MINISTRY OF FINANCE AND ECONOMIC PLANNING (MINECOFIN)

Risk Management Policy & Framework

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Version Control

Version	Date	Update	By whom
1.00	05/2021	Initial Draft	Risk Africa Innovatis
1.01	22/06/2021	Updates and input from OCIA in regard to Risk Criteria among others	OCIA/Risk Africa
1.02	02/09/2021	Format changes and Statement for Minister	OCIA/Risk Africa
1.03	25/04/2023	Removed dynamic elements of risk criteria from the policy. Added climate change risk as a category. Confirmed and adopted the other sections of the policy.	Senior Management Team & The Executive
1.04			

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Ministerial Risk Management Policy Statement

The Ministry of Economic Planning and Finance plays a critical role in achieving the Rwanda Government's shared vision of future growth and prosperity. The Ministry leads the public sector in promoting risk management as a key success factor in achievement of Vision 2050 and NST 1 & 2. In this endeavour, in 2019, the Ministry issued Public Sector Risk Management Guidelines.

To set a good example and a benchmark for Risk Management, the Ministry is taking leadership by implementing Risk Management which will provide a reference site for other Public Sector Entities. Risk Management policy is key to the Ministry in achieving effective management of public resources, reducing surprises, formalizing risk management processes and introducing a formal structure of managing risks. The Ministry has developed this Risk Management policy to provide basis of application of Risk Management in its operations.

The Ministry shall uphold the 10 principles of risk management and all staff shall be held accountable in their application. The Ministry shall apply a risk-based approach to management (integrated) by applying a systematic and exhaustive approach to risk management that is design to MINECOFIN needs. All stakeholders shall be involved in developing and implementing a framework that anticipates, detects, acknowledges and responds to changing environment by applying best available historical, current and future information to make informed decisions. We shall promote a risk culture that shall influence behaviour and decision making and aim to achieve the best maturity level in Risk Management applications through continuous improvement.

The Ministry recognises 11 risk categories and commits to establish systems to manage them and be held accountable. The Ministry will apply best practise on each of the recognised risk categories and the most suited function within MINECOFIN will take leadership by integrating in their management approach.

The Ministry shall apply ISO31000:2018 Risk Management standard in development of its Risk Management framework and implementing Risk Management process. The Ministry shall use Risk Management tools to actualise a practical application of Risk Management. The Risk & Controls Self-Assessment tool shall be the basis of identifying, analysing, evaluating and treating risks. The risk monitoring tools to be used are Key Risk Indicators, Compliance Management, Incident Management and Action Tracking. The review and improvement of risk management shall apply the Risk-Based Internal Audit tool to provide independent assurance on effectiveness of Risk Management.

The various risk owners shall be providing their risk reports based on this tools. The risk reporting shall be against the approved Risk Criteria and shall form basis of escalation and actions being taken. There shall be a Risk Management Committee (RMC) where all risk reports should be discussed and major decisions on risks and Risk Management are taken. The Committee shall be chaired by the Chief Budget Manager of the Ministry and shall be appointed by the Minister. Responsibilities of the various staff levels such as Risk Champions, Risk Coordinator, Senior Management and so on shall form part of their Performance Contracts and job descriptions.

A Risk Management plan shall be adopted on an annual basis and the RMC shall be charged on ensuring its implementation as the Ministry attains Risk maturity levels.

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1. Acronyms and Glossary of Terms

1.1 Acronyms

MINECOFIN	Ministry of Finance and Economic Planning
ISO	International Standards Organisation
ERM	Enterprise Risk Management
RCSA	Risk and Control Self-Assessment
CIA	Chief Internal Auditor
CRO	Chief Risk Officer
CRO	Chief Risk Officer
IRL	Inherent Risk Level
RRL	Residual Risk Level
HoD	Head of Department
DG	Director General – Heading a Directorate
KRI	Key Risk Indicator
RBIA	Risk-based internal audit
RMC	Risk management committee
PFM	Public Finance Management
SP	Strategic Plan
RC	Risk Champion

1.2 Glossary of Terms

Business unit
Refers to a department, directorate, unit, region of MINECOFIN.

Control
Any measure or action that modifies or maintains risk, which may include; any policy, procedure, practice, process, technology, technique, method, or device. Risk treatments become controls, or modify existing controls, once they are implemented.

Control effectiveness
The extent to which a control is fit for purpose, well designed, consistent, complete, reliable and timely operated in risk mitigation.

Critical success factor
The resources, inputs and capabilities that must be present in order to achieve an objective.

Enterprise risk management (ERM)
ERM is "a process, effected by an entity's directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives"

Event
An occurrence or incident, from external or internal sources, that affects the achievement of MINECOFIN's objectives. Events can have negative consequence, positive consequence, or both. Events with negative consequence represent threats. Events with positive consequence represent opportunities.

Inherent (gross) risk
The exposure arising from a specific risk before any actions or controls has been put in to manage it.

MINECOFIN Executive
Refers to MINECOFIN three Ministers executive offices.

MINECOFIN Management
Refers to officers of MINECOFIN Heads of Departments and Director Generals within MINECOFIN.

Near miss
An incident that didn't evolve into a consequence.

Process
Refers to a set of interrelated or interacting activities which transform inputs into outputs in order to achieve desired results.

Residual (net) risk
The exposure arising from a specific risk after an action or control has been put in place to manage it and making the assumption that the action or control is effective.

Risk
Risk is the effect of uncertainty of objectives.

Risk and control self-assessment (RCSA)
A process used by management to identify, measure and evaluate risks and controls.

Risk bow tie analysis
A graphical presentation of the risk event, the causes and consequences.

Risk champion
An officer who supports and defends risk management cause. Therefore, a champion of risk management will promote its benefits, educate the business unit's management and staff in the actions they need to take to implement it and will encourage them and support them in taking those actions.

Risk impact
The outcome of an event affecting objectives.

Risk likelihood
The chance of a risk event happening.

Risk matrix
A tool for ranking and displaying risks by defining ranges for consequences and likelihood.

Root cause analysis
Refers to the identification of *underlying causes* of identified risk events or incidents, so that the most effective control measures can be identified and implemented.

Risk criteria
Is the terms of reference against which the significance of risk is evaluated? The criteria can be derived from standards, laws, policies and other requirements.

Risk assessment
The overall process of analysis and evaluation of a risk with regard to its consequence and the likelihood of being realized, and the selection of an appropriate risk response by MINECOFIN.

Risk culture
The set of shared attitudes, values and practices that characterize how the MINECOFIN considers risks in its day-to-day activities

Risk drivers
These are the causes of risk events.

Risk indicator
These are measurements or parameters used by management to show how risky an event or activity is. They warn of the most obvious areas where problems may arise, thus the term Key Risk Indicators (MINECOFIN).

Risk profile/register
A documented and prioritized assessment of the range of specific risks faced by MINECOFIN.

Risk management framework
The totality of the structures, methodologies, procedures and definitions that MINECOFIN has chosen to use to implement its risk management processes.

