LEVEL OF ASSURANCE
Good

Item 07b

Glasgow Kelvin College

Risk Management

Internal Audit report No: 2024/02

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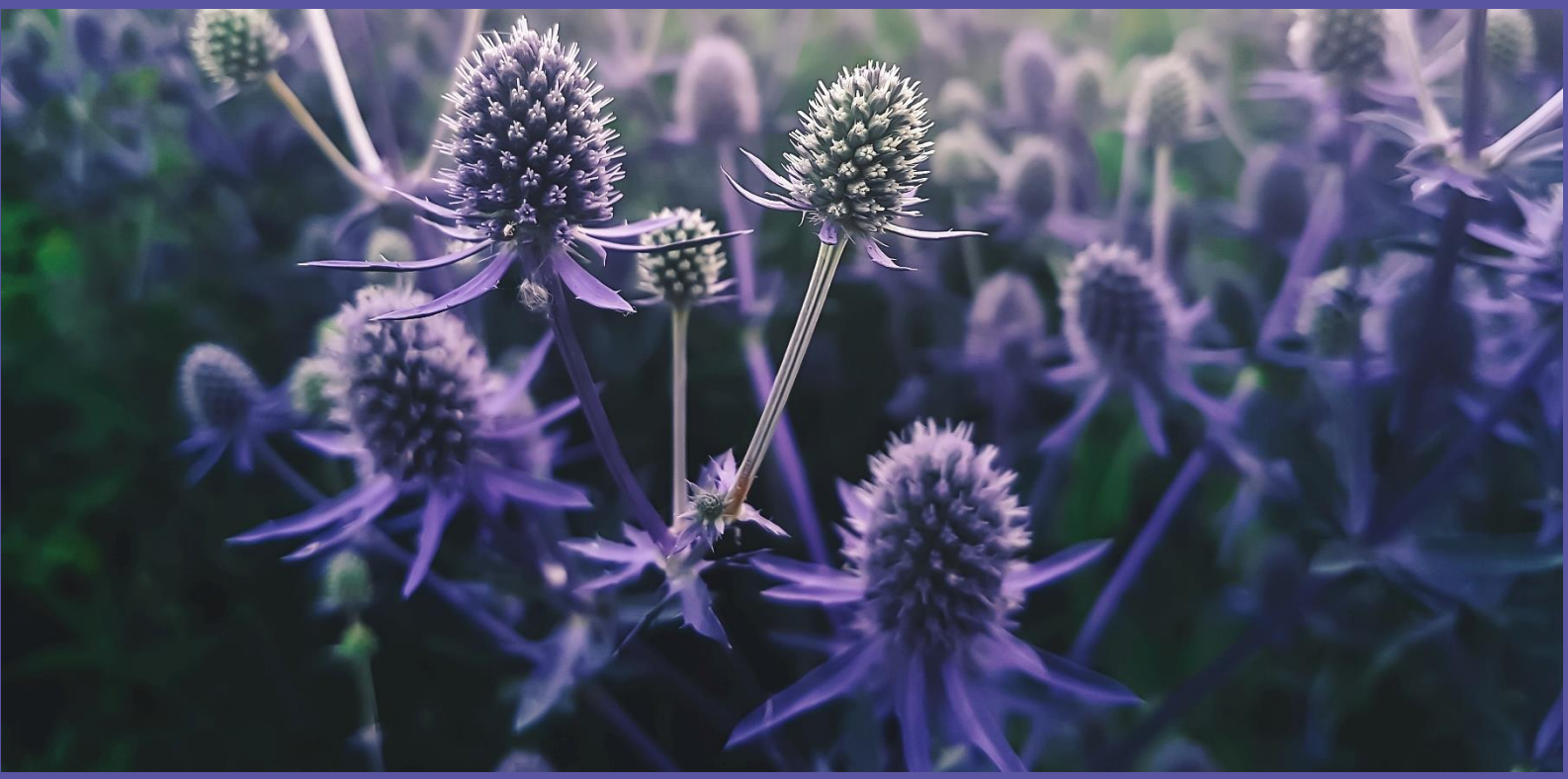

Henderson Loggie

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Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Action Grades

Priority 1	Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Audit and Risk Committee.
Priority 2	Issue subjecting the organisation to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.

