

Meeting
23/10/08

Agenda Item
14

Reference No
HEFCW/08/80

1 Issue

- 1.1 This paper invites Council to approve the latest update of its corporate risk register.

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) note changes to the corporate risk register;
- (ii) approve the latest update to the corporate risk register and the distribution of those risks;
- (iii) note 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 16 October. Any substantial issues arising from that 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 meetings 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 and early 2008. 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 consider the risk registers every 4 months, prior to each Audit and Risk Committee.
- The two Directors sign off each team risk register in their directorate.
- The Directors' registers, and that of the CEO, are amalgamated into one.
- Any risks that are deemed high probability but low impact (H/L – yellow) no longer appear on the corporate risk register.

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, as reviewed and amended

by Management Board, is attached at **Annex A**. A map showing the distribution of corporate risks in October 08 and June 08 is available at **Annex B**.

8.2 Since the last review in June (approved by Council at its July meeting), the following changes have been made to the risk registers. NB A new risk has been inserted in relation to UW Lampeter (R9) and this has altered the subsequent numbering:

- 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 re-graded the level of risk;
- One risk (R1) has been revised, and replaced with a risk which was previously recorded as R4 under another section heading;
- R3 has been re-graded upwards to reflect a change in position;
- R4 is a new risk relating to the introduction of the Research Excellence Framework;
- A new risk has been inserted (R9) relating to UW Lampeter;
- R10 has been re-graded upwards to reflect a change in position.
- R11 has been revised to acknowledge that the pay remit has been concluded for 2007-08, and now focuses on 2009 onwards;
- One risk (“Failure to deliver Funding Round”) has been removed as it is agreed that the impact would be limited (previous year’s funding data and amounts could be used and allocated).
- R13 has been re-graded downwards to reflect the changes have been implemented;
- Risks R14-18 have been added to reflect changes/additions in team risk registers.
- Net change since the June review is an increase of significant risks by 5, from 13 to 18. 2 were lost from the last version of the register and 7 have been added.

Council is invited to note changes to the corporate risk register.

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 C**.

9.2 The total number of risks currently identified on Team risk registers is 134. These break down as follows:

Significant (corporate) risks (R1-R18)

The 18 significant risks that comprise the corporate risk register break down into:

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

- 1 'dark red' risk (risks identified as requiring urgent remedial action and rigorous monitoring). One new risk relating to the introduction of the Research Excellence Framework (R4). Further piloting and modelling may improve the controls/mitigate the impact.
- 4 'light red' risks (risks requiring controls to mitigate the risk and/or contingency plans to address the consequences, and also close monitoring):

R3: 'Sector fails to meet Reaching Higher Targets of increasing research council income'
Changed from M/M risk in June 08.

R6: 'Funding from Assembly insufficient to sustain levels of funded activity (e.g. equal pay, pensions etc).
No change from June 08

R9: 'Fail to secure stable and sustainable outcome regarding Lampeter'
Newly identified risk added.

R10: 'DCELLS reorganisation takes time to embed'
Changed from M/M risk in June 08.

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

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

5 of these are newly identified risks that have been added to the corporate register since June 08:

R14 - 'Late submission of reviews and Forward job Plans under new timetable'.
The likelihood and the impact are assessed as medium. Available controls and further actions have been identified which might further strengthen the controls.

R15 - 'No Approved Pension Admin. Centre provider following withdrawal of current provider (Department of Business, Enterprise and Regulatory Reform (BERR)) in July 09'
A number of mitigating controls appear to be in place to mitigate the risk and further action is being taken.

R16 – ‘Failure of server room aircon units’

The likelihood and the impact are assessed as M/M. Available controls, contingency plans and further actions to improve controls are provided.

R17 – ‘ Loss of continuity in Council members’ knowledge and experience of the Council’s business due to appointment of six new members of Council’

The likelihood and the impact are assessed as M/M. Available controls, contingency plans and further actions have been identified which might further strengthen the controls.

R18- ‘Website and intranet’

The likelihood and the impact are assessed as M/M. Available controls, contingency plans and further actions have been identified which might further strengthen the controls.

(iii) Minor risks

A total of 116 minor risks (combinations of low and medium probability and impact, and high probability and low impact) currently are being managed across the organisation. They break down into:

- H/L – high probability, low impact – (‘yellow’ – tolerate; keeping watching brief) – **2** risks
- L/M - low probability, medium impact – (‘light green’ - tolerate; keep watching brief) - M/L – medium probability, low impact - (‘light green’ - tolerate; keep watching brief) – **88** risks
- L/L – low probability, low impact – (‘dark green’ - tolerate; no further action required) – **26** risks

The Council is invited to approve the latest update to the corporate risk register and the distribution of those risks

10 Commentary On The Distribution Of Corporate Risks and Forecast Of Developments

10.1 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.

10.2 Significant risks (Corporate Risk Register)

In relation to the 18 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 most significant risks we identify currently. It is likely to remain an issue for the foreseeable future. Additional actions to improve controls/mitigate impact include engagement with the Jones Review Group; early analysis of the implications of the Assembly Draft budget for HE; and engagement with WAG processes for the Strategic Capital Investment Fund. Depending on developments, a

separate risk may be identified related to the forthcoming outcomes of the Jones Review Group;

- R9 (Lampeter); This is a newly identified risk which may be amended as developments progress;
- R10 (DCELLS reorganisation): This risk is likely to continue to require particularly close monitoring during 2008-09 as the new DCELLS organisational structure is implemented. Additional consequences have been included.

11 Minor risks

- 11.1 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.

The Council 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 outlined in its <i>Risk Management Policy and Guidelines</i> .

RISK	ACTION TO ADDRESS RISK
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.