UNITED REPUBLIC OF TANZANIA

MINISTRY OF WORKS, TRANSPORT AND COMMUNICATION

ARCHITECTS AND QUANTITY SURVEYORS REGISTRATION BOARD (AQRB)

RISK MANAGEMENT FRAMEWORK

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2. Guidelines for developing and implementing Institutional risk management Framework in the Public Sector 2012

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FOREWORD

Over the recent years, managing risk has become an increasingly important aspect of public sector governance and a critical factor to support the achievement of public sector objectives. In Tanzania however, the adoption of risk management practices has been on ad hoc basis and without any formal implementation guidelines.

In December, 2012, the Government of the united Republic of Tanzania issued Guidelines for Developing and Implementing Institutional Risk management Framework in the Public sector. The guidelines aimed at providing practical guidance to Public Sector Organizations (PSOs) in developing and implementing customized risk management frameworks. This has placed greater need for the PSOs to develop and implement their own risk management frameworks as part of their governance processes.

In recognition of the above, the Architects and Quantity Surveyors Registration Board (AQRB) has developed this Framework to guide the implementation of Risk management Process in all Department and Units of the Board. The Framework is expected to instill a culture that will enable the Board to embed risk management in every aspect of governance and at every level of management. It is expected that all Departments and Units will implement the risk management policies, structures and procedures in order to have an effective assessment of risks and be able to put in place appropriate controls to mitigate those risks. The framework will provide assurance on the achievement of organizational objectives in providing services to the Public.

Arch Dr. Boniphace L. Bulamile

BOARD CHAIRMAN-AQRB

PREFACE

The preparation of the Risk Management Framework forms an important milestone in the process of helping all Department and Units of the Board to achieve their intended objectives efficiently and effectively. The Framework has been developed in line with the Guidelines for Developing and Implementing Institutional Risk management Framework in the Public sector that was issued by the Government of the United Republic of Tanzania in December, 2012.

The Framework describes the Risk Management Policy, Risk Management Structure and Risks Procedures to be followed by the Board in implementing the risk management process. The Risk management policy sets out the strategy, the appetite, attitudes and philosophy adopted by the Board in managing risk. The Risk Management Structure specifies roles and responsibilities and set outs lines of communications for reporting on risk management issues and events. The Risk procedures specify risk management methodologies, rules, tools and techniques to be used in development and implementation of risk management practices.

The framework provides a practical guidance to all Department and Units of the Board (steps and procedures) for implementing the risk management process. The framework should be considered as a living document, it is subject to periodic review /updates as and when changes in laws, regulations, standards occur and/or any other experience learned during the course of implementation that need to be captured in the document. The framework has been designed in a manner that allow an alignment of the framework with current /existing structures of all Departments and Units of the Board in order for Risk Management not to be seen as "external" or "new" component but rather a complement and improvement in the decision making process.

I wish to record my acknowledgements to all individuals and organs that were involved in the process of preparation and finalization of this Framework for their dedications and commitment into the whole process.

ARCH. Edwin J. Nnunduma

Ag. REGISTRAR

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LIST OF ABBREVIATIONS

CRSA	Control Risk Self-Assessment
IAGD	Internal Auditor General Division
ISO	International Organization for Standardization
PSOs	Public Sector Organizations
AQRB	Architects and Quantity Surveyors Registration Board
RMF	Risk Management Framework

DEFINITION OF KEY TERMS

Inherent Risk	:	A risk existing in the absence of any action to control or modify the circumstances (see residual risk).
Likelihood	:	A chance of something happening.
Operational Risks	:	Risk related to all other corporate risks associated with the operation of the Board.
Residual Risk	:	A risk that remains after all the efforts (current controls) have been made to mitigate or eliminate a risk (an inherent risk) associated with an objective or a business process.
Risk	:	Risk is the possibility of an event or condition occurring that will have an impact on the ability of the organization to achieve its objectives. Risk is measured in terms of its likelihood and impact.
Risk Analysis	:	Systematic process applied to understand the effect of the uncertainty of the risk on our goals and objectives.
Risk Appetite	:	Level of risk that an organization is willing to take in order to execute a strategy or the amount of residual risk the Board is willing to accept.
Risk Evaluation	:	Process of comparing the significance of the risks to define the order in which they should be dealt with.
Risk Identification	:	Process of determining what might happen, how, when and why.
Risk Owner	:	Any individual, generally a head of department or project

team member, who is responsible for the management, monitoring and control of an identified risk, including the implementation of the selected treatment responses.

Risk Register : A tool used in the Risk Management process to keep an overview of identified risks and corresponding mitigations or counter measures.

Risk Tolerance : The situation of risk that the organization is willing to accept or The amount of risk the Board is capable of bearing (as opposed to the amount of risk it is willing to bear).

Risk Treatment : Process of selection and implementation of measures to modify risk

Strategic Risks : Risks that affect the ongoing work of the Board as outlined in its Strategic Plan.

CHAPTR ONE

INTRODUCTION

1.1. Historical Background

The history of Tanzania Construction Industry can be traced way back in 1930 when Township (Building) Rules Cap 101 came into existence. Since then, there have been several initiatives to establish Acts, Rules and Regulations to regulate Construction Industry. In 1972, the National Board of Architects, Quantity Surveyors and Building Contractors Act No.35 of 1972, was established.