Risk treatment
The set of actions that may be taken in response to a risk, which may include:

- **Transfer the risk:** This may be done by MINECOFIN asking a third party to take on the risk.
- **Accept/tolerate the risk:** Decision to not put in place further mitigation measures because the ability to take effective action is limited, or the cost of taking action may be disproportionate to the potential benefit gained.
- **Treat the risk:** Taking direct action to reduce either its potential impact or its likelihood of occurrence.
- **Terminate the underlying activity:** This is a variation of the "treat" approach, and involves quick and decisive action to eliminate or avoid a risk altogether.
- **Exploit the risk**: Opportunities can be exploited in a positive manner.
- **Risk transformation**: Transforming one risk type into another. For example, this will occur when a process is automated.

Stakeholders
The person(s) or organisation that can affect, be affected or perceive themselves to be affected by a decision or activity of MINECOFIN.

Upside of risk
The potential of a risk event to generate positive impact to organisation.

2. Preamble

2.1 Background

MINECOFIN Mandate and Objectives.

The Ministry's fundamental goal is to raise living standards of Rwandans through sustainable economic growth, increasing economic opportunities and ensuring highest standard of accountability and transparency in public finance management.

Vision:

To develop Rwanda into a middle income country free of poverty.

Mission:

To sustain economic growth, economic opportunities and raise living standard of Rwandans and achieve the highest standard of accountability and transparency in public finance management.

Core Values:

Value	Description
Professionalism	*Employees are expected to work with expertise, dedication and care to those they serve.*
Innovation	*Employees are expected to continuously find better ways of doing their work so as to better contribute to the realization of Ministry's goals and objectives.*
Teamwork	*Employees are to act in the best interest of the ministry as whole and not only their own offices or functions.*
Accountability	*Employees are expected to take responsibility for their actions and decisions as per job descriptions.*
Integrity	*Employees are to act and adhere to the highest ethical standards of honesty, transparency and loyalty.*

Background of Risk Management in MINECOFIN

Risk Management at MINECOFIN is viewed as part of the Public Finance Management (PFM) reforms in areas such as Accounting reforms, Audit reforms and Governance reforms. Risk management framework is required under article 114 of Ministerial Order No 001/16/10/TC of 26/01/2016 relating to financial regulations issued by the Ministry of Finance and Economic Planning.

MINECOFIN seeks to lead by example being the Ministry that has issued the Risk Management guidelines and will lead in cascading the same to Public Sector Entities. Risk Management is key to the Ministry in achieving effective management of public resources, reducing surprises, formalizing risk management processes and introduce a formal structure for risk management. Risk Management is necessary to enable the Ministry to be able to categorise risks that the Ministry faces, rank them in order to prioritise and mitigate key risks.

Methodology of Preparing the Policy

This policy was developed through review procedures, benchmarking to Risk Management best industry practises, and consultative engagement with the Management.

2.2 MINECOFIN Risk Management Policy Statement

The Ministry recognises risk management as an integral part of their governance responsibility and commits to implement effective risk management in all MINECOFIN activities, by allocating necessary resources and offering strategic leadership, which will ensure;

- Effective delivery of The Ministry's mandate,
- Safety and security of its staff members, Customers and other stakeholders,
- Protection of The Ministry's assets,
- Continuity of its business operations.

3. Objectives of MINECOFINs Risk Management Policy

3.1 Objectives of the Policy

The specific objectives of this policy are:

i. To entrench and integrate effective risk management practises in all aspect of The Ministry activities.
ii. To establish a framework of early identification and alignment of The Ministry's risks to the respective MINECOFIN's objectives they are affecting
iii. To establish objective tools of assessing, measuring and monitoring of all MINECOFIN's risks
iv. To establish a risk criteria and tolerance levels against which MINECOFIN risks will be evaluated.
v. To establish adoption of risk treatment strategies that are cost effective and efficient in reducing The Ministry's' risks to acceptable levels
vi. To establish provision of accurate risk information through timely reporting for effective decision making.
vii. To establish an appropriate risk governance and management structure for supporting the risk function in the MINECOFIN.

3.2 Scope of the Risk Management Policy

This policy shall cover:

i. All processes, functions and programmes/projects within The Ministry operations
ii. Strategic planning, monitoring and evaluation
iii. Reporting
iv. Decision making process

3.3 References for the Risk Management Policy

The policy has been framed in line with the following risk management and governance standards, directives and guideline:

i. ISO 31000:2018, *Risk management – Principles and guidelines*: provides principles, framework and a process for managing risk.
ii. Ministry of Finance and Economic Planning Risk Management Guidelines 2019: provides risk management guidelines for public sector in Rwanda.

4. Principles of Risk Management at MINECOFIN

The Risk Management practices at MINECOFIN are based on the following underlying principles:

i. **Integration**
The Ministry adopts a risk-based approach that will cut across and integrate all MINECOFIN's activities including but not limited to processes, projects, programmes, decision making and strategic planning.

ii. **Structured**
The Ministry shall adopt a systematic approach to risk management that contributes to consistent and comparable results.

iii. **Comprehensive**
The Ministry shall adopt a complete and exhaustive approach to risk management that shall be applied in all areas under the scope.

iv. **Customised**
The Ministry Management shall customize risk management framework and processes to fit the organization – in particular, its risk profile, culture and risk criteria taking into consideration its external and internal context related to its objectives.

v. **Inclusive**
The Ministry shall adopt a decentralized approach to risk management that promotes appropriate and timely involvement of all stakeholders by enabling their knowledge, views and perceptions to be considered. The Ministry recognises that risk management is the responsibility of everyone in the Ministry.

vi. **Dynamic**
The Ministry recognises that risks can emerge, change or disappear as an organization's external and internal context changes. As such, The Ministry shall develop a risk management framework that anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.

vii. **Best available information**
The inputs to MINECOFIN risk management process are based on best available historical and current information, as well as on future expectations. MINECOFINs' Risk Management Framework shall explicitly take in to account any limitations and uncertainties associated with such information and expectations and ensure information is timely, clear and available to relevant stakeholders.

viii. **Human and cultural factors**

MINECOFIN acknowledges the human behaviour is an integral aspect of organizational culture that significantly influences risk management at all levels and stage, thus it shall consider the effects of such aspects in MINECOFIN risk management processes.

ix. **Continual improvement**

The Ministry commits to an ongoing learning, review and improvement of its risk management framework and process, so as to maintain a robust, relevant and best practice risk management framework.

5. Risk Management Framework

The purpose of the risk management framework is to assist MINECOFIN to integrate risk management into its activities and functions. The effectiveness of risk management depends on its integration into the governance of MINECOFIN including decision-making which requires support from stakeholders.

5.1 Risk and Risk Management as it applies at MINECOFIN

5.1.1 Risk

Risk is the effect of uncertainty on MINECOFINs objectives.

An **effect** is a deviation from the expected. It can be positive, negative or both and can address, create or result in opportunities and threats.

Uncertainty is the state, even partial, of deficiency of information related to understanding or knowledge of an event, its consequence of likelihood.

