

Meeting  
02/07/10

Agenda Item  
9

Reference No  
HEFCW/10/58

---

## **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 30 June 2010.

## **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) note the proposed action to review and improve the risk management processes;
- (ii) note the transitional approach while the full review is being undertaken;
- (iii) note the changes made to the corporate risk register since March 2010;
- (iv) approve the latest update to the corporate risk register and the distribution of those risks;
- (v) 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 termly, 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 30 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**

Contact Leanne Holborn (Tel 029 2068 2259; E-mail: [leanne.holborn@hefcw.ac.uk](mailto:leanne.holborn@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 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 March 10. 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 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;
- The Directors' registers, and that of the CEO, are amalgamated into one;
- The two Directors sign off each Team risk register;
- 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 'H/H,H/M,M/H,M/M or L/H' on the matrix);
- Management Board considers the totality of significant risks coming from 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 remain on Team risk registers only.
- Management Board considers the risk registers termly, prior to each Audit and Risk Committee.
- 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.
- 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.

## **8 Review and improvement to risk management process**

8.1 Although the process has appeared to be running smoothly, comments at Audit and Risk committee meetings suggested that it was not completely fulfilling the need for

sharp, visual representation of the key corporate risks and the controls in place to ameliorate them.

- 8.2 Likewise the officers are keen to develop the internal risk management principles with a view to a full review of the current system, making improvements and embedding the process within the organisation. Therefore in March of this year, further formal officer training was undertaken in risk management processes.
- 8.3 As a result of this, a number of gaps have been identified in our current process, from the way that we word our risks, i.e. should be much more explicit on cause and event, to the lack of an “issue log,” which logs risks that have actually come to fruition and become “issues.” Recording them in this way allows much more control on the actions required and allows lessons to be learned in a much more formal and structured way.

(a) Risk health check

- 8.4 There are various immediate things that could be seen to strengthen our current approach to risk but, rather than making minor changes to individual parts, Management Board have agreed that a full risk health check be undertaken to allow a full review of all the different parts to the process and a full evaluation of the risk management process as a whole. This will be done based on selecting some self-evaluation questions contained in the OCD Management of Risk guidance. Management Board members will be required to go through a set of questions about the current system, the answers hopefully identifying clear strengths, weaknesses and gaps. The internal audit team have agreed to assist in this process as it is seen as good practice not to involve the current manager of the risk process to ensure objectivity.

(b) Risk Maturity Model

- 8.5 Following this health check, a “risk maturity model” will be constructed. This model will use the results of the health check to chart HEFCW’s current processes and identify how much development is needed in each risk management process and principle to ensure that the system is completely fit-for HEFCW purpose. The identification of this gap between current and potential processes will then allow a structured approach to the improvement of individual elements and therefore improvement to the process as a whole.
- 8.6 After this exercise is complete and the resultant recommendations actioned, a structured and formal internal training will be provided to all members of staff to explain the purpose, principles and processes of the HEFCW risk management process with a view to embedding the concept as a foundation in control management across the whole organisation.

***The Council is invited to note the proposed action to review and improve the risk management processes.***

## **9 Transitional Arrangements**

- 9.1 As noted in paragraph 8.1, the Audit and Risk Committee have suggested that the current presentation of the corporate risk register is not fulfilling the need for sharp visual indication of the inherent and residual nature of the highest level corporate

risks. Given that the review has been agreed by Management Board and is imminent, it would seem unwise to amend the full presentation of the corporate register at this stage. However, in order to enable sight of the required information before a full improvement programme is implemented, the highest level risks in the corporate register (those marked as red H/H and pink H/M and M/H) have been re-presented on an additional sheet where the register also records the inherent risks, the current controls, the residual risks and the potential controls (**Annex E**).

- 9.2 The Audit and Risk Committee and Council will be kept fully informed of the progress of the risk health check and maturity model as it develops.

