Risk Management Strategy

Contents

Document control

Version	Date	Review	Summary of changes made
V1.0 Draft	01.09.15	A Ritchie	Initial strategy document for review
V1.2	12.09.15	A Ritchie	Final 2014-17 Strategy for approval
V2.0	04-12-17	A Ritchie	Strategy document review

1   Introduction from Chair of Board of Management and the Chief Executive

The Financial Memorandum with the Scottish Funding Council (SFC) requires that the governing body complies with the principles of good governance set out in the Code of Good Governance for Scotland's Colleges. The SFC also requires the governing body to ensure that:

- The College has an effective policy of risk management and risk management arrangements;
- Internal audit must provide the governing body and senior management of the College with an objective assessment of adequacy and effectiveness of risk management, internal control, governance and value-for- money; and
- The College undertakes careful appraisal of the risks before accepting any contingent liability.

The College must recognise the environment within which it operates as a non-departmental public body (NDPB). This environment includes compliance with the Scottish Public Finance Manual (SPFM) which requires that it is "…necessary to develop a framework for assessing risks that evaluates both the likelihood of the risk being realised, and of the impact if the risk is realised. Risk assessment should be recorded in a way that demonstrates clearly the key stages of the process." This Strategy has therefore been written taking account of the requirements of the SFC Financial Memorandum and SPFM.

In addition to the above requirements the internal auditor must produce an annual report for the governing body on their activities during the year. The report must include an opinion on the adequacy and effectiveness of the College's risk management, internal control and governance. The report must be presented to the College's Audit Committee and a copy sent to the SFC.

The College Vision states that we will seek 'To *make a difference', 'To be bold*' and '*To be forward thinking*' and achieve the Strategic Priority of delivering '...*a sustainable, effective and efficient service'*. The Risk Management Strategy is a key link between the Vision and Strategic Priorities, ensuring the College is aware that some risks will always exist and will never be eliminated, however mitigation can be put in place to minimise the impacts and deliver the Vision.

The College recognises that it has a responsibility to manage risks and supports a structured and focused approach to managing them through application of the Risk Management Strategy. In this way the College will better achieve its strategic priorities and enhance the value of services it provides to the community.

The approach of the Strategy is that it is owned and led by the Board of Management and it is intended to deliver a more dynamic and inclusive approach to risk management. The Strategy aims to ensure that the Strategic Risk Register will be informed by the College Operational Planning process and from all Board of Management Committees with the objective of being outward facing and strategically focused.

The College's Risk Management Strategy objectives are to:

1) Integrate risk management into the culture of the College;
2) Manage risk in accordance with best practice;
3) Anticipate and respond to changing requirements;
4) Prevent injury, damage losses and reduce the cost of risk; and
5) Raise awareness of the need for risk management by all those connected with delivering the College's Strategic Priorities.

These objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the College for risk management;
- Providing opportunities for shared learning on risk management across the College;
- Reinforcing the importance of effective risk management as part of everyday work by offering training;
- Incorporating risk management considerations into the annual internal audit plan and any internal / external audit work carried out; and
- Monitoring arrangements on an on-going basis.

The Risk Management Strategy aligns with the Regional Outcome Agreement (ROA) and will be reviewed annually. In the event material amendments to the Strategy are required it will be presented to the Board of Management for approval.

The Board of Management and Senior Management Team are fully committed to the principles of Risk Management and the approach outline within this Strategy.

Approved by:

Keith McKellar   **Audrey Cumberford**

Chair of the Board of Management   **Principal**

2   Risk Management Overview

2.1   Purpose

The purpose of the Risk Management Strategy is to:

- outline West College Scotland's approach to risk management; and
- describe the procedures for the management of risk within the College while detailing the roles and responsibilities of the key business areas.

2.2   Objectives

To ensure the effective delivery of the College Risk Management Strategy, the following objectives will require to be progressed by the College Senior Management Team:

1. Undertake an annual review of the College Risk Management Strategy. The review will ensure clear roles, responsibilities and a reporting framework for the managing of risk across the College is maintained and developed;
2. Development of operational planning guidance on risk identification and translation into strategic risk where appropriate;
3. Monitoring and reporting on risk management arrangements to the Board of Management Audit Committee;
4. Continue to integrate risk management into the culture of the College and to raise awareness of need to manage risk effectively throughout the College;
5. Comply with Corporate Governance and integrate effective processes to allow the Board to approve the annual Accountability Report including the section on Risk Management and Internal Controls.

