reached by the University's risk activity that would require an immediate review and escalation.

This risk appetite framework allows the University to identify and determine the relative positions of its risk capacity, risk profile and risk appetite when evaluating and pursuing its strategy as well as to take corrective actions where necessary. In each of the five states illustrated below, the University's risk activity profile is measured relative to its risk capacity and risk appetite.

Risk Appetite Concepts

(Source: Deloitte's Risk Appetite Framework)

6. Risk Appetite Principles

The University takes a responsible and managed approach to risks by recognising and managing risks. The degree of risk that is acceptable varies within core domains of the University activities. It

is therefore crucial to establish key principles and broad parameters within which the University considers its appetite for risks, for easy understanding and awareness of its stakeholders.

KEY PRINCIPLE 1:

The University needs to protect against reputational, health and safety, security, regulatory compliance and overall financial viability risks and these take priority over all other factors. All activities must consider these domains of risk from the outset, and re-visit them as necessary for the current or proposed activity.

Examples

- A proposal for a major infrastructure development project would need to consider the regulatory compliance applicable to the project, health and safety requirements, financial risks to the University (including the risks of doing nothing) and reputational risk before approval and commencement of project.

- A proposal for a research project must consider whether there is any reputational, financial, regulatory, health and safety risks to the University. It must also consider whether compliance with statutory, regulatory or other ethical frameworks governing such projects may involve reputational and/or financial risks that cannot be adequately mitigated. It is important to recognise that circumstances will change as the project progresses and the governance processes revisit the level of risk taking in such projects.

KEY PRINCIPLE 2:

All activities and projects should be managed within a framework appropriate to the specific activity or project, including risk identification and management as a core component.

Examples:

- A proposal for an IT system where several different solutions (e.g. commercial products) are available which the University might wish to operate. All solutions are considered and their respective advantages and dis-advantages (including costs versus benefits) are considered before a final decision is made.

- A proposal for a major consultancy project should operate within a framework that clearly establishes the financial costs of the University delivering the project against benefits (e.g. financial and reputational benefits).

KEY PRINCIPLE 3:

Established activities should be considered within a risk management framework in order to continually assess whether risks are being managed appropriately including whether risk are being accepted at the appropriate level.

Examples:

- The existing academic portfolio should be subject to appropriate oversight and management with respect to applicant trends, relevant outcome data (e.g. attainment, student satisfaction, career destination data) and other appropriate measures to ensure the on-going 'health' of the educational offering.

- A research project where ethical considerations have been identified and addressed before the commencement of the project should incorporate appropriate on-going ethical evaluation as part of the project governance framework.

7. Statement of Risk Appetite

The University's approach is to minimise its exposure to risks relating to its compliance, environment, culture and people, whilst accepting pre-determined acceptable levels of risk in pursuit of its vision and strategic goals. It recognises that its appetite for risk varies according to the activity undertaken. Risks are accepted subject to a good understanding of the potential benefits and adverse impacts before proceeding. Unacceptable risks are mitigated through control measures as required.

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

Strategic Risks		Risk Appetite								Statements / Questions to support or challenge the proposed level of Risk Appetite
		Unacceptable to take risks						Higher willingness to take risks		
No	Strategic Risks (Brief Description)	Very Low		Low		Moderate		High		
		0	1	2	3	4	5	6	7	
1	Market Competition and Society Changes					▓	▓			How well do we anticipate the needs of the Western Sydney region and jobs of the future? Is the University sufficiently active in responding to relaxed visa processing for Indian students to ensure it remains competitive in the market?
2	Resilience following Disaster, Crisis or events impacting Business Continuity			▓	▓					Does the University have a clear resilience strategy and has it carried out periodic simulated testing of potential disaster or crisis events?
3	Cyber Security Threats			▓	▓					Does the University have a mature process for managing cyber threats? Is the University proactively managing the level of cyber threat exposures managed by its IT vendors for outsourced systems and platforms? How will the University respond to ransom demands if