In 1997, Act No. 35 of 1972 were repealed and replaced by Architects and Quantity Surveyors (Registration) Act No 16 of 1997. In the year 2000, the Architects and Quantity Surveyors Bylaws were formulated for implementing the Act No. 16 of 1997.

Further, in year 2001, the Act No. 16 of 1997 was amended to include powers of stop orders, recognition of semi-professionals and promotion of professionals' conducts and ethics to enhance regulatory activities of the Board.

Due to socio-economic development, in year 2010 the Government repealed and replaced the Architects and Quantity Surveyors (Registration) Act No. 16 of 1997 with the Architects and Quantity Surveyors (Registration) Act No 4 of 2010 which stipulate the main functions of the Board.

1.2. Roles and Functions

The Architects and Quantity Surveyors (Registration) Act No 4 of 2010 stipulate the main functions of the Board as follows:-

(a) To register and maintain registers and sub-registers of architects, quantity surveyors and their firms, graduate architects, graduate quantity surveyors, architectural technicians, architectural draughtsman and other allied professionals both local and foreign, and to make decisions on applications for their registration, annually;

(b) To prescribe fees for application, registration, annual subscription and other fees as may be required;

(c) To regulate the activities and conducts of architects, quantity surveyors and their firms, graduate architects, graduate quantity surveyor, architectural technicians and architectural draughtsman;

(d) To enter building sites and inspect building or construction works for the purpose of verifying and ensuring that the works are being undertaken by a registered architectural or quantity surveying firms and that the works complying with all governing regulations and laws of the country including requirement for safety, an erection of signboard which shows the title of the project, names addresses, phones and e-mails of the client, architect, quantity surveyor, protect registration stickers and to take legal action against defaulter thereof;

(e) To promote, monitor and provide continuing professional development opportunities and facilities for the study and training in architecture, quantity surveying and allied subjects;

(f) To register construction works and projects.

1.3. Rationale for the Risks Management Framework

The purpose of this document, the Risk management Framework, is to present the Board's institutional arrangements for embedding Risk Management within AQRB processes. Specifically, the Risk Management Framework communicates the Board's risk policy and appetite statements. It outlines the roles and responsibilities of different organs, officials and all staff with regard to the management of risks; and provides implementation guidelines for risk management activities within the Board.

Furthermore, the Framework plays an important role in ensuring that the Board successfully achieves its strategic and operational objectives. The effective implementation of the Board objectives depends on the way the Board manages the risks. The risks management principles, procedures and rules need to be well developed, integrated and coordinated in order to meet the intended outcomes. Therefore the Framework is of great importance to AQRB survival and growth.

1.4. Regulatory requirements

Establishment of Risk Management Framework and implementation of Risk Management processes in the Board is a necessity backed by Section 6 (2) of Public Finance Act (2001) as amended in 2010 that gives mandate to the Permanent Secretary of the Ministry of Finance and Planning-Treasury to issue directives to ensure safe and effective use of public resources. The Permanent Secretary of the Ministry of Finance and Planning has directed all Accounting Officers through Circular no. 12 of 2012/13 issued in May 2013 to develop and implement risk management framework in all Public Sector Organisations (PSOs). The Act also gives the Internal Auditor General (IAG) the responsibilities to ensure the effectiveness of risk management.

1.5. Scope of Risk Management Framework

The purpose of Risk Management Framework is to provide guidance on the foundation and organizational arrangement for designing, implementing, monitoring, reviewing and continually improving Risk Management throughout the Organization. The Framework shall be applicable and limited to all AQRB's Departments, Units and, Sections. The Framework will also be applicable to all projects and programs initiated and implemented by AQRB.

1.6. The Document Structure

The structure of this document is as follows:
Chapter 1: Introduction
Chapter 2: Risk Management Policy
Chapter 3: Risk Management Governance Structure
Chapter 4: Risk Management Procedures
Chapter 5: Appendices

CHAPTER TWO

BOARD'S RISK MANAGEMENT POLICY

2.1. Introduction

This section provides a risk management policy statement and policies related to the risk management at the Board. It also offers risk policy objectives, as well as, general policy requirements.

2.2. Risk Policy Objectives

The overall objective of this Risk Policy is to formalize and communicate the Board's commitment to embedding risk management and provide guidance and direction in managing all risks that are likely to impact the Board's ability to achieve its overall as well as specific objectives.

Specifically, the risk policy is set to:

a) Ensure the principles and practices of Enterprise-wide Risk Management are fully integrated into the Board's functions of regulating the activities and conducts of Architects, Quantity Surveyors and their firms, Graduate Architects, Graduate Quantity Surveyor, Architectural Technicians and Architectural Draughtsmen and allied professionals

b) Ensure that the Board's risks are comprehensively identified, analyzed, evaluated, treated, monitored and reviewed. And that the likelihood and consequences of risks are reduced to match the Board's risk appetite.

c) Ensure the integrity and reliability of all operational systems and procedures are maintained.

d) Ensure that the knowledge, skills and attitudes required for successful risk management are included in appropriate training and career development courses at the Board.