2.3   Definitions

The following represents the meaning of terminology that is used throughout the Strategy document.

- Risk: An uncertain event, which, should it occur, will have an effect on the achievement of objectives. Risks may have a negative effect, in which case they are recorded as threats, or a positive effect, denoted as opportunities.
- Issue: A certain event which is known and will impact upon the achievement of the College's objectives.
- Risk Appetite: The level of risk which is deemed acceptable to the organisation in the pursuit of its objectives.
- Risk Exposure: The calculated level of risk which the organisation is exposed to in pursuit of its objectives.

2.4   Roles and Responsibilities

To be effective, the risk process is recognised as the responsibility of all WCS employees and will integrate with the College operating requirements.

Owner	Role
Board of Management - *Has a fundamental role to play in the management of risk.*	- Provide authority and responsibility for the establishment, maintenance, support and evaluation of the Risk Management Strategy - Set the tone and promote a positive risk culture within the College - Delegate the overall implementation of risk management to the SMT - Have knowledge of the significant risks facing the College
Audit Committee - *Has a fundamental role to play in the review and management of risk.*	- To ensure compliance with corporate governance requirements - To review the Strategic Risk Register and approve for presentation to the Board - To review internal processes and systems and work closely with internal and external auditors to obtain reports on these
Senior Management Team (SMT) - *Support and implement policies approved by the Board of Management.* - *The Senior Management Team consists of the Principal, Vice Principals, Assistant Principals and Directors.*	- Implementation of Risk Management Strategy - Overall co-ordination of risk management - Promotion of a holistic approach to risk management - To review the probability and impact assessments of risks on a regular basis - Ensure appropriate levels of awareness throughout the College
College Management Teams - *Encouraging and embedding good risk management practice within their area of activity.* - *The College Management Team consists of all those managers who are directly line managed by SMT.*	- Co-ordinating and ensuring that the operational objectives are implemented in line with the Risk Management Strategy - Have an awareness and understanding of risks which fall into their area of responsibility, the impacts these may have, and monitor outcomes against the risks identified ensuring that response plans detail corrective action to minimise risk - Report any new risks identified or failures of existing control measures to SMT - Report on current 'active' risks highlighting mitigating actions and effect towards risk reduction

| Owner	Role
	-
College Staff - *Encouraging and embedding good risk management practice within their area of activity*	- Understand their accountability for individual risks - Understand how they can enable continuous improvement of risk management and risk awareness - Report systematically and promptly to a member of the College Management Team or Senior Management Team any perceived new risks or failures of existing control measures
Internal/External Audit - *Ensuring the effectiveness of organisational and financial control systems, including monitoring performance against quality assurance standards.*	- To review risks and limitations of existing control measures - To review the adequacy of internal control systems designed to minimise risk - To make appropriate recommendations following on from any internal / external audit reports to the SMT, which will effectively improve systems of control

2.5   Partnership and Projects

For the College, it is important to ensure partnerships and projects are considered in a Risk Management context, as well as core services. Where the College is involved in Strategic Projects and Partnerships, it will look to develop joint Risk Management practices with relevant partners as required.

3 Risk Management Framework

The overall responsibility for ensuring the College has effective Risk Management arrangements is with the Board of Management but this is implemented and co-ordinated by the College SMT. Risk Management at the College is closely aligned to Corporate Governance, Internal/External Audit, Business Continuity Management (BCM), Insurance, Health and Safety and Occupational Health and Safety arrangements. These different elements act as support mechanisms for the delivery of the Risk Management Strategy at the College. Internal and external audit also plays a key role in scrutinising the mitigations and controls implemented by the College.

