



**CONFERENCE**  
**King's College London**  
**12 & 13 June 2009**

***Identifying and Managing risks in Universities***

**Abstracts**

*The credit crunch and the subsequent turndown in the global economy has caused a major reappraisal of risk management in all industry sectors (and most spectacularly in financial services!), including higher education. Many European higher education systems are anticipating a deterioration in public funding, and greater levels of uncertainty in the terms of student demand, research funding and the regulation of universities. The assessment and management of risk is now centre stage in the effective management of universities.*

Administration is all about reducing uncertainty. If there was no uncertainty, most HUMANE members would be in other careers. Parts of this uncertainty is identified as risks. As an effect of some US scandals, auditors shifted their responsibilities onto management by requesting that the organizations should identify and manage risks. This procedure has spread to Europe, and in some states risk management is one of the prescribed procedures in the public sector.

We have reason to believe that risk management will be an identified activity in most large institutions in a not too distant future. Even if risk is not yet spelt out as an issue in your national system, this conference gives you opportunity to reflect on what might happen, what the effects might be, how effects could be reduced and how you would stand up to your responsibilities if the worst happened.

The kinds of risks that we run differ from institution to institution. But there are some common categories:

- All institutions have the responsibility to provide researchers, teachers and students with a safe and secure working environment. We try to provide this whilst we on the other hand are expected to be institutions open to society.
- We all live with the risk of loss of property, through theft, fire or accident.
- We all run financial risks; less evident and important to public agencies; vitally important to those who are private entities.
- Some of us own our buildings and have to build reserves for maintenance. (A friend of mine on a study visit to Notre Dame in the late 90's fired the final question to the almighty President: "What's the biggest challenge for the next millennium? Answer: The plumbing!")
- We also have to consider scientific risks. How do we protect the intellectual property, whether it belongs to the institution, the teachers or the students. That is not only a matter of financial responsibility, it is also our responsibility that they don't lose results which has cost time out of time of the scholars' lives, time that cannot be replaced.

The conference aims to give insights in the nature of these risks and examples of how institutions identify risks and how risks are reduced or accounted for through presentations from Keynote Speakers and contributed papers.

## **Risk Management in Higher Education**

*Stephan Clark, KPMG (UK)*

*Abstract not available.*

**Steve Clark** has worked with a number of Further and Higher Education institutions over the last 13 years, providing external audit, internal audit and advisory services. He helps to lead KPMG's national education practice. Institutions with whom Steve has worked with include: University of Oxford, Imperial College London, University of Birmingham, University of Warwick and University of Liverpool. Steve has led a variety of due diligence and financial reviews in the education sector. He is responsible for relationship management with the HEFCE and KPMG's advisory relationships with the UK Research Councils. In this capacity, he has recently been leading the work being undertaken with the RCUK and the Sector in respect of quality assurance over the Full Economic Costing processes for research grants. Steve has also led KPMG's work with Universities UK in developing an acceptable assurance approach for full cost recovery on EU framework 7 research grants. He represents KPMG on the British Universities Finance Directors Accounting Standards Group and the Higher Education Audit Liaison Group. Steve also has experience across a range of public sector organisations in the housing, local government, health and NDPB sectors.

### **Risk management in Swedish universities**

*Inga Astorsdotter, Chief Audit Executive, Department of Internal Audit  
Swedish University of Agricultural Sciences (SE)*

The majority of Swedish institutions of higher education are government agencies, subject to the same legislation and regulations as other government agencies in Sweden, as well as to the particular statutes, ordinances and regulations relevant to the higher education sector.

All higher education institutions are governed by a board of governors, which is ultimately responsible for all the affairs of the institutions.

Since January 1, 2008, the sixteen of the largest universities and university colleges in Sweden as well as all major government agencies must, according to the 'Ordinance on internal management and control at central government agencies' have a process for ensuring, with a reasonable degree of certainty, that agencies fulfill the requirements laid down by the government.

These requirements state that the board shall ensure that operations are:

- run efficiently and effectively
- in accordance with current legislation and the commitments ensuing from Swedish membership in the European Union,
- are reported on in a reliable and accurate manner
- government funds are used economically.

The process of internal management and control involves four basic factors:

1. Perform a **risk analysis** that is appropriate and adapted to university's needs. The risk analysis includes identifying, assessing and reaching decisions on ways of dealing with risks that indicate that the agency's goals will not be achieved.
2. **Control measures** to ensure that university's personnel take action to ensure fulfillment of the goals of operations in accordance with the requirements of efficiency, compliance, reliable reporting etc. These control measures should be done with the consideration of the cost and the expected benefit of the action.
3. **Monitoring and follow-up** should be done systematically.
4. **Documentation** of all the steps in the process

Many Swedish higher education institutions, including the sixteen universities and university colleges subjected to the 'Ordinance of management and internal control', have internal audit units. These units report directly to the board. They are organisational impartial and objective audit and advisory services. They are independent of operational work and placed administratively directly under the Vice-Chancellors.

