C

AUDIT COMMITTEE REPORT

Subject: Risk Management Policy	**Purpose:** **For Approval** ☒ **For Discussion** ☐ **For Information** ☐
Prepared by: H Robertson, Vice Principal - Finance & Corporate Services	**Date:** 22 September 2020

Purpose:
For members to provide feedback on revised Risk Management Policy.

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

Executive Summary:

This is a complete revision of the December 2016 version of the policy. It includes

- a step by step guide to the risk management process
- new matrices for scoring the impact and likelihood of a risk occurring. The impact matrix includes analysis by category of risk. This will enable an easier read across different categories of risk, and should improve consistency of scoring.
- clarity on dealing with strategic, operational and project risks
- clarity of expectations in relation to reporting on risks, including frequency of reporting
- clarity on the assurance process for risk management.

The document is in draft, and needs finalisation of the risk appetite statement which should be provided by the Board. It is intended to have two Board workshops to discuss strategic risk and inform the content of the strategic register in the context of the Strategic Ambition.

Members are invited to consider the document, provide any feedback or suggested changes, and advise whether this document should be provided to the Board for approval, as the Board has ultimate responsibility for Risk Management.

Recommendation:
Members to provide comments and advise on Board approval.

Previous Committee Approvals:
n/a

For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐

BORDERS COLLEGE

Working Together

Risk Management Policy

DRAFT

September 2020

Uncontrolled Copy

History of Changes

Version	Description of Change	Authored by	Date
1.1	Policy created	P Smith	August 2011
1.2	Minor updates to policy	P Smith	August 2014
1.3	Updated to include risk appetite and other minor changes	P Smith	December 2016
2.1	Rewrite to reflect new approach to risk scoring and risk appetite and updated to reflect new Strategic Ambition	H Robertson	September 2020

DRAFT

Uncontrolled Copy

1.0 Introduction and Context

1.1 An effective risk management framework is essential to identify and manage the risks that threaten the ability of the College to meet its objectives. This policy explains the College's approach to risk management, documents the roles and responsibilities of the Regional Board, the Senior Management Team, and other key parties.

1.2 The College's current overall risk appetite is defined as "MODERATE". This means that the College will only accept exposure to modest levels of risk in order to achieve its goals, recognising that this may restrict potential rewards.

1.3 The Regional Board has agreed an acceptable level of risk for each of the College's Strategic Goals. These are set out in the table below.

Strategic Goal	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 there is an elevated level of associated risk.
	MODERATE	The College will only accept exposure to modest levels of risk in selecting delivery options, recognising that this may restrict potential rewards.
	CAUTIOUS	The College remains guarded, with a preference for safe delivery options that have no more than a low degree of risk, recognising that these may have restricted potential for reward.

DRAFT

Uncontrolled Copy

2.0 Scope

2.1 This policy forms part of the College's internal control and corporate governance arrangements.

2.2 The policy outlines key aspects of the risk management process, and identifies the main reporting procedures as applies to the Regional Board, Senior Leadership Team and all line managers.

2.3 Risk is about uncertainty: the threat or possibility that an action or event will adversely or beneficially affect the College's ability to achieve its objectives.

3.0 Key Principles

3.1 The College will clearly identify roles and responsibilities within its management structure. These roles are as follows:

3.1.1 Regional Board

The Regional Board has a fundamental role to play in the management of risk. It must set the overall tone and influence the culture of risk management within the College. This includes:

- determining whether the College is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue;
- determining what risks are acceptable and which are not; and
- setting the standards and expectations of staff with respect to conduct and probity.

The Board must determine the appropriate risk appetite (level of exposure) for the College and will approve major decisions affecting the College's risk exposure.

The Board will monitor the management of strategic risks and will seek assurance from the Audit Committee that operational and project risks are being actively managed, with the appropriate controls in place and working effectively.

Uncontrolled Copy

The Board will annually review the College's strategic register and approve changes or improvements to risk management processes and procedures.

3.1.2 Senior Leadership Team

With respect to this Policy, the principal role of the Senior Leadership Team (SLT) is to act as the College Risk Management Team. Specifically, it will:

- implement policies on risk management and internal control;
- identify and evaluate the strategic risks faced by the College for consideration by the Board
- construct and maintain a strategic risk register which makes realistic and prudent recognition and disclosure of the implications of risks
- produce and review subsidiary Risk Registers detailing operational and project risks for monitoring by responsible managers
- provide adequate information in a timely manner to the Board and its Committees on the status of strategic risks and controls, aligned with annual priorities
- undertake an annual review of the strategic Risk Register and provide a report to the Board.

