



UHI North, West and Hebrides

Internal Audit 2025-26

Risk Management
January 2026

Overall Conclusion

Substantial

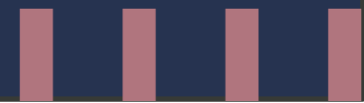
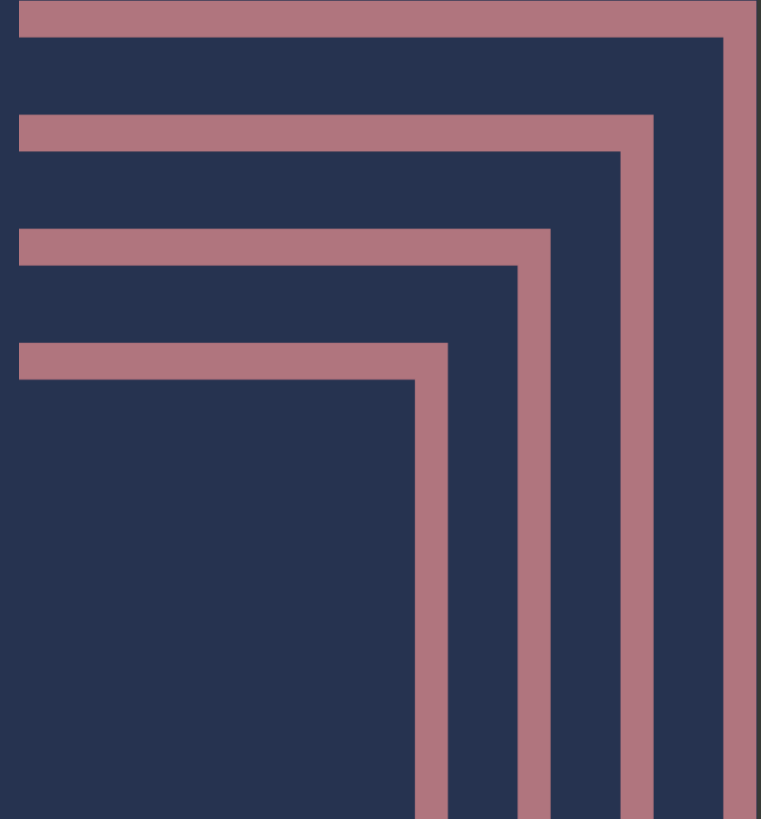


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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for UHI North, West and Hebrides’s individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

Overview

Purpose of review

The purpose of the review was to assess whether UHI North, West and Hebrides (the College) had appropriate risk management arrangements in place and that these were embedded throughout the whole College. This review sought to provide assurance to the Audit & Risk Management Committee, that the College's risk management arrangements were adequate.

This review formed part of our 2025/2026 Internal Audit Annual Plan.

Scope of review

Our objectives for this review were to assess whether:

- | The College has set out clearly its strategic direction in relation to risk management (including policy, roles and responsibilities, objectives and communications).
- | The College has adopted a systematic process in identifying, evaluating and measuring its strategic and operational risks.
- | | The College has fully implemented Risk Appetite arrangements.
- | | Risk Management is integrated into the culture of the College through its Strategy and staff awareness.
- | The College has adequate reporting in relation to risk management activities.
- | The College is providing appropriate risk management training.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

1 Executive summary

Limitation of scope

There was no limitation of scope.

1 Executive summary

Background

Risk Management Policy

The College outlines its approach to risk management through its Risk Management Policy. This Policy was last reviewed in October 2022 and was due to be reviewed in October 2024, it should be noted that the College merger took place in August 2023 therefore, although the College utilise this Policy to date it only outlines the arrangements for North Highland College. Therefore, we have raised a recommendation for College Management to conduct a review of the Policy and update it in line with College wide risk management process, please see **Section 3: Detailed Recommendations** for further information.