Internal auditors are very familiar with the concept of risk analysis as a fundamental concept which has a major impact on all activities. Therefore the internal auditors have followed the work performed within the universities with great interest. In many cases the auditors has been very active as they have been given special advisory assignments from the governing boards. The interest and the engagement of management in the process have varied a great deal as well as the methods used, the number of persons involved and their qualifications.

All in all, the quality of the work performed under the 'Ordinance on internal management and control' in 2008 was, according to the Swedish National Audit Office (NAO), not very satisfactory: **nine out of 16 universities** got remarks reported directly to the boards. Right now, all universities work hard to improve their processes for internal management and control.

The work done would, in my opinion, be a very interesting subject for some kind of degree project. But as no students have shown any interest in the subject so far, I decided to make a minor investigation myself. By gathering the risk-lists from all universities and university colleges concerned, I made a risk-bank that would be useful, for instance as a checklist for different professionals both at my university and at other institutions. From colleagues at the Nordic university internal audit network, I managed to get information from the universities affected by the legislation along with three additional institutions. The risk-bank was made after revising the material and the results have been distributed to all the universities that took part.

At the Humane Round Table in London, June 12, I will tell give a presentation of a deeper analysis of the Swedish university risk-bank. What does the risk-bank contain and more interesting: what does it not contain? And what are the lessons learned from the chief administrative officer's point of view?

### **Cultures consequences, observations and conclusions about being entrepreneurial in / as a university.**

*Harry E. Fekkers, Counselor for Research and Innovation, Universiteit Maastricht (NL)*

In this presentation a short introduction is made on the concept of cultural dimensions as developed by Geert Hofstede. By measuring the dimensions, cultures can be identified and characterized. Cultures are not better or worse, but simply different. Different cultures have different attitudes towards risk/uncertainty avoidance and hence towards innovation, entrepreneurship and more. Understanding cultural differences can help to address issues of cultural change. The change of the company culture in Maastricht University illustrates the possibility to influence cultural behaviour.

Issues:

1. cultural aspect of attitude towards risk and uncertainty
2. manageability of cultures
3. intercultural aspects of management and cooperation

## **Risk Management in Spanish Universities.**

*Gustau Folch, Gerente, Universitat Autònoma de Barcelona (ES)*

We can divide risk in 4 categories:

- 1- People
- 2- Assets
- 3- Environment
- 4 – Governance / management

1- People: The University has to foresee potential risk for students, grantees, employees and different stakeholders. Universities are visited by many kinds of people; future students, employees of service companies, researchers from other countries, students' families, etc. the risk of accidents is high and the University managers must ensure safe conditions for employers and for all stakeholders in general.

2- Assets: The University has made huge investments in buildings, equipments, research laboratories, etc. and has also immaterial assets like intellectual property. Managers should take measures to preserve all assets and to avoid risks (fire, theft, etc.)

3- Environment: This kind of risk has become very important and its relevance will increase even more in the near future. For universities which have an important research component, biological and chemical risks are relevant and complex, and expensive to prevent. Nowadays, environment laws are very strict and difficult to abide by.

4- Governance / management: Economic risk is one of the classical kind; in Spain, public Universities cannot elaborate a budget with losses; crisis situations make this requirement impossible. Another risk that is very important in Spain is the legal risk: there are laws and rules for accounting, civil servants, taxes, public purchases, etc. We have many agencies and public organisations that control and audit the universities; if you abide by these rules and laws, you can paralyse the University. Some of them are contradictive. For example, the obligation to pay suppliers within 60 days and the ban to have loans or bank credit to pay within this period of time. And some of them are impossible to abide by. In Spain, this is something we are really worried about.

## **Universities a risky business? Risk analysis and internal control through the ages. Some Swedish examples.**

*Hans Modig, Former Head of Administration, Lund University (SE)*

Risk analysis and risk management are modern concepts in the management literature, but risk analysis and risk management has always been part of the decision-making in universities as well as in other institutions.

Universities are very old organization. Looking back the implicit overall objective for the universities seems to be to survive. Obviously universities have adapted to changing environments and consequently survived through the ages. It has really been risk management in different religious, political, ideological, scientific, physical and economic surroundings. I will exemplify this by some Swedish examples.

### **1. Universities in the Bologna tradition.**

The founding of Swedish universities in the 17<sup>th</sup> century was part of a political strategy; to educate civil servants for the state (including the church). The ideological framework was decided upon by the king (the state) i.e. the education by no exemption had to be in the spirit of the state religion (Evangelical-Lutheran). Still the universities were autonomous in the sense that they had their own jurisdiction – a society of its own in the Bologna tradition. Economically the universities were independent too. The income was yield of return from donated farms mainly from the state. To collect the return (mainly

grain) the universities needed enforcement officers. The university was also to a high degree dependent upon the market prices for grain. The decision-making and internal control was collegial.

