KENYA NATIONAL BUREAU OF STATISTICS

RISK MANAGEMENT POLICY

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FOREWARD

By the year 2030 it is envisaged that Kenya will have “transparent, accountable, ethical and results-oriented government institutions”. The ongoing Public Financial Management reforms have identified a need for a more effective Corporate Governance.

The Board has a primary responsibility of ensuring that all risks facing the organisation are identified and appropriate mitigation actions put in place. This can be done through a risk management framework which enables management to focus in a comprehensive and holistic manner on all risks faced by the Bureau.

This risk management policy is an important step in ensuring that management identifies and manages all risks and the Board provides oversight as well as policy direction in managing risks.

The Board has pleasure to put in place this guiding policy that will help management to move forward in putting in place various tools required to help effectively manage risks.

PETER N. MWITA
CHAIRMAN OF BOARD OF DIRECTORS

PREFACE

KNBS became a state corporation in line with Statistics Act 2006 which was officially operationalised through a legal notice in the year 2007. The Bureau has been in operation for two financial years.

In the current competitive and challenging internal and external environment, only those organisations that manage risks effectively will be able to meet their objectives and fulfil their mandates.

Development of risk management policy is one step towards ensuring that the Bureau manages risks at all levels. However the policy requires ownership of risk management process by the relevant directors and managers of various functions.

This policy has been developed as a follow up to consultancy work done two years ago. This policy simplifies the understanding of risk management and achieves common language in description of various terms in risk management. It also puts in places various monitoring and reporting mechanisms as well as an implementation time frame.

I believe management will use this policy as a management tool and will eventually help in continuously improving the bureau as this will enable us to be strategic and forward looking in order to overcome any impediments to achievement of objectives.

A.K.M KILELE

DIRECTOR GENERAL

CHAPTER ONE

INTRODUCTION

1.0 Background

Recent trends in public sector management have laid emphasis on transparency and accountability. This has resulted in increased focus in governance of public institutions and the incorporation of risk management and financial controls. It is on this basis that Kenya National Bureau of Statistics (KNBS) has developed this risk management policy.

The Kenya National Bureau of Statistics (KNBS) is committed to managing risks to an acceptable level across all areas of its operations to achieve its objectives. The risk commitment extends to third party interaction for example with data producer, users and suppliers, service providers, and contractors. KNBS recognizes that risk management is an integral part of the management process and wants this to become part of the culture of the organization. To effect this, the Bureau will communicate to all staff their role in risk management, and provide the means for employees to play that role.

As a public institution the Bureau will work closely with other government agencies and departments to ensure that collaborative risk management arrangements are in place. The Bureau is committed to implementing all regulatory requirements and the risk management framework will be a useful component of ensuring compliance.

In addressing risk, KNBS will ensure transparency and accountability and seek to identify and address all areas where there are needs for improvement in risk management or risk reduction.

1.1 KNBS policy statement

Risk Management shall form an integrated part of planning, controlling and reporting procedures in KNBS.

KNBS is committed to implementing the risk management framework for effective operations. This policy is intended to provide a framework for managing risk associated with changing roles and responsibilities within the Bureau.

This Risk Management Policy sets out the process to manage and mitigate against present and potential risks faced by the Bureau

1.2 Purpose and importance of risk management policy to KNBS

The main purpose of the Risk Management Policy is to ensure that the Bureau pursues a structured approach to the effective management of risk. The purposes of the policy are to:

- Ensure that the Board of Directors has an active, structured, and commonly shared knowledge of risks that they have to manage through upward reporting from management and that the priorities of the board in respect to the risks are fully communicated down within the Bureau.

- Ensure that management team at every level shares that understanding of risks and priorities
- Ensure responsibility for the management of risks is assigned to staff who have the authority to ensure that they are managed
- Ensure that the risk management framework contributes to the preparation and implementation of internal controls
- Ensure that financial, operational and management systems directly support the management of risks that threaten the achievement of KNBS objectives.
- Facilitate KNBS Management to deal effectively with future events that create uncertainty
- Foster risk awareness and proactive risk behaviour
- Position management to proactively identify opportunities by considering a full range of potential events
- Ensure that the risk management framework is functioning efficiently and effectively integrates with KNBS strategic planning processes.
- Ensure that resources are assigned to the management of risks in such a way to optimize value for money;