Management Summary

Overall Level of Assurance

Good	System meets control objectives.

Risk Assessment

This review focused on the controls in place to mitigate all risks on Glasgow Kelvin College ("the College") Risk Register.

Background

As part of the Internal Audit programme at the College for 2023/24 we carried out a review of the systems in place for risk management. Our Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Principal and the Audit and Risk Committee that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

A robust and systematic approach to risk management is essential to ensure successful operational management and successful delivery of the College's strategic plan and objectives. An effective risk management and internal control environment is also a requirement of good corporate governance.

This is set out within the Code of Good Governance for Scotland's Colleges as follows:

Risk Management

C.11 *The board of a college or a regional body is responsible for the overall management of risk and opportunity. It must set the risk appetite of the body and ensure there is an appropriate balance between risk and opportunity and that this is communicated via the principal to the body's management team.*

C.12 *The board must ensure that sound risk management and internal control systems are in place and maintained. It must ensure there is a formal on-going process for identifying, reporting, evaluating and managing the body's significant risks and review the effectiveness of risk management, business continuity planning and internal control systems.*

Understanding the sources of risk and minimising their impact is essential to in turn minimise the financial and reputational costs to the College.

Scope, Objectives and Overall Findings

The scope of the audit was to consider whether there are corporate procedures in place to adequately assess risk and minimise the possibility of unexpected and unplanned situations developing, which are in line with good practice.

The table below notes each separate objective for this review and records the results:

Objective	Findings			
The objective of our audit was to ensure that:		**1**	**2**	**3**
		No. of Agreed Actions		
1. There is a process in place to provide reasonable assurance to the Board of Management and to the Principal in relation to the declaration on risk required for the financial statements.	**Good**	-	-	-
2. The process in place applies good practice in risk management.	**Good**	-	-	3
3. Key risks have been identified and are being appropriately controlled, mitigated, reported, and discussed at appropriate levels of management and the Board.	**Good**	-	-	1
Overall Level of Assurance	**Good**	**-**	**-**	**4**
		System meets control objectives.		

Audit Approach

We reviewed the College's risk management policies, procedures, and Risk Registers across the corporate, operational and project areas. We discussed the risk management arrangements in place with the Chair of the Board of Management and Chair of the Audit and Risk Committee. We also discussed the operational risk management arrangements with the Vice Principal Operations and Director of Estates and Corporate Services, who lead on risk management arrangements, and a sample of leads from academic and support services.

The College's risk management arrangements were compared against the good practice guidance set out in the HM Treasury Orange Book, as recommended within the Scottish Public Finance Manual (SPFM).

We also considered whether all relevant key risks have been identified and included on the Risk Registers and ensured that these risks were being monitored and adequately reported on.

Summary of Main Findings

Strengths

- There has been significant work undertaken by management to establish an operational Risk Management Framework, which is embedded across the College and its management levels;
- Risk management arrangements are formally led by the Board of Management and are operationally led by Vice Principal Operations and Director of Estates and Corporate Services;
- The Risk Management Framework (December 2021) is documented and is made available to staff on the College's Intranet and published on the College's public facing website;
- The Audit and Risk Committee (ARC) has delegated authority, on behalf of the Board of Management, to review all College strategic risks via the College Risk Register at each of its quarterly meetings;
- The Board of Management reviews the College Risk Register twice per year. This analysis is supported by narrative reports on the risk management arrangements and with commentary on the assurances provided. The College Risks are also reviewed by the Board of Management as part of its review and approval of the annual financial statements;
- The College has an Assurance Map (September 2023), which is frequently updated, and the format aligns to good practice by identifying assurances against College issues across the three lines of defence;
- The Board of Management has set its risk appetite for eight risk categories within the Risk Management Framework (December 2021);
- Risk registers are deployed at the strategic and operational levels across the College Directorates and Teams. They are also utilised in projects which have a value which exceeds £250,000, in line with good practice;
- Operationally, there is autonomy to develop subject specific risk registers. For example, ICT has plans to establish a dedicated Cyber Security Risk Register, which would enhance transparency and support governance and reporting on ICT specific assurance arrangements;
- Risks are scored on a 5x5 matrix based on the likelihood and impact of the risk to the College before (inherent) and after (residual) mitigations are applied;
- There is a dedicated and actively attended Risk Management Committee (RMC) with a formal Terms of Reference (last updated in December 2021). The RMC provides a reporting link from operational levels to the Senior Management Team (SMT) via its Chair, who is the Director of Estates and Corporate Services;
- Risk also features on all formal reports to the Board of Management, Committees, and management meetings through the highlighting of associated risks within the covering papers; and
- Positive feedback was provided on risk and assurance reporting arrangements to the Board of Management by both the Chair of the Board of Management and the Chair of the ARC.

