

Outlining our Regulatory Risk Framework

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WITHDRAWN

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Context

Ofqual is the independent qualifications regulator for England. We regulate around 150 awarding organisations who offer over 16,000 regulated qualifications to learners. We have five statutory objectives covering qualification standards, National Assessment standards, promotion of public confidence, promotion of awareness of regulated qualifications, and efficient provision.

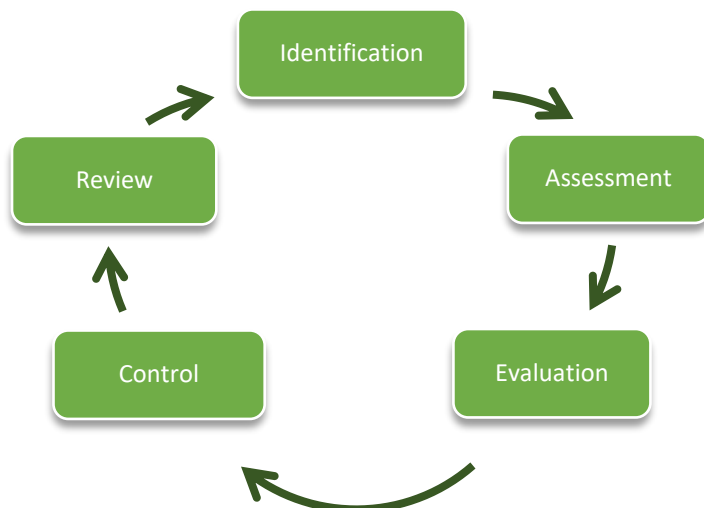
The regulated qualifications market is diverse and multi-faceted. With the large number of awarding organisations, range of users of their qualifications, and involvement of other stakeholders across the education sector, there are a number of potential threats to the delivery of our statutory objectives. We use three risk dimensions to identify and manage the different types of regulatory risk that are relevant to us.¹

- **Qualification risk** relates to the potential issues that could arise across the stages of the qualification lifecycle
- **Entity risk** relates to risks posed by individual awarding organisations
- **Systemic risks** are those that could be more widespread within the qualifications sector, affecting multiple awarding organisations or qualifications

Our risk-based approach informs our allocation of resources, based on an assessment of identified concerns that may threaten our objectives. It provides a focus for our regulatory approach, and establishes which risks we seek to mitigate. This document specifically outlines our approach to risk management in the sector that we regulate.

Risk based approach

We use a five-stage risk framework, as illustrated. Following this model helps us to bring consistency and clarity to our management of risks. The details of each of these five stages are shown over the following pages.



¹ Our approach to management of regulatory risks differs from that for corporate risks, which has its own risk management process.

Identification – *Recognising potential risks to achieving our statutory objectives that may require management*

We seek to identify where there is risk that awarding organisations may not be compliant with our General Conditions of Recognition (GCR). For awarding organisations this could threaten the validity of their qualifications. Non-compliance with GCRs will threaten the achievement of our statutory objectives. We map the GCR to ten risk categories to help us analyse and identify trends across individual and groups of awarding organisations, and qualifications. These risk categories are:

- Qualification validity – Design and development
- Qualification validity – Marking, grading and moderating
- Qualification validity – Assessment materials
- Qualification validity – Malpractice / maladministration
- Qualification validity – Delivery of assessment
- Qualification validity – Review
- Awarding organisation – Governance
- Awarding organisation – Stability
- Awarding organisation – Arrangements with third parties
- Awarding organisation – Dealings with the regulator

The qualifications landscape is complex and changing. At the systemic level, we aim to identify a broad range of potential systemic risks. Changes in policy, behaviours, supply and demand all lead to the emergence of potential new risks, while the relevance of others declines. An annual exercise, supplemented by ongoing analysis throughout the year, updates this picture by identifying new risks, and closing others.

