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Guidelines for Internal Governance and Control

1. Background

According to the Regulation on Internal Governance and Control (2007:603), the management of the authority is responsible for ensuring that there is a process for internal governance and control at Luleå University of Technology that functions satisfactorily. This process should ensure that the authority, with reasonable certainty, fulfills its tasks, achieves the objectives of the operations, and meets the requirements of Section 3 of the Authority Ordinance (2007:515). The process for internal governance and control should also prevent the operations from being exposed to corruption, undue influence, fraud, and other irregularities. The management of the authority should also ensure that there is a good internal environment within the authority that creates conditions for a well-functioning process for internal governance and control.

2. Risk Management Process at Luleå University of Technology

2.1 Overall Description/Introduction

Risk management permeates all activities and is integrated with other governance and decision-making within the university. It is not solely the responsibility of the university management but a responsibility for all management functions within the various parts of the university. Through this, the university achieves good internal governance and control.

To achieve set goals and take advantage of new opportunities, risks cannot be completely avoided. Increased risk awareness and understanding support risk acceptance where relevant, but in a structured and controlled manner.

A description of the Risk Management Process can be found on the employee web: Internal Governance and Control | Luleå tekniska universitet.

2.2 Significant Risks

The risk management process includes conducting a risk analysis to identify, assess, decide on measures, and follow up on significant risks in the operations that may affect the university's ability to fulfill its tasks and achieve its goals.

Significant risks are identified based on external analyses, internal analyses, previous risk assessments, indicator outcomes, and risk analyses required by other regulations. The assessment of significant risks is based on the evaluation of probability and consequence. The university board determines significant risks for the upcoming operational year.

Significant risks are managed, based on the assessment of reasonableness, with some form of measure, such as organizational measures, investments, or strategic initiatives. During the year, significant risks may be reassessed, and any new critical risks may arise. Follow-up is carried out as an integrated part of the university's regular follow-up process and is presented in connection with this to the board.

Special reporting of determined significant risks also takes place in the annual board report "Basis for Assessment of Internal Governance and Control," which is prepared in connection with the annual report.

2.3 Specific Risks

In addition, the departments and operational support should manage so-called specific risks, i.e., operational risks and risks in existing processes that need to be managed but are not considered significant risks according to the Regulation on Internal Governance and Control. Specific risks can be managed, among other things, with the help of internal controls collected in an internal control plan, ongoing controls integrated into periodic routines, training initiatives, or through the departments' strategic measures, which are reported in the department's operational plan and followed up within the regular follow-up process.

The result of the risk assessment based on performed controls is reported to the department head, and where applicable, to the process owner within the department or within the operational support. Any occurrence of serious risks in the operations or in any of the processes is reported further by the department head to the department's head or to the head of operational support.

2.4 Irregularity Risks

According to the regulation, the process for internal governance and control should prevent the operations from being exposed to corruption, undue influence, fraud, and other irregularities. Common to these terms is that they involve undesirable behaviors or actions with consequences on reputation or operations. Thus, it is not only about actions that violate laws or regulations.

Risk assessment of irregularity risks is carried out within the processes of the operations. Part of the preventive work consists of providing the framework for the scope of action in established guidelines, such as guidelines regarding secondary employment and guidelines for the examination of misconduct in research and other deviations from good research practice. It is not possible to completely eliminate the risk of irregularities through

preventive work, but with good internal control, the scope for irregularities can be limited. The risk of irregularities in the operations is assessed through the analysis of performed internal controls and the effectiveness of controls integrated into existing routines. Depending on the outcome of the assessment, the risk is managed/determined as a significant risk or a specific risk.

3. Responsibility

The university board has the overall responsibility for internal governance and control and for ensuring that the university has an appropriate risk management process. This includes a good internal environment that creates conditions for a well-functioning process for internal governance and control. The university board is offered the opportunity to participate in risk assessment and determines significant risks for the upcoming operational year. The university board decides on the assessment of internal governance and control.

The Vice-Chancellor shall ensure that good internal governance and control permeate the operations and are satisfactory. The Vice-Chancellor is also responsible for:

- ensuring that appropriate support functions are in place to ensure and follow up on the work with internal governance and control and to provide support to management at various levels,
- managing the university's significant risks,
- preparing the university board's assessment of internal governance and control in connection with the decision on the annual report.

The head of the department and the head of operational support are responsible for the work with risk management within their areas of responsibility and are thus responsible for ensuring that internal governance and control are satisfactory within their respective departments and operational support. Information about alleged or suspected irregularities within or connected to their area of responsibility should be reported further to the Vice-Chancellor.

Internal audit conducts independent reviews of the risk management process.

4. Definitions

The following definitions apply to the risk work at Luleå University of Technology.

Risk Management Process: The process of managing risks is the process that should ensure good internal governance and control through the following steps: Goal formulation, risk identification, risk management (assessment and prioritization), measures, and follow-up.

Goals: The goals for Luleå University of Technology refer to:

- The requirements set by the government and parliament, primarily through the Authority Ordinance (2007:515), the Higher Education Act (1992:1434), the Higher Education Ordinance (1993:100), and appropriation directions.
- Goals set by the university board.
- Other internal relevant governing documents and decisions at various levels.

Risk: A risk is an event that poses a threat to the achievement of the university's goals. Such an event can also consist of a missed opportunity.

Risk Identification: Identification of the events that may pose a risk to achieving the goals.

Risk Source: A risk consists of three components that all need to be present for the risk to be effectively assessed and managed:

- Source/cause/circumstance of a potential event;
- An event with an uncertain outcome;
- Consequence if the event occurs.

By including a description of the basis for the risk, i.e., the risk source, a consensus can be reached on why the risk is identified and should be assessed. It also enables comparisons between years and whether the risk source has changed.

Risk Assessment: An assessment of the likelihood that a certain event will occur and how serious the consequences of such an event may be. The risks in the operations cannot be calculated statistically but are an assessment.

Risk Assessment Model: The model used by the university to assess the likelihood of an event occurring and the consequences for the university's operations if the event occurs.

Risk Management: Taking measures to manage a risk. The following assessments can form the basis for management:

- Accepting a risk: Accepting a risk means that no measures are taken because it is assessed that the impact on the operations is small, the risk is beyond the control of the operations, or the measures are too costly to implement in relation to the expected benefit.
- Limiting a risk: Limiting a risk means taking measures to reduce the likelihood and/or impact of an event occurring.
- Sharing a risk: In some cases, a risk can be shared within the state, for example, with the Legal, Financial and Administrative Services Agency. Claims are settled according to the applicable regulation.
- Eliminating a risk: A risk is eliminated by avoiding the activities or events that give rise to the risk.

Measures: The measures taken to manage a risk and ensure that the goals are achieved.

- Detecting measures: Measures aimed at detecting if a risk has occurred.
- Prescriptive measures: Aimed at ensuring a certain outcome, such as regulations and guidelines.
- Preventive measures: Aimed at reducing the likelihood of an undesirable outcome occurring.
- Corrective measures: Aimed at correcting undesirable outcomes that have already occurred.

Follow-up: Follow-up of the risk management process to ensure that internal governance and control are satisfactory, as well as of risk assessment and measures to assess whether the risk assessment is current and the measures are appropriate.