Opportunities for Enhancement

- Risk management training should be formally factored into the induction process for new members of the Board of Management. The last formal training completed was delivered to Board members in 2021;
- The Board of Management should formally assess its risk appetite annually in order to sense check that the risk appetite for each risk category remains appropriate, and to allow annual evaluation of the impact of changes in the internal and external environment. The risk appetite was last formally reviewed in December 2021 within the documented Risk Management Framework. The need for a refresh of the risk appetite had already been identified by management;

Summary of Main Findings (Continued)

Opportunities for Enhancement (Continued)

- There are currently some inconsistencies in the descriptions used for risk scoring categories between those defined in the Risk Management Framework (December 2021) and the risk register Excel workbooks currently used by management. In addition, it was noted that management have identified the need to complete further work to connect the risk appetite scoring by the Board to the individual risk scores set by managers; and
- The College Risk Register could be enhanced by adding a column that allows management to readily identify the specific strategic objective that is impacted by each of the risks.

Acknowledgments

We would like to take this opportunity to thank the staff at Glasgow Kelvin College, the Chair of the Board of Management, and the Chair of the Audit and Risk Committee, who helped us during the course of our audit.

Main Findings and Action Plan

Objective 1 - There is a process in place to provide reasonable assurance to the Board of Management and to the Principal in relation to the declaration on risk required for the financial statements

There is an established Risk Management Framework that is embedded across the College and its management levels. An external consultant from Zurich Insurance Group supported the Vice Principal Operations and Director of Estates and Corporate Services to develop and establish the framework. This included training sessions for the Board of Management and all staff during 2021.

The Board of Management has overall responsibility for risk management arrangements, and approved the College's Risk Management Framework and Risk Appetite in December 2021. The College Risk Register is reported to the Board of Management twice a year. The Audit and Risk Committee (ARC) has delegated responsibility for reviewing the system of risk management, as stated in the Committee's Terms of Reference (last updated in December 2021). The ARC reviews risk management and assurance arrangements at each quarterly meeting and the College Risk Register is a standing agenda item (last reviewed at the meeting in November 2023).

Risk also features on all formal reports submitted to the Board of Management, Committees, and management meetings, by highlighting associated risks within the covering papers. While the ARC has delegated authority for the management of risk, and reviews the risk register at every meeting, we noted that the other standing committees of the Board of Management also have sight of the College Risk Register once a year. The Board of Management receives the College Risk Register twice per year.

Operationally, risk is managed by Heads/Directorates and Academic teams through operational / team risk registers. There is a suite of nine Team Risk Registers in place for the following areas:

- Business Development;
- Corporate Services;
- Finance;
- ICT Digital Services (also in development is a dedicated Cyber Security risk register);
- People and Culture;
- Student Services;
- Faculty of Business & Creative Industries;
- Faculty of Engineering, Construction and Science; and
- Faculty of Health Care and Learner Development.

Objective 1 - There is a process in place to provide reasonable assurance to the Board of Management and to the Principal in relation to the declaration on risk required for the financial statements (Continued).

Projects with a value exceeding £250,000 also require their own dedicated risk register. There are two key projects underway at the College which meet this criteria: the exit of the West End Campus and £2.6m capital spend on environmental improvements. Risks are managed within the project by the Project Manager.