2.3. Risk Policy Statement

a) The Board acknowledges that certain types of risks are inherent to its activities, and such risks, if not properly managed, have the potential to affect the Board's ability to achieve its vision, mission and strategic objectives.

b) The Board is committed to mitigate risks that are threats to the achievement of its objectives and putting in place actions that address the likelihood and impact of each risk to an acceptable level.

c) The Board shall maintain a Risk Register and appropriate action plan to document all potential risks and plan for mitigating risks as required by the National Guidelines for developing Institutional Risk Management Framework in PSOs (2012) and Treasury Circular No. 12 of 2013.

d) The Board shall regularly review, report and monitor the implementation and effectiveness of the risk management processes.

2.4. Risk Policy Requirements

The Board's commitment to risk management is pivoted in the following general requirements:

a) The Board's Risk Management Framework shall observe the requirements of the National Guidelines for Implementation of the Risk Management Framework in the Public Sector.

b) In pursuing risk management objectives, the Board shall thrive to be in conformance and attain alignment with existing relevant international standard on risk management (ISO 31000).

c) The Board shall establish, review and seek to maintain acceptable level of risk appetite congruent to its goals and objectives.

d) In pursuance of its risk management activities, the Board shall determine and undertake to use the appropriate level of resources.

e) Staff shall be availed with necessary knowledge and skills required to effectively undertake risk management.

f) The Board's Risk Management Framework shall come into effect after being approved by AQRB's Board of Directors.

g) Risk management activities shall be embedded into all activities of the Board.

h) The Board's Internal Audit Unit shall adopt a Risk Based approach, and use the risk register as one of its inputs.

i) Annually and quarterly reports at all levels of Management shall include section on risk management activities.

j) There shall be a register that is used to record, rate, monitor and report risks (risk register). The Risk register shall be maintained at three levels: Organizational, Departmental and units levels. The risk register shall be regularly reviewed at a frequency that is set during annual reviews of risk activities.

k) All information created in the course of risk management activities shall be properly documented and maintained by risk owners.

l) The Risk Management Coordinator shall be responsible for custody of the Board's Risk Management Framework document. The document shall be accessible to staff of the Board and other relevant authorities.

2.5. Risk Appetite Statement

The level of acceptable risk constitutes the Board's risk appetite. As part of the framework, the Risk Appetite Statement articulates the level and types of risks the Board will accept while pursuing its objectives. This statement is the result of a careful evaluation of how risks affect the Board's ability to achieve its strategic goals.

The Board follows a prudent risk-taking approach in managing the organization. It defines prudent risks as those seen to contribute to the organization's capacity to better deliver its mandate within a range of consequences that are well understood and appropriately mitigated. The Board's risk appetite establishes risk tolerance in accordance to different categories and levels of risks as stipulated below:

2.5.1. Level of Risk

As a general rule, risks within 1 to 4 levels, as given in the risk rating scales are tolerated; any risk above this level will require specific mitigation strategies that keep the risk within the acceptable levels.

2.5.2. Strategic Risks

Strategic risks are risks that due to Board's strategy selection, prioritization, modification, and implementation jeopardize achievement of the Board's goals and objectives. Strategic risk is a function of business decisions, the execution of those decisions, and resources deployed against strategies. It also includes responsiveness to changes in the internal and external operating environments. Proper management of strategic risks is critical to ensure the Board's resilience and ability to continue to operate effectively.

The risks arising from the Board's strategic approach in fulfilling its policy responsibilities can be significant. These risks are managed through detailed risk assessment processes that will make a basis for risk tolerance which emphasize the importance of integrity, maintaining high quality staff, and public accountability.

2.5.3. Financial risks

Financial risks are risks that the Board financial resources may be impaired because of adverse economic conditions, reduction in assets under supervision, inefficient resource utilization, or increasing expenditures reducing the ability to successfully complete the Board's mission. These risks are also a function of financial stewardship, internal controls, and reporting.

Financial risks can be significant. The Board manages these risks carefully due to the inherent possibility of fraud and financial mismanagement. Due to its position, the Board has no appetite for any practices that may lead to financial waste, fraud, embezzlement or any form of financial mismanagement by its employees and other stakeholders.

2.5.4. Operational Risks

Operational risks are risks that people, processes, systems, or external events may impede the Board's ability to meet its objectives. These risks are a function of internal controls, employees conduct, processes efficiency, third-party oversight, physical security, and business continuity planning. Operational risks also include the breakdown of processes to comply with laws, regulations, or Governments directives.

The Board has a low appetite for operational risk. The Board shall make resources available to control operational risks to acceptable levels. Acceptance of some risks is often necessary to foster innovation but this acceptance should in no way lead to non-compliance of applicable laws and regulations.

2.5.5. Reputation Risks

These risks are the negative perceptions that jeopardize the Board's credibility, achievement of mission and strategic objectives, or ability to maintain the Board's role of providing leadership in economic and financial management. Reputation risks are inherent in all Board's activities and encompasses factors such as regulatory capture; employees conduct; human resource practices; supervision, legal, licensing, and policy decisions; fiscal responsibility; and information security. The assessment of reputation risks should consider the Board's culture, issue escalation and response, and communication strategies.

The Board's reputation for integrity and competence should not be compromised. There should be no incidences that put the Board's reputation in to questions. All staff and stakeholders should be frequently reminded of the Board's zero tolerance towards fraud, corruption, or any other related activities which may lead to loss of reputation.

2.5.6. Compliance risks

Compliance or legal risks are risks that the Board may not fulfill its obligations as required by laws and regulations. Compliance risks are inherent in all Board's activities and decisions. Compliance risk encompasses factors such as policy decisions; enforcement actions; employees conduct; human resource practices; contractual obligations; and regulations development and interpretation.