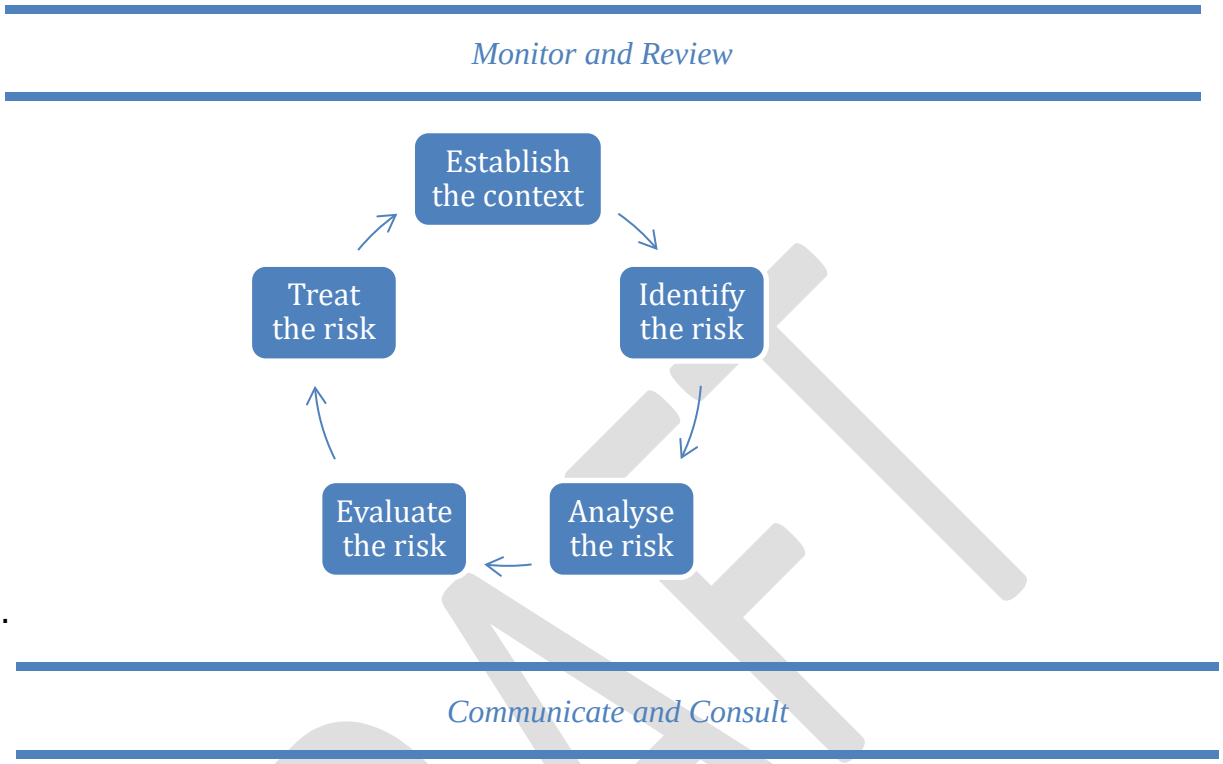
3.2 The SLT will ensure that the system of internal controls meets the requirements to properly manage its risks. This will enable the College to respond to a wide variety of categories of risks.

DRAFT

Uncontrolled Copy

3.2.1 Risk management process

The risk management process in set out in the diagram below.



.

3.2.2 Establish the context

The context for the strategic risk register is the Board's Strategic Ambition, which is underpinned by supporting strategies and the financial plan. This in turn is supported by annual priorities, agreed by the Board as the means to realise the Strategic Ambition.

3.2.3 Identify the risk

Risks can be identified in a number of ways:

- When setting the Strategic Ambition it is good practice for the Board to reach a common understanding of strategic risk in this context. This is generally best achieved through workshop activity.
- Further strategic risks may be identified during the year by:
  - the SLT
  - audit activity
  - external reviews
  - committees of the Board

Uncontrolled Copy

- or the Board itself.

3.2.4 Analyse the risk

At this stage the risk is described in depth, which will involve identifying the potential worst case impact, documenting existing controls and their effectiveness, and identifying what success would look like in avoiding or exploiting the risk.

3.2.5 Evaluate the risk

Risk comprises two elements: an uncertain event having an uncertain impact. It is often easiest to evaluate a risk by thinking about its impact first, then considering likelihood of that impact occurring. Risks can be considered in categories, eg financial, student experience, regulatory. Setting out criteria for scoring the impact for each category of risk allows for comparability of risk scores.

Impact x likelihood = risk score (sometimes called risk exposure)

See Appendix 1 for risk matrices (impact, likelihood, score).

3.2.6 Treat the risk

This stage involves identifying plans for how to minimise the adverse impact or exploit the potential positive impact of the risk. There are three potential strategies for managing risk:

- Tolerate: accept the risk and take no further action
- Treat: implement additional controls or action plan to reduce the impact and/or likelihood
- Transfer: for example, if the risk relates to working with third parties, put in place actions that mean the risk is shared or indeed fully transferred to that third party.

3.2.7 Reporting

A comprehensive reporting system is designed to monitor risks and their controls. Decisions to rectify problems are made at regular

Uncontrolled Copy

meetings of the SLT, committees of the Board and the Board.