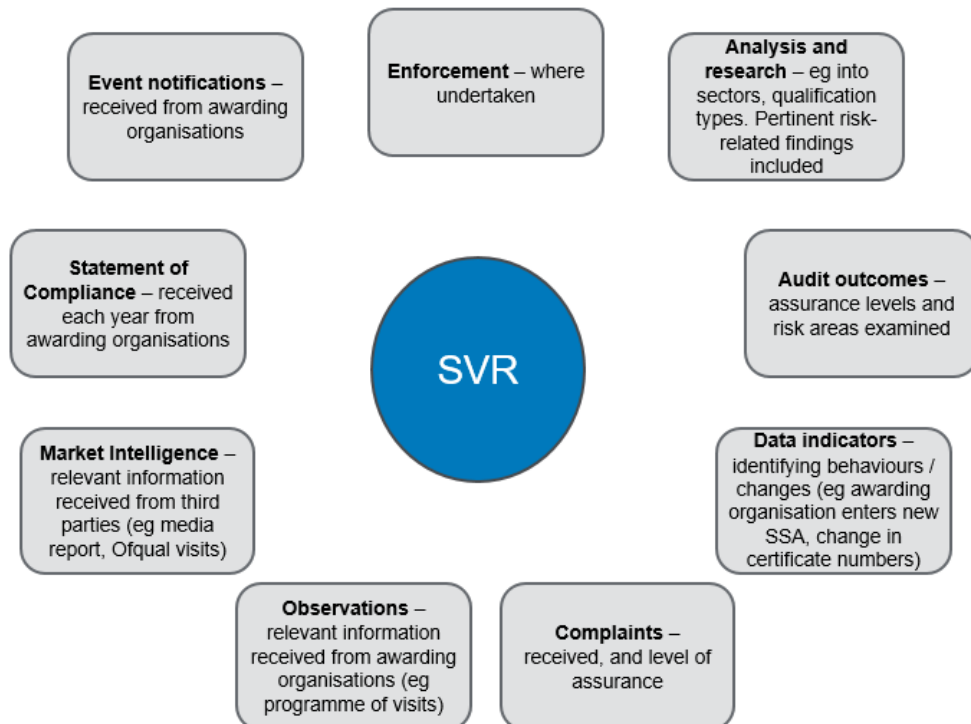
Assessment – *Reaching a view on the impact and likelihood of an identified risk.*

The assessment of identified risks helps us to determine where we may or may not act. We consider the **impact** (amount of harm that could be created) and **likelihood** (the potential for the risk to happen) of a risk when deciding whether we may take action. We use a tool named the Single View of Risk (SVR) to inform these assessments for the entity and qualification dimensions. The SVR captures our dynamic, organisational view of the risk presented by each awarding organisation and its qualifications, and is based around:

- **Impact** – a measure to examine the relative differences between the scale of awarding organisations. This uses information about the types of qualification offered by each awarding organisation and the importance attached to them (for instance, recognising the particular emphasis placed on qualifications that are used in performance tables, or for visa purposes), as well as the number of certifications. This information is combined to generate a score for each qualification, aggregated up to the awarding organisation. This information makes it possible to compare the relative impact of each awarding organisation, and this can be examined in further detail by, for instance, looking at the relative impact between different sector subject areas, or

types of qualification.

- Likelihood** – the collation of risk information from various organisation information sources and intelligence, split by the risk categories. This helps us to identify behaviours that may flag a greater risk of awarding organisation non-compliance, or mitigations that reduce that risk. This provides a consolidated view of relevant information to enable us to make informed decisions about potential areas of activity. It does not rate or score awarding organisations. The tool is based on the sources shown below, each of which is regularly updated to capture positive mitigating indicators, and negative warning indicators.



The combination of impact and likelihood information, looked at in conjunction with other contextual data available in the SVR, provides a sound risk-basis for decisions about which awarding organisations to engage on what matters, and where further regulatory action may be most beneficial. We consider the most appropriate form of regulatory action, conscious of the burden this can place on awarding organisations and the severity of the risks that may crystallise. This is supplemented by regular and ad hoc analysis, which can identify possible changes in awarding organisation risk.

A different approach is adopted for the assessment of systemic risks. We use a consolidated version of the systemic risks identified in the aforementioned annual exercise. External members of our Board and internal experts assess the relative impact and likelihood of these risks. This is supplemented by monitoring various expressions of these risks by periodically examining specified risk indicators.