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No	Strategic Risks (Brief Description)	Very Low		Low		Moderate		High		
		0	1	2	3	4	5	6	7	
				█	█					there is denial of service attack or loss of critical data?
4	Digital Transformation					█	█			The University is investing in cutting edge technology across its learning, teaching and research. Is the level of digital transformation meeting the student demands for technology enabled learning and research?
5	Transformation Projects						█	█		The University is undertaking a number of transformation projects like "Shared Services Program" and the Student Management System replacement. Is the University clear where it wants to be in 10 years' time and what other transformational projects should be considered?
6	Health and Well Being		█	█						Is the University investing sufficient resources in the provision of mental health support for students and staff?
7	Safety and Security		█	█						Do the new vertical city campus buildings heighten safety and security risks in major urban centres?
8	Courses and Programs					█	█			The University is reviewing all of its courses and programs under the 21st Century Curriculum Program. Is the University offering courses that is meeting the demands of the Western Sydney region? Is the University attracting or losing domestic and

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		0	1	2	3	4	5	6	7	
						▓	▓			international students due to the reputation of its courses?
9	Partnership with Key Stakeholders							▓	▓	The University is engaging and expanding its partnership in Asian countries which may be considered risky from their socio-economic, regulatory and political environment. Should the University expand its collaborative arrangements with key universities as a primary response strategy to heightened competition?
10	Research							▓	▓	Are we building enough research capability and capacity to deliver quality research?
11	Western Growth Program					▓	▓			The advisory and probity provisions within Western Growth reflect a moderate risk appetite in relation to major development projects.
12	Governance and Compliance		▓	▓						The University has established Governance and Compliance units to manage these risks including Legal, Audit and Risk and Quality and Performance teams.
13	Organisation Culture and Leadership					▓	▓			Should the University recruit and promote new leaders who can enhance the brand and reputation of the University?

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No	Strategic Risks (Brief Description)	Very Low		Low		Moderate		High		
		0	1	2	3	4	5	6	7	
14	Financial Vulnerability									Is the University's financial and cash management settings appropriate for the mixture of academic and commercial projects? Should the University consider taking on more debt for its funding? Does the University understand its 5 to 10 year cash positions and earnings?
15	Commercial Activities or Investment decisions									Are all key commercial proposals thoroughly discussed at the relevant committees and the Board of Trustees?
16	Financial Investment Decisions									The University is finalising the Investment Policy with moderate levels of proposed risk in relation to desired returns from the investment of the Endowment. Are appropriate financial techniques being applied to evaluate the financial investment decisions?
17	Workforce Strategy									The University is in the process of establishing and embedding its Workforce Strategy, Talent Management and Succession Planning Strategies. Are there areas where the University should be doing more outsourcing, especially of the back-office and administration functions?

The University's Strategic and related tactical or operational objectives underpin the aspects covered in the Risk Appetite Statement below. The University's Risk Appetite Statement is broadly articulated for key activities aligned to the University's risk categories, which enable the achievement of its strategic and operational objectives. The table below details the risk appetite descriptions established for each key strategic risks.

No.	Key Risks	Risk Appetite Description	Risk Appetite
1	**Market Competition and Society Changes**	While the University regards any activity that will seriously threaten its existence or reputation as a high quality provider either through adverse publicity or loss of status as an autonomous institution as unacceptable, it has moderate appetite to deal with market disruptions, decline in its ability to innovate or respond to political changes, whilst not losing sight of competitor's actions. The University is prepared to take a moderate level of entrepreneurial risks from market competition and society changes.	Moderate
2	**Resilience following Disaster, Crisis or events impacting Business Continuity**	It is important to the University that its activities and services operate efficiently and effectively. The University has low appetite for any risks that may jeopardise its standards of operation or could lead to a loss of confidence by its stakeholders, communities, or key government agencies.	Low
3	**Cyber Security Threats**	It is important to the University that its systems operate efficiently and effectively. The University has low appetite for any cyber threats that may lead to loss of strategic and critical systems or information relating to staff, students, research or other University operations.	Low
4	**Digital Transformation**	Digital transformation changes are required to adapt to changes in regulatory, society, competitive environment and in the conduct of University activities. The University expects the digital transformation changes to be aligned to its vision and objectives and has moderate appetite for excellence and innovation through technology.	Moderate
5	**Transformation Projects**	The University undertakes transformation projects to enhance its teaching, learning, research and community engagement. The University is willing to accept moderate to high risk to position itself as a leader in the higher education sector.	Moderate to / High

