
Audit and Assurance Committee Meeting

Date of Meeting	Tuesday 1 June 2021
Paper Title	Review of Risk Policy and Procedures
Agenda Item	11
Paper Number	AAC6-G
Responsible Officer	Jim Godfrey, Finance & Resources Director
Recommended Status	Disclosable
Action	For Decision

1. Report Purpose

1.1. To consider the updated risk policy and procedures.

2. Recommendations

2.1. The Committee is invited to:

- **consider** and **approve**, subject to amendment, the revised risk policy and procedures.
- **review**, and **update**, the risk appetite as approve.
- **note** the development of the risk management action plans as recommended by the internal auditors.

3. Report

3.1. The risk policy, and procedures are subject to review on a regular basis. The Internal Auditor¹ also recommended that the policy and procedure should be reviewed.

3.2. The current risk policy, procedure and register are aligned to the Glasgow College Region Strategic Plan for 2017-2022. However, we are approaching the end of the 5-year plan and it is anticipated that the Board will adopt a new strategic plan in the near future.

3.3. The existing risk policy, and procedure, have been updated in accordance with the internal audit recommendation. The amendments to the text are relatively minor. However, it is anticipated that a further review of the risk policy, procedure and register will be undertaken to ensure that this is in line with the Board's new strategy.

¹ Review of Risk Management, December 2020

- 3.4. The Committee is invited to consider and approve, subject to amendment, the revised risk policy and procedures.
 - 3.5. Within the policy is the Board's risk appetite. The risk appetite is something that can change over time and will affect the GCRB risk register and risk management plans. The Risk Appetite is provided on page 6 of the Policy.
 - 3.6. The Committee is asked to review, and update, the risk appetite as appropriate.
 - 3.7. One substantive change is the development of risk management action plans. This was an area for improvement identified within the recent Internal Audit report. The Executive Team are currently completing these plans and these will be complete by 30 June 2021.
 - 3.8. Once these plans are complete it is envisaged that the format of the Board's risk register will be revised. Some sections of the current risk register will be replaced by the risk management action plans and therefore the register can be reduced in size.
4. **Risk Analysis**
 - 4.1. The report provides evidence that GCRB has responded to the improvements identified by internal audit and action taken.
5. **Equalities Implications**
 - 5.1. There are no equalities implications arising from this report.
6. **Legal Implications**
 - 6.1. There are no specific legal implications arising from this report.
7. **Resource Implications**
 - 7.1. The resource required to implement these recommendations is borne within the operating budget of GCRB.
8. **Strategic Plan Implications**
 - 8.1. The Board's risk register is aligned to the Glasgow College Region Strategic Plan for 2017-2022. It is therefore integral to the delivery of the Board's ambitions.



Risk Management Policy and Procedure

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Risk Management Policy and Procedure

1 Introduction

- 1.1 This Risk Management Policy and Procedure forms part of GCRB's internal control and corporate governance arrangements.

2 Purpose and Aims

- 2.1 The Policy and Procedure explains GCRB's underlying approach to risk management, and documents the roles and responsibilities of the Board and management, in developing a culture of risk management throughout GCRB. The Policy and Procedure also outlines the key aspects of the risk management process, and identifies the main reporting procedures.

3 Scope

- 3.1 This applies to all GCRB activities, and at all levels within the organisation.

4 Policy Statement

4.1 Key Principles

The following key principles outline GCRB's approach to risk management and internal control:

- 4.1.1 The Board has responsibility for overseeing risk management within GCRB as a whole and regular monitoring of risk is undertaken by the Board.
- 4.1.2 GCRB adopts an open and receptive approach to risk identification and management.
- 4.1.3 The executive team supports, advises and implements policies and strategies approved by the Board.
- 4.1.4 GCRB makes conservative, and prudent, recognition and disclosure of the financial and non-financial implications of risks.
- 4.1.5 The executive team is responsible for ensuring good risk management practice.
- 4.1.6 The executive team takes into account the possibility of the differential impact of risks, and risk treatments, upon people who share protected characteristics.
- 4.1.7 Key risk indicators will be identified and closely monitored on a regular basis.
- 4.1.8 GCRB would, in general, seek to treat risks with the potential of negative impact prudently. However, the Board and the executive team recognise the possibility of positive outcomes in the treatment of risks, and accordingly will be careful to evaluate each risk individually. Risk appetite will be determined by the Board with guidance from the executive team. (See Section 6 below).

