

Meeting
13/03/09

Agenda Item
9

Reference No
HEFCW/09/16

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 2 March 2009.

2 Corporate Planning Implications / Rationale for paper

- 2.1 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 update to the corporate risk register and the distribution of those risks,
- (ii) 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 2 March. 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 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 The last review of the corporate risk register by Council was at its meeting in October 2008. That review reflected the revised process agreed at earlier meetings. The revised arrangements placed 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. The new process can be summarised 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 to 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 receives details of the outcomes of the Committee's latest risk review.
- Management Board considers the risk registers every 4 months, prior to each Audit and Risk Committee.
- The two Directors sign off each team risk register.
- The Directors registers, and that of the CEO are amalgamated into one;
- Any risks deemed high probability but low impact (H/L – yellow) no longer appear on the corporate risk register, thus changing the risk appetite and increasing the tolerance.

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 Internal Audit

- 8.1 Since the last Audit and Risk Committee an internal audit report has been issued on Risk Management which focussed on the extent that Risk Management was embedded in HEFCW.
- 8.2 As a result of its findings, this report contained 5 recommendations which in turn were translated into a Management Implementation Plan which was considered at Audit and Risk Committee.

9 Corporate Risk Register

- 9.1 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 February 08 and October 08 is available at **Annex B**.
- 9.2 Since the last review in October, the following changes have been made to the risk registers.
- 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;
 - R6 (Funding from the Assembly insufficient to be able to sustain levels of funded activity, has been revised from M/H to H/M as although the probability seems to have increase, contingency plans are in place to deal with the event.
 - R10 and R11 are new risks to reflect the WAG sustainability targets and sector response to the economic downturn
 - Five risks (i)Loss of or poor service when moving to Welsh PSBA, ii) Late submission of Reviews and Forward Job Plans, iii) Failure of server aircon units, iv) Loss of continuity in Council members' knowledge and experience, and v) Failure in Website and Intranet)) have been removed as their impact has been re-graded downwards. These remain on the team risk registers.
 - Net change since the October review is decrease of significant risks by 3, from 18 to 15. 5 were lost from the last version of the register and 2 have been added.

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

10 Team Registers

- 10.1 A summary of all the risks currently identified in Teams' risk registers, both significant and minor, is attached at **Annex C**.
- 10.2 The total number of risks currently identified on Team risk registers is 137. These break down as follows:

Significant (corporate) risks (R1-R15)

The 15 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).
- 5 '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'

No change from Oct 08.

R6: 'Funding from Assembly insufficient to sustain levels of funded activity particularly in the light of possible consequences for the budget arising from the economic downturn.

Wording amended to reflect economic situation.

R9: 'Fail to secure stable and sustainable outcome regarding Lampeter'

No change from October 08.

R11: Sector responds inadequately to economic downturn challenge.

Newly identified risk added.

R12: 'DCELLS reorganisation takes time to embed'

No change from October 08.

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

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

1 of these is a newly identified risk which has been added to the corporate register since October 08:

R10 – Sector does not meet its Welsh Assembly Government Sustainable Procurement Targets.

(iii) Minor risks

A total of 122 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) – **91** risks
- L/L – low probability, low impact – ('dark green' - tolerate; no further action required) – **29** risks

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 15 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. 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 (DCELLS reorganisation): This risk is likely to continue to require particularly close monitoring during 2009-10 as the new DCELLS organisational structure is implemented.

10.3 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 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.