Figure 1 - WCS Risk Management Framework
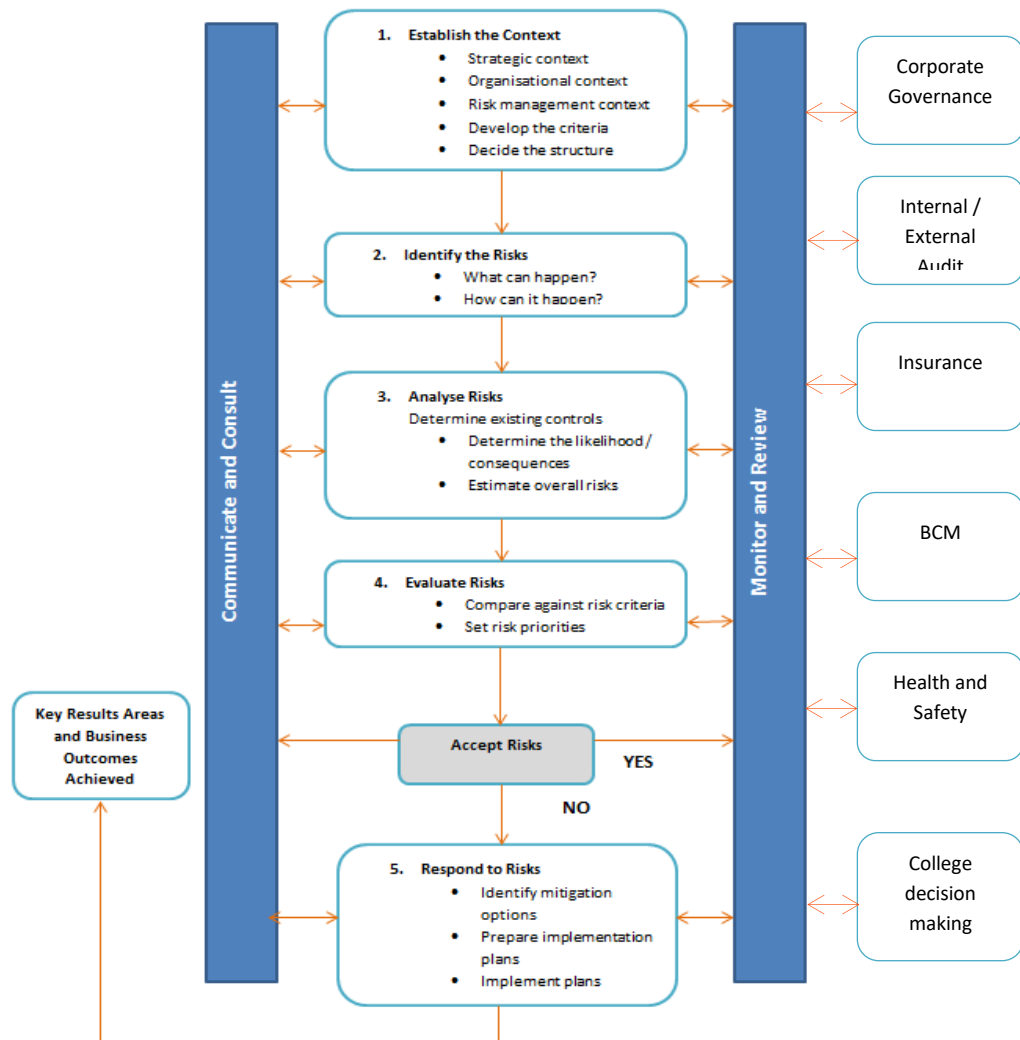
3.1 Code of Corporate Governance

The Board of Management is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of

failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of Management has delegated the day-to-day responsibility to the Principal, as Chief Executive, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and asset.

3.2   Internal / External Audit

Internal Audit will assess the effectiveness of the College's internal controls and review Risk Management as part of the Corporate Governance arrangements. Internal Audit will use the information on the Strategic Risk Register to inform their annual Audit Plan.

External Audit will annually undertake an overall review of the corporate governance arrangements and processes of internal control in place at the College. Based on their audit work and the findings made by the internal auditors they will form an opinion on adequacy of the systems in place to comply with corporate governance requirements.

3.3   Insurance

Insurance is one method the College uses to transfer risk. The implementation of an effective Risk Management Strategy will have an impact upon the premiums paid by the College. The prevalence of insurance claims will need to be monitored as these will have a bearing on the Strategic Risk Register.

3.4   Business Continuity Management (BCM)

Business Continuity underpins Risk Management and is concerned with how the College can overcome disruption in the event of an adverse incident or situation and continue to deliver key services at an agreed, pre-determined level. It is the low probability/high impact risks that if they occurred could result in the failure of key services or systems.

3.5   Health and Safety

There are clear and well established links between the College Health and Safety and Risk Management. The College is committed to achieving best practice in health and safety management and is fully committed to controlling risk and preventing harm to people.

The College will use the guidance in Managing for Health and Safety (MFHS), which supports the model of managing health and safety with a 'Plan, Do, Check and Act' approach. This model helps to achieve a balance between the systems and behavioural aspects of management.

