AUDIT COMMITTEE REPORT

Subject: Strategic Risk Register	**Purpose:** **For Approval** ☐ **For Discussion** ☒ **For Information** ☐
Prepared by: Hazel Robertson	**Date:** 11 September 2020

Purpose:
To provide members with the current strategic risk register for scrutiny

Linked to Strategic Goal: We will take a leading role in enabling an inclusive, resilient and sustainable Scotland

Executive Summary:

Risks have been reviewed in the context of the College's Strategic Ambition which was recently approved. This desktop review is the first step in creating a new register based on the long term vision as captured in the Strategic Ambition. The plan is to:

- allow each of the three committees to review this update,
- take a revised Risk Register Policy to the Audit Committee for consideration, and
- organise two workshop sessions with the Board.

This process will allow us to completely refresh the risk register and establish clear mechanisms for its operation, update, review and scrutiny.

<u>Risk Register Policy</u>

The risk register policy is due for review. The following revisions are proposed:

- Introduce a more descriptive process for risk scoring. The introduction of a new matrix to define the potential impact of a risk materialising will make it easier to compare different types of risk. Proposed matrix is supplied at Appendix 1. This is based on the NHS Scotland model which has been in place for nearly 20 years and makes it demonstrably easier to assess the level of concern. It also means that risks will be classified into types.
- Revised descriptor of probability (again based on the NHS Scotland model) – Appendix 2
- Revised risk matrix identifying risk rating. Introducing a fourth level (low, medium, high and very high) gives greater focus on which risks require attention, and which require urgent action. Appendix 2 provides a new rating system.

The Audit Committee will be provided with the new draft Policy for consideration.

Another key element of the policy is risk appetite. This is a matter that Board members should decide how to apply, and this will be covered in the risk workshops.

Risk Register

The revised risk register is attached as Appendix 3.

The following risks have been closed, as they can be adequately addressed as part of a wider risk.

1d	Reduction in SDS funding	Treat as part of a single risk regarding non core grant income
1h	Reduction in EU funding	Treat as part of a single risk regarding non grant income
2e	Learners not enrolled on most appropriate course	Merged with learners needs being addressed in planning
5b	Alternative sources of income	Treat as part of risk around income base
5j	Childcare targets	Treat as part of single risk regarding non grant income

An attempt to re-score using the proposed new matrix is shown on the register, through identifying risks by type.

All risks have been realigned to the 3 strategic objectives:

1. We will provide high quality learning and training opportunities which are relevant, enabling and flexible
2. We will proactively engage with our community and stakeholders to ensure our practice reflects their need
3. We will take a leading role in enabling an inclusive, resilient and sustainable Scotland

The 5x5 summary matrices have been updated with the revised scores, and are attached as Appendix 5. This summary by strategic objective hopefully makes it easier for members to understand where our most significant risks are, and thus, where our efforts need to be focussed.

Looking at the 5x5 matrices is probably the easiest way to identify any risks that have been missed or any that may require review and rescore. Similarly, these matrices may also help members to think about risk appetite.

The greatest risk exposure currently is:

- Potential worsening impact of COVID19 both financially and on delivery of curriculum
- BREXIT impact on the economy
- Potential excess costs associated with national bargaining/job evaluation
- Lack of growth funding from SFC and insufficient capital funds for IT
- Potential impact of ineffective engagement with partners.

Recommendation:

Members to

- Endorse the proposed approach for updating Risk Register Policy and the Risk Register.
- Seek clarification on any specific risks and gain assurance on mitigation plans.
- Identify any additional strategic risks to be added to the Register.

Previous Committee Approvals: Nil		
For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐

APPENDIX 1 Proposed risk impact matrix

Descriptor	Negligibile	Minor	Moderate	Major	Extreme
Student experience	Reduced quality of student experience/outcome directly due to curriculum delivery	Unsatisfactory student experience / outcome - readily resolvable	Unsatisfactory student experience / outcome - resolvable within xxx time	Unsatisfactory student experience / outcome - resolvable within xxx time	Unsatisfactory student experience / outcome - long term impact
Objectives / Project	Barely noticeable impact on scope, quality or schedule	Minor reduction in scope, quality or schedule	Reduction in scope, quality or schedule	Significant project overrun / reduction in quality	Inability to meet project objectives / impact on reputation
Injury to student/ staff / visitors	Adverse event not requiring first aid	Minor injury/illness requiring first aid	Agency reportable	Long term incapacity requiring medical treatment or counselling	Death or major permanent incapcity
Complaints	Locally resolved verbal complaint	Justified written complaint	Justified complaint involving lack of professionalism	Multiple justified complaints	Complex justified complaints
Business interuption	Interuption in a service which does not affect delivery of educational services	Short term interuption which has minor impact on educational delivery	Some disruption with unacceptable impact on educational delivery. Temporary loss of ability to provide services.	Sustained loss of service which has serious impact on ability to delivery educational services, resulting in major contingency plans being invoked.	Permanent loss of core service or delivery. Disruption to services causing significant knock on effect
Staffing	Short term low staffing levels temporarily affecting service quality	Ongoing low staffing level reducing service quality. Minor error due to ineffective training	Late delivery of objectives due to lack of staff. Moderate error due to ineffective training.	Uncertain delivery of objectives due to lack of staff. Major error due to ineffective training	Non delivery of key objective due to lack of staff. Loss of key staff and inability to recruit. Critical error due to ineffective training.
Financial	Negligibile <£1k	Minor >£1k to £10k	Significant >£10k to £50k	Major >£50k to £100k	Over £100k
Inspection / Audit	Small number of recommendations - minor quality improvement	Recommendations which can be addressed by low level of management action	Challenging recommendations which can be addressed with appropriate action plan	Enforcement action, low rating. Critical report	Prosecution, zero rating, severely critical report.
Reputation	Rumours, no media coverage, little impact on staff morale	I,	Local media coverage. Long term adverse publicity. Significant effect on staff morale and public perception	National media coverage less than three days. Public confidence undermined. Use of services affected	National media coverage > 3 days. MSP/MP concern (questions in Parliament), pubic enquiry, enforcement

APPENDIX 2 Proposed probability scoring and overall Risk Matrix

	Rare	Unlikely	Possible	Likely	Almost certain
Probability	Cant believe this event would ever happen - will only happen in exceptional circumstances	Not expected to happen but definite possibility exists - unlikely to occurr	May occurr occasionally - has happened before on occasions - reasonable chance of occuring	Strong possibility that this could occurr - likely to occur	This is expected to occur frequently - more likely to occur than not

Our matrix

Impact /Likelihood	Negligibile	Minor	Moderate	Major	Extreme
Rare	5	10	15	20	25
Unlikely	4	8	12	16	20
Possible	3	6	9	12	15
Likely	2	4	6	8	10
Almost certain	1	2	3	4	5

Proposed

Impact /Likelihood	Negligibile	Minor	Moderate	Major	Extreme
Rare	5	10	15	20	25
Unlikely	4	8	12	16	20
Possible	3	6	9	12	15
Likely	2	4	6	8	10
Almost certain	1	2	3	4	5