In addition, the risk management policy will support the Boards' fulfillment their mandates and compliment existing Government of Kenya regulations including but not limited to:

- The Penal Code
- The State Corporations Act
- Public Officers' Ethics Act 2003
- General Public Officers' Code of Conduct
- Audit and Exchequer Act
- Public Procurement and Assets Disposal legislation
- Public Finance management legislation
- Public Service Commission Act
- Treasury and DPM circulars and guidelines

The institutional risk management framework will also integrate other risk mitigating actions such as:

- performance contracts monitoring;
- external and internal audit;
- insurance;
- service charters;
- business plan;
- review of financial statements;
- contract management standards;
- Quarterly and annual reports to ministry; and
- reports to development partners

CHAPTER TWO

DEFINITION OF TERMS IN RISK MANAGEMENT

For a uniform Risk Management System to be implemented, a common language is necessary. As such, below are some definitions of the terms that have been used in the Risk Management Policy Framework.

Risk

KNBS has defined risk as the uncertainty of outcome, that an event will occur and adversely affect the achievement of objectives. The risk has to be assessed in respect of the combination of the likelihood of something happening, and the impact that arises if it actually does happen. It can also be defined as an exposure to the consequences of uncertainty. It is an occurrence or event that prevents KNBS from achieving its objectives or exploiting the opportunities that it may have. Risk can be measured in terms of likelihood of occurrence or impact to the organisation.

Risk Identification. The process of determining what might happen that could affect the objectives, why and how it might happen.

Inherent (gross) risk refers to **t**he status of the risk (measured through impact and likelihood) without taking account of any risk management activities that the organisation may already have in place.

Residual (net) risk refers to the status of the risk (measured through impact and likelihood) after taking account of any risk management activities.

Risk appetite refers to **t**he level of risk that the Board or management is prepared to live with.

Risk tolerance refers to the extent of variation relative to the achievement of an objective that an organisation is prepared to accept.

Risk management policy describes the organisation's approach to managing risks and stipulates the standard in respect of risk tolerance.

Risk will be measured in terms of impact and likelihood.

-I**mpact** is the potential loss should the risk materialise.

-**Likelihood** is the probability that an adverse event, which could cause materialisation of the risk, may occur.

Risk analysis The systematic use of available information to determine the likelihood of specified events occurring and the magnitude of their consequences. Measured in terms of impact and likelihood.

Risk evaluation

The process used to determine risk management priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria

Risk assessment
The overall process of risk analysis and risk evaluation.

Risk management An iterative process consisting of steps, which when taken in sequence, enable continual improvement in decision-making. It is the logical and systematic method of identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process in a way that will enable organisations to minimise losses and maximise opportunities.

Risk Owner This refers to the person primarily responsible for co-ordinating a response to a particular risk

Strategic Risks by nature impact on the achievement of the overall objectives of the Bureau rather than any discrete part of it. They cut across operational and divisional boundaries. These will be high level and strategic by nature.

Operational Risks impact on the achievement of the objectives of any of the individual directorate, project, programs or sub-programs

However risks do not always fit or remain in the two categories.

CHAPTER THREE

THE RISK MANAGEMENT PROCESS

The focus of the risk management system is to identify and treat risks. Its objective is to add maximum sustainable value to all the activities of the Bureau. The risk management system will exploit potential upside and downside of all the events that can affect KNBS. It will increase the probability of success, and reduce both the probability of failure and uncertainty of achieving the overall objectives as set in the Strategic Plan for KNBS

KNBS will formalize preventative controls and other measures that ensure the risks do not adversely impact the achievement of the Bureau's strategic objectives and reduce the impact if they do occur. These events may be political, economic, environmental, technological, or driven by the process of dealing with the users, providers and suppliers of data and personnel.

The process of assessing risk and mitigating assessed risk is the responsibility of the teams set out as champions for risk management. This process contains key stages;

- Risk identification,
- Risk assessment including Risk analysis and evaluation (bottom up and top down process);
- Risk ranking;
- Risk mitigation including treatment and controlling;
- Risk reporting and communication; and
- Monitoring

This cycle of risk management procedures will provide a framework for managing ad-hoc risks as they arise. Sufficient documentation is necessary at all levels of the Risk Management Process including explanations and evaluations that allows competent third party to understand the nature of the risk.