The Policy details that effective risk management is essential to ensure that significant risks are identified, understood, and prioritised as part of normal management processes. Risk information must be structured to support informed decision making, balancing risk and reward. The consistent and timely identification and management of risk is a requirement of the Scottish Funding Council.

Risk Scoring

Risk at the College is scored by risk impact criteria x risk likelihood criteria and is mapped for gross and residual risk on a 5 x 5 risk matrix. See below for the 5x5 matrix:

IMPACT					
5 - Catastrophic	5	10	15	20	25
4 - Major	4	8	12	16	20
3 - Significant	3	6	9	12	15
2 - Minor	2	4	6	8	10
1 - Insignificant	1	2	3	4	5
	1 - Very Rare	2 - Unlikely	3 - Possible	4 - Likely	5 - Almost Certain
	LIKELIHOOD				

1 Executive summary

Risk Appetite

In November 2023, following the merger, the College had a development seminar with the Executive Team, the Board and a Consultant which contained coverage of risk appetite. Since this session, this has not been developed further, and it is something that the College plan to be define within the Risk Management Policy when it is reviewed. We have therefore, raised a recommendation for improvement, please see **Section 3: Detailed Recommendations** for further information.

Strategic Risk Register

The College has a Strategic Risk Register in place which contains a total of 13 strategic risks. Information is provided on the following:

- Link to UHI Partnership Risk;
- Date Reviewed;
- Risk Status;
- Risk Category;
- Link to UHI NWH Strategic Goals/ enabling strategies;
- A description of the area of risk;
- Inherent risk score (impact x likelihood = overall);
- Risk Appetite;
- Target Risk;
- Mitigation to Minimise Risk;
- Residual Likelihood;
- Residual Impact;
- Residual Risk;
- Residual Risk Change;
- Review of actions to minimise risk (quarterly review); and
- Mitigation Action Owner.

1 Executive summary

We conducted a review of the Risk Register and can confirm this is a detailed document, we note that all columns are detailed however, not all are being used including the risk appetite, target risk, and the Link to UHI Partnership Risk columns. We have therefore, raised a recommendation for improvement, please see **Section 3: Detailed Recommendations** for further information.

Reporting

The College has extensive reporting arrangements for risk in place. Risk is considered throughout the year at Executive Team and Senior Leadership Team meetings. Reports are produced from these meetings and key points are presented to the Audit & Risk Management Committee quarterly. We conducted a review of the three most recent Strategic Risk Reports and can confirm these contain sufficient coverage of key risk areas and minutes from these meetings show sufficient discussion by Committee Members.

1 Executive summary

Work Undertaken

In line with each objective, we conducted the following work:

Objective 1: The College has set out clearly its strategic direction in relation to risk management (including policy, roles and responsibilities, objectives and communications).

- | We conducted a review of the Risk Management Policy in place to assess whether this was robust and clearly defined the College's strategic direction in relation to risk management.
- | We reviewed roles and responsibilities in relation to risk management to assess whether these are clear and there was no overlap.
- | We reviewed the scoring systems in place for risk management and assessed whether this was clearly defined.

Objective 2: The College has adopted a systematic process in identifying, evaluating and measuring its strategic and operational risks.

- | We determined the process in place for identifying and evaluating risks in line with strategic objectives through discussion with key contacts and conducted a review of the Risk Management Policy in place.
- | We reviewed whether the Strategic Risk Register is in line with the Risk Management Policy and if this is regularly reviewed.
- | We held discussions with key contacts to assess whether operational risks are assessed at a departmental level.

Objective 3: The College has fully implemented Risk Appetite arrangements.

- | We held discussions with key contacts to gain an understanding of the risk appetite arrangements at the College and assessed whether this was clearly documented.

Objective 4: Risk Management is integrated into the culture of the College through its Strategy and staff awareness.

- | We conducted a review of the UHI Strategic Framework and considered whether the strategic goals were clearly linked with the risks on the Strategic Risk Register.
- | We considered how risk management is integrated into the culture of the College at a departmental level.