5 Definitions

5.1 HM Treasury defines risk as:

“A risk is anything that can impede or enhance our ability to meet our current or future objectives”¹. Risk in the context of GCRB will focus upon those uncertain events, which would, if they occurred, result in a negative impact on the operation and ambitions of GCRB. This is the definition of risk used in all GCRB documents relating to risk management.

6 Risk Appetite

6.1 GCRB’s approach is to minimise its risks, whilst accepting and encouraging an increased degree of risk in pursuit of its mission and objectives. It recognises that its appetite for risk varies according to the activity undertaken, and that its acceptance of risk is subject to ensuring that potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established. GCRB’s appetite for risk across its activities is provided in the following statements, and is illustrated diagrammatically:

Appetite level	Low	Medium	High
Risk score	1-2	3-5	6-9
Macro-Economic Changes			
Opportunities			
Education & Student Experience			
Internal/External Relationships			
Quality of Learning & Teaching			
Reputation			
Compliance			
Financial			
People and Culture			

6.2 **Macro-Economic Changes** – GCRB is aware that changes in the external environment could have a material impact on our activities. In respect of macro-economic changes, it will maintain a watching brief and be prepared to respond as appropriate. GCRB will also constrain its activities to those external factors that it can influence i.e. it will maintain a cautious approach and seek to minimise the risks posed by the external environment.

6.3 **Opportunities** – GCRB wishes to achieve the ambitions set out in the Glasgow Region Strategic Plan. In order to realise ambitions, and seize opportunities, GCRB recognises that there is an element of risk attached to this. It is prepared to accept a level of risk in order to achieve its ambitions.

¹ Scottish Public Finance Manual

- 6.4 **Education and Student Experience** – GCRB hopes that students in the region will be stimulated to develop a lifelong ambition for knowledge and learning, and therefore encourages an innovative approach to learning delivery. It recognises that this should involve an increased degree of risk in developing education and the student experience, and is comfortable in accepting this risk. This is subject to ensuring that potential benefits, and risks, are fully understood and that sensible measures to mitigate risk are established.
- 6.5 **Internal/External Relationships** – GCRB does not deliver services directly but is an enabling body. As such, internal and external relationships are pivotal to its success. There will be existing relationships to develop and new partnerships to be fostered. There are risks attached to such relationships and GCRB is prepared to accept a level of risk that is commensurate with the on-going development of such partnerships.
- 6.6 **Quality of Learning and Teaching** – high standards of learning and teaching are at the core of our success and underpin everything else. The risk appetite is therefore low.
- 6.7 **Reputation** - it is critical that GCRB maintains a high reputation. GCRB therefore has low appetite for risk in the conduct of any of its activities that could put its reputation in jeopardy, could lead to adverse publicity, or could lead to loss of confidence by the Scottish and UK political establishment, and funders of its activities.
- 6.8 **Governance** – it is vital that GCRB upholds the highest standards of corporate governance and there is no appetite for risk taking in this respect. The risk appetite for this aspect of GCRB is low.
- 6.9 **Compliance** – GCRB places great importance on compliance, and has no appetite for any breaches in statute, regulation, professional standards, bribery or fraud.
- 6.10 **Financial** – GCRB aims to achieve long-term financial viability and overall financial strength for both itself and the Glasgow college region. It is prepared to accept some financial risk in order to achieve the ambitions of the strategic plan.
- 6.11 **People and culture** – GCRB will support the assigned colleges in their efforts to value, support, develop and utilise the full potential of staff across the region. GCRB places importance on a culture of equality and diversity, dignity and respect, collegiality, the development of staff, and the health and safety of staff, students and visitors. It has low appetite for any deviation from the recognised standards in these areas.

7 Responsibilities

7.1 Role of the Board

The Board has a fundamental role to play in the management of risk. Its role is to:

7.1.1 Set the tone, and influence the culture of risk management within GCRB, including:

- Determining whether GCRB is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue (i.e. determining "risk appetite" for each risk).
- Determining what types of risk are acceptable and which are not.
- Setting the expectations of staff members with respect to conduct and probity.

