

Meeting
07/12/07

Agenda Item
17

Reference No
HEFCW/07/109

1 Issue

This paper invites Council to approve the latest update of its corporate risk register, as reviewed by the Audit and Risk Committee at its last meeting on 12 October 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 approve the latest iteration of the corporate risk register.

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.

5 Council members' interests

No Council member has declared any further interests to those set out in the Register of members' interests which are of specific relevance to the matters covered in this paper.

6 Further information

Contact Dale Hall (Tel 029 2068 2280; E-mail: dale.hall@hefcw.ac.uk)

7 Background

7.1 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 12 October 2007.

7.2 The revised process agreed by Committee, and ratified by Council at its meeting on 19 September 2007, is as follows:

- All Teams continue to assess risks in relation to each Team activity / project for which it is responsible, including all appropriate corporate and operational plan objectives. Assessments about the level of risk are made against a common risk matrix and a common set of exemplars.
- Management Board scrutinises each Team's risk register on a quarterly basis, to ensure consistency of approach and to consider the range of residual risks identified by Teams as being significant (i.e. risks rated 'red' or 'yellow' on the basis of probability and impact score assessments).
- Management Board agrees the totality of significant risks that comprise the corporate risk register. Thus, the corporate risk register will only contain details of significant risks. Minor risks ('green' risks) will remain on Team risk registers only.
- Management Board submits the latest corporate risk register to each meeting of Audit and Risk Committee, including a commentary on the current distribution of corporate risks; details of the number of minor risks currently being managed by Teams; and an assessment of how the risk environment might change in the near future. Council receives updates on the outcomes of the Committee's latest risk review.
- Once the new developments have settled down, they will be reflected in an updated version of the *Risk Management Policy and Guidelines*.

8 Corporate risk register

8.1 The revised corporate risk register is attached at **Annex A**. A risk matrix map showing the full distribution residual risks across HEFCW, both significant and minor, is attached at **Annex B**. In addition to the eight significant risks (those which lie above the risk tolerance boundary) that make up the corporate risk register, the matrix at Annex B also identifies that currently there are a total of 110 minor risks being managed between the Chief Executive, the Director of Finance and Corporate Services, and HEFCW's nine Teams.

8.2 The eight significant risks of the corporate risk register are the same as those included in the last review by the Audit and Risk Committee at its meeting on 10 July, and subsequently by Council on 19 September. The residual risk ratings also remain the same and break down as follows:

A) Significant risks (R1-R8):

The eight significant risks that comprise the corporate risk register:

(i) *'Red zone' - top priority for action*

- 0 'dark red' risks (risks identified as requiring urgent remedial action and rigorous monitoring). No change from the last review.
- 1 'light red' risk, which was rated the same at the last review (risks requiring controls to mitigate the risk and/or contingency plans to address the consequences, and also close monitoring):

R1: '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. Further action identified is 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.

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

- 7 'yellow' risks (risks requiring controls in place to mitigate the threats and/or contingency plans to address the consequences). No change from the last review.

B) – Minor risks (x110):

These are the minor risks (combinations of low and medium probability and impact) currently being managed across the organisation. They break down into:

- 64 L/M risks ('light green' - tolerate; keep watching brief)
- 8 M/L risks ('light green' - tolerate; keep watching brief)
- 38 L/L risks ('dark green' - tolerate; no further action required)

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 (Corporate Risk Register):

In relation to the eight risks currently on the corporate risk register, the following changes are anticipated in the near future (next six months or so):

R1 (Assembly funding): This continues to be the most significant risk we identify, and the risk rating is not anticipated to become lower in the near future.

R8 (ITT reconfiguration): There is likely to be more certainty about ITT reconfiguration within the next six months, which will affect the future assessment of this risk.

B) Minor risks:

It is not anticipated at this stage 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 minor risks which would warrant migration to the corporate risk register.

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

10 Financial implications

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

11 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.

12 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 new developmental changes to the risk assessment process 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.

13 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

RISK	ACTION TO ADDRESS RISK
	Teams, Management Board, Audit and Risk Committee and Council.
HEFCW's risk management policies and procedures do not adequately reflect its commitment to a fully-embedded, consistent corporate approach to risk management.	<p>Implementation of the revised risk assessment and management processes outlined at paragraph 7.2.</p> <p>Close scrutiny of the new arrangements by Management Board, Audit and Risk Committee and Council.</p>