Objectives can have different aspects (such as financial, safety or environmental goals) and can apply at different levels (such as strategic, project, process)

5.1.2 Risk Management

Risk Management is *coordinated activities to manage* effect of uncertainty on MINECOFINs objectives.

Risk Management and Enterprise Risk Management (ERM) shall be used interchangeably at MINECOFIN.

5.2 MINECOFIN Risk Management Framework

The Ministry risk management framework is anchored on Leadership and Commitment based on ISO 31000: 2018 Risk Management Standard. This is to ensure its integration into the governance of MINECOFIN including the decision making process. The components of MINECOFIN framework shall encompass integrating, designing, implementing, evaluating and improving risk management across the organisation as depicted in figure 1 below.

Fig 1. MINECOFIN Risk Management Framework

5.2.1 Leadership and Commitment

MINECOFIN Executive shall ensure that risk management is integrated into all ministerial activities and shall be accountable for overseeing risk management and shall demonstrate leadership and commitment by:

i. Issuing a policy that establishes a risk management approach, plan or course of action;
ii. Ensuring that the necessary resources are allocated to managing risk;
iii. Assigning authority, responsibility and accountability at appropriate levels within MINECOFIN;
iv. Ensuring that risks are adequately considered when setting the Ministry's objectives; and
v. Understanding the risks facing the Ministry in pursuit of its objectives.

MINECOFIN Management is accountable for managing risks and shall demonstrate leadership and commitment by:

i. Customising and implementing all the components of this framework;
ii. Ensuring that systems to manage such risks are implemented and operating effectively;

iii. Ensuring such risks are appropriate in the context of the Ministry's objectives; and
iv. Ensuring that information about such risks and their management is properly communicated.

5.2.2 Integration

Integrating risk management into MINECOFIN shall be a dynamic and iterative process, and shall be customized to needs and culture. The Risk management shall be a part of, and not separate from, MINECOFIN purpose, governance, leadership and commitment, strategy, objectives, programs, projects, services and operations.

Risk Management shall be integrated into organisational structure and be integral to accountability and oversight roles in its governance processes.

5.2.3 Design

The Ministry risk management framework shall be designed by thorough examination and understanding its external and internal context such as contractual relationships, interdependencies, organisational structure, information flow among others.

MINECOFIN Executive shall ensure the design of risk management framework is documented in the risk management policy with clear assigned roles, authorities, responsibilities and accountabilities at all levels of management. Individuals who have accountability and authority to manage risks must be identified.

MINECOFIN Executive shall ensure allocation of appropriate resources for risk management every year through budgetary allocation to cover:

i. Development of people, skills, experience and competence in risk management;
ii. Tools, Information and knowledge management system to support risk management;
iii. Professional development and training of core team.

MINECOFIN Management shall develop and adopt a Risk Communication and Consultation plan to ensure timely and relevant risk information collection, collating, synthesising and sharing as appropriate and that feedback is provided and improvements made.

5.2.4 Implementation

MINECOFIN Management shall implement the risk management framework by:

i. Developing an appropriate plan including time and resources;
ii. Identifying where, when and how different types of decisions are made across MINECOFIN, and by whom;

iii. Modifying the applicable decision-making processes where necessary;
iv. Ensuring that the MINECOFIN arrangements for managing risk are clearly understood and practised.

5.2.5 Evaluation

MINECOFIN Management shall evaluate the effectiveness of the risk management framework by:

i. Periodically measuring risk management framework performance against its purpose, implementation plans, indicators and expected behaviour;
ii. Determining whether the Risk Management framework remains suitable to support achieving MINECOFIN objectives.

5.2.6 Improvement

MINECOFIN Management is committed to maintaining a robust, relevant and good practice risk management principles adapting to internal and external changes. As such, is committed to continually improving the suitability, adequacy and effectiveness of the Risk Management Framework and the way risk management processes are integrated.

Through a Plan–Do–Check–Act model of continual improvement, MINECOFIN Management shall be undertaking, gap analysis, benchmarking exercises, routine reviews and comparative analysis to enhance efficiency and effectiveness of risk management in the Ministry.

5.3 MINECOFIN Risk Management Process

The Ministry risk management process as illustrated in figure 2 below, shall involve systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing the context, risk assessment, risk treatment, monitoring & review and recording & reporting. The risk management process shall be an integral part of management and decision-making and shall be integrated into the structure, all operations and all processes of MINECOFIN either at strategic, operational, programme or project levels.

Fig 2. The Risk Management process

5.3.1 Communication and Consultation –

The Ministry risk management process shall involve communication and consultation with stakeholders. Communication shall seek to promote awareness and understanding of risk, whereas consultation shall be obtaining feedback and information to support decision making.

The Ministry risk management process of communication and consultation shall:

i. Bring different areas of expertise together for each step of the risk management process;
ii. Consider different views when defining risk criteria and when evaluating risks;
iii. Provide sufficient risk information to facilitate risk oversight and decision-making;
iv. Involve all those affected by risk to build sense of inclusiveness and risk ownership.

v. Shall enhance risk management knowledge transfer to relevant stakeholders through training and capacity building.

5.3.2 Scope, Context, Criteria –

MINECOFIN Management shall establish scope, context and criteria so as to customize and structured risk management process in all activities.

In defining the scope, the Management shall consider different levels of application such as strategic, operational, programme, project or other levels and clearly define relevant objectives at the various levels while ensuring their alignment with organizational objectives.

The context of MINECOFIN risk management process shall be established from understanding the external and internal environment in which it operates and shall reflect the specific environment of the activity to which the risk management process is being applied.

The Ministry risk management process shall specify the amount and type of risk that it may or may not take relative to its objectives and shall define the criteria to evaluate the significance of risk to support decision making process. This shall be defined in Risk Criteria. The Risk Criteria shall be customized and shall reflect the Ministry values, objectives and resources taking into consideration its obligations and views of stakeholders.

5.3.3 Risk assessment –

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation.

i. **Risk identification –**
MINECOFIN Management shall identify where, when, why, and how events could prevent, degrade, delay, or enhance the achievement of the corporate's objectives. Risk identification shall cover all risks whether or not their sources are under MINECOFIN control or not.

ii. **Risk analysis –**
MINECOFIN Management shall analyze risks identified to comprehend their nature, characteristic and level of risk. Risk analysis shall entail:

a) Risk sources,
b) Consequences,
c) Likelihood,
d) Events and Scenarios,
e) Controls and their effectiveness.

Risk analysis shall be undertaken with varying degree of detail and complexity depending on the purpose of the analysis, availability and reliability of information and resources available.

iii. **Risk evaluation –**

MINECOFIN Management shall evaluate risks in order to support decisions by comparing the results of the risk analysis with the established risk criteria to determine where additional action is required.

The decisions available to the risk owners are:

a) Do nothing further,
b) Consider risk treatment options,
c) Undertake further analysis to better understand the risk,
d) Maintain existing controls,
e) Reconsider objectives.

The outcome of risk evaluation shall be recorded, communicated and validated at appropriate levels of the organization.

