

# Risk Management Assessment Framework

---

A tool for Departments

Version 1.0  
December 2003

**The Risk Programme**  
Improving government's risk handling



# CONTENTS

	<b>Page</b>
<b>Introduction</b>	2
<b>Summary</b>	3
<b>Risk Management Assessment tool</b>	5
1. Leadership	6
2. Risk Strategy and Policies	7
3. People	8
4. Partnerships	9
5. Processes	10
6. Risk Handling	13
7. Outcomes	15

## INTRODUCTION

The Risk Management Assessment Framework (RMAF) is a tool for assessing the standard of risk management in an organisation. It is offered to Departments as an optional tool to help collect and assess evidence. It will support the production of a Statement on Internal Control, and is consistent with the criteria set out on Government Accounting (Chapter 21).

The Framework has its genesis in the EFQM excellence model but is simplified and targeted to provide a flexible tool to assist Departments in evaluating their performance and progress in improving their risk management capability and its impact on improved risk handling and performance outcomes. It should also assist with identifying areas of particularly good or poor performance and in establishing priorities for improvement action.

It is intended that it can be used flexibly to replace or augment existing evaluation arrangements as appropriate. The top-level framework and the seven key questions can be used with or without the supporting question sets and/or the quantified 'levels' scale. The Framework can also be used centrally or devolved for self-assessment by business units or used cooperatively with partner organisations. Where business units deliver a discrete activity or where agencies, NDPBs etc responsible for their own SIC are involved then self-assessment may be useful to all parties in evaluating risk management performance and areas for improvement.

The question sets under each of the seven main questions are intended as indicative of the range of issues and extent of evidence needed to come to a decision in respect of the key questions. All the questions may not be relevant to all Departments and existing arrangements in a Department (or agency, NDPB etc) may cover some or all the question areas.

The tool should enable any 'gaps' in existing evaluation arrangements to be identified and provide a means to identify actions to rectify them. It will also assist in indicating the evidence that will need to be provided by any alternative evaluation tool in order to effectively judge performance and progress.

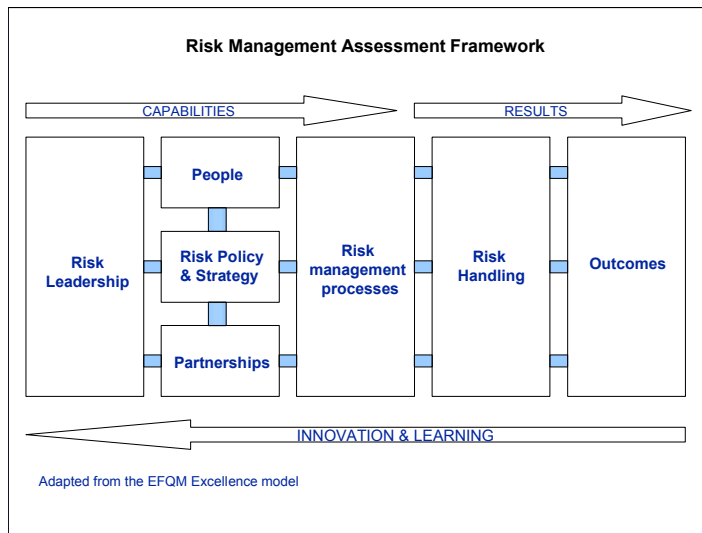
The performance levels scale provides a means of quantifying performance and should assist in benchmarking performance, both in terms of type of activity (leadership, strategy, people etc) and business units, divisions, projects etc within a Department. This should help with planning and priority setting for future work plans and in identifying and setting targets for improvement and in monitoring progress towards those targets. It should also provide a basis for benchmarking between Departments (bilaterally or multilaterally).

Risk Support Team  
December 2003

## SUMMARY

### 1. Assessment Framework

The top-level framework is adapted from the EFQM Excellence Model, as follows:



At the most summarised level there are **seven questions** to address:

#### Capabilities

1. **Leadership:** do senior management and Ministers support and promote risk management?
2. Are **people** equipped and supported to manage risk well?
3. Is there a clear risk **strategy** and risk **policies**?
4. Are there effective arrangements for managing risks with **partners**
5. Do the organisation's **processes** incorporate effective risk management?

#### Risk Handling

6. Are **risks handled well**?

#### Outcomes

7. Does risk management contribute to achieving **outcomes**?

These are underpinned by a lower level set of questions, which can guide evidence gathering.

## **2. Assessment Scale**

2.1 Five levels are proposed to gauge progress in establishing the capability, assess the effectiveness of Risk Handling and to review Outcome performance.