No.	Key Risks	Risk Appetite Description	Risk Appetite
6	**Health and Well Being**	The University is committed to creating a safe working environment for staff, students and visitors where people are protected from physical and psychological harm. It has very low to low appetite for staff or student behaviour or misconduct threatening the health and well-being of its staff, students or visitors.	Very Low to Low
7	**Safety and Security**	The University aims to make itself a stimulating and safe place to work and study. It places importance on safety of staff, students and visitors and has very low to low appetite for any deviation from its standards and legislative responsibilities in these areas.	Very Low to Low
8	**Courses and Programs**	The University has low appetite for poor learning and teaching practice or academic quality which would not meet University standards and external accreditation requirements. This is balanced with a moderate risk appetite for being innovative in delivery of courses and online learning that enhances student learning outcomes and experience.	Moderate
9	**Partnership with key stakeholders**	To expand its reach, reputation and influence as an institution of global standing, the University has high appetite for forging new relationships and advancing existing ones with local and international agencies, education providers and industries.	High
10	**Research**	The University aims to be a research-led University with regional, national and global impact. Accordingly, the University has a high risk appetite for investing and developing a comprehensive, long-term research precinct and infrastructure to support its researchers and partnership priorities.	High
11	**Western Growth Program**	The University is a leading advocate for Greater Western Sydney region and its people and being the largest educational provider it aims to play a key role in providing high skilled, locally knowledgeable and talented pool of graduates for the region. To pursue the Western Growth Strategy the University has moderate appetite to continue being a key player in the region and the knowledge sector.	Moderate
12	**Governance and Compliance**	The University places great importance on governance and compliance and has very low to low appetite for any breaches in statue, regulation, professional standards, research, medical	Very Low to

No.	Key Risks	Risk Appetite Description	Risk Appetite
		ethics, bribery or fraud. The University considers all allegations of suspected fraud or corruption very seriously and responds fully according to its policies.	Low
13	**Organisation Culture and Leadership**	The University is building high performance, dedicated, professional and innovative capabilities of its leaders, through empowerment and leadership development. The University fosters a culture of inclusive decision making and robust intellectual inquiry within the framework of ethical behaviour. The University has moderate appetite for changes to its culture and leadership.	Moderate
14	**Financial Vulnerability**	The University needs to remain a competitive, efficient and financially sustainable organisation. It is in the process of building its long-term financial viability and its overall financial strength. The University is willing to accept moderate level of risk in pursuit of expansion of its student load, both domestic and international while looking at areas for efficiency.	Moderate
15	**Commercial Activities/ Investment Decisions**	The University is developing as a commercially astute and profitable institution. The University has moderate level of risk for entering into commercial partnerships in order to generate income.	Moderate
16	**Financial Investment Decisions**	The University undertakes financial investment decisions on the basis of financial investment strategies approved by the Board of Trustees. The University has moderate risk appetite and does not invest in risky financial products such as forwards, hedges and derivatives.	Moderate
17	**Workforce Strategy**	The University is focused on recruiting, retaining and developing a high quality workforce that reflects diversity of the region, acknowledging the level of market competition for high calibre employees. The University has a moderate appetite to ensure its workforce is engaged, innovative, future focused and aligned to its strategic priorities and objectives.	Moderate

8. Implementation of the Risk Appetite

All the University Executives are responsible for the implementation and compliance with this Statement. The Risk Appetite needs to be articulated for each key process and projects by all the business units. Risk Appetite also needs to articulated for discussion at the Board of Trustees, Finance and Investment Committee, the University Infrastructure Committee and any other governance committees when seeking approval for key strategic and operational decisions.

Each business unit needs to maintain a Risk Register of the business risks it faces in its day-to-day operations and the control framework which is in place to mitigate risks. These Registers should take into account risks from within the University and external sources and should be reviewed at least annually. Risk Registers are also updated where necessary when there are key changes in policies, structures or functions and in response to incidents.

All risks which are determined as unacceptable at the business unit level are to be reported to the Audit and Risk Committee and remedial action plans to reduce these risks to acceptable levels are to be reported, where appropriate, to the Executive Committee.

All business unit risks which are determined as having a residual risk equal to High are reported to the Audit and Risk Committee annually. Business units are required to manage their specific operational risks in a manner which is consistent with this Statement as well as manage and address any risks outside the appetite or agreed tolerance levels.

9. Review of the Risk Appetite Statement

The Risk Appetite Statement will be reviewed annually together with the review of the University's strategic risks and submitted to the Board of Trustees for approval post endorsement by the Audit and Risk Committee. The Director of Audit and Risk will be responsible for coordinating and updating the Risk Appetite Statement in consultation with the Executive Management team.

10. Status and Detail

Endorsed by	Audit and Risk Committee
Date of Endorsement	25 May 2018
Approval Authority	Board of Trustees
Date of Approval	13 June 2018