



Risk Assessment and Contingency Policy

April 2020

Policy authorised by Responsible Officer

Table of Contents

1.0	Introduction	3
2.0	Scope of policy	3
3.0	Definition.....	3
4.0	Approach to Risk Management.....	3
5.0	Key principles	4
6.0	Risk Management procedure.....	4
7.0	Risk Management responsibilities	6
8.0	Role of the Board of Governance	7
9.0	Evaluating risks.....	7
10.0	Risk registers	7
11.0	Regulatory reference	8
12.0	Policy review date.....	8
13.0	Useful contacts	8

1.0 Introduction

The key role of OTHM is to secure standards for those qualifications we certificate. As part of our commitment to quality assuring standards we aim to provide guidance and support to help centres and their learners to achieve learning and development goals. We also ensure that any regulatory requirements are met, and in turn we support centres to meet those requirements.

We review all our policies annually or in response to regulatory changes to ensure that they remain fit for purpose.

2.0 Scope of policy

This policy applies to all regulated qualifications offered by OTHM and related products and services.

3.0 Definition

The Higher Education Funding Council for England (HEFCE) defined Risk as “the threat or probability that an action or event, will adversely or beneficially affect an organisations ability to achieve its objectives” (HEFCE, Risk Management – A Guide to Good Practice for Higher Education Institutions, 01/28 May 2001). In simple terms risk is ‘Uncertainty of Outcome’, either from pursuing a future positive opportunity, or an existing negative threat in trying to achieve a current objective.

OTHM’s Risk Management and Contingency Policy aims to systematically identify, assess and mitigate the impact of these uncertainties which may impact on the achievement of its overall aims objectives.

The objective of this Policy is to add value to the normal processes of management and to protect the wider interest of stakeholders by providing a framework that would help identify:

- Systemic risks
- Escalating, emerging or common themes and
- Whether the Organisation’s strategic risks are both understood and managed at all levels.

4.0 Approach to Risk Management

The following steps outline the OTHM risk management process:

- i. Identifying the key strategic risks that would prevent achievement of objectives
- ii. Assigning responsibility for co-ordinating the management of risk
- iii. Ensuring the effective cataloguing of all risk
- iv. Evaluating the significance of each risk
- v. Articulating OTHM’s risk appetite
- vi. Identifying suitable responses to each risk

- vii. Ensuring the internal control system helps manage the risks
- viii. Developing the assurance mechanism to that ensures regular review of the framework.

To coordinate the risk management process, the approach combines oversight by the Board of Governance and the Management team.

Members of the Board of Governance are responsible for ensuring that relevant staff member within their individual areas take responsibility for the management of specific risks assigned to them. It is the responsibility of the Director of Operations, in conjunction with the entire team to prepare a Risk Schedule that identifies how specific risks are managed.

The Risk Register forms the basis for action and wider contingency plans designed to address weaknesses in controls identified and mitigate risks where this is desirable.

5.0 Key principles

- Within the Management team, the Head of Compliance will be responsible for providing the periodical assurance to the Board of Governance on the adequacy of risk management.
- Within the Management Team, the CEO will lead and provide direction on the major strategic and operational risks facing the Organisation.
- A Risk Register built around the key strategic risk areas will be created and maintained and will be subject to at least monthly review by risk owners/managers.
- Department Heads will be responsible for the management of all risks within their areas of control, including ensuring appropriate systems are created to identify, assess, manage and review risks in line with OTHM Risk Management process.
- Reporting and escalation of risks will be carried out when risks cannot be managed within and in accordance with the procedure outlined within this Policy.
- There will be an annual internal audit of the risk management process with a report submitted to the Board of Governance. This audit will be the responsibility of the Head of Compliance.

6.0 Risk Management procedure

Step 1: Risk Identification

- A statement of risk should encompass the cause, the impact and the impact on the objective.
- Risks should be identified at a level where a specific impact can be identified and actions to address the risk can be determined.
- Once identified, risks should be assigned to an owner who has responsibility for ensuring that the risk is properly managed and monitored.

Step 2: Risk Measurement

- a) The risk assessment exercise is recorded

- b) It is probable that the uncontrolled (raw) risk will already have been mitigated, thus what is being assessed and recorded is the residual risk with the current controls in place.
- c) In assessing the residual risk, it may be helpful to consider whether, in reducing the impact and/or likelihood of the risk, the current controls are:
 - Fully effective
 - Effective
 - Adequate but should be enhanced
 - Inadequate
 - After consideration of the effectiveness of the current controls, risks should be evaluated, in terms of the impact if the risk came about – what would be the consequence if the risk occurred? The severity of the potential impact of the risk. The likelihood (probability) of the risk occurring.

Step 3: Risk Mitigation

- a) **Inherent risk** can be described as the exposure arising from a specific risk before action has been taken to control (manage) it. Whereas residual risk is the exposure arising from an individual risk after action has been taken to reduce it to an acceptable level. For all practical purpose's risks identified on risk registers are residual risks; where standard controls are already in place.
- b) At some point all risks, unless terminated, will be tolerated or accepted. OTHM tolerance in taking risks (also referred to as our risk appetite) is an important concept.
- c) OTHM will consider how much it is prepared to put at risk to obtain the benefits of the opportunity.
- d) Once each risk has been identified and assessed, an action plan must be entered onto the risk register.
- e) **Treating or Controlling Risk:** It is usually possible to reduce a risk to an acceptable level and this is achieved by building control mechanisms into daily operations of the Organisation. Where the decision is taken to reduce a risk by introducing control measures it is also important that the day to day business of OTHM is not affected to eliminate or minimise the risk.
- f) **Transferring or sharing the Risk:** The role of the Board of Governance will be crucial in influencing the transference of risks. If the risk is transferred, then it is essential that the risk is actually transferred. However, some risks (e.g. reputation) cannot be transferred. It is important that how (to whom) the risk has been transferred. E.g. insurance is recorded.
- g) **Tolerating or Accepting the Risk:** The important point is that these risks are identified, clearly understood and acknowledged. This option is frequently accompanied by a contingency plan for dealing with the impact that will arise if the risk is realized.