The Senior Management Team (SMT) has established a dedicated Risk Management Committee (RMC) (Terms of Reference, December 2021). It meets at least four times per year and reports directly to the SMT. This reporting provides progress information to the Board of Management twice per year. The RMC is chaired by the Director of Estates and Corporate Services, and membership includes representation from across academic areas and Support Services. The Student Association is also represented. Inspection of minutes for the RMC meetings held during 2023 confirmed that the membership of the RMC includes the Director of People and Culture, the Director of Digital Services, and leads from Finance, Estates, and Health and Safety.

Review of the RMC minutes also noted a standing agenda item covering key operational updates; review of the risks on the College Risk Register; a summary of the movement on operational risk registers; external influences; and any emerging risks. In line with good practice, the RMC has also completed an annual self-evaluation (last completed in January 2023). Feedback from the managers interviewed noted that the group has enabled open discussion and a greater understanding of the impact of any emerging risks on operational areas. Discussions with members of the RMC also noted a strong awareness of when risks should be escalated to the next management level for review and decision making on potential treatment, i.e., when risks can no longer be managed effectively at the operational level.

The College has also established an Assurance Map, which is frequently updated (last endorsed by the ARC in September 2023). The Assurance Map identifies 10 key College 'issues', which were noted to be key operational areas, against the three lines of assurance. It also identified the Issue Owner; controls established; and provided an assurance assessment (high, medium, or low) which is dependent on the controls and assurance identified.

Our discussions with the Chair of the Board of Management and the Chair of the ARC noted that the strategic risks are reviewed with the Assurance Map as part of committee review of the Financial Statements. Both also highlighted that the assurance reporting on risks from management to the Committees, and the support provided to members by management around risk management, was of a high standard and was in line with good practice.

Objective 2 - The process in place applies good practice in risk management.

The College has adopted risk management practices as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA). As part of our testing, we reviewed arrangements against the Scottish Public Finance Manual (SPFM), which also references guidance set out within the HM Treasury Orange Book. We noted a number of strengths in the risk management arrangements as noted above under Objective 1. Our discussions also confirmed that there is a strong awareness of risk management arrangements across the management levels, with strategic and team risks managed at the appropriate management level. The awareness of arrangements is assisted by the inclusion of risk as a standing agenda item at every formal management meeting across the College, directorates, and teams. The RMC also facilitates decision making around current and emerging risks, to ensure awareness and consistency in the way that risk are managed across the College.

The risk registers are managed via Excel workbooks to allow ease of tracking scores and changes over the academic year. The inherent and residual risk scores are calculated using five-point scale of 1 to 5 for the scoring of Likelihood and Impact. The Risk Management Framework (December 2021) and Risk Assessment tab on the Excel workbooks also describe the impact related to the score. The 5x5 scoring is then further categorised into four risk scoring categories noted in the table below. The scores are then red, amber, green (RAG) rated as follows:

Risk Score	Risk Scoring Category	Treatment
13-25	Critical Risk	Should be eliminated or moved to a lower level
8-12	Undesirable	Must be avoided if reasonably practical
3-7	Acceptable	Can be accepted provided risk is managed
1-2	Low	No further consideration

However, we noted the naming of the risk scoring categories used to group risks varies between the terminology used in the approved Risk management framework (shown in the table above) and the naming convention utilised on risk registers (Very High, High, Medium, and Low). While a 5x5 risk scoring matrix is consistently deployed, risk evaluation arrangements would be enhanced by grouping risks into five bands rather than the existing four bands (See **R4** below).

Inspection of the College, Team and Project-level risk registers noted that they adopt a consistent format and identify the risk description, risk owner, date of review, risk assessments scoring, description of mitigating controls and actions, risk treatment definition and tracking of risk movement. The risk register file also includes the risk category and associated risk appetite for awareness. All risks had been reviewed in October 2023. The use of the Board of Management's risk appetite was introduced across the College as part of the new risk management framework in 2021. The Board of Management's risk appetite sets the boundaries within which risks should be managed. Resource can then be focussed on risks operating above risk appetite. It is good practice to align appetite categories to the residual risk scores so to support the ease by which management can identify risks that are operating above the appetite. The College's risk appetite is also defined for eight risk categories in the Risk Management Framework (December 2021) (see Appendix I, Table 1).