3.1 RISK IDENTIFICATION

Directors and Departmental heads are responsible for identifying all major risks. Risk identification requires regular monitoring and assessments of multiple factors. Risk identification and analysis will be carried out during development of annual work plans and budgets. This will ensure all constraints to achieving set objectives have been identified.

There are no hard and fast rules on how risks should be identified. The process requires a multidimensional approach and initiative.

The following may be used in aiding risk identification.

- Go through key Directorate/department/project objectives and identify what inherent risks exists against each objective (i.e. what could cause the objectives not to be achieved)
- Through structured or unstructured thinking and discussions. Structured formal risk workshops would be ideal
- Asking the question – what can go wrong?

    - What could happen (threat event)?

    - If it happens, how bad could it be (threat impact — risk exposure)?

    - How often could it happen (threat frequency/ likelihood analyzed)?

- Analysing the environment of operations and identifying key obstacles in achieving of the desired results
- Looking at past experience of similar processes/projects undertaken by the various entities in public sector and assessing the likelihood of their being repeated.
- Discussing current internal problems, challenges or events
- Feedback from staff and third parties like customers, suppliers and other development partners.

For all risks identified, the following shall be clearly stated;

- Description of the Risk
- The Possible or actual underlying cause of the risk. This is important in developing the risk mitigating actions

3.2 RISK ASSESEMENT

Risks will be assessed both quantitatively and qualitatively and measured in terms of impact and likelihood.

KNBS will use the Likelihood / Impact analysis. Value of the risk will be calculated by assigning a value to the likelihood (probability) of the risk materialising and a value to the impact on the objectives of the KNBS in the event of the risk materialising.

3.2.1 Risk Measurement

Each risk identified will be assigned a value for likelihood and impact

3.2.1.1 Likelihood

Likelihood is the probability that an adverse event, which could cause materialization of the risk, may occur.

For every risk identified, a probability score on its likelihood of occurrence will be assigned. The probability will range from 1 to 3 and will be based on the table below.

DESCRIPTION	VALUE	GUIDE
High	3	Likely to happen in next 1year. Almost certain to occur
Medium	2	Could happen in next one year. Likely to occur.
Low	1	Surprising if it happened in next one year

Assigning a probability weighing is a judgemental process.

3.2.1.2 Impact

Impact is the potential loss should the risk materialize.

The best measure of impact of a potential risk is the impact of such a risk on the directorate /Programmes/projects. Values to be assigned range from 1-3 with the following explanations attached to each value.

IMPACT

DESCRIPTION	VALUE	
High	3	Threatens viability of KNBS operations
Medium	2	Damaging, substantial but not threatening effect
Low	1	Noticeable but little effect on KNBS operations.

A judgmental assessment of high, medium, or low will be assigned based on the risk information collected or available.

3.2.2 Risk ranking

Before deciding on the appropriate risk mitigating action, KNBS will prioritise the risks on the basis of an objective ranking of those risks in terms of their respective importance to the directorate/department or project. This will help in the allocation of resources to mitigate risks more efficiently and effectively.

Risks will be ranked as high, Medium (substantial, modest) or low. Before deciding whether the controls and other measures in place to manage identified risks are appropriate, the potential impact of those risks and the likelihood or probability of them occurring must be considered as in section 3.2.1

Based on the values provided in allocation of values for likelihood and impact each risk will fall in one of the nine boxes below.

Impact	1	2	3
3	**High Impact / Low Likelihood** Catastrophe potential-one– off but devastating occurrence e.g. earthquake. Require contingency plans Risk Class: Medium Risk	• **High Impact/Medium likelihood** **High risks** **Risk Class: High Risk**	• **High Impact / High Likelihood** Major risks (High profile) – strategic objectives of the KNBS Risk class: High risk
2	• **Medium impact/Low likelihood.** **Risk Class: Low risk**	• **Medium impact/Medium likelihood** **Risk class: Medium Risk**	• **Medium impact/High likelihood** Risk class: High risk
1	• **Low Impact / Low Likelihood** Minor / Inconsequential risks that may not even happen Risk Class: Low risk	• **Low Impact/ Medium likelihood** **Risk class: Low risk**	• **Low impact / High likelihood** Operational risks that occur on a day to day basis Risk Class: Medium Risk
	Likelihood		

Resultant from which box the risk falls, the risks can be of various types and descriptions which have also an implication on level of efforts to be made and kinds of involvement. Before these various types are explained, the risks will be considered at two levels of assessment both of which will appear in a risk matrix. These are

- Inherent risk: This considers **Gross risk** (probability X impact to give overall rating). That is the severity of risks before considering control effectiveness; and

- Residual risk: This considers **Net risk** (gross risk – control effectiveness). That is the effectiveness of controls that have been put in place.