This will be underpinned by a process for risk owners to update their risks at a pre-agreed interval. The frequency of updating progress will reflect the level of risk score, this will be agreed for each risk, and will reflect the level of urgency in reducing the risk, eg

- Very High: monthly
- High: quarterly
- Medium: six monthly
- Low: annually

Updating of progress may be more frequently, based on progress made, level of concern or other issues arising.

Monthly reports will highlight details of:

- New risks
- Changes in risk score
- Risks recommended for closure.

3.2.8 Business planning and budgeting

The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Progress towards meeting business plan objectives is monitored regularly.

3.2.9 Strategic risk register

This framework is compiled by the SLT and helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the College. The register is formally appraised annually by the SLT as part of setting annual priorities. Emerging risks are added as required, and improvement actions and risk indicators are monitored regularly.

3.2.10 Operational and project risk registers

Managers develop and use this framework to ensure that significant risks in their departments are identified, assessed and monitored. Risk owners for projects within the College Future Model Programme Board will also use this framework to manage project

Uncontrolled Copy

risks. Operational and project registers are formally appraised annually by individual SLT managers as part of their forward planning for the following year. Emerging risks are added as required, and improvement actions and risk indicators are monitored regularly by business units.

3.2.11 Audit Committee

The Audit Committee is required to report to the Regional Board on internal controls and alert Board members to any emerging issues. In addition, the Committee oversees internal audit, external audit and management as required in its review of internal controls. The Committee is therefore well-placed to provide advice to the Board on the effectiveness of the internal control system, including the College's system for the management of risk.

The Audit Committee will annually receive an assurance report from SLT managers that effectiveness risk management is in place within their area of responsibility.

3.2.12 Internal audit programme

Internal audit is an important element of the internal control process. Apart from its normal programme of work, internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the College. The internal audit plan takes account of the risks facing the College.

3.2.13 External audit

External audit provides feedback to the Audit Committee on the operation of the internal financial controls as part of the annual audit.

3.2.14 Third party reports

From time to time, the use of external consultants will be necessary in areas such as health and safety, and human resources. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

Uncontrolled Copy

3.3 The College will develop risk management and mitigation plans for all significant risks, to include a designated “risk owner” who will be responsible and accountable for managing the risk in question.

3.4 The Strategic Risk Register and the top risks are appended to the College Strategic Ambition. Risks are clearly identified with specific strategic aims and key performance indicators.

3.5 The Executive team will report to the Audit Committee, the Finance and General Purposes Committee, the Curriculum and Quality Committee and the Regional Board on current risks, highlighting mitigating actions and efforts towards risk reduction. These reports will also include new risks and any risks recommended for closure.

DRAFT

Uncontrolled Copy

4.0 Responsibilities

4.1 The Regional Board is responsible for ensuring the effectiveness of internal control of the College, based on information provided by the Executive Team.

4.2 The Senior Leadership Team is responsible for identifying risks to the business of the College, developing mitigation strategies and reporting on progress.

4.3 The Vice Principal - Finance and Corporate Services is responsible for the implementation of this Policy, and for generating reports for Board and its committees to consider.

4.4 Departmental managers and project managers are responsible for the application of internal controls to mitigate risks within their specified areas of responsibility.

5.0 Related Documents

5.1 Strategic Plan

5.2 Supporting Strategies and Financial Plan

5.3 Financial Regulations

6.0 Review

6.1 This policy will be reviewed every 3 years or whenever Corporate Governance changes affect any part of it.

DRAFT

Uncontrolled Copy

APPENDIX 1 RISK MATRICES

IMPACT

Negligibile	Minor	Moderate	Major	Extreme
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
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
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
Locally resolved verbal complaint	Justified written complaint	Justified complaint involving lack of professionalism	Multiple justified complaints	Complex justified complaints
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
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.
Negligibile <£1k	Minor >£1k to £10k	Significant >£10k to £50k	Major >£50k to £100k	Over £100k
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.
Rumours, no media coverage, little impact on staff morale	Local press, little impact on morale and public perception	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

LIKELIHOOD and SCORE

	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

Previous 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

Equality Impact Assessment

(Rapid impact assessment tool)

What Impacts may there be from this proposal on any group's ability to use the College services?

Policy: Risk Management Policy

Positive Impacts (Groups affected)	**Negative Impacts (Groups affected)**
n/a	n/a
Actions taken to alleviate any negative Impacts: n/a	
Recommendations: none	

From the outcome of the rapid equality impact assessment, have negative impacts been identified for any protected characteristic or any other potentially disadvantaged group?

Has a full Equality Impact Assessment been recommended?

Yes ☐

No x

Reason for recommendation:

Uncontrolled Copy

DRAFT

DRAFT

Status:	Approved by Regional Board
Dated:	December 2016
Author:	Vice Principal - Finance and Resources
Review Date:	December 2019
Equality Impact Assessed:	Yes

Uncontrolled Copy