Objective 2 - The process in place applies good practice in risk management (Continued)

There is currently some inconsistency in the application of the Board of Management's risk appetite. We noted instances where the risk appetite categories are not aligned to risk scoring, in order to clearly identify the threshold above which the risk should be actively managed. In addition, the Board of Management's risk appetite is not being consistently reflected in some of the risk registers sample tested.

For example, the College Risk Register (October 2023) identified the following:

- Risk 6 - Financial risk - was set at "cautious", which is above the Board of Management's risk appetite set as "minimalist", and,
- Risk 10 - Student Experience – was set at "cautious" which is lower than the "open" risk appetite level set by the Board of Management.

Similar inconsistencies were identified across the Team risk registers (October 2023) for Business Development Risk Register (Risks 3 and 11 to 15), Faculty of Business and Creative Industries (Risks 6, 10 and 14), and Faculty of Engineering, Construction and Science (Risk 1).

We also identified that no risk appetite levels were shown against risks on the Faculty of Health Care and Learner Development, People and Culture, and Student Services Risk Registers sample tested.

Therefore, it is recognised by management that further work is required to consistently embed the use of risk appetite as a tool for managing risks, which will feed through into the discussions around Team risk registers and into the routine reporting of the College Risk Register to the Board and to Board sub committees. We were advised that further training with risk owners is planned, specifically around risk appetite, and a review of risk registers will also be carried out to ensure correct alignment.

Whilst we acknowledge there has been significant work in strengthening risk management arrangements at the College, our gaps analysis of arrangements against expected practice set out in the SPFM and HM Treasury Orange Book noted some areas that could be further enhanced.

Objective 2 - The process in place applies good practice in risk management (Continued).

Observation	Risk	Recommendation	Management Response	
Our discussions highlighted that there is no formal risk management training established for new Board of Management members who have joined since the risk management refresh in 2021. For example, during induction. In practice, there are discussions held between new members, the Chair of the Board of Management, and members of the Executive Team in order to understand governance arrangements.	New Board of Management members may not be fully aware of "what good looks like" in relation to risk management and in managing risks for the College, impacting upon consistency in the way that risks and assurances are assessed.	**R1** - Risk management training for new Board of Management members should be incorporated into the induction checklist for any new Board members.	While Risk Management is covered as part of the Governance discussion, this recommendation is accepted and Risk Management will be formally added to the induction session/checklist for any new members. **To be actioned by:** Secretary to the Board of Management and Director of Estates and Corporate Services. **No later than:** 31 March 2024	
			Grade	**3**

Objective 2 - The process in place applies good practice in risk management (Continued).

Observation	Risk	Recommendation	Management Response
The Board of Management should review and sense check its risk appetite against the defined risk categories annually to ensure that the risk appetite levels set for each risk category remain aligned to the collective view of the current Board of Management and factor in current external and internal risk factors. Whilst we noted that the risk appetite is integrated within the Risk Register, which is reviewed twice a year by the Board of Management, a formal annual review of the risk appetite levels has not been captured within Board of Management minutes since the Risk Management Framework, and the risk appetite levels, were set in 2021.	Changes in external and internal environments may not have been considered, resulting in risks not being managed within thresholds set by the Board of Management.	**R2** – The College's risk appetite for each of the identified risk categories should be formally sense checked annually by the Board of Management. This annual review should be defined within the Risk Management Framework procedures.	The intention was always that Risk Appetite would be reviewed regularly. Unfortunately this was omitted in 2022/23 due to the significant volume of papers being considered by the Board and Committees. Therefore this recommendation is accepted and an annual check of the Risk Appetite by the Board of Management will now be conducted. The Risk Management Framework will also be amended accordingly. **To be actioned by:** Secretary to the Board of Management and Director of Estates and Corporate Services. **No later than:** 31 July 2024
			Grade **3**

Objective 2 - The process in place applies good practice in risk management (Continued).