Risk management will concentrate on high risks and medium risks and monitor risks that could threaten the achievement of KNBS mandate and objectives. Hence High and medium risks should be summarised for reporting to the Board of Directors.

Various risks from the ranking table will include.

High risk (most cases Strategic kevel risks) - exists where the activity is inherently complex, and risk information individually or in combination shows the potential for significant risk. Senior management attention is needed. These are those risks that have the greatest impact on the institution success and have a high probability of occurring. They must be addressed. They have an impact at the strategic level.

Catastrophe Risks -Also significant are catastrophic risks that have a high impact but less likelihood especially where such impact is devastating e.g. Earthquakes, flooding, civil war, etc. These risks are unlikely to occur but if they occur their consequences can lead to the near collapse of the institution.

Medium risks - exists where the activity is complex or is inherently complex, and risk information individually or in combination may show the potential for significant risk. Senior management attention is needed. These risks should be managed by the organisation to avoid a possibility of letting them become major risks. They also require considerable effort to rectify as they include things that can lead to severe injuries

Low risks (most cases operational risks) - exists where the activity is not complex or there are few indications of risk.These are the risks the directorate/project/department will face on a day to day basis. They need to be addressed because even though they individually have low impact, they tend to be many and when aggregated, their impact can be substantial. When left unattended, they mutate into medium or high risks. They are easily mitigated using internal controls.

Minor Risks -Low likelihood – low impact risks are considered minor and may be ignored because the cost or effort of dealing with them may outweigh the benefit to the project.

In order to achieve high quality in the risk assessment, a self assessment method will be adopted. The self assessment will be done by each Directorate and in each department falling under each directorate. Projects will also carry out their own assessments and summarise these assessments in a risk register. The outline table of the risk register is as shown in appendix 1. The results of risk assessments in each area will then be discussed and consolidated in a one day meeting. All the high and medium risks which cut across the entire organization and are not directorate specific will the be compiled in a KNBS risk register together with other general risks which are organizational in general and not directorate or project specific. The Director General will be involved in the consolidation and approval of the risk assessment.

3.3 RISK MITIGATION (RESPONSE)

Risk management is not intended to eliminate risks but to provide appropriate mitigation actions that reduce either the probability of the risk occurring or the impact of the risk if it occurred or both. This increases the level of expected value at the same risk profile and / or reduces the risk level without reducing the level of expected return value. Mitigation therefore shifts the risk return trade off upwards creating room for assuming more risks.

When risks have been identified, analysed, reported and ranked the next stage will be to prepare and agree an appropriate risk action plan. Before the action is agreed upon the current controls or actions which are in place meant to address the risks will be identified. The appropriate risk action plan will take into consideration the current efforts or controls. The plan will set out the steps to be taken to manage or contain a risk to acceptable levels, and will set out a timetable for action and the names of the risk owners and action managers charged with implementing agreed action plans. Top management will decide on the best approach for risk treatment which may involve:

3.3.1 Risk Treatment

Treating the risk in an appropriate way is aimed to constrain the risk to an acceptable level or actively taking advantage, regarding the uncertainty as an opportunity to gain a benefit;

Treating risks involves taking a corrective action to reduce the negative or increase the positive magnitude of the risks. For negative magnitude of risks action taken will reduce likelihood or impact or both. Risk control actions shall be used in mitigating operational risks (high likelihood – low impact risks) and major risks (high likelihood – high impact risks) and include but are not limited to the following;

- Internal Controls, processes, rules and procedures
- Monitoring of programmes/project activities
- Strategic alliances with other similar/relevant institutions
- Recruitment of relevant skills, training,

3.3.2 Risk Transfer

In some cases, the risk identified is such that it is best managed and assumed by a professional risk manager. This is achieved by transferring the risk, for example by insurance or paying a third party to take the risk in another way;