2.2 Establishing the capability (Leadership; Policy & Strategy; People; Partnerships & Resources; and Processes):

1. Awareness and understanding
2. Implementation planned & in progress
3. Implemented in all key areas
4. Embedded and improving
5. Excellent capability established

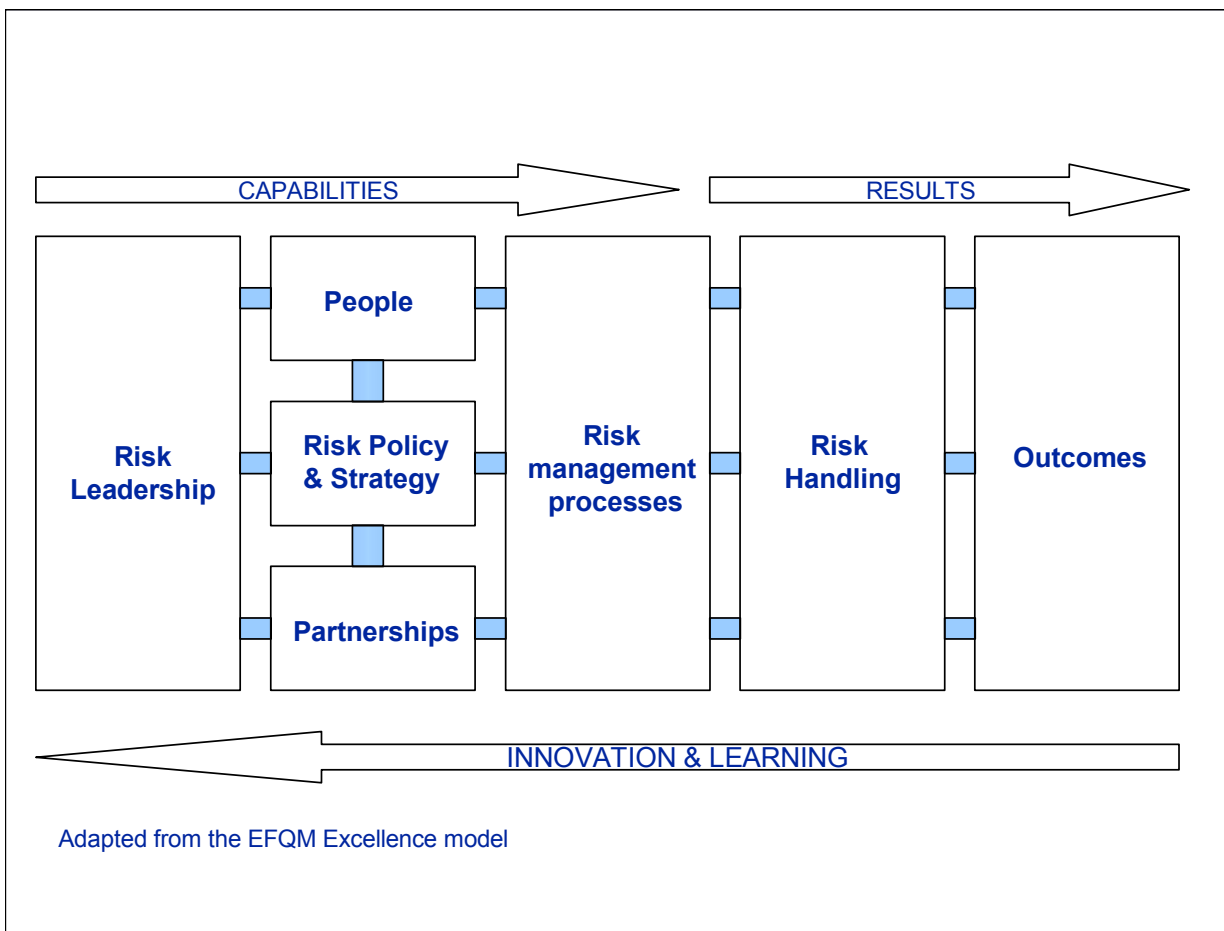
2.3 Effectiveness of Risk Handling and Outcome performance:

1. No evidence
2. Satisfactory
3. Good
4. Very good
5. Excellent

## **3. Using the Assessment Tool**

This can be used either to give a broad/impressionistic overview, using just the summary framework or it can give a more detailed assessment, suitable for supporting a Statement of Internal Control and reporting on implementation of the Strategy Unit report by using the top level questions informed by systematically collected evidence such as that indicated by the supporting indicative questions.