***The Council is invited to note the transitional approach while the full review is being undertaken.***

## **10 Corporate Risk Register**

- 10.1 The latest update to the corporate risk register, incorporating the significant risks from the latest reviews of Team risk registers, as reviewed and amended at the last Management Board meeting, which was held in early June, is attached at **Annex A**. Please note that each risk on the corporate register has a unique identifier which indicates the calendar year in which it was included. These numbers are not intended to be in order and are used to track new risks and the removal of risks. This version of the register has been recast to reflect the restructuring of the proposed new corporate strategy. A map showing the distribution of corporate risks in June 2010 and March 2010 is available at **Annex B**.

- 10.2 Since the last review in March 10, the following changes have been made to the risk register.

- 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.
- Since March 2010 six corporate register risks have been removed due to the re-grading of the classification, these are:

005/08- Sector fails to meet *Reaching Higher* targets of increasing proportion of Research Council income. This risk has been deleted in the light of *For our Future*.

011/08 – Failure to secure stable and sustainable outcome with regard to Lampeter. This risk has been re-graded downwards as significant progress has been made

014/09- Failure of UK bodies to take account of Welsh dimension. This risk has been re-graded downwards as the probability and impact are perceived to have diminished.

016/08- Inability to reach agreement on pay and grading. The 2009-10 pay agreement has now been settled.

019/09- Over-recruitment to Welsh HEIs impacts adversely on quality and funding. This has been removed in the light of the potential for control of student numbers.

024/09-HEFCW perceived by Assembly not to be making sufficient use of *Reaching Higher* to achieve strategic change. This risk has been removed in the light of *For our Future*.

- 028/10, 030/10 and 031/10 are new risks reflecting recently recognised additional risks in the areas of For Our Future widening access targets, Universities of the Heads of the Valleys Institute (UHOVI), and the establishment of regional partnerships.
- The net change since the March review is a decrease of risks from 17 to 14. Six were lost from the last version of the register and 3 have been added.

***The Council is invited to note the changes made to the corporate risk register since March 2010.***

## **11 Commentary on Distribution of Risks**

11.1 A summary of all the risks currently identified in Teams' risk registers, both significant and minor, is attached at **Annex C**. Exemplars /definitions to support risk assessment which have been updated to reflect the end of *Reaching Higher*, are attached at **Annex D**. An extract of the corporate register as described in paragraph 10 is available at **Annex E**.

11.2 The total number of risks currently identified on Team risk registers is 137. These break down as follows:

Significant (corporate) risks

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

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

- 2 'dark red' risk (risks identified as requiring urgent remedial action and rigorous monitoring).

008/08: Funding from the Assembly is insufficient to be able to sustain current levels of funded activity particularly in the light of possible consequences for the budget arising from the economic downturn. No change from March 2010.

030/10: UHOVI unable to achieve objectives within agreed timescales. New risk since March 2010.

- 3 'light red' risks (risks requiring controls to mitigate the risk and/or contingency plans to address the consequences, and also close monitoring):

006/08: REF processes expose relative weaknesses in research performance in Wales.

No change since March 2010.

028/10: Failure to meet For our Future targets for widening access.  
New risk since March 2010.

031/10: HE providers fail to establish effective regional partnerships.  
New risk since March 2010.

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

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

#### Minor risks

A total of 123 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) – **1** 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) – **96** risks
- L/L – low probability, low impact – ('dark green' - tolerate; no further action required) – **26**

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

## 12 Forecast of Likely Changes to Risks

11.1 Officers have forecast the likely changes to corporate risks in the near future.

- There is a likelihood of cuts in Assembly budgets impacting on HEFCW running costs budget and funding for the HE sector.
- There will be the need to actively, and intensively, engage with the Assembly Government to deliver the aspirations outlined in *For our Future*.
- There will be continuing general impact of recession on institutional financial health including on pay negotiations and on estates.
- The impact of the Minister's review regarding education funding on services which are not core to teaching and research and the impact of this on future funding for and existence of, funded bodies.

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

## 13 Financial implications

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

## 14 Communications implications

- 14.1 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 internet.

**15 Diversity and Equal Opportunities implications**

- 15.1 In accordance with HEFCW’s Equality Impact Assessment Guidance, any revisions to the *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.

**16 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. Close scrutiny of the new arrangements by Management Board, Audit and Risk Committee and Council. Proposal to implement a full risk health check and maturity model. Training provided for staff after health check and improvements completed.