

Meeting
19/09/07

Agenda Item
19

Reference No
HEFCW/07/77

1 Issue

This paper invites Council to approve the latest update of its corporate risk register and also proposed developments to the current risk assessment processes and procedures. These were considered by the Audit and Risk Committee at its last meeting on 10 July 2007.

2 Corporate Planning Implications / Rationale for paper

There are no specific corporate or operational plan implications arising from this paper. The 'Corporate Governance and Compliance' section of HEFCW's Corporate Strategy and Corporate & Operational Plan states that Council has adopted a risk-based approach to internal control, designed to provide reasonable assurance that it will achieve its corporate objectives and overall mission.

3 Recommendations

The Council is invited to:

- i. Approve the latest iteration of the corporate risk register (**Annexes A and B**); and
- ii. Agree the proposed developmental changes to the risk assessment process at paragraph 10.

4 Timing for decisions

There are no particular timing issues for decisions affecting this paper. The corporate risk register is routinely presented to Council following consideration by the Audit and Risk Committee. Unusually on this occasion, the Audit and Risk Committee's last meeting was held after the Council's late June / early July meeting, at which this item normally would have been presented.

5 Council members' interests

No conflicts of interests have been declared in advance of the meeting with respect to the issues covered by this paper.

6 Further information

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7 Background

The Council has remitted its Audit and Risk Committee to review the adequacy of the structures, processes and responsibilities for identifying and managing key risks facing HEFCW. This includes reviews by the Committee at each of its meeting of the latest update of HEFCW's corporate risk register, with the outcomes of the reviews reported to the next meeting of Council.

The Committee last reviewed the register at its meeting on 10 July 2007. The Committee also considered at that meeting a number of developmental proposals to HEFCW's risk assessment processes.

8 Corporate risk register

8.1 The revised corporate risk register is attached at **Annex A**. It is presented in two sections:

A) *Significant risks* – residual risk ratings above the risk tolerance threshold in the risk matrix ('red' and 'yellow' risks).

B) *Minor risks* – residual risk ratings below the risk tolerance threshold ('green' risks)

8.2 Between the last review of the register in March 2007 and this one, three risks previously rated as significant have been revised downwards to minor risks. In addition, one new minor risk has been added to the register.

- Section B, risks R9 and R10. Each of these risks, relating to the GO Wales programme (target delivery and staffing issues), previously was rated M/M, but due to recent positive developments have been revised down to L/M and L/L respectively.
- Section B, risk R17. This relates to maintenance of Council membership. It has been reduced due to the fact that Council has a full complement of membership.
- Section B, risk R22. A new risk relating to the development of a new organisational design for HEFCW. The residual risk rating of each of this risk is L/M (minor, 'green'). (N.B. At the Audit and Risk Committee meeting in July there was an additional risk relating to the Assembly being unable to support the financial or authorisation implications of organisational design. A letter subsequently has been received confirming the Assembly's support on both counts, and therefore this risk has been removed from the register.)

8.3 A risk matrix map showing the distribution of the 22 residual risks, with a comparison against the distribution as at March 2007, is attached at **Annex B**.

The map of residual risks breaks down as follows:

A) Significant risks (R1-R8)

Currently there are eight significant risks in the corporate risk register (red or yellow risks), three fewer than at the last review in March:

i) 'Red zone' - top priority for action

- 0 dark red risks.
- 1 light red risk, which was similarly rated at the last review:

R6: 'Funding from the Assembly is insufficient to be able to sustain levels of funded activity (in the HE sector)'.

It is judged that the existing controls do not reduce the inherent risk. However, the move over the next three years towards a more explicit focus on financial sustainability in respect of allocation of funding, and strategic dialogue with institutions, may help to mitigate this risk.

ii) 'Yellow/Amber zone' - medium priority for action

- 7 yellow risks.

B) – Minor risks (R9-R22)

Currently the register contains 14 minor risks. Two of these are rated 'dark green' (tolerate; no further action required). 12 of the minor risks are rated 'light green' (tolerate; keep watching brief).

- 8.4 The Committee asked that in future reviews of the corporate risk register, where a residual risk is not tolerable (i.e. is above HEFCW's pre-defined risk tolerance boundary) assurance be given that active consideration has been given to identifying any possible further mitigating actions to reduce the risk.