5.3.4 Risk Treatment –

MINECOFIN Management shall apply risk treatment to select and implement options of addressing risk. Selection of the most appropriate risk treatment option(s) shall involve balancing the potential benefits derived in relation to the achievement of the objectives against costs, effort or disadvantages of implementation.

Options available to MINECOFIN risk owners for risk treatment are:

a) Avoid the risk by deciding not to start or continue with the activity that gives rise to the risk;
b) Taking or increasing the risk in order to pursue an opportunity;
c) Removing the risk source;
d) Changing the likelihood;
e) Changing the consequences;
f) Sharing the risk;
g) Retaining the risk by informed decision.

MINECOFIN Management shall ensure adequate monitoring and review of risk treatment implementation to give assurance that the different forms of treatment become and remain effective and shall monitor any new risks that may arise from treatment. This shall be achieved by preparing and implementing a Risk Treatment Plan. The Risk Treatment Plan shall specify how the chosen treatment options will be implemented and shall be integrated into the management plans and processes.

5.3.5 Monitoring and Reviewing –

MINECOFIN Management shall implement a monitoring and review process including planning, gathering and analyzing information, recording results and providing feedback throughout all the stages of the risk management process.

The results of monitoring and review shall be incorporated throughout MINECOFIN performance management, measurement and reporting activities.

5.3.6 Recording and Reporting –

MINECOFIN Management shall implement an appropriate management information system of recording and reporting risk management process and outcomes. The system shall:

i. Communicate risk management activities and outcomes across the organization;
ii. Provide timely information for decision-making;
iii. Improve risk management activities;
iv. Assist interaction with stakeholders, including those with responsibility and accountability for risk management activities.

6. Risk Criteria

MINECOFIN Executive shall specify the amount and type of risk that it may or may not take, relative to the objectives and define criteria to evaluate the significance of risk and to support decision making process. The risk criteria shall reflect the MINECOFIN's values, objectives and resources and be consistent with policies and statements on risk management.

The risk criteria will be determined for each major risk category. The risk criteria shall be dynamic and shall be continually reviewed and amended if necessary.

The risk criteria of MINECOFIN shall use combination of Likelihood and Consequence of risks in a 5 x 5 matrix (heat map) and risk indicators of major risk categories.

The Risk Criteria has been developed as a separate detailed document, and shall be read/ applied together with RM Policy. The components of the Risk Criteria document are:

i. Defined 3 color code of Red, Amber, Green (RAG), which will be used to determine whether a risk at MINECOFIN is acceptable or not, whether it will be treated and to what level it should escalate.
ii. Likelihood scale which is a tool to measure and rank the probability of a risk occurring at MINECOFIN, on a scale of 1 to 5.
iii. Impact scale which is a tool to measure and rank the impact a risk would have if it occurred at MINECOFIN, on a scale of 1 to 5.
iv. A 5 x 5 matrix which displays and positions MINECOFIN risks in terms of likelihood and impact.
v. Risk tolerance which is articulated by way of key risk indicators for each of the major MINECOFIN risk categories. MINECOFIN management have set quantitative triggers for acceptable (tolerated) level for each risk indicator, and the unacceptable levels that cannot be tolerated.

6.1 Factors to be considered in setting risk criteria

When setting the risk criteria for MINECOFIN, the Executive shall consider the following:

i. The nature and type of uncertainties that can affect outcomes and objectives; this shall be done by defining and categorizing the various risk types MINECOFIN is exposed to.
ii. Consequences and likelihood of risks; this shall be done by using and considering appropriate scaling tools and levels to determine and measure the impacts and probabilities of risks.
iii. Time-related factors; the age, periods, cycles, frequencies, shelf-lives, seasons, past, present and future aspects of risks and its associated treatment controls shall be considered in the Risk Criteria/Appetite.

iv. Consistency in use of measurements; to ensure reliability and uniformity when reporting on risk matters, a consistent measurement approach shall be adopted, and any exemptions and exclusions shall be expressly stated.

v. Determination of risk levels; the Risk Levels shall be determined by defining the appropriate risk zoning / ranking rules and appropriate risk matrix.

vi. Multifaceted risk approach; a compound approach, interlinking and combining various risk sources and risk effects shall be considered to define the overall risk levels.

vii. The Ministry's capacity; the risk Criteria/Appetite shall consider MINECOFIN's overall capacity on its ability to manages risks and this shall not be limited to financial, staff, policies, processes and equipment.

6.2 Steps for setting risk criteria

When setting the risk criteria for MINECOFIN, the Executive shall consider the following

Step 1: Risk Zones:

The Ministry shall adopt Red, Amber and Green colour codes to describe risk zones and define the escalation and response for risks in each zone.

Step 2: Setting a boundary on the risk matrix (likelihood and consequence):

The Ministry shall use a 5 x 5 matrix to identify risk ratings. The Red, Amber and Green areas in the matrix shall be established and this shall determine the risk boundary based on color zone.

Step 3: Likelihood scale:

The Ministry shall articulate meaning and representative measures to a scale of 1 to 5 to reflect the ranking of probability of a risk occurring.

Step 4: Impact scale:

The Ministry shall articulate meaning and representative measures to a scale of 1 to 5 to reflect the ranking of a risk impact if it occurred at MINECOFIN.

Step 5: Risk Categories Tolerable limits:

The Ministry shall articulate this by way of Key Risk Indicators for each of the major risk category identified in the Risk Management Policy. The Ministry shall set quantitative triggers for lowest acceptable (tolerated) level for each risk indicator, and the unacceptable levels that cannot be tolerated.

Step 6: Performance indicators:

The performance indicators set in the Strategic Plan shall be scaled by setting quantitative triggers for lowest acceptable (tolerated) performance level, and the unacceptable performance levels that cannot be tolerated. Alternative, this can be by defining the maximum acceptable variation on strategic objectives of MINECOFIN.

6.3 Risk Criteria Zones

The Ministry shall use the 3 colour concept, Red, Amber and Green (RAG) for measuring and monitoring risks and determining levels of escalation and the urgency of actions that are required.