1 Executive summary

Objective 5: The College has adequate reporting in relation to risk management activities.

- | We reviewed the reporting arrangements of the reporting arrangements in place regarding risk management to assess whether they are robust.
- | We reviewed the Audit & Risk Management Committee meeting minutes to assess if reporting arrangements are being followed appropriately.

Objective 6: The College is providing appropriate risk management training.

- | We discussed the risk management training arrangements in place with key contacts to assess if these are appropriate.

1 Executive summary

Conclusion

Overall conclusion

Overall Conclusion: Substantial

Following our review, we can provide a substantial level of assurance surrounding the risk management arrangements in place at the College. This is further highlighted as we have raised several good practice points, however, we have raised two medium grade recommendations and two low grade recommendations for improvement. Please see **Section 3: Detailed Recommendations** for further information.

Summary of recommendations

Grading of recommendations				
	High	Medium	Low	Total
Risk Management	0	2	2	4

As can be seen from the above table there were no recommendations made which we have given a grading of high.

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	The reporting arrangements in place for risk management are robust. We conducted a review of the May 2025, August 2025, and October 2025 Strategic Risk Reports and a review of Audit & Risk Management Committee minutes which evidenced a strong assessment of risks that face the College, with effective challenge where appropriate.
2.	The College have adopted a scoring matrix for analysing risk, this is risk impact criteria x risk likelihood criteria and the definitions for each score is clearly defined on the Strategic Risk Register. Both scores are multiplied using a 5x5 scoring risk map matrix which is also clearly defined on the strategic risk register.
3.	The College Strategic Risk Register has a column outlining the link to UHI Strategic Goals which links to the Strategic Framework.

2 Benchmarking

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Risk Management

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	1	2	3
Number of recommendations at UHI North, West and Hebrides	0	2	2	4

From the table above it can be seen that the College has a higher number of recommendations compared to those colleges it has been benchmarked against.

3 Detailed recommendations

Risk Management Policy			
Ref.	Finding and Risk	Grade	Recommendation
1.	<p>The College should ensure that a formal and up to date Risk Management Policy is in place, approved by the appropriate Committee and communicated across the College, clearly reflecting the post-merger structure and governance arrangements.</p> <p>During our review, we identified that the College is relying on a pre-merger Risk Management Policy which was most recently reviewed and updated in October 2022, and the next update had been due to take place in October 2024. This Policy has not been formally updated, renewed or adopted following the merger and is now overdue for review. Although the Policy contains key elements of good practice, it is not specific to the current College context.</p> <p>It should be noted that at the time of our review, the College are drafting a new Risk Management Policy and it is scheduled to be presented to the next Audit & Risk Management</p>	Medium	<p>We recommend that the College formally review, update, and approve the Risk Management Policy to reflect the current College structure and operating environment following the merger. This should include confirming policy ownership, review frequency, and alignment with the College’s developing risk management framework including the process for identifying and evaluating strategic and operational risks.</p> <p>We also recommend that formal refresher training is provided to the relevant staff following the Policy review and updates.</p>

3 Detailed recommendations

	<p>Committee in February 2026.</p> <p>Our assessment of root cause found that the Policy has not been updated due to management focus being directed towards the merger operational integration, continuity of service, and College restructuring, resulting in policy review activities being de-prioritised.</p> <p>There is the risk that continued reliance on an outdated and pre-merger Policy could lead to inconsistent or unclear risk management arrangements, and a lack of clarity surround roles, responsibilities, and reporting requirements.</p>		
Management response		Responsibility and implementation date	
Accept the recommendation; Revised DRAFT policy will be presented to ARM on 18 February 2026.		<p><i>Responsible Officer:</i></p> <p>Principal</p> <p><i>Implementation Date:</i></p> <p>September 2026</p>	