7.1.2 Approve major decisions affecting GCRB's risk profile or exposure.

7.1.3 Review risks at each main meeting of the Board and monitor the management of significant risks to reduce the likelihood of significant adverse outcomes.

7.1.4 Seek assurance that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.

7.1.5 Annually review GCRB's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

7.1.6 Annually review the effectiveness of internal control of GCRB, based on information provided by the executive team. Its approach is outlined in the Risk Management Procedure.

7.2 Role of the Audit and Assurance Committee

The role of the Audit and Assurance Committee is to support the Board in the fulfilment of its responsibilities for risk management by:

7.2.1 Advising the Board on the appropriate tone and culture of risk management.

7.2.2 Advising the Board on major decisions affecting GCRB's risk profile or exposure.

7.2.3 Annually review GCRB's approach to risk management and approve changes, or improvements to, key elements of its processes and procedures.

7.2.4 Annually review the effectiveness of internal control of GCRB, based on information provided by the executive team. Its approach is outlined in the Risk Management Procedure.

7.3 Role of the Executive Team

The key roles of the executive team are to:

7.3.1 Implement policies on risk management and internal control.

7.3.2 Identify, and regularly evaluate, the significant risks faced by GCRB for consideration by the Board.

7.3.3 Liaise with the assigned colleges to share information on the identification and management of risks, and to promote consistency in risk management across the region (to the extent that it is appropriate and relevant to do so).

7.3.4 Provide adequate information in a timely manner to the Board and its committees on the status of risks and controls.

7.3.5 Include a section on risk management implications on all formal reports the Board and its committees.

7.3.6 Undertake an annual review of effectiveness of the system of internal control and provide a report to the Board.

7.4 Role of Internal Audit

7.4.1 Internal audit will conduct an annual review of the system of internal control.

8 Risk Identification, Review and Escalation Procedure

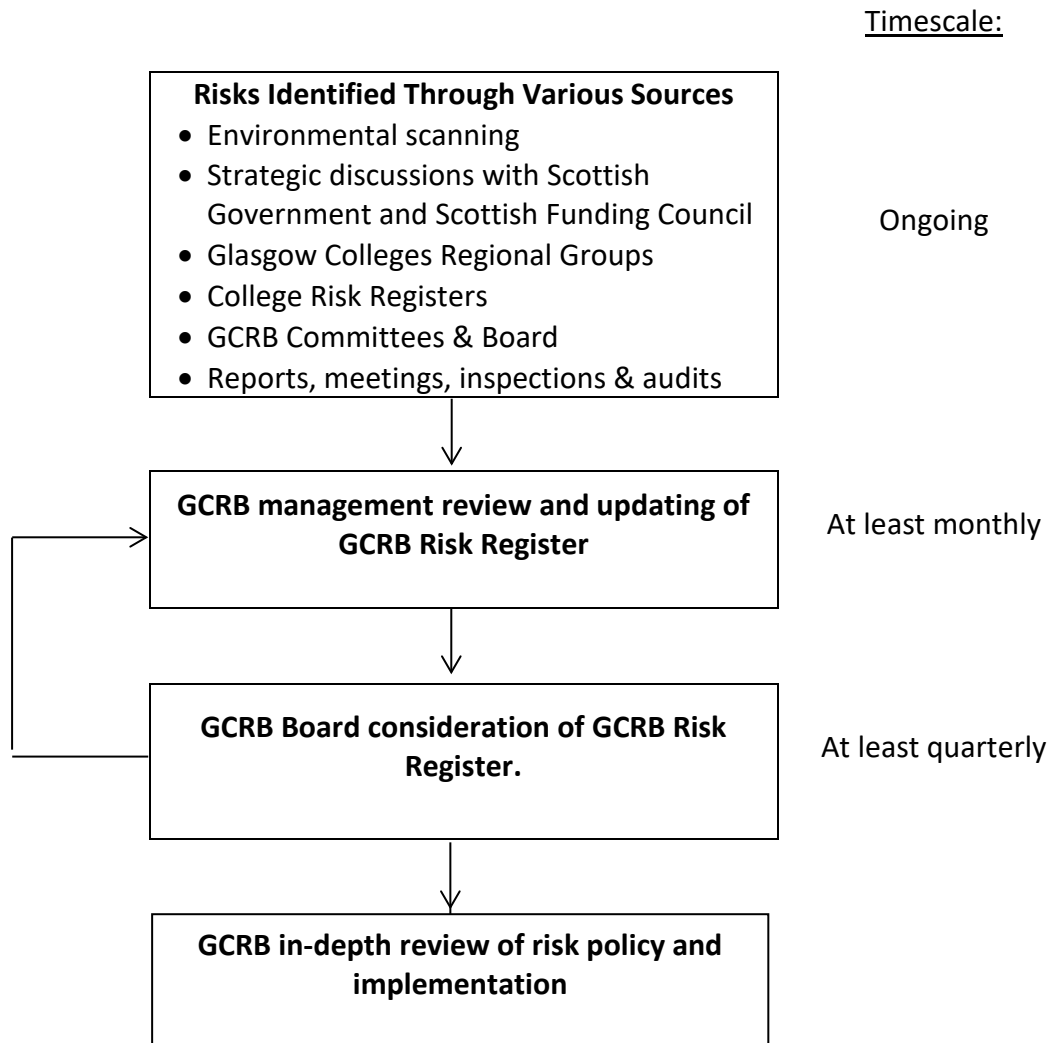
8.1 Progress towards meeting Regional Outcome Agreement objectives is monitored regularly. Risks are linked to strategic priorities as outlined in the Regional Outcome Agreement.