The Board has no tolerance for compliance breaches. There should be no excuse for non-compliance to laws and regulations that are applicable in the daily conduct of the Board's operations.

2.6. Risk Management Principles

As set out by the ISO 31000 standard and other best practices, risk Management at the Board will be embedded by acknowledging the following principles:

a) Risk management will be an integral part of all the Board's processes, including strategic and business planning, operational performance, all projects and change management processes.

b) Risk management processes and decisions should be based on the best available information from various sources like historical data, experience, stakeholders' feedbacks and observations, forecasts and experts judgment.

c) Risk management should be systematic, structured and timely. This approach to risk management will contribute to efficient, consistent, comparable and reliable results.

d) Risk management at the Board will be dynamic, iterative and responsive to change. It should continually sense and respond to changes that affect the Board.

e) Risk management will take human and cultural factors into account. It should recognize the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder achievement of the Board's objectives.

f) Risk management will be transparent and inclusive to enable appropriate and timely involvement of key stakeholders and, in particular, decision-makers at all levels of within the Board.

g) Risk management is adopted for creating and protecting value. This is achieved by contributing the demonstrable achievement of objectives and improvement of performance.

h) Risk management at the Board should facilitate continual improvement by allowing the Board to develop and implement strategies to improve risk management maturity alongside all other aspects of the Boards activities.

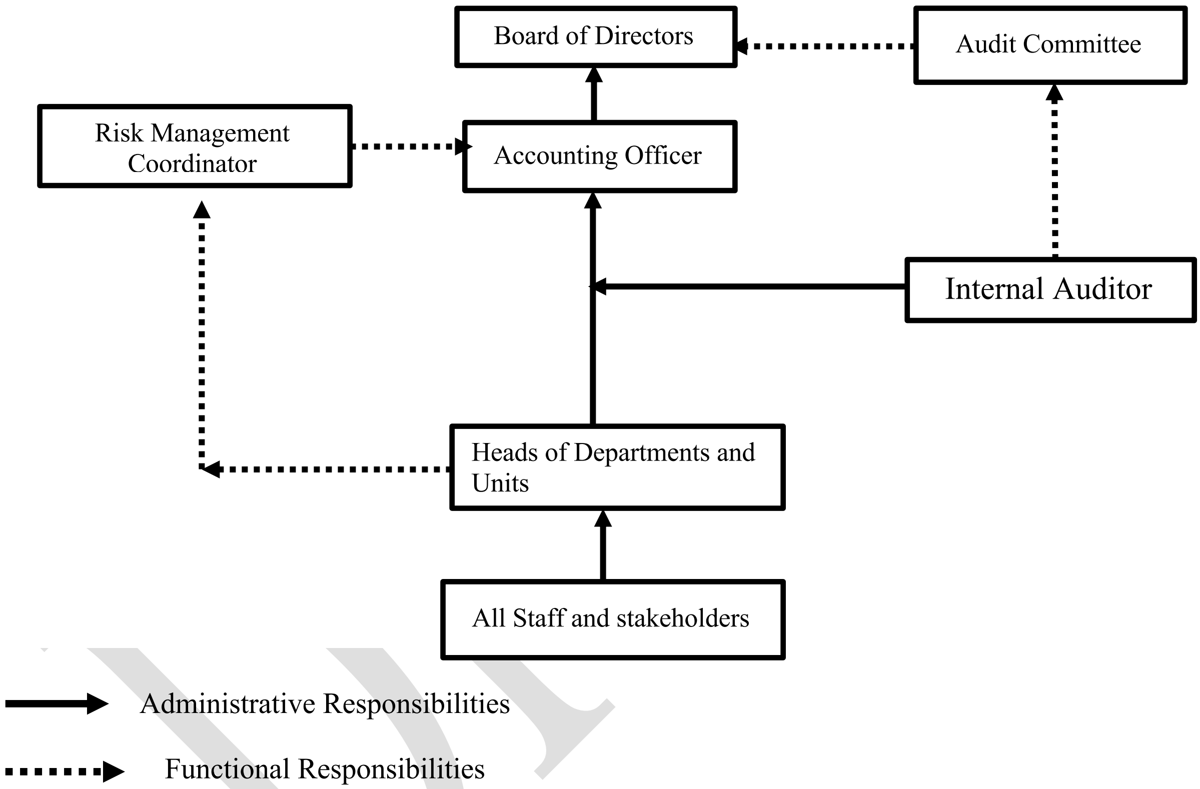
CHAPTER THREE

RISK MANAGEMENT GOVERNANCE STRUCTURE

3.1. Introduction

The Board ability to conduct effective risk management is dependent upon having an appropriate risk reporting structure and well-defined roles and responsibilities. Figure 1 presents the Board's risk management reporting structure.

Figure 1: Board's risk management reporting structure



3.2. Risk Management Roles and Responsibilities

From figure: 1, the following roles and responsibilities will apply:

3.2.1. Board of Directors

a) Approving the Board's risk management documentation (risk management policy, plans, structure, procedures and risk registers).

b) Setting the standards and expectations of the organization with respect to conduct and behavior, and ensuring risk management process is enforced through an effective performance management system.

c) Monitoring the management of high and significant risks, and the effectiveness of associated controls through the review and discussion of biannually risk management reports.

d) Satisfying itself that risks with lower ratings are effectively managed, with appropriate controls in place and effective reporting structures.

e) Approving major decisions affecting the organization's risk profile or exposure.