The Board of Management has a primary objective to ensure health and safety is integrated into the College's core business management activities and that suitably resourced Health and Safety Management Systems are implemented which are also influenced by Risk Management.

3.6   Risk Implications – Decision Making Process

Effective Risk Management is crucial to the achievement of the College's Vision and the success of the strategic operation and provision of College services. It is important to recognise that there are risks associated with decisions taken in respect of the delivery of College business.

The nature, severity and likelihood of these risks will vary depending on a wide range of circumstances or potential outcomes.

4 Risk Management Process and Approach

Risk Management is a cyclical process – new risks emerging while old risks become obsolete. Below are listed the steps in the Risk Management process.

4.1 Risk Tolerance

The Risk Management Strategy is objective driven. The College's Strategic Priorities within the Corporate Plan are used as the basis for developing the Strategic Risk Register. The first step in the risk management cycle is to establish the tolerance level that the Board of Management is willing to accept. It may require to be expressed as more than one threshold depending on strategic priorities and objectives e.g. separately in respect of financial or reputational outcomes as well as for both the delivery of projects and "business as usual" activities.

4.2 Risk Categorisation

Risks shall be categorised to enable identification of risk trends and gap analysis. Risk will be categorised according to:

Figure 2 – West College Scotland Risk Categories
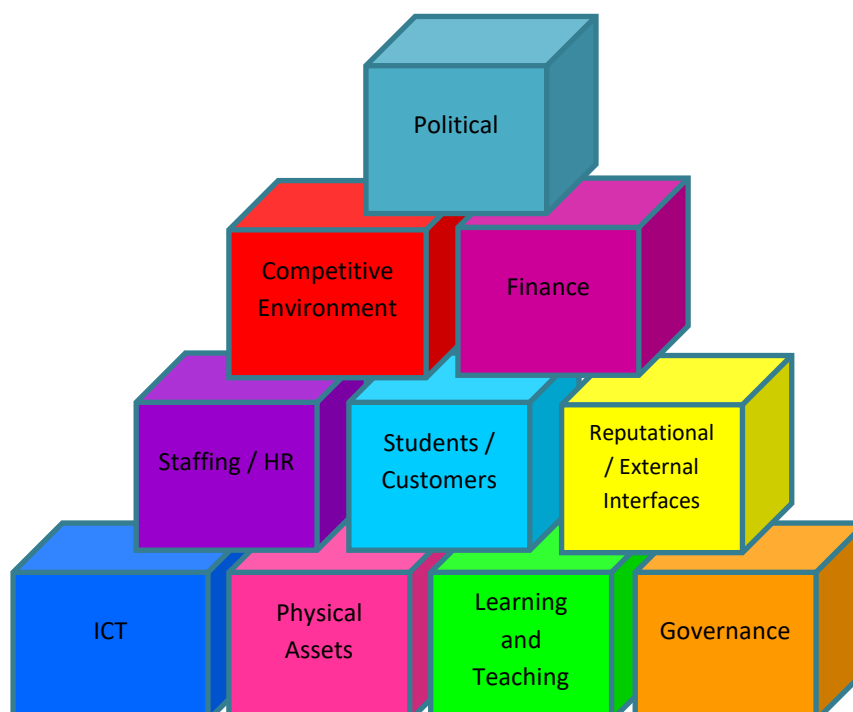
4.3   Risk Identification

Risk identification is focussed on the key risks against the achievement of College Strategic Priorities. The risk categories, as per figure 2, ensure a holistic approach to risk identification is taken. However, this list is not exhaustive and acts as a prompt only. Not all risks will apply to each category and some may apply to more than one.

During risk identification, it is helpful to consider the drivers for each risk, causes of the risk, and potential negative (or positive if an opportunity) outcome should the risk arise.

Risks identified within Committee and other meetings; the operational planning cycle; dedicated risk workshops and other reviews will be recorded in such a manner as to allow easy identification and understanding of the risk. Each Risk Description will contain information on the three composite parts of a risk; the cause, the risk event and the impact on the College Strategic Priorities:

'As a result of <cause/statement of fact>, there is a risk that <uncertain event> may occur, which would result in <an effect on Strategic Priorities>.'

4.4   Risk Assessment

Risk Assessment will be undertaken in the first instance to prioritise risks (risk evaluation) using a standard 6 by 4 semi-quantitative scale (shown in Figure 3.0) for risk probability and impact.