# RISK MANAGEMENT ASSESSMENT TOOL



Risk Support Team, HM Treasury

# 1. Leadership

**Do senior management and Ministers support and promote risk management?**

## Summary of progress

Level 1: <input type="checkbox"/> Awareness & understanding	Level 2: <input type="checkbox"/> Implementation planned & in progress	Level 3: <input type="checkbox"/> Implemented in all key areas	Level 4: <input type="checkbox"/> Embedded and improving	Level 5: <input type="checkbox"/> Excellent capability established
Top management are aware of need to manage uncertainty & risk and have made resources available to improve	Senior Managers & Ministers take the lead to ensure that approaches for addressing risk are being developed and implemented	Senior Managers act as role models to apply risk management consistently and thoroughly across the organisation	Top down commitment with embedding and integrating risk management as routine business practice	Senior Managers re-enforce and sustain risk capability, organisational & business resilience and commitment to excellence. Leaders invited to speak at conferences about their success

### Evidence

**Are senior management and Ministers:**

#### 1.1 Taking key risk judgements and providing clear direction?

- ≠# Are they routinely in a position to be aware of the key risks and have systems in place to ensure that this is up to date?
- ≠# Do they have a good understanding of the key risks facing the organisation and their likely implications for service delivery to the public and the achievement of programme outcomes?
- ≠# Are the risks that could result in key objectives or service delivery responsibilities not being met identified and the likelihood of them maturing regularly assessed?
- ≠# Are key risks prioritised for action and mitigation actions identified and monitored?

#### 1.2 Defining the appetite for taking on risk (eg criteria for acceptable and/or unacceptable risk, for reference for Board consideration, for escalation of risks at various levels in the department etc)? (see also section 5.2.3)

#### 1.3 Supporting innovation?

- ≠# Is there support and reward for seizing opportunities, and well-managed risk taking?
- ≠# Is individual success rewarded and support given by management when things go wrong so as to avoid a blame culture?

#### 1.4 Ensuring clear accountability for managing risk?

- ≠# Are appropriate staff clearly assigned responsibilities for assessing, reporting and managing identified risk and are these responsibilities regularly reviewed?

#### 1.5 Driving implementation of improvements in risk management?

- ≠# Are they ensuring that managers are equipped with necessary skills, guidance and other tools?

## 2. Risk Strategy and Policies

Is there a clear risk strategy and risk policies?

### Summary of progress

Level 1: <input type="checkbox"/> Awareness & understanding	Level 2: <input type="checkbox"/> Implementation planned & in progress	Level 3: <input type="checkbox"/> Implemented in all key areas	Level 4: <input type="checkbox"/> Embedded and improving	Level 5: <input type="checkbox"/> Excellent capability established
The need for a risk strategy and related policies has been identified and accepted	A risk management strategy & policies have been drawn up and communicated and are being acted upon	Risk strategies & policies are communicated effectively and made to work through a framework of processes	A separate risk strategy and policies not necessary; Risk handling is an inherent feature of all policies and strategy making processes	Risk management capability in strategy and policymaking helps to drive the risk agenda and is reviewed and improved. Role model status

### Evidence

#### 2.1 Risk Strategy

≠# Is there a risk management strategy which:

- Is endorsed by the Accounting Officer / Board / Audit Committee / Risk Committee?
- Sets out the organisation's attitudes to risk?
- Defines the structures for the management and ownership of risk and for the management of situations in which control failure leads to material realisation of risks?
- Specifies the way in which risk issues are to be considered at each level of business planning ranging from the corporate process to the setting of individual staff's objectives?
- Allows for the benchmarking of risks where appropriate?
- Specifies how new activities will be assessed for risk and incorporated into risk management structures?
- Ensures common understanding of terminology used in relation to risk issues?
- Defines the structures for gaining assurance about the management of risk?
- Defines the criteria that will inform assessment of risk and the definition of specific risks as "key"?
- Defines the way in which the risk register and risk evaluation criteria will be regularly reviewed?

≠# Is it easily available to all staff and reviewed at least annually to ensure it remains appropriate and current?

≠# Does it allow for balancing the portfolio of risk?

#### 2.2 Risk Management Policies

≠# Are risk management policies and the benefits of effective risk management clearly communicated to staff?

≠# Are there clear statements that set out the organisation's risk policies and its approach to risk taking and innovation, and are staff encouraged to read them?

≠# Is there an explicit policy to encourage well-managed risk taking where it has good potential to realise sustainable improvements in service delivery and value for money and is this policy actively communicated to all staff?

≠# Is a common definition of risks and how they should be managed, adopted by all staff throughout the organisation with detailed guidance for staff drawing up or implementing programmes?

≠# Is it clearly communicated?