The required escalation and actions required for each zone are as follows:

Risk Actions and Escalation Points				
Risk Zone	**Zone Description**	**Meaning**	**Action required for risk**	**Risk Escalation**
15-25	**Red-High/Extreme**	**Unacceptable Risks** that require urgent or immediate attention	**Immediate/Urgent action** required. Investigate and take steps to mitigate or avoid within a specified **short term** period i.e. 1 Month.	Escalated to the Minister/Executive office level/Management – Heads of Departments (HoDs)
6-12	Amber-Medium	Tolerable Risks but action required to avoid a red status	Weighted action required - Risks will be treated as long as the costs do not outweigh the benefits. As Low As Reasonably Practicable (ALARP)* Investigate and take steps to mitigate or avoid within a quarter period.	Escalated to the relevant HoDs and Director Generals
1 – 5	**Green – Low**	**Acceptable risks**	**No action** required. May only require periodic **monitoring**.	Monitoring within the Directorate/Unit

* ALARP stands for 'As Low as Reasonably Practicable' refer to ISO 31010 (Risk Assessment)

7. MINECOFIN Risk Categorisation

The Ministry is exposed to a wide range of risks, which can fit into any of the risk categories below:

i. **Operational Risk**: – It is the risk of loss resulting from inadequate or failed internal process, people, system, technology or from external events.

ii. **Strategic Risk**: - The risk of a) Choosing and continuing to follow sub optimal strategies to meet objectives, b) Not executing the strategies successfully, and c) Changing the business as usual risks differently from expected.

iii. **Political Risk:** - is the risk arising from political decisions, events, or conditions that significantly affect the MINECOFIN.

iv. **Fraud/corruption Risk:** - the risk that a perpetrator commits an act using deception and/or acts contrary to the interest of MINECOFIN and abuses position of trust in order to achieve some personal gain.

v. **Information Security Risk**: - is the potential that a given threat will exploit vulnerabilities to cause loss or damage to an information asset or group of information assets and hence directly or indirectly to MINECOFIN. This risk includes Cyber risk (the potential for unauthorised use, disclosure, damage or disruption to assets through the use of technology).

vi. **Business Continuity Risk:** - these are extreme risk events that sets the stage for the likelihood of an extended disruption to the delivery of MINECOFINs core services.

vii. **Financial - Liquidity Risk:** - the risk that MINECOFIN may not meet its financial obligations as and when they fall due.

viii. **Project Risk:** - is an uncertain event or condition that, if it occurs, has an effect on at least one MINECOFIN project objective throughout the project life cycle.

ix. **Agency Risk:** - is the risk that affiliated agencies and key stakeholders may fail to deliver on their mandate leading to MINECOFIN inability to meet its objectives.

x. **Fiscal Risk:** - is the probability of significant differences between actual and expected Rwanda Government fiscal performance. It is further categorised into macro-economic risks, government policy/programmes risks, uncertain budgetary claims, balance sheet risks, debt risks and implicit commitments risks.

xi. **Sovereign Default Risk:** - is the risk that Rwanda Government's likelihood of defaulting on its financial obligations through (1) failure to pay principal and interest fully and on time; (2) accumulation of arrearages; (3) restructuring or rolling over of debt; or (4) inability of the country to meet its external debt service obligations (actual default).

xii. **Climate Risk:** - is the potential of climate change to create adverse consequences for human or ecological systems. This includes impacts on lives, livelihoods, health and wellbeing, economic, social and cultural assets and investments, infrastructure, services provision, ecosystems and species.

NB: The precise slotting of individual factors under each category is less important than the recognition that Risk Management covers all categories and all material risk factors that can influence the organization's value.

8. MINECOFIN Risk Management Policy Framework

MINECOFIN principle on integration of risk management requires that risk management be integrated in all management practices. Whereas this overall policy provides the risk methodology to be applied in each of the risk categories, the uniqueness of risks requires that each risk category be addressed considering specific best practise standards and guidelines but within the overall methodology.

Figure 3 below provides the policy framework for MINECOFIN. Each of the risk categories shall be assigned a function to integrate in their management practice. The management function shall develop a stand-alone policy or incorporate the specific risk management methodology in its already existing policies and taking into consideration best practice standards and guidelines to address the specific risk category.

Fig 3. MINECOFIN Risk Management Policy Framework

9. MINECOFIN Risk Management Methodology

The Ministry Risk Management methodology seeks to operationalise the MINECOFIN Risk Management process as adopted under ISO 31000 Risk Management standard. It also seeks to achieve the structured, comprehensive and customised principles of Risk Management in MINECOFIN by developing standard and practical tools that provide the how to implement MINECOFIN Risk Management process.

The Risk Manager (Coordinator) in liaison with the process owners shall operationalise risk management by applying the following risk management tools:

i. Risk and Controls Self-Assessment (RCSA)
ii. Key Risk Indicators
iii. Incident Management
iv. Action Tracking
v. Compliance Management
vi. Risk-based Internal Audit

These tools are explained in section 9.1 below. The frequency of review of RCSA outcomes will be risk-driven, responsive to business change and consider any regulatory or MINECOFIN specific requirements. MINECOFIN will review RCSA outcomes and monitoring tools at least annually, with Quarterly review and Periodic review depending on major emerging risks or requests or new significant projects.

Steps followed in risk management process through applying the RM tools:

i. Risk champions will conduct risk assessments by applying RM tools for documentation, through a systematic process.
ii. Management (HoDs and DGs), who are the risk owners, will review the output of what is developed to validate, and sign off on the risks identified, key risk indicator monitoring levels, compliance monitoring, action plans, implementation timelines and assigned responsibilities.
iii. Once the RCSAs are adopted, all staff with an assigned monitoring responsibility will be required to provide the actual data or status for the item being monitored. The data will be collected through template or through system alerts (if automated).
iv. Risk monitoring reports will be sent to Manager Strategy and Risk Management (Risk Coordinator) for review and consolidation.
v. The Manager Strategy and Risk Management (Risk Coordinator) will generate quarterly MINECOFIN Risk Report (Appendix 1: 7 Risk Management Report), overall and department and directorate-wise.

vi. The Risk Manager (Coordinator) will present the Ministry Risk Management Report on a quarterly basis to the Risk Management Committee (RMC).

vii. The Chairperson of the RMC will present the report to the Executive/Ministers on a quarterly basis.

9.1 Risk Management Operationalisation Tools

The Ministry shall apply the following tools to operationalize the risk management process:

9.1.1 Risk and Control Self-Assessment (RCSA)

See Appendix 1:1. Risk Register.

RCSA is used to conduct adequate risk assessment consistent with the Risk Assessment (Identification, Analysis and Evaluation) and Treatment stage of the risk management process. The risk & control self-assessment specific steps will be designed to suit the risk category under consideration and shall apply the overall risk assessment and treatment process. These steps shall be included in the respective risk management sub-policies.

9.1.2 Key Risk Indicators

See – Appendix 1: 2. Key Risk Indicators.

Key risk indicators shall be used to operationalise the Monitoring and review stage of the ISO31000 Risk management process. Key risk indicators shall be developed for all risks that require monitoring consistent with the risk criteria and results applied in decision making.

9.1.3 Incident Management

See Appendix 1: 5. Sample Incident register.

Incident management shall be used to operationalise the monitoring and review stage of the risk management process. The Incident management tool shall act as a central system to record and manage risk incidents and loss data for detailed analysis, follow up and as a basis of data for future analysis across all functions of MINECOFIN.

9.1.4 Action Tracking

See Appendix 1: 6. Action tracking.

Action tracking shall be used as central systems to record, analyse and monitor all risk management actions in MINECOFIN. This includes but not limited to

a) Risk treatment actions;

b) Key risk indicators actions;

c) Non-compliance actions;

d) Audit actions;

e) Incidents actions, etc..

9.1.5 Compliance Management

See Appendix 1: 3&4. Internal & External Compliance.

The Ministry Compliance Management is a proactive system to monitor Internal Compliance (compliance with internal controls) and External Compliance (compliance with external laws and regulations). It shall be used to empower risk owners to monitor compliance with risk mitigation strategies within their function.