This use of a standard scoring threshold promotes consistency in risk assessment.

Figure 3 - Risk Scoring Thresholds

Probability	Score	Impact	Score
Almost Certain	6	Catastrophic	4
Very Likely	5	Critical	3
Likely	4	Marginal	2
Possible	3	Negligible	1
Very Unlikely	2		
Remote Chance	1		

When assessing impact, it is important that a holistic analysis of the categories of risk be considered, in terms of how the issue would impact on the College (a partnership, a particular service or a specific project). The agreed approach to the assessment of risk at the College is undertaken on the basis of existing control measures.

When assessing probability, a consideration of historical information, external drivers, trends and statistics can be useful in determining an appropriate level.

Risks identified within the Strategic and Operational Risk Register will be plotted on a probability impact grid, as shown in figure 4.0 below, to provide a pictorial representation of risk exposure. Risks which fall into the upper boundary (Red RAG status) will be considered as critical for management

attention and as greater than the acceptable risk appetite. Efforts will be made to reduce risk exposure below the upper boundary.

Figure 4 - Risk Probability Impact Grid

Risks with low probability but high impact scores will be elevated for attention of the Board. Risk response plans will be developed which seek to reduce the potential impact of the risk.

Probability Impact Score Grid

		1 Negligible	2 Marginal	3 Critical	4 Catasrophic
Almost Certain	6	6	12	18	24
Very Likely	5	5	10	15	20
Likely	4	4	8	12	16
Possible	3	3	6	9	12
Very Unlikely	2	2	4	6	8
Remote Chance	1	1	2	3	4

4.5 Risk Owner

A risk owner is a member of the Senior Management Team that has been given the responsibility and authority to manage a particular risk/set of risks and is accountable for doing so.

4.6 Risk Mitigation

Risk mitigation is concerned with taking action to reduce the likelihood and / or severity of the risk.

Each risk shall have a number of mitigations which where appropriate will be backed up by control plan. Control strategies / plans may align with the categories below:

Figure 5 – Risk Mitigation Measures

Risk Response	Commentary
Tolerate	The exposure may be tolerable without any further action being taken. It may be supplemented by contingency planning for handling the impacts that will arise if the risk is realised
Transfer	Transfers the risk to a third party. Be aware that the entirety of a risk is practically impossible to transfer
Terminate	Some risks are only treatable by terminating an activity. Alternative plans and/or processes will require developing
Treat	Action is taken to constrain the risk to an acceptable level. This includes reducing the probability of occurrence and/or the impact of the risk
Take	Implement actions to exploit the identified opportunity

Each action will have recorded against it a named owner for delivery of the risk response / mitigating action. Those with responsibility for the Risk Management Strategy, whether at partnership, strategic, directorate or project level must be satisfied that all controls are working effectively and can be evidenced for audit or scrutiny purposes.

4.7 Risk Monitoring and Reporting

Successful implementation of the Risk Management Strategy rests upon the creation and development of an adequate monitoring framework and reporting structure.

It is important to assess the effectiveness of any control measures which have been implemented and these must be monitored and reviewed on a regular basis. It is also necessary to assess whether the nature of risk has changed over time.

At strategic and operational levels, the College approach is focussed on embedding a formal reporting structure for Risk Management which is outlined below.