3.3.3 Risk Acceptance

In some cases the value of a risk is such that it is so low that the cost of mitigating it is higher than the value of the risk. In such a case, it is better to accept the risk and do nothing about it. Minor risks fall into this category. However, such risks must be constantly monitored to ensure that they do not mutate into other more serious or significant risks. This tolerating of the risk can be supplemented by contingency plans if deemed necessary;

3.3.4 Risk Termination / Avoidance

Some risks may be so significant that they may not be cost effective and / or practical ways to mitigate them. In such a case, the only obvious solution is to terminate them. Terminating the activity giving rise to the risk where possible, should be done while bearing in mind that this option is limited given Bureau activities and mandate as set out in Statistics Act 2006.

It is the responsibility of each Director and departmental heads to establish and agree with the Director-General the system to handle risks. These systems are not specifically prescribed within the scope of this policy since the systems are to be adapted to suit the situation. Based on the risk matrix, an action plan of top risks, or risk map will be produced. The action plan will document the individual risk treatment measures.

An integral part of the risk controlling is the acceptable risk level. This is a threshold or level, above which a single risk alone or together with other risks could threaten the further existence of the Bureau or could cause serious damages. Risks below this level should be deemed as acceptable. Special attention should be paid to this threshold. It is linked to monitoring measurements that send an early warning to initiate actions when necessary.

3.4 RISK REPORTING (COMMUNICATION)

While the most important thing in risk management is to ensure that risks are identified, assessed and mitigated, it is also important to ensure that knowledge about risks is shared across the organisations. This requires that risks are reported.

The reporting of risks will ensure;

- There is appropriate sharing of risk intelligence across the institution implementing entities that can result in better appreciation of risks and refinement in management of identified risks.
- The board obtains the relevant information on risks that they require to fulfil the governance function of ensuring risks are properly managed and reported.

- Everyone understands what the risk framework is, what the risk priorities are and how their particular responsibilities fit into that framework;
- Lessons are learned and communicated to those who can benefit from them;
- Each level of management receives regular assurance about the management of risk within their area of control.

  Risk communication will comprise of the following tools;

  - risk logs
  - Annually - Risk Matrix (risk inventory) with Action Plan
  - Quarterly: -Risk Map
  - Incidental: Ad hoc Reporting
  - Reporting requirements

3.4.1 Risks register (risk log)

The risk facilitator will keep an upto date register of all the risks identified and details of how they have been disposed off.

This register shall be available for inspection by the board audit committees and other senior managers.

The logs shall be maintained in the institutions' website and may be accessed through tight access controls as appropriate.

3.4.2 Annual risk matrix

Each directorate and departments under director General office within KNBS will prepare the annual risk matrices and forward these to risk management team. The Risk management team will review the evaluation with the risk owners. The outcome of this review of the departmental control risk self assessment will be combined with the top down assessment of any risks that the board or audit committee may have identified. The combined departmental self assessment and any other risks identified will form the risk matrix for KNBS. The risk matrix will contain an action plan with an allocation of responsibility for risk mitigation and time frame

The Action Plan will be divided into Directorates/departments and corporate level. The follow-up of the action plans is part of the quarterly review process by the responsible Directorate/department heads. Newly detected risks should be added while risks that have been fully mitigated in the course of time should be removed.

The Risk management team will produce a final risk report and quarterly Risk Maps to the Board of Directors through the Audit Committee for review and give appropriate feedback.

3.4.3 Quarterly risk map report (Follow-up and forecast)

The Risk Management Team will follow-up on major risks from the Risk Map and Action Plan on a quarterly basis and check the existence of newly identified material risks. This process will be undertaken within the operational planning as part of the forecast process. The goal is to improve risk controlling by installing quarterly risk follow-up. Major risks must still be reported within ad hoc reports. The quarterly risk map report should be sent to the Audit Committee with appropriate comments from Risk Management Team.

3.4.4 Ad Hoc reporting of newly recognized major risks

Managers at all levels of the Bureau will report newly recognized risks to the Risk Management Team.

Ad hoc reports can be used to address all of the risks areas defined in the Risk Matrix. The reports can also be used to highlight risks that have not been identified in the past. Ad hoc reporting thresholds should be established by the Risk Management Team and the Audit Committee. The Risk Management Team informs its members and other relevant parties about incoming ad hoc reports.