Evaluation – *Weighing up a risk against our appetite helps us to decide whether it is something to be actively managed*

In the evaluation stage we consider whether we will act on a risk. The evaluation and control of qualification, entity and systemic risks is informed by our appetite. The approach differs based on the matter at hand, and reflects the limitations of our resource. Our risk appetite, set by the Board, is informed by factors including, but not limited to:

- the size of a qualification
- the stakes if a failure occurs
- the potential impact on public confidence
- the potential impact on standards

There are times when our consideration of risk appetite may cause us to accept one type of risk in order to achieve the best mitigation of another, more significant risk. These decisions often reflect a balance between our different statutory objectives and duties, for example, the balance of risk to efficiency against risk to standards or public confidence.

Factoring our risk appetite, we select the systemic risks that we act on and these form our published corporate priorities for the year ahead. We outline these main areas of focus to awarding organisations through our Corporate Plan, correspondence to awarding organisations setting out our priorities, and at our annual conference. We tolerate some systemic risks because, for instance, they would have a low impact should they emerge, or due to the fact that the levers to address those risks may be held by other stakeholders in the broader education and training system.

We always evaluate certain sources of information, including event notifications and complaints. However, the nature of our enquiries, and the reassurances that we require in response to those sources, will be proportionate to the risks posed, and our appetite.

Control – *Where the evaluation indicates action is required, one or more controls may be put in place to manage the risk*

Where we choose to control or act on a risk, whether at the qualification, entity or systemic level, we will employ the most appropriate tools. We are mindful that our activity needs to be proportionate in terms of the burden placed on awarding organisations. We therefore use the most efficient and appropriate controls. A control may be used to do one or more of:

- reduce the likelihood of a risk arising and becoming an issue
- mitigate the impact of a risk arising should it become an issue
- reduce the likelihood of a risk happening again
- mitigate the impact of a risk that has happened

The GCR form one of our main risk controls. They set out the requirements we have for all awarding organisations to mitigate the key risks to our statutory objectives. Alongside publishing our requirements we promote compliance with our rules through communications,

guidance and publishing information to drive good behaviours; we check compliance through audit, our annual Statement of Compliance exercise, technical evaluation and investigations; and we take action to address non-compliance through our enforcement mechanisms. Further details of some of the more formal activity we may undertake can be found in our 'Taking Regulatory Action' document.

Often our risk control requires addressing risks to public confidence. We engage extensively with stakeholders across the education and training system, including learners, centres, parents, teachers and trainers, examiners, professional bodies and employers, with a view to building public confidence. The research we publish and the data we provide aid transparency and serve to promote public confidence.

Review – *Examining whether a controlled risk remains a risk, and our overarching approach.*

We continually review our approach to risk. This applies at the level of the risk dimensions where we consider the effect that our actions had on the risk by continuing to assess it. It also applies across our approach to risk management for which examples of how review takes place include:

- review the effect of our regulatory activity
- review where amended or new GCR's may be required to address new or unforeseen risks
- review whether different types of qualification have increasing or decreasing levels of impact
- review whether the risk categories are still applicable and clear
- review whether new information can be incorporated into SVR
- annual review of potential new systemic risks, based on a range of perspectives and intelligence

We regularly engage in scrutiny and challenge of the risks we are managing and the efficacy of our risk management governance. Roles and responsibilities for our risk management include:

- **Operational decision makers** who make informed risk assessments and decisions about where to use different controls
- **Risk team** who provide independent analysis and recommendations, and own the overarching identification and assessment arrangements
- **Directorate leadership** who monitor systemic risks, choosing which risks to escalate, control and tolerate. Executive Directors are the ultimate risk owners for risks related to their responsibilities
- **Ofqual leadership** who review progress against our most significant risks and make decisions about which to control and tolerate, as well as sign off for large programmes of work (eg audit programmes) to ensure that resources are best applied against the most appropriate risks

- **Audit and Risk Assurance Committee**, a Board sub-committee, who provide independent assurance of the operation of the risk framework
- **Board** who review the nature of, set the risk appetite for, and evaluate the effectiveness of the mitigations, to manage regulatory risks

Lastly, we regularly review the approach we are taking to risk management. This document has outlined our current methodology, which is the result of an evolution in our thinking. We anticipate it will continue to evolve, and we will review the applicability of this document accordingly.

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