

Meeting  
04/07/08

Agenda Item  
14

Reference No  
HEFCW/08/45

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## **1 Issue**

- 1.1 This paper invites Council to approve the latest update of its corporate risk register. This item will have been considered by the Audit and Risk Committee at its meeting on 23 June 2008.

## **2 Corporate Planning Implications / Rationale for paper**

- 2.1 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 proposed changes to approach in dealing with risks considered to be H/L and L/H,
- (ii) approve the latest update to the corporate risk register and the distribution of those risks,
- (iii) approve the Management Board suggestion that the CEO and two Directors' registers be amalgamated, and;
- (iv) approve the commentary on the current distribution of risks and on likely developments in the immediate future.

## **4 Timing for decisions**

- 4.1 The corporate risk register is presented to Council following consideration by the Audit and Risk Committee. Due to timing of the meetings, this paper has been sent in parallel to that submitted to the Audit and Risk Committee for its meeting on 23 June. Any substantial issues arising from the Committee's meeting will be raised by exception at the Council meeting.

## **5 Council members' interests**

- 5.1 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**

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## 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, the outcomes of which are reported to the next meeting of Council.

7.2 A revised risk management process was introduced late in 2007. Its key features are as follows:

- All Teams assess risks in relation to Team objectives, including all appropriate corporate and operational plan objectives. Assessments about the level of risk are made against a standard risk matrix and set of exemplars.
- Management Board scrutinises each Team's risk register on a regular basis, to ensure consistency of approach and to consider the range of risks identified by Teams as being significant (i.e. risks rated 'red' or 'yellow' on the matrix).
- Management Board considers the totality of significant risks coming out of Team risk registers, which then go forward to comprise the corporate risk register. Thus, the corporate risk register contains details of all significant risks across the organisation at a particular point in time. Minor risks ('green' risks) remain on Team risk registers only.
- Management Board submits the latest corporate risk register to each meeting of Audit and Risk Committee (three times a year). This includes 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 to receive details of the outcomes of the Committee's latest risk review.
- Management Board will consider the risk registers every 4 months, prior to each Audit and Risk Committee.
- The two Directors will sign off each team risk register.

7.3 The new arrangements have now settled in and have been reflected in the updated version of HEFCW's *Risk Management Policy and Guidelines*..

## 8 Corporate Risk Register

8.1 The latest update to the corporate risk register, incorporating the significant risks from the latest reviews of Team risk registers, is attached at **Annex A**. A map showing the distribution of corporate risks in March 08 and June 08 is available at **Annex Bi** and **Annex Bii**. Although these annexes provide a visual representation of the movement in distribution of risks, it should be

noted that Annex Bi and Bii can not be directly compared for changes, as the corporate risk register has been re-ordered and renumbered. Therefore, although they illustrate movement in risk distribution, the risk identifiers will be different in each diagram.

8.2 Since the last review in March, the following changes have been made to the risk registers:

- Both the team and corporate registers have been updated to reflect changes in responsibilities and team organisations as a result of the organisational redesign. One risk on the corporate register which referred to the organisational redesign completion has now been removed.
- The corporate risk register has been transposed onto the new template for risk according to the guidelines agreed in March 08.
- Some risks on the corporate risk register have been updated to reflect minor changes and updates made to the team registers, including the loss of corporate risks when the team registers have regraded the level of risk.
- The corporate risk register has been reordered and numbered to reflect the corporate strategy and additions and removal of risks from various sections.
- One risk (R11) has been amended from a generic risk referring to annual pay remits, to cover the specific risk relating to current pay remit difficulties.
- Risks R4, R12, R13 and R14 have been added to reflect changes/additions in team risk registers.

8.3 The net change since the March review is no change in the number of significant risks (14). 4 were lost from the last version of the register and 4 have been added.

8.4 At the Management Board on 4 June 2008, it was suggested that the Council's risk appetite should be revised, and that risks where either the probability or the impact is low should no longer be regarded as significant. If accepted, these risks would not appear in the corporate risk register. If this is endorsed, it will result in an additional 5 risks being removed for the next iteration of the register. This obviously also has implications for the risk matrix and essentially moves the line of tolerable risk. An example of this change to the risk matrix is included at **Annex C**, and represents the information from the corporate register if the Committee agree to this change in approach.

***The Council is invited to note proposed changes to approach in dealing with risks considered to be H/L and L/H.***

## **9 Team Registers**

9.1 A summary of all the risks currently identified in Teams' risk registers, both significant and minor, is attached at **Annex D**.