3.2.2. REGISTRAR (ACCOUNTING OFFICER)

Accounting Officer is accountable for the overall governance of the risk management practice in the Organization. The Accounting Officer will oversee the development and implementation of risk management framework that is aligned to the Board's operations, structure and context.

Specifically, the Accounting Officer is responsible for:

a) Setting an appropriate tone by supporting the adoption and implementation of effective risk management.

b) Designing, implementing, and enhancing of risk management framework.

c) Ensuring that the control environment supports the effective functioning of risk management practices;

d) Ensuring appropriate actions are taken in respect of the recommendations of audit committee, internal audit, and external audit with regard to issues of risk management.

e) Providing assurance to relevant stakeholders that key risks are properly identified, assessed and mitigated.

3.2.3. Audit Committee

The audit committee is responsible for:

a) Provision of an independent and objective view of Risk Management effectiveness in additional to the existing advisory responsibilities to the Accounting Officer. Specifically, the responsibilities of the Audit Committee shall include:

   i) Review the Board's Risk Management Framework and Risk Register for appropriateness;

   ii) Review Quarterly Risk Management Reports in relations to compliance with risk treatment action plan as agreed in the Risk Register;

   iii) Review and recommend disclosures on matters of risk and risk management in the Board's Annual Performance Report; and

   iv) Ensure that the Internal and External Audit Plans are aligned to the Board's risk profile.

   v) Make risk management as one of its standing agendas in its meetings

3.2.4. Risk Management Coordinator

a) There shall be a Risk Management Coordinator for Board who shall be appointed among the existing Senior Officers of the Board.

b) The Risk Management Coordinator shall report to the Accounting Officer on all matters relating to Risk Management. Specifically, the Risk Management Coordinator shall:

   i) Co-ordinate and monitor the implementation of risk management initiatives within the Board;

   ii) Coordinate the development or updating and review of the Board's Risk Management Framework and Risk Registers;

iii) Work closely with the "risk owners" (i.e. Principal Officers, and Heads of Departments and Units) in overseeing the identification and treatment of risks falling in their respective areas of responsibilities;

iv) Ensure that relevant risk information is reported and escalated or cascaded, as the case may be, in a timely manner that supports the Board's requirements;

v) Attend at Audit Committee's meetings when Risk Management issues are discussed; and

vi) Provide advice to Accounting Officer and Risk Owners on issues of Risk Management.

3.2.5. Heads of Departments and Units

a) These are the "Risk Owners" hence responsible for integrating and implementing risk management processes into their respective areas of responsibilities and operational activities.

b) Specifically, the Heads of Departments and Units are responsible for:

i) Executing their responsibilities as set out in the Risk Management Policy and Procedures;

ii) Empowering officials under their areas of responsibilities to effectively perform their risk management duties through proper guidance, supervision, communication of responsibilities and providing opportunities for skills development;

iii) Aligning the functional risk management methodologies and processes with the Board's Enterprise Risk Management process;

iv) Devoting personal attention to overseeing the management of key risks within their area of responsibility;

v) Providing risk management reports and or presenting to the Risk Management Coordinator;

vi) Maintaining the proper functioning of the control environment within their area of responsibility.

3.2.6. Head of Internal Audit Unit

The Head of Internal Audit Unit is responsible for providing the Accounting Officer and the Board of Directors with objective assurance (and advices) on the effectiveness of the Risk Management Processes. In fulfilling this responsibility, the Head of Internal Audit Unit must:

i) Develop Risk-based Internal Audit Plans consistent with the Board's risk profile;

ii) Evaluate the Board Risk Management Framework (i.e. Policy, Governance Structure, and Procedures) to ascertain if they support and are aligned with the Board's mission and strategic objectives;

iii) Ascertain whether significant risks on the Board's strategic objectives, targets and functions are identified and appropriately assessed, and that appropriate risk responses are selected and implemented, so as to align risks treatments with the Board's risks appetite;

iv) Ascertain whether relevant risk information is captured and communicated in a timely manner across Departments and Units, enabling the Accounting Officers, the Management and staff to carry out their responsibilities; and

v) Provide the Accounting Officer and the Board of Directors with reports on the effectiveness of the Board's risk management framework.

3.2.7. Risk Management Champions

There shall be Risk management Champions appointed by the Accounting Officer in every Department and Units, who shall have the following roles and responsibilities:

a) Facilitate the identification of risks within their departments and Units;
b) Coordinate the implementation of RMF within the departments and Units;
c) Communicate risks mitigation strategies within the departments and Units; and
d) Facilitate the periodic review and update of department/unit risks profile.

3.2.8. Other Staff

a) All staff are responsible for integrating and implementing risk management in their day- to- day activities. With this respect, they must:

i) Comply with all rules, regulations and instructions relating to Risk Management;

ii) Work in a manner which is safe and secure for themselves, colleagues and visitors;

iii) Implement the risk treatment action plans that address specific risks falling in their areas of responsibilities;

iv) Inform their supervisors and/or the Risk Management Coordinator of new risks and significant changes on known risks; and

v) Co-operate with other role players in the risk management process.