3 Detailed recommendations

Risk Appetite			
Ref.	Finding and Risk	Grade	Recommendation
2.	<p>Good practice among organisations is to have a defined risk appetite in place which includes a scoring matrix and corresponding risk appetite for different categories of risk. Risk appetite should guide decision-making by identifying whether additional controls or mitigating actions are necessary when the risk level exceeds the acceptable risk appetite.</p> <p>During our review, we found that in August 2023, the College had a development seminar with the Executive Team, the Board and a Consultant which covered risk appetite. Since this session there has been no further development of the College’s risk appetite level. We note that this will be defined within the new Risk Management Policy which is in development.</p> <p>It should be noted that the Strategic Risk Register has a column for risk appetite however, this is not utilised.</p>	Medium	<p>We recommend that the College defines its risk appetite for each risk category. The College should also prepare an overall risk appetite statement and formally document this within any future Risk Management Policy that is developed.</p> <p>We also recommend that refresher training is provided to all relevant staff following the risk appetite statement being defined.</p>

3 Detailed recommendations

	<p>Our assessment of root cause found that risk appetite was discussed at a high level but was not formally defined, approved, or embedded into governance processes since the College merger took place.</p> <p>Without clearly defining the risk appetite and how it links to recorded risk levels there may be unclear decision-making as to when risks are carried over to the action plan resulting in confusion between risk owners and inconsistencies in the College processes.</p>		
Management response			Responsibility and implementation date
<p>Accept the recommendation; current risk appetite statement to be included in revised DRAFT Risk policy presented to ARM on 18 February 2026; Risk Appetite seminar to refresh board Risk Appetite to be scheduled with board by December 2026.</p>			<p><i>Responsible Officer:</i></p> <p>Principal, in liaison with board Secretary for Board Risk appetite seminar</p> <p><i>Implementation Date:</i></p> <p>December 2026</p>

3 Detailed recommendations

Operational Risk Registers			
Ref.	Finding and Risk	Grade	Recommendation
3.	<p>The College should have a formalised risk management framework in place that requires all departments to identify, asses, document, and regularly review operational risks through maintained departmental Operational Risk Registers, aligned to the College's overarching Risk Management Policy.</p> <p>During our review and discussions, we found that while departments manage operational risks in practice, these risks are not formally documented within defined departmental Operational Risk Registers or a College wide Operational Risk Register.</p> <p>Our assessment of root cause found that the absence of a standardised framework for the management of operational risks is due to the outdated Risk Management Policy in place.</p> <p>Without documented departmental Operational Risk Registers or a College wide Operational Risk Register, there is an increased risk that key</p>	Low	<p>We recommend that the College develop and implement departmental Operational Risk Registers for all departments/ a college wide Operational Risk Register. These Registers should be aligned to the College's risk management framework and include clear guidance on risk identification, assessment, ownership, review frequency, and escalation to ensure consistent and effective operational risk management.</p>

3 Detailed recommendations

	operational risks are not consistently identified, assessed, monitored, or escalated.		
Management response		Responsibility and implementation date	
Accept the recommendation; action will be taken forward as part of new operational planning framework to be rolled out following post-merger transformation.		<p><i>Responsible Officer:</i></p> <p>Principal and ELT, together with new post holder for Strategic Planning Officer</p> <p><i>Implementation Date:</i></p> <p>Framework to be in place by August 2026.</p>	

3 Detailed recommendations

Strategic Risk Register			
Ref.	Finding and Risk	Grade	Recommendation
4.	<p>The College maintains a Strategic Risk Register to identify, assess, and monitor strategic risks including alignment with strategic objectives and partnership requirements following the merger.</p> <p>During our review, we found that the Strategic Risk Register is well structured and contains comprehensive columns for each of the identified strategic risks. However, not all columns are consistently being fully populated. This includes the target risk and the link to UHI Partnership risk. While the risk appetite column is also not populated, this is due to the risk appetite not yet being fully established.</p> <p>It should be noted that the UHI Partnership risks are yet to be clearly defined therefore this column has not been populated due to external factors.</p> <p>Our assessment of root cause found that the College is still in the process of consolidating</p>	Low	<p>We recommend that College management ensure that all applicable fields within the Strategic Risk Register are fully and consistently populated for each strategic risk including the target risk and the link to UHI Partnership risk.</p>