It will be the role of Risk Owners/Directorate/departmental heads and the Risk Management Team to regularly review progress on the achievement against the action plan. However, the Board will also receive quarterly reports on achievement against the plan and on any unresolved risk issues. It will be the role of the Risk Management Team to draw together all organisation wide risk issues and make appropriate recommendations.

3.4.5 ‘Whistle blower’ programme

To strengthen its approach to risk identification, monitoring and mitigate fraud and corruption, KNBS will develop a ‘whistle blower’ program. This will incorporate platforms for anonymous contributions and reporting of incidents by the public, employees, data users and providers. To enhance reporting of fraud instances and other risks, management will install suggestion boxes at various stations including the headquarters, the line ministries and at the district offices. This will be supplemented with a hotline to a member sitting in the Audit Committee.

This will ensure high risks incidents are promptly brought to the attention of both senior management and the Board of Directors. Further the ‘whistle blower’ program will assure all information providers the confidentiality needed to encourage participation.

3.5 RISK MONITORING

The presence and functioning of the components of the risk management system will be assessed over time and modifications made as necessary. Monitoring will be accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two.

The responsibilities for risk controlling are divided between permanent risk controlling, which is the duty of management and quarterly follow-up of the Risk Matrix, which is the responsibility of the Risk Management Team. Risk controlling will involve monitoring the implementation and progress of agreed actions and controls, re-evaluation, and compliance with decisions.