- h) **Terminating or Avoiding the Risk:** It may be that a particular risk cannot be adequately controlled or transferred, and the level of risk is such that it cannot be accepted. In this case, the only course of action may be to eliminate the risk by ending all or part of a particular activity.
- i) **Risk Owners:** Every risk must have a nominated owner who is responsible for ensuring the identified control or mitigating action is taken. Normally the owner would be the person who feels the consequence should the risk be realised. They should report, as required, on progress in managing down their risk.

Step 4: Review and Monitoring

- a) The prime responsibility for ensuring there are adequate and effective controls to manage risk lies fully with all staff involved in an operation. Early warnings must be brought to the attention of the people who need to take corrective or preventative action and to the head of department.
- b) Risk management will be a standing order item on Management meeting's agenda.
- c) There will be an annual review of the Risk Register and Action Plan will consider the management of all level risks during the previous year, and report by exception on and will form part of recommendations for the following period:
 - Any controls that either failed or were particularly successful during the year and why.
 - Unforeseen risks, why they occurred and why they were not foreseen.
 - Changes to the external environment that will change the risk profile.
 - Changes to the internal environment that will change the risk profile.
 - Risks expected to emerge during the following year
- d) **Training and Development:** For the effective management of the Risk Management Policy and Procedures, regular awareness training and skills development will be conducted for all members of staffs. These training sessions will be recorded as evidence to regulatory agencies.

7.0 Risk Management responsibilities

The Board of Governance ensures suitable policies on risk management are implemented, and ensures appropriate action is taken to mitigate the key risks by providing direction and guidance to all relevant managers and officers within OTHM.

The Management team will ensure all risks are managed appropriately within their relevant areas of responsibility, and that actions on risks affecting multiple areas of responsibility are coordinated.

8.0 Role of the Board of Governance

The Executive ensures suitable policies on risk management are implemented, and ensures appropriate action is taken to mitigate the key risks of OTHM by providing direction and guidance to all relevant managers and officers.

Department Heads will ensure all risks are managed appropriately within their relevant areas of responsibility, and that actions on risks affecting multiple areas of responsibility are coordinated. Where risks cannot be managed within a specific Department, the Board of Governance will need to provide direction as to the OTHM's approach to responding to the risk.

9.0 Evaluating risks

Risks will be assessed on the likelihood of occurrence and the potential impact on the strategic aims and objectives of OTHM should they be realised.

10.0 Risk registers

In order to manage the risk process, OTHM will maintain a comprehensive Risk Register. The register will record details of each risk, some of which are:

- a) Risk ID
- b) Risk location/Category – Financial, Centres, Operations, third parties et cetera
- c) Risk manager/Owner
- d) Date entered and logged
- e) Action taken

Impact	Criteria
10 Critical 9	Critical impact on the achievement of OTHM's aims, objectives and overall performance. Service is seriously affected and major loss of income and/or reputation or high increase in costs. Very difficult and long term to rectify.
	Financial loss >40% annual budget
	Ofqual enforcement action; loss of delivery centres; > 50% of learner numbers
8 Major 7	Major impact on costs, income and certain key organisational objectives. Affects a significant part of the organisation. Serious impact on output, levels of service and external relationships. Medium to long term effect on reputation and expensive to recover.
	Financial loss 26-40% the OTHM's annual budget
	Loss of a number of high profile staff/ad hoc contractors
6 Serious 5	Significant waste of resources and impact on operational efficiency, output, quality and goals in more than one work area. External contacts

	may be affected and reputation damaged. Medium term effect and may be expensive to recover.
	Financial loss 16-25% of the OTHM's annual budget
	Loss of a high-profile member of staff/research group
4 Moderate 3	Medium impact on output, time lost, finance or assets. Short to medium term effect.
	Financial loss 6-15% of the OTHM's annual budget
	Loss of Key Member of staff
2 Minor 1	Minimal financial or other loss, delay, interruption or inconvenience. Little or no damage nor effect on OTHM's reputation. Can be easily and quickly put right.
	Financial loss <5% Organisation's annual budget.
	Loss of Key Member of staff

11.0 Regulatory reference

Ofqual requires all regulated Awarding Organisations to establish and maintain evidence of their compliance with the General Conditions of Recognition. As part of its ongoing process of compliance, OTHM policies and procedures will reflect the conditions and criteria they address.

This policy addresses the following Ofqual General Conditions of Recognition (GCR).

GCR Reference	GCR Section title
A6	Identification and management of risk

12.0 Policy review date

July 2020

13.0 Useful contacts

For more information on our qualifications and services visit: www.othm.org.uk.
Alternatively, call at: +44(0)20 7118 4243 or email at: info@othm.org.uk

End of policy