APPENDIX 3 UPDATED RISK REGISTER

BORDERS COLLEGE STRATEGIC RISK REGISTER

Date: 09/10/2020

	Objectives and Risks	Baseline controls	Likelihoo (1 - 5)	Impact (1 - 5)	Rating (max =25)	TYPE	NEW MATRIX Likelihoo (1 - 5)	NEW MATRIX Impact (1 - 5)	NEW MATRIX Rating (max =25)	Target Actions to reach target
1	**We will provide high quality learning and training opportunities whi**									**We will provide high quality learning and training opportunities**
2a	IF learners' needs are not properly articulated when considering resource planning, THEN learners may be enrolled in the wrong course and / or not achieve their desired outcomes.	The move from face to face to online learning has introduced different resourcing issues. Investment in elearning facilitators, additional support for learning through achievement coaches and focused student support. Strong engagement with BCSA continues.	2	3	6	Student Experience	2	3	6	TREAT - further investment in digital learning support and technology
2b	IF staff are not fully motivated and engaged in delivering the best learner experience, THEN students may not achive desired outcomes.	This risk has not materialised in 2019/2020.	2	3	6	Student Experience	2	3	6	TREAT - further investment in digital learning - staff capability
2h	IF our outcomes don't show a positive trend THEN it may impact on our Education Scotland grade and potentially our SFC funding.	There are specific COVID19 impacts on our ability to complete some qualifications which meant that over 500 students were affected. The priority in 2020/21 is to timetable these students, to support their achievement in 2020/21.	3	3	9	Inspection/audit	3	3	9	TREAT - Continue to enhance tracking and monitoring arrangements.
3b	IF significant numbers of learners decide to travel to study at other colleges and HEIs, THEN learner choice may be reduced.	This risk has not materialised in 2019/2020	2	2	4	Objectives	2	2	4	TREAT - Continue to manage impact through curriculum planning.
5a	IF SFC capital funding is contained at current levels, THEN the College may be unable to invest in a sustainable ICT infrastructure to offer up-to-date learning and improve business processes.	Year 2 of the digital development programme is complete. We have engaged a firm called Agenor to undertake a digital transformation programme. Phase 1 - discovery - is complete and Phase 2 - design - will commence in earnest in September. This phase will describe our desired future state. Affordabilty and resource capacity and capability to deliver will be fully explored.	2	2	4	Objectives	3	4	12	TERMINATE - Implement phase 2 Agenor report (discovery) which will inform resource planning for phase 3.
4f	IF the College does not work effectively in partnership with other Colleges to implement shared delivery eg digital THEN our ability to access future grant funding from SFC/SOSEA may be impaired.	Although additional funding has not been agreed through SOSEA, this is likely due to the ecomonic impact of COVID19, which is a factor outwith our control. Discussions are ongoing about the next phase. Discussions re wider federations are ongoing	2	2	4	Objectives	2	4	8	TREAT - End of project report to be finalised. Continue to negotiate for phase 2 funding, and/or establishment of federation(s) to progress
5d	IF regional demand reduces, THEN the credit target may not be achieved and funding reduced.	This risk has not materialised in 2019/2020	2	3	6	Financial	2	2	4	TOLERATE - not a risk for 2020/21 as main grant is protected
2	**We will proactively engage with our community and stakeholders to ensure our practice reflects their need**									**We will proactively engage with our community and stakeholde**
1a	IF we do not secure growth in grant income in the Scottish Borders, THEN the College will not be able to create new provision to meet demand.	The 2019/20 bid for redistribution was successful however was funded at a much lower rate than expected, due to sector wide demand.	2	2	4	Student Experience	3	4	12	TREAT - Continue to lobby SFC for recurrent growth
1b	IF there is not successful engagement with partners, THEN the College will not receive enough funding to be able to identify and meet their needs.	Strong engagement with partners has continued and where possible within the context of COVID19 we are continuing to meet their requirements under current constraints	2	3	6	Objectives	3	4	12	TOLERATE. - Transformation Programme Board has been formed to oversee significant projects with external stakeholders.
1k	If BREXIT has a significant negative impact on the Borders economy, THEN this may mean the College cannot meet the needs of the Region.	This risk is not in our ability to control. It has not materialised in 2019/2020	3	3	9	Objectives	4	4	16	TREAT - Continue to discuss with SFC. Attend BREXIT forums. Await further advice from SFC.
2c	IF employers do not engage successfully with the College, THEN the College will not be able to provide an appropriate curriculum to meet demand.	Employer engagement programme, industry groups	2	2	4	Objectives	2	2	4	TREAT - This continues to be a focus of our activity. BDU managers are working with curriculum areas to progress. We are performing well in terms of MA.
4b	IF we do not understand and capitalise on the market for commercial delivery sufficiently to meet income targets, THEN we may not have the ability to generate sufficient funds to invest in new activities.	Impact has been factored into financial assessment. This risk has not materialised in 2019/20	2	2	4	Financial	3	3	9	TREAT - Continue to explore opportunities. Need to set stretch targets for curriculum portfolios as part of budget setting for 20/21
5l	IF the Coronovirus continues to spread and increase in impact, THEN the College may need to invoke contingency measures to protect staff and to maintain critical services	Incident Management Team arrangements successfully supported the College in addressing the public health risks for the College and in ensuring the College could move from face to face delivery to remote delivery. A new Performance Matrix was implemented to track key metrics. The IMT were re-engaged to oversee the exit the lock down in a phased manner and to implement arrangements for on line induction. Digital delivery continued to be a primary focus of support.	5	3	15	Business interuption	5	3	15	TREAT - Continue with IMT as required. Keep in touch with national discussions and guidance.