CHAPTER FOUR

RISKS MANAGEMENT PROCEDURES

4.1. Introduction

This section presents in summary the risk management procedures to be applied in the Board, which includes the risk assessment methods and tools for monitoring and reporting on risks mitigations.

4.2. National Guidelines on Risk Management and ISO 31000

The Board has aligned its RMF with the National Guidelines for Developing and Implementing Risk Management Frameworks in PSO (of December, 2012 – and any current updates) as issued by the Ministry of Finance and Planning through the Internal Auditor General's Division (IAGD), and its accompanying Treasury Circular No. 12 of 2012/13.

Moreover, the implementation of the risk management process follows the logical arrangement as given by ISO 31000:2009.

Figure 2 presents the ISO 31000 model of risk management process, which involves the following key steps:

i. Establishing context;

ii. Risk identification;

iii. Risk analysis;

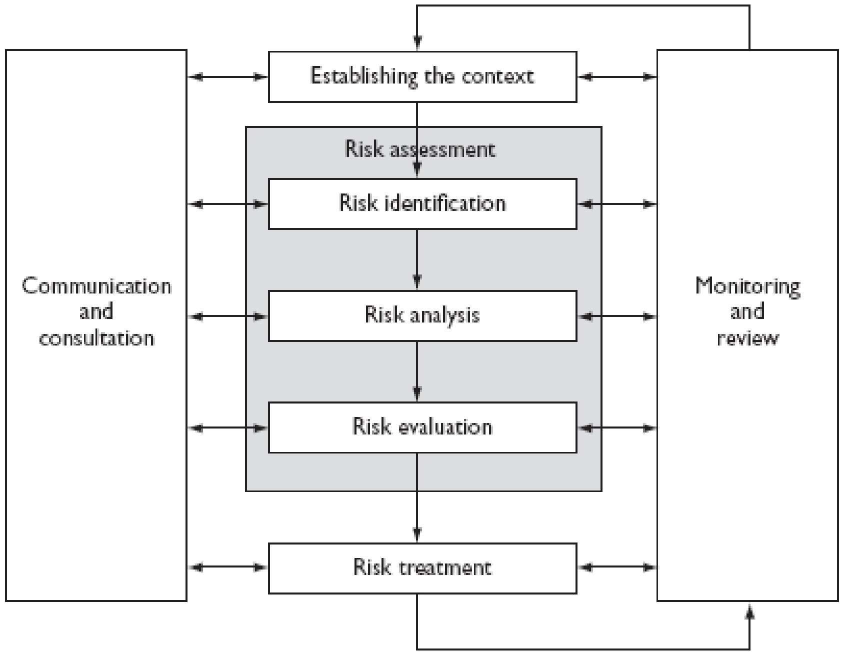
iv. Risk evaluation;

v. Risk treatment;

vi. Communication and consultation; and

vii. Monitoring and review.

Figure 2: Risk Management Process (ISO 31000:2009)



4.3. Establishing Context

a) This is the strategic, organizational and risk management context against which the risk management process in the organization will take place. Criteria against which risk shall be established, and evaluated the structure of the risk analysis defined.

b) Context could be viewed in terms of external (political, legal, technological, economic, social and environmental) and internal environments to the Board (to include all Departments, units, programs, projects, activities in all sectors). These are mostly where the sources of risks come from.

4.4. Risk Identification

a) This is the identification of what, why and how events arise as the basis for further analysis. The risk will be identified against the Strategic Objectives, and operational targets.

b) This identification may be done through either a workshop, survey or when a new risk emerges. All identified risk will be documented in specific form.

c) Template; 1 will be used to capture the risk identification process.

4.5. Risk Analysis and Evaluation

a) This is determination of existing controls and the analysis of risks in terms of impact and likelihood in the context of those controls.

b) The analysis should consider the range of potential consequences and how likely those consequences are to occur.

c) Impact and likelihood are combined to produce an estimated level of risk. This is a comparison of estimated risk levels against pre- established criteria. This enables risks to be ranked and prioritized.

d) Risks impact and likelihood will be rated using a 5 band rating scale as follows:

Table 1: Five Band Risk Assessment Scale

Number	Impact	Likelihood
5	Very High (VH) also *Catastrophic*	Very High (VH) also *Almost certain*
4	High (H) also *Major*	High (H) also *Likely*
3	Medium (M) also *Moderate*	Medium (M) also *Possible*
2	Low (L) also *Minor*	Low (L) also *Unlikely*
1	Very Low (VL) also *Insignificant*	Very Low (VL) also *Rare*

e) The following classification guidance of Impacts and Likelihood (table 2 and table 3) shall be used in determining the likelihood and impact of risk:

Table 2: Classification Guidance on Impact of Risks

Rank	Score	Explanatory Note
Very High *(Catastrophic)*	**5**	• Non-delivery of services/ impact that would result in failure to achieve three or more of our strategic aims, objectives or key performance targets • Significant financial loss (e.g. budget reduction by 20%) • Multiple loss of life and/or loss of reputation or image that may take more than five (5) years to recover or involves litigation • Event that involves significant management time (takes three (3) months and above)
High *(Major)*	**4**	• Non-delivery of services/ impact that would result in failure to achieve one to two of our strategic aims, objectives or key performance targets • High financial loss (e.g. budget reduction by 10%) • Multiple loss of life and/or loss of reputation or image that may take 2-5 years to recover or involves litigation • Event that involves relatively higher management time (takes lesser than three (3) months)
Medium *(Moderate)*	**3**	• Partial delivery of services/ restricted ability to achieve one or more of our strategic aims, objectives or key performance targets • Moderate financial loss (e.g. budget reduction by 5%) • Moderate loss of life and/or loss of reputation or image that may take 1 year to recover
Low *(Minor)*	**2**	• Delivery of services with acceptable levels of problems/ some aspects of one or more of our strategic aims, objectives or key performance

		targets • Minor financial loss (e.g. budget reduction below 5%) • Event that involves little management time (takes lesser than one (1) months)
Very Low *(Insignificant)*	**1**	• No impact • Insignificant financial Loss