Observation	Risk	Recommendation	Management Response
The risk scoring categories defined within the Risk Management Framework (December 2021) differ to those identified on the risk registers and should be aligned to ensure consistency. For example, the documented framework identified: • The risk framework defines risk scoring categories as Critical, Undesirable, Acceptable and Low, whereas the risk registers reviewed identified risks as Very High, High, Medium, and Low; and • The risk framework states that risks should be assessed on Likelihood and Impact but the College Risk Register's tab refers to Likelihood and Consequence. There is also no monetary assessment made in the consideration of impact of risks to the College. For example, there are currently only non-financial descriptions in the scoring table. The addition of financial descriptions to the risk descriptor table, to supplement the non-financial descriptions, would enhance management assessment and help direct risk impact scoring. As highlighted above, management have identified the need to complete further work to connect the risk appetite scoring by the Board to the individual risk scores set by managers.	While there is no prescriptive method for assessing and scoring risk, the inconsistency to which the 5x5 matrix is applied may result in resource being applied to treating risks that are otherwise under control and make it less straightforward to identify risks that are emerging as issues to the College.	**R3** – The naming convention used to describe risk scoring categories and scoring categories (such as likelihood and impact) should be made consistent across risk management documents, including risk registers. The Impact Scoring table in the Risk Management Framework (December 2021) should also be enhanced to incorporate financial impacts, as well as non-financial impacts, to enhance the assessment of impact scoring.	This recommendation is accepted and the naming convention will be aligned for added clarity. Liaison will take place with Board, SMT and Risk Management Committee members in relation to the Impact Scoring Table to enable wider views to be heard in this regard. **To be actioned by:** Vice Principal Operations and Director of Estates and Corporate Services. **No later than:** 31 July 2024
			Grade **3**

Objective 3: Key risks have been identified and are being appropriately controlled, mitigated, reported, and discussed at appropriate levels of management and the Board of Management

Our review of the College Risk Register, and our discussions with members of the College's Executive Team, Chair of the ARC, and Chair of the Board of Management, noted the appropriateness of risks identified and provided assurance in the effectiveness of the risk management and assurance reporting frameworks established by management.

We also noted the role of the RMC, which is in line with good practice, and acts to ensure consistency in the application of risk management practices across the College. It is an active group and the minutes demonstrate that it is well attended by the Executive and Senior Management teams. There is also reporting via the RMC Chair to SMT meetings.

The RMC was also noted to have a pivotal role in the review of project risks. While the project risk registers reviewed were in draft, they will be reported to the RMC and discussed as part of the future RMC agenda.

While we noted that reporting on risks is in line with good practice (as discussed above under Objective 1), we have identified one refinement to the College Risk Register that would enhance transparency of arrangements and ensure compliance with good practice.

Objective 3: Key risks have been identified and are being appropriately controlled, mitigated, reported, and discussed at appropriate levels of management and the Board of Management (Continued)

Observation	Risk	Recommendation	Management Response	
Strategic risks are identified on the College Risk Register. However, the strategic objective which the risks may impact upon has not been identified to ensure transparency and to aid an assessment of whether all risks to the College achieving its strategic aims have been identified.	The College may experience a disconnect between the risks identified on the College Risk Register and the risks to achieving specific objectives.	**R4** – In line with good practice, the College Risk Register should be enhanced by the addition of columns which align the individual risk to the strategic objective that it impacts upon.	This recommendation is accepted and additional column(s) will be added. **To be actioned by:** Vice Principal Operations and Director of Estates and Corporate Services **No later than:** 31 July 2024	
			Grade	**3**

Appendix I – Board of Management risk appetite categories

Table 1: Current Board of Management Risk Appetite per Risk Category (Risk Management Framework, December 2021)

	Risk Appetite				
Risk Category	**Averse**	**Minimalist**	**Cautious**	**Open**	**Hungry**
1. Policy					
2. Reputation					
3. Financial					
4. Digital					
5. Workforce					
6. Student Experience					
7. Legal & Compliance (including Health & Safety risks)					
8. Environmental Sustainability					

Henderson Loggie

Aberdeen 45 Queen's Road AB15 4ZN T: 01224 322 100 F: 01224 327 911
Dundee The Vision Building, 20 Greenmarket DD1 4QB T: 01382 200 055 F: 01382 221 240
Edinburgh Ground Floor, 11-15 Thistle Street EH2 1DF T: 0131 226 0200 F: 0131 220 3269
Glasgow 100 West George Street, G2 1PP T: 0141 471 9870

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