CHAPTER FOUR

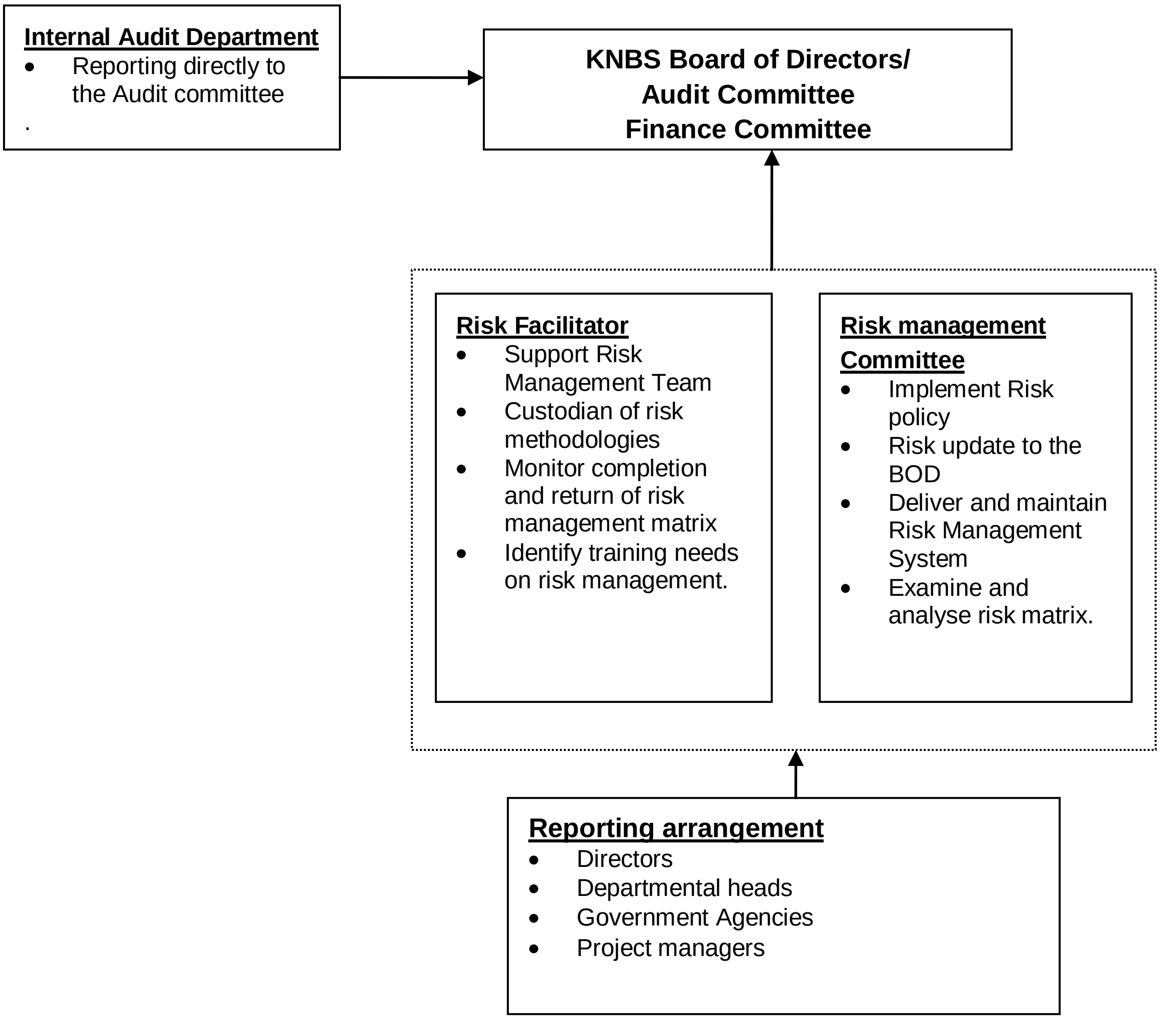
ROLES AND RESPONSIBILITIES

4.0 Overview

Risk management is the responsibility of all staff in KNBS who work towards a common goal of ensuring all the objectives are achieved. The implementation of the risk management policy shall not impose extra overhead on KNBS. This policy is embedded within the current structure and follows existing communication channels.

The following diagram depicts the parties in the Risk Management system and their relationships.

Risk management structure



4.1 Board

The newly constituted KNBS Board is responsible for oversight and through the Audit Committee will ensure the maintenance of the Risk Management System and a robust control environment. The Board requires assurance from the Director General that the framework for the effective management of risk is in place. The board also has the mandate to endorse the risk management policy and authorise any amendments.

The Audit Committee will monitor the effectiveness of the risk management system and ensure follow up on all major risks. For significant risks, where the quality of the risk management system does not appear to be sufficient, discussion will take place with the responsible people about further measures. The sub committee will receive a copy of the Quarterly Risk Map which indicates the status of the status of the risk management system.
The Board will have an oversight responsibility to review the:

- adequacy and effectiveness of the overall arrangements put in place by management to manage risk, and

- Annual Risk Matrix report and ensure adequate controls and measures have been developed to mitigate risks.

In addition the Board will:

- provide appropriate resources for risk management; and

- Ensure that the risk management system implemented by management meets the requirements set out in the policy.

4.2 Director General

The Director General is responsible for ensuring that the risk management system is active in all Directorates and departments under the Director General's office within the Bureau. As the head of the Risk Management Committee the Director General will be responsible for implementation of the risk management policy and will direct the Risk ManagementCommittee to collate and assess risks from all directorates and departments. The Director General will also:

- receive and approve the quarterly reports on operational risk management issues; and

- Report any strategic risks identified to the Audit Committee and the Board.

4.3 Risk Management Committee

The Risk Management Committee will deliver and maintain a Risk Management System within the Bureau. This will include coordination of the risk management processes described in this policy, for example; maintaining risk matrices, holding risk management checkpoint meetings and assessing progress against agree action plans with Risk Owners. Through the Director General the Committee will provide a risk update to the Audit Committee. The member of the risk management Committee will each be accountable for the risk management on their areas of functional responsibility. All Directorates in KNBS should be represented in the Committee. This will ensure that issues of risk are built into directorates meetings.

The Committee will examine and analyze the Risk Matrix before it is presented to the Audit Committee for deliberation and ask critical questions of risk owners. They will also follow-up action plans recommended by the Board, approve of risk mitigating actions taken and contribute to the development of the Risk Management system.

4.4 Risk Facilitator(s)

To ensure objectivity and independent assurance, there will be a risk facilitator in KNBS.