≠# Does a formal risk policy exist and is this documented, endorsed by the head of the organisation, readily available to all staff and subject to regular review?

≠# Is there a policy on balancing the portfolio of risk within the overall risk appetite and does this include opportunities as well as threats?

### 3. People

Are people equipped and supported to manage risk well?

#### Summary of progress

Level 1: <input type="checkbox"/> Awareness & understanding	Level 2: <input type="checkbox"/> Implementation planned & in progress	Level 3: <input type="checkbox"/> Implemented in all key areas	Level 4: <input type="checkbox"/> Embedded and improving	Level 5: <input type="checkbox"/> Excellent capability established
Key people are aware of the need to assess and manage risks and they understand risk concepts and principles	Suitable guidance is available and a training programme has been implemented to develop risk capability	A core group of people have the skills & knowledge to manage risk effectively	People are encouraged and supported to be more innovative. Regular training is available for people to enhance their risk skills	All staff are empowered to be responsible for risk management and see it as an integrated part of the Departments business. They have a good record of innovation and well managed risk taking

#### Evidence

#### 3.1 Culture

- ⚡ Do managers and staff feel able to raise risk issues even where this may be seen as 'bad news'?
- ⚡ Are they encouraged to identify and take opportunities?
- ⚡ Are they confident that their concerns/ideas will be heard and acted on?
- ⚡ Do staff feel empowered to take well-managed risks?
- ⚡ Are staff rewarded for taking well-managed risks?
- ⚡ Are staff confident that they will not be blamed for failure when risks have been well managed?
- ⚡ Are staff encouraged to challenge practices, to identify new ways of doing things and to be innovative?
- ⚡ Do the monitoring and reporting systems generate an expectation that action will be taken on issues raised?

#### 3.2 Responsibility

- ⚡ Do staff have properly delegated clear and appropriate responsibility for managing risks and seizing opportunities?
- ⚡ Is this reflected in their personal objectives and annual assessment?

#### 3.3 Awareness

- ⚡ Are staff aware of the importance of handling risks well and identifying opportunities?
- ⚡ Are they aware of the main risks facing the organisation as a whole?
- ⚡ Are staff aware of the main risks facing their part of the organisation?

#### 3.4 Skills and guidance

- ⚡ Are staff adequately trained and experienced in risk management?
- ⚡ Do staff receive appropriate guidance and training on the typical risks that the organisation faces and the action to take in managing these risks?
- ⚡ Do staff use guidance effectively?
- ⚡ Do they have good access to advice and expertise?
- ⚡ Does the personal performance review include assessment of relevant risk management skills and development objectives?
- ⚡ Does skills transfer place take place when consultants or risk management professionals work within local teams?

## 4. Partnerships

Are there effective arrangements for managing risks with partners?

### Summary of progress

Level 1: <input type="checkbox"/> Awareness & understanding	Level 2: <input type="checkbox"/> Implementation planned & in progress	Level 3: <input type="checkbox"/> Implemented in all key areas	Level 4: <input type="checkbox"/> Embedded and improving	Level 5: <input type="checkbox"/> Excellent capability established
Key people are aware of areas of potential risk with partnerships and understand the need to agree approaches to manage these risks	Approaches for addressing risk with partners are being developed and implemented	Risk with partners is managed consistently for all key areas and across organisational boundaries	Sound governance arrangements established, partners & suppliers selected on basis of risk capability & compatibility	Excellent arrangements in place to identify and manage risks with all partners and to monitor and improve performance. Organisation regarded as a role model

### Evidence

#### 4.1 Partnerships:

- ⚡ Are the risks associated with working with other organisations assessed and managed?
- ⚡ Are all those organisations, which are likely to have some influence over the success of a programme or service to the public identified? [e.g. through landscape reviews]
- ⚡ Is consideration being given to the need for a consistent and common approach to managing risks that cut across organisation boundaries, for example cross-departmental projects?
- ⚡ Are the risks associated with joint working not being successful jointly identified and assessed, with responsibility for managing them by all those involved in the joint working or partnership clearly assigned and understood?
- ⚡ Do organisations understand and have confidence in the risk management arrangements of all those involved in the joint working or who could influence the success of the programme?
- ⚡ Has the extent to which risks can be transferred to organisations – both public and private – best placed to manage them been considered and acted upon?
- ⚡ Is there reliable and regular information to monitor the risk management performance of all those organisations involved in a joined up programme and partnerships?
- ⚡ Are there adequate contingency arrangements to minimise the adverse effects on public service delivery of one or more party failing to deliver?
- ⚡ Are staff encouraged to take responsibility for risks when they are best placed to do so rather than transferring them to other organisations?
- ⚡ Where risks are transferred to a partner organization are accountabilities clearly established and capacity maintained to manage and monitor performance and take early action in the event of difficulty?