9.1.6 Risk-based Internal Audit (RBIA)

Risk-based internal audit shall be used to operationalise the Review stage of ISO 31000 Risk management process.

RBIA shall provide **assurance** to the Ministers that risk management processes are managing risks effectively, i.e. risks are being managed to be within the Ministry's **risk criteria**. The RBIA shall:

i. Give assurance that the **processes** used by management to **identify** all significant risks are effective.
ii. Give assurance that risks are **correctly assessed** by management, in order to prioritize them.
iii. Evaluate risk management processes, to ensure the **response** to any risk is appropriate and conforms to the MINECOFIN's policies.
iv. Evaluate the **reporting** of key risks, by Management to the Executive/Ministers.
v. Review the management of key risks by managers to ensure **controls** have been put into operation and are being **monitored**.

Risk-based internal audit shall be applied based on the following criteria

	Maturity level	Key characteristics	Audit approach
1	**Risk naïve**	No formal approach developed for risk management	Promote risk management and rely on alternative audit planning method
2	**Risk aware**	Scattered silo based approach to risk management	Promote enterprise-wide approach to risk management and rely on alternative audit planning method
3	**Risk defined**	Strategy and policies in place and communicated. Risk appetite defined	Facilitate risk management/liaise with risk management and use management assessment of risk where appropriate
4	**Risk managed**	Enterprise approach to risk management developed and communicated	Audit risk management processes and use management assessment of risk as appropriate
5	**Risk enabled**	Risk management and internal controls fully embedded into the operations	Audit risk management processes and use management assessment of risk as appropriate

10. Risk Management Governance, Roles & Responsibilities

Risk governance is the system for directing and controlling the management of risk at MINECOFIN. It sets out the risk management structure and defines clear responsibilities and expectations for risk for MINECOFIN Executive, Management and staff.

10.1 Risk Management Governance Structure

The figure below illustrates MINECOFIN's Risk Management governance structure. The detailed roles and responsibilities are documented in Section 10.2 of this policy.
The proposed governance structure is pegged on the 3-Lines of defence concept as illustrated and explained below:

First line of defence	Culture, Chief Budget Manager, Management (HoDs & Directors), Risk Champions, all Staff and Internal controls
Second line of defence	Risk Coordinator
Third line of defence	MINECOFIN Internal Auditor/MINECOFIN Audit & Risk Committee, Minister (The Executive)

First line of defence: All Management and staff operate MINECOFIN's business processes and therefore hold primary responsibility for the risks the business/functional unit faces. Risk is managed in each business unit by a range of controls and risk treatments. The tone of management which significantly influences MINECOFIN culture and positions each of the lines of defence, to function effectively.

Second line of defence: This line coordinates Risk Management for the first line to ensure risks are being appropriately identified, analysed, evaluated, treated, monitored and reported.

Third line of defence: Internal audit is not responsible for risk management but are responsible for auditing the risk management framework, function and the business unit risk management methodologies. Internal audit through application of Risk-based Internal Audit shall provide assurance to the Minister and MINECOFIN Audit & Risk Committee on effectiveness of Risk Management.

Minister's risk oversight comprises the last line of defence, as significant issues are escalated upwards and should therefore ensure appropriate reporting and review structure is established in order to ensure that risks are effectively identified, assessed and appropriate controls and responses put in place

The MINECOFIN Audit & Risk Committee shall ensure an effective risk management function is in place and obtain and independent assurance on its effectiveness from Internal Audit.

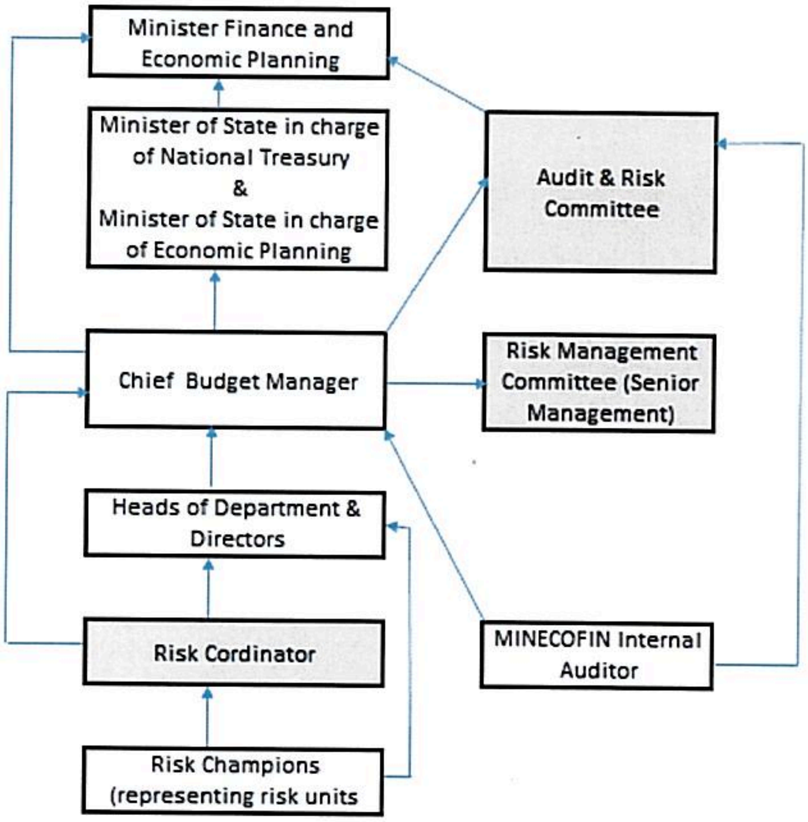

Figure 4: Risk Management Governance Structure

10.2 Risk Management Roles & Responsibilities

10.2.1 Executive/Ministers Office

The Ministers recognise that they are ultimately responsible for the sound and prudent management of MINECOFIN and ensuring that an adequate and effective system of risk management and internal controls is established and maintained.
Specifically, the Ministers' responsibilities include:

i. Ensure the development of a policy on risk management, which should take into account sustainability, ethics and compliance risks.
ii. Set out responsibilities for risk management.
iii. Approve the risk management policy and the risk management framework.
iv. Delegate to management the responsibility to implement the risk management plan.
v. Set risk criteria.
vi. Monitor that risks taken are within the set tolerance and appetite levels.
vii. Review the implementation of the risk management framework on a quarterly basis.

viii. Appoint a Committee responsible for risk management in MINECOFIN.
ix. Ensure that the Committee obtains relevant technical advice where necessary.
x. Establish a risk management function within MINECOFIN.
xi. Ensure that risk assessment is carried out on a continuous basis.
xii. Receive from the Internal Audit function, assurance on the effectiveness of the system of internal controls and risk management.
xiii. Receive from Management the periodic risk management reports.
xiv. Evaluate the performance of the Risk Committee once a year.