3 Detailed recommendations

	<p>and standardising risk management processes following the merger. As a result, some elements of the Strategic Risk Register framework have not yet been fully embedded or consistently applied.</p> <p>If the Strategic Risk Register is not fully populated, there is a risk that Senior Management and Committees may not have complete or consistent information to support effective oversight and prioritisation of strategic risks.</p>		
Management response		Responsibility and implementation date	
Accept recommendation.		<p><i>Responsible Officer:</i></p> <p>Principal</p> <p><i>Implementation Date:</i></p> <p>Implementation following acceptance of revised risk policy; by end of AY 2025-26 (July 2026)</p>	

4 Audit arrangements

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Management Committee meeting.

Audit stage	Date
Fieldwork start	19 January 2026
Closing meeting	28 January 2026
Draft report issued	5 February 2026
Receipt of management responses	13 February 2026
Final report issued	16 February 2026
Audit & Risk Management Committee	18 February 2026
Number of audit days	8

5 Key personnel

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wbg			
Partner	Graham Gillespie	Partner & Head of Internal Audit	gg@wbg.co.uk
Director	Peter Clark	Director of Internal Audit	pcc@wbg.co.uk
Senior Manager	Scott McCready	Senior Internal Audit Manager	smc@wbg.co.uk
Senior	Carla Tamagnini	Internal Audit Senior	ct@wbg.co.uk
Auditor	Oliver McLaughlin	Internal Auditor	oml@wbg.co.uk

UHI North, West and Hebrides			
Key Contacts	Derek Bond	Vice Principal (Resources)	derek.bond.whc@uhi.ac.uk
	Lydia Rohmer	Principal and Chief Executive	lydia.rohmer@uhi.ac.uk
Wbg appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			



A Grading structure

For each area of review, we assign a level of assurance in accordance with the following classification:

Assurance Classification	
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

A Grading structure

For each recommendation, we assign a grading either as High, Medium, or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit & Risk Management Committee and addressed by Senior Management of the College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where Management may wish to consider our recommendation.

Purpose of review

The purpose of the review is to assess whether the College has appropriate risk management arrangements in place and that these have been embedded throughout the whole College. This review will look to provide assurance to the Audit & Risk Management Committee, that the College's risk management arrangements are adequate.

This review forms part of our 2025/2026 Internal Audit Annual Plan.

Scope of review

Our objectives for this review are to assess whether:

- | The College has set out clearly its strategic direction in relation to risk management (including policy, roles and responsibilities, objectives and communications).
- | The College has adopted a systematic process in identifying, evaluating and measuring its strategic and operational risks.
- | | The College has fully implemented Risk Appetite arrangements.
- | | Risk Management is integrated into the culture of the College through its Strategy and staff awareness.
- | The College has adequate reporting in relation to risk management activities.
- | The College is providing appropriate risk management training.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

Review of risk management arrangements in place, including a review of risk management strategy, policy and framework, where applicable.

- Review of risk registers in place.

- Review of risk management training records for Board and Committee members, and staff.

- Discussion with key personnel to establish current arrangements for risk management.

- Evaluating these arrangements to confirm their adequacy.

- Review of documentation to confirm that policies and procedures are in place and that current arrangements comply with good practice.

Potential key risks

The potential key risks associated with the area under review are:

- The College may not have set out clearly its strategic direction in relation to risk management (including policy, roles and responsibilities, objectives and communications).

- The College may not have adopted a systematic process for identifying, evaluating and measuring its key strategic and operational risks.

- The College has fully implemented Risk Appetite arrangements.

B Assignment plan

- | | Risk Management is integrated into the culture of the College through its Strategy and staff awareness.
- | The College may not have adequate reporting in relation to risk management activities.
- | The College may not be providing appropriate risk management training.