8.2 GCRB management will review, and update, the risk register at least monthly. The Executive Director will ensure that the risk register is maintained. The risk register provides detail of the impact, and likelihood, of individual risks (“risk score”), how risks will be controlled and mitigated, who will manage (“own”) the risks, and an account of risk treatment actions. The risk register should indicate linkage of risks to the achievement of strategic priorities.

8.3 Generic guidance on risk management, and reviewing the risk register in particular, is provided in the risk management guidance document, which should be read in conjunction with the risk management policy and procedure.

8.4 The risk register is approved by the Board, with advice from the Audit and Assurance Committee, and guidance from the executive team. The documents are formally reviewed at each main meeting of the Board (although emerging risks are added as required, and improvement actions and risk indicators are monitored regularly).

8.5 The flowchart below provides an overview of the risk identification, review and escalation procedure.





Risk Management Guidance

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Risk Management Guidance

1. Introduction

The document should be read in conjunction with the Risk Policy and Procedure.

2. Managing Risk

The approach to identifying, prioritising, and managing risk should be open and receptive. It is also recognised that effective risk management at strategic, and operational, levels requires open participation. The purpose of risk management is to manage the barriers to achieving GCRB's objectives. The key to progress and innovation lies in being risk aware not necessarily risk averse. So GCRB's Risk Policy and Procedure clearly recognises "the possibility of positive outcomes in the treatment of risk" and the need to "evaluate each risk individually".

The purpose of this document is to provide a concise guide to using the Risk Register and Risk Matrix.

3. Risk Categories

All identified risks have been grouped together and aligned to the Glasgow Region Strategic Plan for College Education 2017-2022.

4. Risk Management Approach

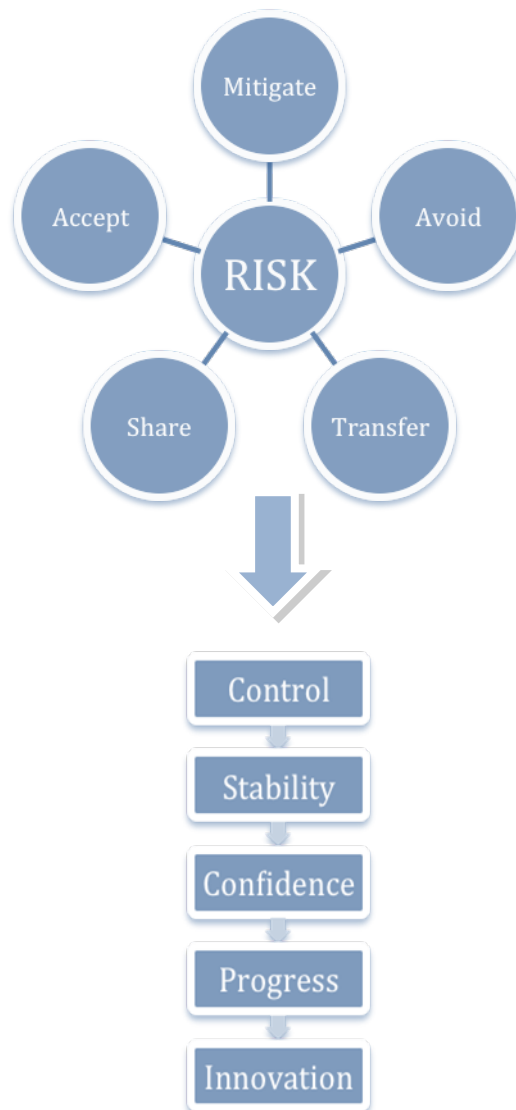
Risk management is concerned with addressing uncertainty, and taking steps to manage a situation or potential situation. In so doing, the opportunity to best manage the risk is enhanced with the fullest possible understanding of the associated consequences and opportunities.