10.2.2 The MINECOFIN Audit & Risk Committee

The Audit & Risk Committee (ARC) is appointed by the Minister of Finance and Economic Planning and shall meet at least once every quarter of the financial year to review the adequacy of the risk management processes in place and approve reports to the Minister. The ARC should also meet on a need basis to address an urgent matter arising.

Key roles and responsibilities of Audit & Risk Committee in addition to current Audit Committee roles to include;

i. Reviewing the MINECOFIN Risk management policy.
ii. Reviewing the risk management framework and effectiveness of getting management assurance that material risks are identified and appropriate risk management processes are in place, including formulation and subsequent updating of appropriate MINECOFIN policies.
iii. Review whether a sound and effective approach has been followed in developing a strategic risk management plan for major projects and undertakings.
iv. Evaluating the efficiency and effectiveness of administrative, operating and accounting controls use by MINECOFIN to manage risks. Review actual and potential material risk exposures.
v. Reviewing risk areas of MINECOFIN operations to be covered in the scope of Internal Audit.
vi. Monitoring changes anticipated for economic and business environment, including consideration of emerging trends and other factors relevant to MINECOFIN risk profile.
vii. Sponsor risk management initiatives and support the communication of the risk management approach adopted by the organization.
viii. Oversee development and participate in the MINECOFIN annual risk plan and strategy.
ix. Provide direction and oversight to MINECOFIN Risk Manager.
x. Develop and approve MINECOFIN annual risk-based audit plan.
xi. Obtain assurance that MINECOFIN is managing risk effectively and efficiently.
xii. Obtains assurance on the MINECOFIN's risk management framework and internal control environment and providing advice on its effectiveness.

xiii. Obtaining assurance that MINECOFIN's risk management and corporate governance practices are in line with best practice and meet good practice requirements.

10.2.3 Chief Budget Manager

The CBM is:

i. Accountable to the Minister for the implementation of risk management framework.
ii. Responsible for implementing the risk framework, including the establishment and maintenance of key controls and approval processes on all major business processes and functions.
iii. To assume ownership of Risk Management, providing leadership and direction to senior management and setting the "tone at the top".
iv. To actively promote and be an advocate of a Risk Culture in MINECOFIN.
v. Responsible for embedding risk management in MINECOFIN processes in such a way that risks are effectively managed across the Ministry.
vi. Responsible for systematically reviewing the underlying risks and assigning appropriate accountability to senior management.

10.2.4 Risk Management Committee (RMC)

The Heads of Departments who form the Risk Management Committee, have the prime responsibility of ownership of the Risk Management Framework, as they own the policies and procedures of the MINECOFIN. They bear the final responsibility for risk management and for establishing an effective Internal Control Framework. They therefore set the tone at the top by ensuring that sufficient risk management processes are in place.

The RMC should meet at least once every quarter of the financial year to review the adequacy of the risk management processes in place and approve reports to the Minister. The RMC should also meet on a need basis to address an urgent matter arising.

The following are the main responsibilities of the Risk Management Committee:

i. Implement risk management policy and procedures.
ii. Report and provide update to the Ministers on all significant risks.
iii. Implement Risk Treatment Plan of the Ministers.
iv. Monitoring of risks and ensuring appropriate actions are being taken.
v. Ensure implementation of the Minister's Annual Risk Management Plan.

10.2.5 Risk Coordinator

The Risk Coordinator shall:

i. Coordinate management of risks and ensuring compliance to the relevant provisions.
ii. Conduct impact assessment of Ministry's interventions;

iii. Assist in identifying, documenting and managing risks in the Ministry and specific departments.
iv. Ensure adequate budget and resources for risk management are provided;
v. Identify Ministry-wide risk training needs and mentor and coach departmental staff;
vi. Prepare and present Ministry risk reports.
vii. Identify risk management staff establishment and capacity needs and propose remedies.
viii. Develop, enhance and implement appropriate risk management policies, procedures and systems.
ix. Co-ordinate and monitor the implementation of risk management initiatives within MINECOFIN.
x. Work with risk owners to ensure that the risk management processes are implemented in accordance with agreed risk management policy and strategy.
xi. Collate and review all risk registers for consistency and completeness.
xii. Provide advice and tools to Staff, Management and Ministers on risk management issues within the MINECOFIN, including facilitating workshops in risk identification.
xiii. Promote understanding of and support for risk management, including delivery of risk management training.
xiv. Oversee and update MINECOFIN-wide risk profiles, with input from risk owners.
xv. Ensure that relevant risk information is reported and escalated or cascaded, as the case may be, in a timely manner that supports organisational requirements.
xvi. Attendance at risk committee where risk management issues are discussed and keep minutes.

10.2.6 Heads of Departments and Director Generals

They are required to ensure compliance with the requirement of this policy. The roles and responsibilities;

i. Implementing the risk management framework;
ii. Own risks and controls in their respective Units thus ultimately accountable for the management of risk.
iii. Integrate risk categories relevant for their departments/directorates in their day-to-day management practice and develop appropriate policies.
iv. Ensure that all corrective actions against any areas of weakness are effectively and are expeditiously;
v. Ensure required risk information is reported and that it meets all established standards for timelines and integrity;
vi. Ensuring that the risk management processes are followed on a continual and timely basis;
vii. Ensuring that MINECOFIN complies with all external and internal rules, regulations, standards, policies and controls;
viii. Fostering a risk management culture in their respective units;
ix. Ensuring appropriate implementation of policies and procedures;

x. Taking appropriate measures to manage risks consistently and proactively;
xi. Preparing reports on risk management activities in their respective business units and presents them to the MRMC on a monthly basis with copies of the reports to the Risk Manager.

10.2.7 MINECOFIN Internal Audit

Internal Audit takes a vital role in risk management process as an independent function that is not involved in the business and risk management process.
The roles and responsibilities include;

i. Independent assessment and evaluation of the business/function unit compliance with this policy.
ii. Assessing adequacy and effectiveness of the risk management and control process for risks.
iii. Review of the Business – assigned risk levels, overall risk and control ratings and operational risk management methodology and systems.
iv. Reviewing the management of key risks by managers to ensure controls have been put into operation and are being monitored.
v. Evaluating risk management processes, to ensure the response to any risk is appropriate and conforms to the organisation's policies.
vi. Evaluating the reporting of key risks, by Risk Owners to MRMC or Ministers.
vii. Report the result of its assessment to appropriate management, including Risk Manager and Ministers.
viii. Assurance that this risk policy is working as designed noting any short comings thereon to Ministers.

10.2.8 Risk Champions

RCs are typically line managers, or functional specialists who assume responsibility for designing, implementing, and/or monitoring risk treatments. RCs may be responsible for the following:

i. Manage the risk they have accountability for
ii. Review the risk on a regular basis
iii. Identify where current control deficiencies may exist;
iv. Update risk information pertaining to the risk
v. Escalate the risk where the risk is increasing in likelihood or consequence
vi. Provide information about the risk when it is requested.

10.2.9 All Staff Members

All staff are responsible for:

i. Contributing to and being responsible for risk management and internal control processes in their respective areas.
ii. Supporting the development and updating of the documentation of risks, identifying and assessing risks in their areas, and contributing to risk mitigation.
iii. Effective management of risk including the identification of potential risks.