The Facilitator will provide the lead and facilitate the Risk Management system. The Risk Facilitator will report directly to Director General and may by invitation make presentation to the Audit Committee on topical issues related to the implementation of the risk management system. The risk facilitator should:

- provide support to the Risk Management Committee on reporting and consolidation mechanism;
- select, develop, and maintain systems required to support the assessment process within the various divisions;
- issue timetable to management for quarterly and annual reporting;
- monitor completion and return of Risk Management matrix by management;
- review completed returns to ensure they have been diligently completed in accordance with the policy and to identify key issues;
- consolidate quarterly and annual risk management returns to identify key risks to the Risk Management Team;
- receive ad hoc reports from management and with approval from the Director General take responsibility for the distribution of such reports within the Bureau; and
- Monitor and report upon trends in the organisation’s risk profiles over time.

Further the risk facilitator will:

- be the custodian of appropriate risk methodologies and templates;

- monitor progress against action plans designed to manage operational risks;

- Identifying training needs on risk management across KNBS.

4.5 Risk owner

This refers to the person primarily responsible for a particular risk. It is this person's task to take measures in order to avoid, minimize, or transfer the risk to a third party. At the same time, this person must also follow the course of the risk over time and react appropriately. Major risks are to be communicated to the Risk Management Committee according to the reporting requirement: ad hoc reporting, quarterly or annual.

This role is reserved for Directors and line managers who must assess whether they have identified all major risks within their departments and report to the Risk Management Team. Therefore it is the duty of each director to make appropriate arrangements within their directorate to get a complete overview of the risk situation. The Board should ensure that risk management forms part of performance contracts for all Risk Owners.

4.6 Internal audit department

The internal audit department will independently appraise the bureau operations, assess the effectiveness of internal administrative and accounting controls and help ensure conformance with bureau policies, this will be conducted under the direction of board audit committee. The Risk Management Committee will complement the work of the internal audit department.

4.7 KNBS staff

The engagement of all staff in the risk management process is mandatory. The Policy statement will apply to all staff and be included in future staff induction material and training. Staff more directly involved in the risk management process by virtue of their job responsibilities will have personal risk responsibilities which include completing the Annual Risk Matrices and report indicating that any identified risks for which they are assigned as owners have been monitored and controlled. Their risk management responsibilities will be included in their individual work and performance objectives.

CHAPTER FIVE

INTEGRATING RISK TO OTHER MANAGEMENT SYSTEMS

The management of risk at strategic, directorate, project and operational levels needs to be integrated so that the levels of activity support each other. In this way the risk management policy of the KNBS will be led from the top and embedded in the normal working routines and activities of the Bureau. All staff should be aware of the relevance of risk to the achievement of their objectives.

KNBS has in place processes for the preparation of work plans and agreeing directorate objectives. The risk management framework is an integral part of these processes of identifying the key risks as well as the key priorities. Integration of planning and risk management ensures alignment of objectives, risks and controls.

The Annual Risk Matrix should be developed together with performance contract and the operating plan in order to achieve consistency between these processes and to reach future orientation.

Performance appraisal objectives of key staff should be integrated into the overall planning process.

CHAPTER SIX

PROPOSED IMPLEMENTATION PLAN

To make the risk management framework operational we propose the following implementation plan. The incorporated key activities, milestones and resources.

Activity	**Responsibility**	**Date**
Approve of the risk management policy	Board of Directors	
Communicate policy	Director General/Risk Facilitator	After approval
Allocate and communicate roles and responsibilities	Director General	After approval
Train risk owners on risk management system and tools	Director General/ Risk Facilitator	
Review status and report progress	Director General/ Risk Facilitator	In three months
Perform follow up assessment of implementation issues, implement remedial actions	Director General/ Risk Facilitator	In six months
Conduct risk surveys	Risk Facilitator/ Risk owners	Quarterly
Develop and implement supporting policies e.g. whistle blowing Program	The Board of Directors/Audit Committee	
Incorporate risk assessment into strategic and operational planning.	Director General/ Risk Facilitator	Annual
Review risk management policy	The Board of Directors	After one year

APPENDIX I

Sample risk matrix

Risk Assessment Matrix KNBS 2008/09

Risk	Impact	Prob.	Overall rating (H,M,L)	Current Action / Policies	Risk Owner	Control gaps	Risk mitigation Action Plans	Residual Risk H,M,L

Impact	*Probability*
High – threatens viability of KNBS operations **Medium – damaging, substantial but not threatening effect** **Low – noticeable but little effect on KNBS operations**	High – likely to happen in next 1 year Medium – could happen in next 1 year Low – surprising if it happened in next 1 year.