Enterprise Risk Management Policy

Texas AgriLife Research

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Purpose of this document

1. This risk management policy (the policy) forms part of the agency's internal control and corporate governance arrangements.

2. The policy explains the agency's underlying approach to risk management, documents the roles and responsibilities of the TAMUS Board of Regents, the senior management team, and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.

3. In addition, it describes the process the TAMUS Board of Regents will use to evaluate the effectiveness of the agency's internal control procedures.

Underlying approach to risk management

4. The following key principles outline the agency's approach to risk management and internal control:

   - The TAMUS Board of Regents has responsibility for overseeing risk management within the agency as a whole.

   - An open and receptive approach to solving risk problems is adopted by the TAMUS Board of Regents.

   - The vice-chancellor and the senior management team supports, advises and implements policies approved by the TAMUS Board of Regents.

   - The agency makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.

   - Unit Heads are responsible for encouraging good risk management practice within their faculty and staff.

   - Key risk indicators will be identified and closely monitored on a regular basis. (Risk Metric)

Role of the TAMUS Board of Regents

5.   The TAMUS Board of Regents has a fundamental role to play in the management of risk setting the tone and influence the culture of risk management within the agency.

Role of the senior management team

6.   Key roles of the senior management team are to:

a.   Determine the appropriate risk appetite or level of exposure for the agency.

- determining whether the agency is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue
- determining what types of risk are acceptable and which are not
- setting the standards and expectations of staff with respect to conduct and probity

b.   Approve major decisions affecting the agency's risk profile or exposure.

c.   Monitor the management of significant risks to reduce the likelihood of unwelcome surprises.

d.   Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.

e.   Annually review the agency's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

f.   Implement policies on risk management and internal control.

g.   Identify and evaluate the significant risks faced by the agency for consideration by the TAMUS Board of Regents.

h.   Provide adequate information in a timely manner to the TAMUS Board of Regents and its committees on the status of risks and controls.

i.   Undertake an annual review of effectiveness of the system of internal control.

Risk management as part of the system of internal control

7.   The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the agency to respond to a variety of operational, financial, and commercial risks. These elements include:

a.   *Policies and procedures.*
        Attached to significant risks are a series of policies that underpin the internal control process. The policies are set by the TAMUS Board of Regents and implemented and communicated by senior management to staff. Written procedures support the policies where appropriate.

b.   *Monthly reporting.*
        Comprehensive monthly reporting, including fiscal update, is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the senior management team.

c.   *Science Road Map and budgeting.*
        The Science Road Map and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting the goals of the Science Road Map and related objectives is monitored regularly.

d.   *High level risk framework (significant risks only).*
        This framework is compiled by the senior management team and helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the agency. The document is formally appraised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly.

f.   *Audit Committee.*
        The Audit Committee is required to report to the TAMUS Board of Regents on internal controls and alert regents to any emerging issues. In addition, the committee oversees internal audit, external audit and management as required in its review of internal controls. The committee is therefore well-placed to provide advice to the board on the effectiveness of the internal control system, including the agency's system for the management of risk.

g.   *Internal Management Review Team*

The Management Review Team is critical to the timely review of and compliance with all applicable policies and procedures as well as the efficient and effective operation of all units. They provide guidance in the design of internal controls and the corrections of any weaknesses noted.

h. *TAMUS Internal audit program.*
TAMUS Internal audit is an important element of the internal control process. Apart from its normal program of work, internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the organization.

i. *External audit.*
External audit provides feedback to the Audit Committee on the operation of the internal financial controls reviewed as part of the annual audit.

j. *Third party reports.*
From time to time, the use of external consultants will be necessary in areas such as health and safety, and human resources. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

Annual review of effectiveness

8. Senior Management is responsible for reviewing the effectiveness of internal control of the agency, based on information provided by the senior management team. Its approach is outlined below.

9. For each significant risk identified, the management will:

   a. review the previous year and examine the agency's track record on risk management and internal control
   b. consider the internal and external risk profile of the coming year and consider if current internal control arrangements are likely to be effective

10. In making its decision senior management will consider the following aspects.

    a. Control environment:

       ▪ the agency's objectives and its financial and non-financial targets
       ▪ organizational structure and caliber of the senior management team
       ▪ culture, approach, and resources with respect to the management of risk

- delegation of authority
- public reporting

b.   On-going identification and evaluation of significant risks:

- timely identification and assessment of significant risks
- prioritization of risks and the allocation of resources to address areas of high exposure

c.   Information and communication:
- quality and timeliness of information on significant risks
- time it takes for control breakdowns to be recognized or new risks to be identified

d.   Monitoring and corrective action:
- ability of the agency to learn from its problems
- commitment and speed with which corrective actions are implemented

11.   Senior management team will prepare a report of its review of the effectiveness of the internal control system annually for consideration by the TAMUS Board of Regents.

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