Table 3: Classification Guidance on Risk Likelihood

Rank	**Score**	**Explanatory Note**
Very High *(Almost Certain)*	**5**	• The adverse event will definitely occur, probably multiple times in a year.
High *(Likely)*	**4**	• The adverse event is expected to occur in most circumstances e.g. from 60% onwards chance of occurring in the next 12 months or 6 out of every 10 years. History of events in the institution or similar organizations.
Medium *(Possible)*	**3**	• The risk event should occur at sometime e.g. between 10%-59% chance of occurring in the next 12 months or between 2- 5 out of every 10 years. i.e. (50/50 chance of occurring within the next year).
Low *(Unlikely)*	**2**	• The risk event may occur only in exceptional circumstances e.g. below 10% chance of occurring in the next 12 months or once in 10 years
Very Low *(Rare)*	**1**	• Highly unlikely to occur in the next 5 years. No history of adverse event in the organization.

f) The overall risk status will be the product of impact and likelihood i.e. IMPACT X LIKELIHOOD. The following table will be used to guide the decision on how to respond to each risk status:

Table 4: Risk Rank Levels, Color Expression and Responses

Total Risk/ Risk Status (Impact x Likelihood)	Description	Expression in Color	Meaning and Responses
15-25	Extreme or severe	Red	Very serious concern; highest priority. Take immediate action and review regularly.
10-14	High	Light brown	Serious concern; higher priority. Take immediate action and review at least three times a year
4-9	Moderate	Yellow	Moderate concern; steady improvement needed. Possibly review biannually
1-3	Low	Green	Low concern; occasional monitoring. Tolerate/ Accept. Continue with existing measures and review annually.

4.6. Risk Treatment

a) Specific risk management plans including funding considerations for higher priority risks will be developed after each risk assessment process. Lower priority risks may be accepted but monitored (i.e. risks within the green region of the heat map).

b) Template; 2 will be used as the format of the Risk Register. The risk register shall be prepared as summary of all risk identification sheets from Template; 1.

c) The risk management plans are termed as proposed controls and need to be reflected both in the Risk Identification and Analysis Sheet (Template 1) and the Risk Treatment Schedule and Action Plan (Template 3).

4.7. Reporting

a) Risk reporting shall be compiled using the 'Risk Management Quarterly Implementation Report (Template 4).

b) All risk owners shall, on quarterly basis, prepare risk management quarterly implementation report and submit to the Risk Management Coordinator.

c) The Risk Management Coordinator shall compile all reports and prepare a summarized report on the overall status on implementing risk treatment action plans on quarterly basis.

d) Reports shall be prepared to cater for both the needs at the strategic level (the Board, Audit and Committee and Senior Management) and operational level (operational management).

e) At minimum, reports at the strategic level shall highlight current risks and status of mitigation activities; new/emerging risks during the period; other challenges faced/ experience learned conclusion and recommendations.

f) Reports at the operational level shall be detailed and preferably in table format to enable provision of detailed information regarding management of risks.

g) The frequency of risk reporting shall reflect the normal reporting cycle i.e. quarterly to higher level organs and weekly/monthly to operational level management.

4.8. Monitoring and Review

a) Monitoring and review will be carried out regularly to ensure that the Board effectively measures, reviews and reports on risk management performance and effectiveness of the risk management framework.

b) The main tool for monitoring shall be the benchmark of the proposed action plans with the actual implementation reports (i.e. comparison between Template 3 and 4).

c) The risk management policy shall also be subjected for audit on an annual/bi-annual basis.

d) Audit may be conducted by internal audit or an external party; with the following objectives:

   i. Review of the structure and key elements of the Risk Management policy and provide assurance that they are all working as intended;

   ii. To review the extent to which material risks are being managed within the Board's Risk Appetite;

   iii. To review the adequacy of Risk Reporting;

   iv. To review the implementation or application of key risk controls and the implementation of key risk treatment strategies;

   v. To review the adequacy of risk management resourcing and the performance of key risk management personnel;

   vi. To confirm that material changes to the Risk Management Framework have been approved by the Registrar and noted by Internal and External Audit.

4.9. Communication and Consultation

a) Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process.

b) Specific quarterly Risk Management Reports (Template 4) will need to be completed for review by the responsible authorities within and outside the Board.

4.10. Resources

a) Risk management will be aligned to the Board's planning and budgeting process. This will not only make sure that risk to the strategic objectives are assessed in a timely manner, but also ensure that sufficient financial resources are set aside for facilitating risk treatment activities.

b) The Risk Management Coordinator will play a vital role in ensuring that sufficient resources are available for risk management activities.