11. Risk Management Performance Review

MINECOFIN Ministers/Executive and Management shall ensure allocation of appropriate resources for risk management every year through budgetary allocation to cover:

- Development of people, skills, experience and competence in risk management;
- Tools, Information and knowledge management system to support risk management;
- Professional development and training of core team.

Risk Management shall be incorporated in the annual performance for review of staff. All staff will be expected to demonstrate their role in Risk Management and overall understanding of the subject matter.

Risk Coordinator in liaison with the Chief Budget Manager will at least annually identify and reward Risk champion of the year. A policy will be developed and communicated to all staff on that regard.

12. Interpretation of the Policy

The overall responsibility for interpreting this policy lies with the Risk Manager - or equivalent at MINECOFIN.

13. Applicability and Adoption

This policy will be applicable upon approval by the Minister.

The policy shall be reviewed every three years or when changes in the environment require such changes.

14. Policy Approval

This policy is subject to review in order to ensure that it meets the evolving needs of the MINECOFIN and changes in the corporate governance environment. Any changes to the contents of this document will require the approval of the Minister.

This risk policy and framework was approved by the Minister of Finance and Economic Planning.

SIGNATURE...DATE...12/05/2023.

Dr Uzziel NDAGIJIMANA

Minister of Finance and Economic Planning

Appendix 1: ERM Templates

1. Risk register

Assessed Unit	Objectives	Critical success factors	Risk event	Risk source	Risk effect	Inherent risk level	Controls	Residual risk level	Improvement action

2. Key Risk Indicator monitoring

Business Unit	Objectives	Risk event	Residual risk level	Key Risk Indicator	Green / Amber	Amber / Green	Month / Qtr 1	Month / Qtr 2	Month / Qtr 3

3. Internal Compliance monitoring

Business Unit	Objectives	Risk event	Residual risk level	Compliance Question	Green / Amber	Amber / Green	Month / Qtr 1	Month / Qtr 2	Month / Qtr 3

4. External Compliance monitoring

Business Unit	Objectives	Risk event	Residual risk level	External Compliance Question	Green / Amber	Amber / Green	Month / Qtr 1	Month / Qtr 2	Month / Qtr 3

5. Incident Management

Business Unit	Date of incident	Location	Incident detail	Risk event	Control that failed	Root cause	Corrective action	Status of action taken

6. Action tracking System

Business Unit	Objectives	Risk event	Residual risk level	Improvement action	Due date	Responsibility	Status Month / Qtr 1	Status Month / Qtr 2

7. Risk Management Report

A. HIGHLIGHTS.

- ✓ Brief on top risk(s)
- ✓ Major risk incidents during the quarter
- ✓ Key actions taken
- ✓ Risk Management activities overview
- ✓ Conclusion on status of integration of RM
- ✓ Key Recommendations

B. Risk Treatment Plan

The essence of this section is to ensure that the department is able to provide key information of actions taken towards key risk events.

	RISK EVENT	Residual Risk	Improvement Actions	Status

C. COMPLIANCE MONITORING

The essence of having this section is for the department to demonstrate how they are monitoring compliance with controls of their risks and compliance with laws and regulations

Internal Controls

Risk	Attestation question	Qtr 1	Actions	Status

Laws & Regulations

Risk	Attestation Question	Qtr 1	Action	Status

D. KEY RISK INDICATORS

The essence of having this section is for the department to demonstrate how they are monitoring MINECOFINI of their risks and application in decision

Risk	Key Risk Indicator	Qtr 1	Action	Status

E. INCIDENT MANAGEMENT

Demonstrate how your department is monitoring risk incidents analysing what went wrong and taking corrective actions

Risk	Incident	Resolution Rating	Action	Status

F. ACTION POINTS TRACKING

Summary of outstanding, overdue action and closed action points by the department

Risk	Actions	Qtr 1	Comment on Status (why red or amber and what are you doing about it)

G. KEY PERFORMANCE INDICATORS

The essence of having this section is for the department to demonstrate how they are meeting their objectives in light of the risks they are exposed to.

Objective	Key Performance Indicator	Residual risk level	Qtr 1	Action	Status

Appendix 2: Risk maturity assessment

	Risk naive	Risk aware	Risk defined	Risk managed	Risk enabled	Audit Test
Key characteristics	No formal approach developed for risk management	Scattered silo based approach to risk management	Strategy and policies in place and communicated. Risk appetite defined	Enterprise approach to risk management developed and communicated	Risk management and internal controls fully embedded into the operations	
Process						
The organization's objectives are defined						Check the organization's objectives are determined by the board and have been communicated to all staff. Check other objectives and targets are consistent with the organization's objectives
Management have been trained to understand what risks are, and their responsibility for them						Interview managers to confirm their understanding of risk and the extent to which they manage it
A scoring system for assessing risks has been defined						Check the scoring system has been approved, communicated and is used
The risk appetite of the organization has been defined in terms of the scoring system						Check the document on which the controlling body has approved the risk appetite. Ensure it is consistent with the scoring system and has been communicated
Processes have been defined to determine risks, and these have been followed						Examine the processes to ensure they are sufficient to ensure identification of all risks. Check they are in use, by examining the output from any workshops
All risks have been collected into one list. Risks have been allocated to specific job titles.						Examine the Risk Register. Ensure it is complete, regularly reviewed, assessed and used to manage risks. Confirm that risks are allocated to managers
All risks have been assessed in accordance with the defined scoring system						Check the scoring applied to a selection of risks is consistent with the policy. Look for consistency (that is, similar risks have similar scores)
Responses to the risks have been selected and implemented						Examine the Risk Register to ensure appropriate responses have been identified

	Risk naive	Risk aware	Risk defined	Risk managed	Risk enabled	Audit Test
Management have set up methods to monitor the proper operation of key processes, responses and action plans ('monitoring controls')						For a selection of responses, processes and actions, examine the monitoring control(s) and ensure management would know if the responses or processes were not working or if the actions were not implemented
Risks are regularly reviewed by the organisation						Check for evidence that a thorough review process is regularly carried out
Management report risks to directors where responses have not managed the risks to a level acceptable to the board.						For risks above the risk appetite, check that the board has been formally informed of their existence
All significant new projects are routinely assessed for risk						Examine project proposals for an analysis of the risks which might threaten them
Responsibility for the determination, assessment, and management of risks is included in job descriptions						Examine job descriptions. Check the instructions for setting up job descriptions
Managers provide assurance on the effectiveness of their risk management						Examine the assurance provided. For key risks, check that controls and the management system of monitoring, are operating
Managers are assessed on their risk management performance						Examine a sample of appraisals for evidence that risks management was properly assessed for performance
Internal Audit approach	Promote risk management and rely on alternative audit planning method	Promote enterprise-wide approach to risk management and rely on alternative audit planning method	Facilitate risk management/liaise with risk management and use management assessment of risk where appropriate	Audit risk management processes and use management assessment of risk as appropriate	Audit risk management processes and use management assessment of risk as appropriate	