It is the responsibility of the SMT to highlight risks within their Directorates that are considered to have strategic significance. The College reporting framework is outlined below:
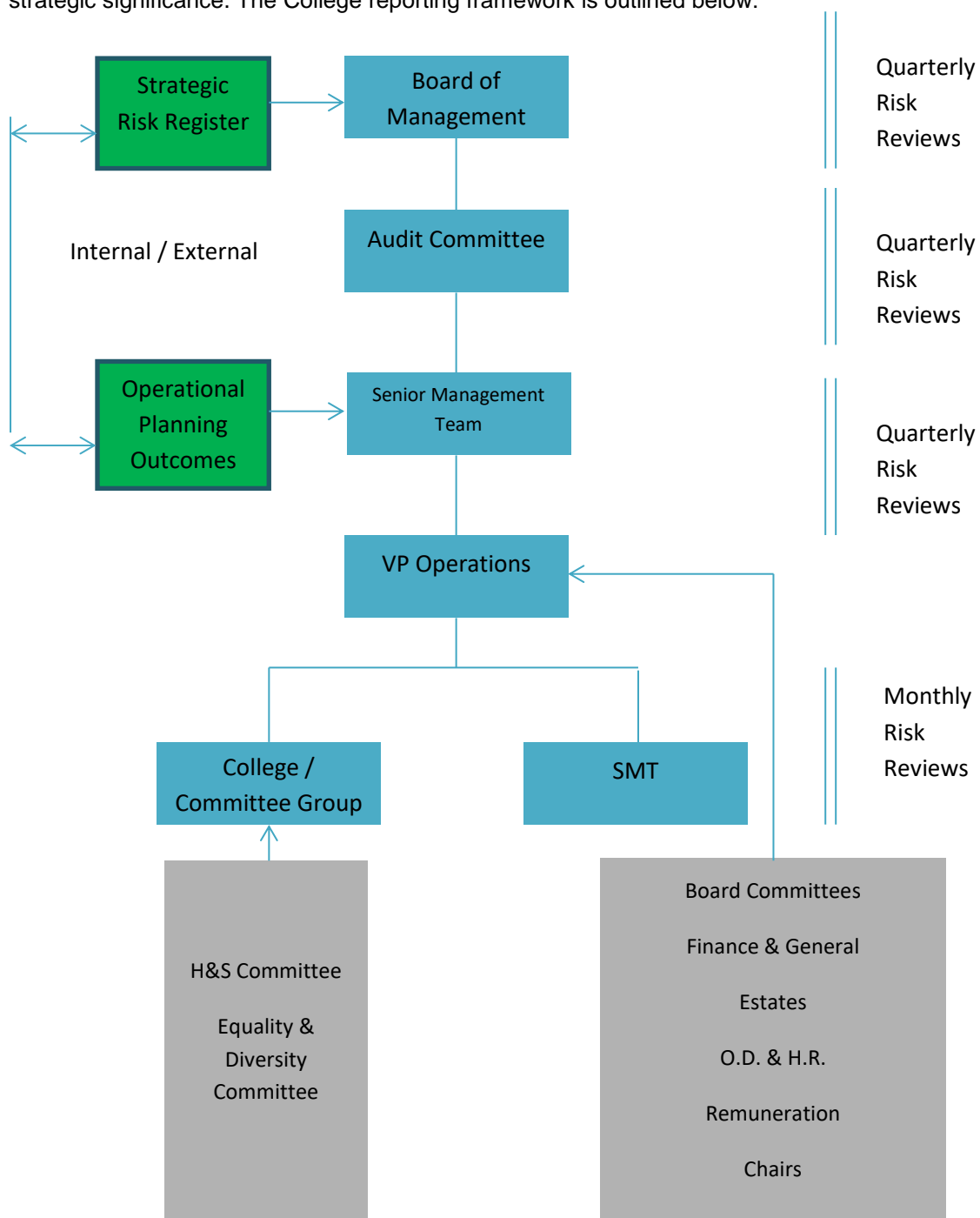
Risk reporting is used to communicate risk across the College. Through Strategic Risk reviews, SMT members are likely to be requested to 'manage' those risks at Directorate or operational level that are not considered to be strategic in nature. This will ensure a steady flow of information and the management of risk at the correct level.

This approach will also ensure that Board members and appropriate levels of staff are made aware of the risks incurred through service provision and the achievement of objectives. Through this framework, ownership of risk will retained at the appropriate level to best manage the risk successfully.

4.8 Risk Management Strategy Review

The effectiveness of the Strategy and information within the College Strategic and Operational Risk Registers will be monitored and reported as outlined above.

5   Appendix

Appendix 1: Categories of Risk

Category	Description of Risk
Political	Those affecting the College Strategic Priorities normally at a national political level.
Competitive Environment	Those affecting the competitiveness of the service (in terms of cost of quality) and / or its ability to deliver Best Value.
Finance	Those related to financial planning and control and the adequacy of insurance cover.
Staffing / HR	Those affecting the recruitment, retention and morale of staff.
Students / Customers	Those affecting the recruitment, retention and morale of students and attracting customers / partners to the College.
Reputational / External	Those affecting the reputation of the College and/or external partnerships / projects / community in which the College is involved.
ICT	Those affecting the College's ICT / communication systems which could have a negative effect on reputation / priorities.
Physical Assets	Those negatively affecting the assets of the College causing loss / damage.
Learning and Teaching	Those affecting the successful delivery of the College's curriculum.
Governance	Those that impose requirements on the College which could affect priorities / funding / reputation.