2. Universities in the larger cities.

New universities were founded at the end of the 19<sup>th</sup> centuries as a result of Swedish industrialism and urbanization. The new ones were private and with no state support. In contrast to the state universities they were governed by a board with external majority. The threats were not to be recognized as universities, lack of funding etc.

3. The mass universities

After World War II central planning was highest fashion in higher education and science. The political goal was equal opportunities to higher education for all citizens. The ministry of education and the Chancellor's office planned in detail for the whole country and paid for it. Resources for investments – premises, furniture, and equipment – were as before dealt with and paid for separately, by planning bodies as well as by the Government. There were no annual accounts for the university as a whole.

4. The market-oriented universities

The reform of 1993. Management by objectives. The university board formally increased its influence. Competition between and profiles for universities was encouraged. Branding became important. Financial reports for the university as a whole became routine at board meetings. Risk management was not only security checks.

What is next?

Autonomous universities?

What are the risks? Branding, Financial risks, diminishing number of student? Bankruptcy?

**Hans Modig** has his Ph D in economic history from Uppsala University. He has been faculty director at Uppsala and Lund universities. He was appointed university secretary at Lund university in 2000 and head of administration 2006. He has been secretary in two government inquiries.

**Coping with Public Concern: a strategy for avoiding attacks on the use of animals in Biomedical research.**

*Soeren Hartz, Faculty Director - Faculty of Life Sciences, University of Copenhagen (DK)*

Even though Denmark has an intensive biomedical industry and use of animals in experiments and teaching the industry and the universities conducting the research have not experienced any attacks on facilities or “animal rescue operations” by radical animal welfare organisations.

The presentation will give an overview of the animal use in Copenhagen University's biomedical research. At present our research is organised and controlled by The National Animal Experimentation Board where animal welfare organisations have a significant impact on the condition for conducting biomedical research and teaching.

In the presentation I will look through the EU revision on the legislation and line up some of the concerns about the implementation.

**Søren Hartz** is faculty director at Copenhagen University, Faculty of Life Sciences, and the former university director at The Royal Veterinary and Agricultural University until its merger with University of Copenhagen by the 1<sup>st</sup> of January 2007. He is former director of Human Resource at the national university hospital “Rigshospitalet” and Statens Serum Institute in Copenhagen, and a member of the HUMANE executive committee representing the Scandinavian area.

## **Risk Analysis in the Service of Change Management**

*Esa Hämäläinen, Director of Administration, Theatre Academy, Helsinki (FI)*

Universities in Finland are becoming more independent from state. The new legal statues entails wider economic as well as juridical freedom and accountability. At the same time decision-making structures are being redefined and decision-making processes reengineered. The change process as such is a big challenge to all universities. Risk Analysis can be used to define and minimise risks in a change process.

Universities will also face specific risks that come with the new status. First, state does not guarantee for the universities, their activities, finance, property, staff and students. Second, the role of state as controller and financier may change dramatically as state changes the national resource allocation model, targeted developmental project funding diminishes and investment policy becomes an internal matter. Auditing, internal control, bookkeeping, asset management etc are in the hands of university boards and rectors. Universities overtake the role of employers and thus negotiating partners with the labour unions. State will demand the universities to define their profiles and prioritize development plans internally.

Several Finnish Universities are using risk analysis as a tool to minimise risks. Theatre Academy e.g. has conducted a risk analysis in collaboration with Deloitte. The process included personal interviews of 15 academic leaders, board members and administrative managers. These same key persons participated in a joint-session where the risks recognised were discussed and then together prioritized according to their relevance and probability. After this, Deloitte then analysed the results and suggested four risk families and several key risks affecting several other. This risk families were: financial risks, competence risks, leadership risks and risks connected with the development of core activities. Theatre Academy then defined the measures in order to avoid the most crucial risks.

Discussion. To what extent was this necessary? What would we have done differently without this process? What are the benefits of external service providers? Are we able to assess correctly the probability and relevance of risks? And, what about risks that come from outside and we are unable to influence them? The measures defined – do we know they are efficient?

## **Managing Risk during a Major Project**

*Sue Hybart, Director of Planning, Cardiff University (UK)*

This session will put the principles of risk assessment and management into practice at the project level.

The session will draw directly on the presenter's experiences while undertaking the role of Project Manager to the 2004 merger of Cardiff University and the University of Wales College of Medicine. It will explore the use of risk assessment as part of the option appraisal undertaken in the early planning stages of major projects that impact at institutional level. It will also cover risk management processes used in the detailed implementation stage of the merger.

More specifically, the session will:

- Show how consideration of risk is embedded within Cardiff's Project Management processes;
- Give some practical examples of tools used during the merger to identify and manage risks;

- Put the people into the process, showing how commitment was gained from all senior managers within the merging universities to identify and then manage/reduce risk during the merger.

While using the merger as the case study, the issues raised and the examples given will be equally applicable to other types of major projects.

**Sue Hybart** is the Director of Planning at Cardiff University and has responsibility for strategic planning, aspects of resourcing and the University's project management processes. She is an alumnus of the HUMANE/ESMU Winter School 2003.