Council is invited to approve the latest update to the corporate risk register attached at Annex A

9 Commentary on the distribution of corporate risks and forecast of future developments

Council is invited to note the following commentary on shifts in the distribution of risks since the previous review, and also a forecast of the likely developments in the near future:

A) Significant risks (R1-R8)

- R6 (Assembly funding). Currently the most significant risk on the register. It is not anticipated that its risk rating will change in the immediate future.
- R1, R2, R4 + R7 (re: achievement of various *Reaching Higher* objectives and targets). It is not anticipated that the ratings of any of these risks will change in the immediate future. It is worth noting, however, that with a new Assembly Government, and the prospect of decisions in due course about the future of the *Reaching Higher*

strategy (which ends in 2010), the nature of these risks could change over the medium term.

- R3 (degree awarding powers). It is not anticipated that the risk rating will change in the immediate future.
- R5 (ITT reconfiguration). It is not anticipated that the risk rating will change in the immediate future.
- R8 (financial health of HEIs). It is not anticipated that the risk rating will change in the immediate future.

B) Minor risks (R9-R22)

It is not anticipated that there will be any developments over next six months or so that will lead to an increase in the severity of the risk ratings of any of the 14 minor risks in the corporate risk register.

Council is invited to note the current distribution of corporate risks and likely developments in the immediate future.

10 Proposed development of risk assessment processes

The Committee agreed the following developmental adjustments to the current risk assessment and management processes. These place stronger emphasis on the role of risk registers at Team level, so that the corporate risk register focuses only on the most significant risks facing HEFCW.

- All Teams to continue to assess risks in relation to each Team activity / project for which it is responsible, including all corporate and operational plan priorities, based on the common risk matrix (**Annex C**) and on revised, further exemplified definitions of risk scores (**Annex D**).
- At risk reviews by Management Board (three or four times a year) all residual risks in Teams' registers which are significant (i.e. risks rated 'red' or 'yellow' risks) will be migrated to the corporate risk register, while also remaining on each Team's risk register. Management Board will scrutinise each Team's risk register in detail on a regular basis to ensure consistency of approach.
- The corporate risk register therefore will comprise only those risks currently judged to be significant (i.e. risks sitting above the risk tolerance boundary on the risk matrix).
- Audit and Risk Committee and Council will be provided with a commentary on the current distribution of corporate risks and an assessment of how corporate-level risks might change over the next six months or so.
- Minor risks ('green' risks) will be managed via Team risk registers and will not feature in the corporate risk register. However, information about the number of minor risks currently being managed by Teams will be reported via the risk matrix map.

- The above new developments will be reflected in a revised version of the *Risk Management Policy and Guidelines*, to be taken to the Committee's meeting in October.

Council is invited to ratify the above proposals, approved by the Audit and Risk Committee, further to develop HEFCW's risk assessment and management processes

11 Financial implications

There are no financial implications arising from the recommendations in this paper.

12 Communications implications

This paper, including the revised corporate risk register annexed to it, is assessed as disclosable, as all previous versions have been, and therefore will be posted in full on the Council's website. The updated version of the register also will be posted on the HEFCW intranet.

13 Diversity and Equal Opportunities implications

In accordance with HEFCW's Equality Impact Assessment Guidance, once the *Risk Management Policy and Guidelines* has been revised to reflect the proposed developmental changes at paragraph 10 above it will be assessed for any potential impact on each equality strand (disability, gender, race, religious belief or sexual orientation etc.) and also for any Welsh language implications.

14 Risk Assessment

RISK	ACTION TO ADDRESS RISK
HEFCW in breach of HM Treasury's Risk Management Assessment Framework and risk guidelines.	HEFCW has in place formal processes for identifying and regularly monitoring risks, at both a corporate and operational level, as outlined in its <i>Risk Management Policy and Guidelines</i> .
HEFCW not compliant with its own <i>Risk Management Policy and Guidelines</i> .	Regular monitoring and review of risks facing HEFCW at both a corporate and operational level. These include regular reviews by Teams, Management Board, Audit and Risk Committee and Council.
HEFCW's risk management policies and procedures do not	Implementation of the proposed revisions to HEFCW's risk

RISK	ACTION TO ADDRESS RISK
<p>adequately reflect its commitment to a fully-embedded, consistent corporate approach to risk management.</p>	<p>assessment and management processes set out at paragraph 10 above.</p> <p>Close scrutiny of the new arrangements by Management Board, Audit and Risk Committee and Council.</p>