9.2 The total number of risks currently identified on Team risk registers is 143. These break down as follows:

9.3 Significant (corporate) risks (R1-R14)

The 14 significant risks that comprise the corporate risk register break down into:

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

- 0 'dark red' risks (risks identified as requiring urgent remedial action and rigorous monitoring). No change since the March 2008 review.
- 2 'light red' risk (risks requiring controls to mitigate the risk and/or contingency plans to address the consequences, and also close monitoring):

R6: 'Funding from the Assembly is insufficient to be able to sustain levels of funded activity (in the HE sector)'.  
No change from the March 2008 review.

R11: 'Inability to implement 2007-08 and 2008-09 pay remit due to ongoing delays with WAG'  
Risk 10 in March 08 which has been revised to be more specific to current pay settlement issues. At the time of writing, a response is awaited to the revised pay remit submission.

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

12 'yellow' risks (risks requiring controls in place to mitigate the threats and/or contingency plans to address the consequences).

Eight of these risks also featured on the corporate risk register at the March review and have now been re-ordered to reflect the structure of the corporate plan.

In addition, four new risks have been added to the register:

R4 - 'Forthcoming WAG Skills strategy fails to include the contribution which HE can make to addressing challenges posed by the Leitch and Webb reviews'.

A newly identified risk. The likelihood and the impact are assessed as medium. Available controls and further actions have been identified which might further strengthen the controls.

R12 - 'Risk of exceeding cash 2% threshold at end of financial year'

A newly identified risk. A number of mitigating controls and contingency plans appear to be in place to ameliorate or mitigate the risk, though the rating remains L/H. Further actions have also been identified to improve

controls. This risk will be removed from the corporate register if it is agreed to removed L/H and H/L risks.

#### R13 – ‘Failure to deliver funding round’

A newly identified risk. The likelihood and the impact are assessed as L/H. Available controls, contingency plans and further actions to improve controls are provided. This risk will be removed from the corporate register if it is agreed to removed L/H and H/L risks.

#### R14 – ‘ Loss of or poor service when moving to Welsh PSBA’

A newly identified risk. The likelihood and the impact are assessed as L/H. Available controls, contingency plans and further actions have been identified which might further strengthen the controls. This risk will be removed from the corporate register is it if agreed to removed L/H and H/L risks.

### 9.4 Minor risks

A total of 130 minor risks (combinations of low and medium probability and impact) currently are being managed across the organisation. They break down into:

- L/M - low probability, medium impact – (‘light green’ - tolerate; keep watching brief) - M/L – medium probability, low impact - (‘light green’ - tolerate; keep watching brief) – **96** risks
- L/L – low probability, low impact – (‘dark green’ - tolerate; no further action required) – **33** risks

## 10 Proposed changes to Team Registers approach

- 10.1 At its meeting of 4 June 2008, Management Board suggested that the CEO and two Directors’ registers be amalgamated into one document in the future, since, together, they constitute the totality of risks which sit above the level of teams.

***The Council is invited to note the latest update to the corporate risk register and the distribution of those risks, and;***

***The Council is invited to note the Management Board suggestion that the CEO and two Directors’ registers be amalgamated.***

## 11 Commentary On The Distribution Of Corporate Risks And Forecast Of Developments

- 11.1 The Council receives a commentary on the distribution of risks and also a forecast of the likely changes to corporate risks in the near future.

### 11.2 Significant risks (Corporate Risk Register)

In relation to the 14 risks currently on the corporate risk register, the following changes are anticipated in the near future (next six months or so):

- R6 (Assembly funding): This remains one of the two most significant risks we identify currently. It is likely to remain an issue for the foreseeable future.
- R11 (pay remit): Along with the above, this is the only other 'red' risk on the register. It is a risk which might be reduced relatively quickly, depending on the nature and timing of the Assembly Government's response to HEFCW's revised pay remit submission.
- R9 (DCELLS reorganisation): This risk is likely to continue to require particularly close monitoring during 2008-09 as the new DCELLS organisational structure is implemented.
- R10 (telephone system): This risk will reduce significantly if it proves feasible to purchase a replacement system.

### 11.3 Minor risks

It is not anticipated at this stage that there will be any developments over the 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.

***The Committee is invited to note the above commentary on the current distribution of corporate risks and on likely developments in the immediate future.***

## 12 Financial implications

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

## 13 Communications implications

- 13.1 This paper has been assessed as disclosable, as have all previous versions, and therefore will be posted in full on the Council's website. The updated versions of the register and the revised *Guidelines* also will be posted on the HEFCW intranet.

## 14 Diversity and Equal Opportunities implications

- 14.1 In accordance with HEFCW's Equality Impact Assessment Guidance, the revised *Risk Management Policy and Guidelines* 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.

## 15 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

RISK	ACTION TO ADDRESS RISK
	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 adequately reflect its commitment to a fully-embedded, consistent corporate approach to risk management.	Implementation of the revised risk assessment and management processes outlined at paragraph 7.2. Close scrutiny of the new arrangements by Management Board, Audit and Risk Committee and Council.