4.11. Review of the Risk Management Framework and Updating the Risk Register

a) This RMF will be reviewed at least once after three (3) years or when needs arises.

b) The Risk Register shall be subject to an annual update to align with the Board annual planning and implementation calendar.

SECTION FIVE

RISK MANAGEMENT TEMPLATES

5.1. Introduction

This section provides exhibits/ templates of different forms and sheets to be used during the risk management process as described in Chapter 4.

5.2. Risk Assessment Sheets

This sheet will used during the risk assessment session. Each risk identified will be completed in its individual sheet as exhibited in Template 1. The sheets are to be attached in the risk register (Template 2).

Template 1: Sample of Risk Assessment Sheet

Risk title: Provide a brief title of the risk	**Risk ID:** provide a unique identity

Overview	
Risk	*Provide a brief description of the risk*
Principal risk owner	*Include title of the person managing the risk and the area where the risk falls*
Supporting owner(s)	*Provide title of other persons affected by the risk*
Risk Category	*Is it a financial, technical etc (see template 2)*
Objective/plan	*List the objective impacted by the risk*

Details	
Causes: *Provide the causes that may lead to the risk materializing*	***Consequence(s):*** *Provide description of what will happen if the risk will materialize*

Inherent risk analysis (tick the appropriate ratings basing on the scenario that current controls do not exist or completely fails)

Inherent risk	**Impact:**	*VERY HIGH*	*HIGH*	*MODERATE*	*LOW*	*VERY LOW*
	Likelihood:	*VERY HIGH*	*HIGH*	*MODERATE*	*LOW*	*VERY LOW*
Risk rating	**Impact x likelihood**	• *Multiply the ratings from impact and likelihood.* • *Shade this area with appropriate color (see Table 7 in section 3.3.6)*				

Key risk mitigation/controls <u>currently in place and their weaknesses</u>: *-briefly describe the current controls existing to reduce the inherent risk, also point out the main weaknesses for the current controls.*

Residual risk analysis (tick the appropriate ratings basing remaining risk levels after the above existing controls)

Residual risk	**Impact:**	*VERY HIGH*	*HIGH*	*MODERATE*	*LOW*	*VERY LOW*
	Likelihood:	*VERY HIGH*	*HIGH*	*MODERATE*	*LOW*	*VERY LOW*
Risk rating	**I X L:**	• *Multiply the ratings from impact and likelihood.* • *Shade this area with appropriate color (see Table 7 in section 3.3.6)*				

Actions/mitigating controls to be taken: *(propose feasible treatment actions to be put in place to reduce the risk at tolerable levels, including resources required for each treatment action –financial, physical assets, or human)*

Treatment:	**Resource required**
1. 2.	1. 2.

5.3. Extract of Risk Register

This is a format of Risk Register. The format will be used to summaries risks (using risk titles) from Template 1 above.

Template 2: Extract of Risk Register

OBJECTIVE/TARGET (write the objective affected by the risk)	**RISK TITLE (**as it appears in the identification sheet)	**CATEGORY OF RISK** (as described in the identification sheet)	**RISK ID** (as in the identification sheet)	**RESIDUAL RISK ASSESSMENT** (as in the identification sheet)		**RISK RATING** (I X L) [Product (in number) of multiplying Impact by Likelihood]	**RISK STATUS** (write either EXTREME, HIGH, MEDIUM or LOW and shade it with the appropriate color)	**PRINCIPAL RISK OWNER** (as in the identification sheet)	**PAGE** (write the page number to make reference to the attached identification sheet)
				IMPACT (I)	LIKELIHOOD (L)				
Objective A	Risk A.01								
	Risk A.02								
(the objectives numbers or reference should be identical to those appearing in the organization's strategic plan document)	Risk A.02								
	Etc.								
	Etc.								
Objective B	Risk B.01								
	Risk B.02								
	Etc.								
	Etc.								

5.4. Risk Treatment Action Plan

This form shall be used to document the implementation action plan for all the proposed risk mitigations from Template 1. The form is to be completed by each risk owner immediately after the risk register (Template 2) is approved.

Template 3: Extract of Risk Treatment Action Plan

Department/Unit: ....
Date of review: .... Compiled by: .... Date: ....
Reviewed by: .... Date: ....

Risk title & ID (From Risk Register in priority order)	**Proposed Treatment/Control Options** (From Risk Identification Sheet)	**Person Responsible for Implementation of Treatment Options** (as mentioned in the risk identification sheet)	**Time-table for Implementation** (Give specific start and end dates)	**How will this risk and treatment options be monitored**

5.5. Risk Management Quarterly Implementation Report

This form will be used to summarize the implementation of risk mitigations as agreed and documented in the risk mitigation implementation action plan (Template 3). The form is to be completed at the end of each quarter by the risk owners/ or risk champions under the risk owner's guidance.

Template 4: Extract of Quarterly Risk Treatment Implementation Report

Department/Unit:
..
Risk Management Quarterly Implementation Report for the Quarter Ending..
Prepared by: .... Date: ....

Risk title & ID (From Risk Register in priority order)	**Proposed Treatment/Control Options** (From Risk Identification Sheet)	**Person Responsible for Implementation of Treatment Options** (as in the risk identification sheet)	**Time-table for Implementation** (Give specific start and end dates)	**How will this risk and treatment options be monitored**	**Status of Implementation** (completed, on-going, not done)	**Remarks and/or Comments**