This approach is monitored by the Board, Audit and Assurance Committee and executive team. The aim is to increase confidence in the GCRB's ability to cope with events or circumstances, which would potentially impact negatively on our operation and function. The key treatment strategies for risks are mitigation - that is, to take steps to reduce the impact and/or likelihood of the risk - and avoidance of the risk altogether.

The five risk management treatments are;

- **Mitigate:** take actions to reduce the impact and/or likelihood of the risk
- **Avoid:** adopt a different approach in order not to take the risk
- **Transfer:** take out insurance, warranty, or otherwise contract another party to take the risk (usually for a premium or fee)
- **Share:** similar to Transfer - come to an agreement with another party to spread the risk, e.g. with a partner organisation in collaboration
- **Accept:** accept the risk; then monitor, review and make contingency plans. Whether or not it is appropriate to 'accept' a risk will be influenced by the relevant level of risk tolerance as defined in the Risk Policy and Procedure.

It should be emphasised that risk is not an excuse to be unimaginative – being aware of risk should not stifle innovation. Rather, the confidence which proper management of risk gives to an organisation should be the foundation for assured progress.



5. The Risk Register

The risk register provides a means to record details of all strategic risks with risk owners, a risk evaluation in terms of likelihood and impact, risk tolerance, and last review date. The risk register also indicates links to the risk management action plans for each risk.

6. Risk Management







The risk owners are required to provide regular updates on progress with regards to risk actions and other changes, and highlight any proposed changes to risk likelihood or impact. Changes to risk score if any, gross risk score, and the risk tolerance will be recorded in the papers and minutes of the Board and executive meetings.

The executive team is required to advise the Board and its Audit and Assurance Committee of any emerging risks to GCRB, together with guidance on appropriate risk score and treatment actions.

7. Risk Score and Definitions

Risks are scored according to likelihood and impact, each scored 1, 2 or 3, low to high. Risk likelihood is largely self-explanatory, and category definitions are provided below.

Risk impact is defined below in terms of potential financial loss to GCRB. It is acknowledged that some risk consequences are easier to quantify by this measure than others.

Likelihood		Impact		
Category	Description	Category	Description	Estimated Financial Impact
High (Score 3) 	Almost certain or very likely to occur	High (Score 3) 	Failure to deliver outcome.	> 2.5% of total income
Medium (Score 2) 	Some probability it will occur, but still significant uncertainty	Medium (Score 2) 	Significant delay to, or risk of non-achievement of outcome.	1.0 – 2.5% of total income
Low (Score 1) 	Improbable occurrence, not expected to happen; but possible.	Low (Score 1) 	Minor or Negligible effect on outcome.	< 1.0% of total income

The risk score is obtained by multiplying impact by likelihood, e.g. impact of 2 x likelihood of 3 = risk score of 6. This may change as likelihood, or impact, is judged to have changed. Current risk scores are RAG rated on the register: Score 9 = red, score 6 = amber, score 4 or less = green, indicating high, medium, or low scores.

Past versions of the risk register, including previous risk scores, are archived to maintain a record of risk management. The risk tolerance score, recorded on the register, sets GCRB's appetite for risk for this category of risk. The gross risk score, recorded on the risk management action plans, indicates the risk score assuming no mitigation.

8. Closed Risks

Some risks are ongoing, although the description of these risks may vary over time as circumstances change. Other risks will have a defined timescale during which they require to be managed to a conclusion. In such cases the executive team and Board will confirm closure of the risk, and remove it from the risk register and matrix. The Board will consider the success of the risk management plan for each closed risk.