BORDERS COLLEGE STRATEGIC RISK REGISTER

Date: 09/10/2020

	Objectives and Risks	Baseline controls	Likelihoo (1 - 5)	Impact (1 - 5)	Rating (max =25)	TYPE	NEW MATRIX Likelihoo (1 - 5)	NEW MATRIX Impact (1 - 5)	NEW MATRIX Rating (max =25)	Target Actions to reach target
3	**We will take a leading role in enabling an inclusive, resilient and su**									**We will take a leading role in enabling an inclusive, resilient and**
5c	IF national bargaining drives pay awards upwards ahead of any additional resources which are generated through growth, THEN the College will have less flexibility in managing its remaining resources.	There has been no tangible progress on this matter in this year.	3	3	9	Financial	4	4	16	TOLERATE - assume SFC redistribution of funds would address = current risk lowered.
5h	IF the College is unable to meet the requirements of GDPR THEN the College may suffer financial and reputational damage	Information Governance audit identified some actions for completion. These actions are not new, but the report serves as a helpful basis for ensuring a focus on implementing our already agreed action plan. Report reviewed by audit committee and risk level remains, to be further reviewed in October.	2	3	6	Inspection/audit	3	2	6	TREAT - Data sharing agreements now a priority. IT systems audit report highlighted risk of data leakage through USB devices, plan to be implemented. Data breach with associated financial loss, notified in January has identified further technical, operational and training actions.
5i	IF protection against cyber attack is not sufficient, THEN the College could suffer financial and reputational damage, or negative impact on student success	We are aware of cyber security risks as a result of COVID 19 however there are no current issues locally. Report reviewed by audit committee and risk level remains, to be further reviewed in October. Cyber risk review nearing completion, and cyber esssentials plus re-acccreditation pending	3	3	9	Business interuption	2	4	8	TREAT - cyber risk technical assessment to be completed Sep 2020, cyber essentials plus re-accreditation to be completed Sep 2020
5m	IF the Coronovirus continues to spread and increase in impact, THEN the College may incur a deficit due to increased costs and reduced income.	Forecast deficit due to reduction in income and increase in costs. Reduced to some degree by our application for the furlough scheme. Unclear how the SFC will want to handle this position, which is felt across the sector.	5	3	15	Financial	5	4	20	TREAT - Continue with IMT as required. Expenditure will be driven by riisk assessments.

Risk Score

Likelihood					
5	5	10	15	20	25
4	4	8	12	16	20
3	3	6	9	12	15
2	2	4	6	8	10
1	1	2	3	4	5
	1	2	3	4	5
	Impact				

Proposed

Impact /Likelihood	Negligibile	Minor	Moderate	Major	Extreme
Rare	5	10	15	20	25
Unlikely	4	8	12	16	20
Possible	3	6	9	12	15
Likely	2	4	6	8	10
Almost certain	1	2	3	4	5

APPENDIX 4 5X5 Risk matrices

We will provide high quality learning and training opportunities which are relevant, enabling and flexible

Total risk rating **49**

Likelihood	1	2	3	4	5
5					
4			Lack of SFC funding for IT		
3			Outcomes trend not positive		
2		Learners travel to study elsewhere Regional demand reduces	Learners needs not articulated Staff not motivated	Ineffective working in partnership with other Colleges to develop digital delivery	
1					

Impact

Acceptable level of risk - risk appetite **OVERALL STRATEGIC RISK APPETITE - MODERATE**

Risk appetite	Definition
OPEN	The College is willing to consider all delivery options and select those with the highest level of productive outcomes, even when
MODERATE	The College will only accept exposure to modest levels of risk in selecting delivery options, recognising that this may restrict
CAUTIOUS	The College remains guarded, with a preference for safe delivery options that have no more than a low degree of risk,

We will proactively engage with our community and stakeholders to ensure our practice reflects their need

Total risk rating **68**

Likelihood	1	2	3	4	5
5					
4			Lack of SFC funding for growth Unsuccessful engagement with partners	BREXIT impact on economy	
3			Fail to capitalise on commercial opportunities		Impact of COVID19 on delivery
2		Employers do not engage			
1					

Impact

We will take a leading role in enabling an inclusive, resilient and sustainable Scotland **Total risk rating** **50**

Likelihood	1	2	3	4	5
5					
4		Insufficient protection from cyber attack		Excess cost of national bargaining	Financial impact of COVID19
3					
2			Non compliance with GDPR		
1					

Impact