## 5. Processes

Do the organisation's processes incorporate effective risk management?

### Summary of progress

Level 1 <input type="checkbox"/> : Awareness & understanding	Level 2: <input type="checkbox"/> Implementation planned & in progress	Level 3: <input type="checkbox"/> Implemented in key areas	Level 4: <input type="checkbox"/> Embedded and improving	Level 5: <input type="checkbox"/> Excellent capability established
Some stand-alone risk processes have been identified	Recommended risk management processes are being developed	Risk management processes implemented in key areas. Risk capability self assessment tools used in some areas	Risk metrics are collected. Risk management standards applied in some areas	Management of risk & uncertainty is well integrated with all business processes. Best practice approaches are used and developed. Selected as a benchmark site by other organisations

### Evidence

#### 5.1 Risk Management being fully embedded in the organisation's management processes

- ≠# Is risk management embedded in:
  - Policy making
  - Project and programme management
  - Performance management
  - Business planning
  - Delivery planning
  - Spending Review
- ≠# Are there well-established approaches for (i) identifying risk and (ii) assessing and reporting risk which are fully understood by staff?
- ≠# Are arrangements in place to ensure risks to the public are well managed (ie effective implementation of the 'principles of managing risks to the public')
- ≠# Are arrangements in place to identify opportunities that might be available if risks are well managed?
- ≠# Are arrangements in place, such as reviews by internal audit and benchmarking with other organisations, to ensure that risk management approaches reflect good practice?
- ≠# Has management sought advice from internal and external audit on good practice in the development, implementation and maintenance of robust risk management processes and systems?
- ≠# Has professional advice been taken to ensure that the most appropriate tools and techniques are used to assess risk and the likelihood of it maturing?
- ≠# When practicable is a monetary or other numerical value put on risk to emphasise to staff the potential loss or missed opportunity which could occur if risks are not well managed?
- ≠# Is the action planned to deal with consequences of risks maturing (such as the impact on the delivery of services to the public) regularly reviewed to ensure that it remains appropriate, sufficient and cost effective?
- ≠# Is risk management ongoing and integrated with other procedures so that staff accept it as a standard requirement of good management and not a one-off or annual activity?

## 5.2 Risk Management Processes

### 5.2.1 Context for risk management

- ≠# Is the context in which risk is managed identified by considering the issues of:
  - Stakeholders, including
    - Ministerial interests?
    - Public interests?
    - Service user interests?
    - Wider societal interests?
  - Risk aspects of relationships inside and outside of government (including key suppliers of goods and services), including:
    - Ways in which the behaviour of “partners” affects the organisation?
    - Ways in which the behaviour of the organisation affects the “partners”?
    - The risk priorities of “partners”?

### 5.2.2 Risk identification and evaluation

- ≠# Is there documentation which:
  - Records identified risks and opportunities in a structured way to:
    - record dependencies between risks?
    - record linkages between lower level risks and higher-level risks?
    - identify key risks?
    - facilitate assignment of ownership at a level that has authority to assign resources to the management of the relevant risk?
  - Evaluates risks using defined criteria that are applied consistently?
  - Provides evaluation of inherent risk (before any control implemented) and residual risk (risk remaining after planned controls are implemented)?
  - Evaluates risk-taking account of both:
    - the likelihood of the realisation of the risk, and
    - the impact of the realisation of the risk?
  - Identifies assigned ownership of the risk?
  - Records, in as far as it can be defined:
    - the acceptable level of exposure in relation to each risk?
    - why it is considered that the defined acceptable level of exposure can be justified?
- ≠# In assessing risks are the potential implications for key stakeholders – citizens as both taxpayers and consumers of government services and specific client groups such as business – taken account of?
- ≠# Are early warning indicators in place – covering for example, quality of service or seasonal increase in customer demand not being met – to alert senior management of potential problems in service delivery or that the risk of planned outcomes not being met is increasing?
- ≠# Is horizon scanning used to spot emerging threats and opportunities?

### 5.2.3 Criteria for evaluation of risk

- ≠# Do specific criteria for evaluating risk encompass a range of factors, including:
  - Financial / value-for-money issues?
  - Service delivery / quality of service issues?
  - Reversibility or otherwise of realisation of the risk?
  - The quality or reliability of evidence surrounding the risk?
  - The impact of the risk on the organisation / stakeholders / partners / others?
  - Defensibility of realisation of the risk?
- ≠# Are these criteria applied consistently and methodically across the whole range of risks?

#### 5.2.4 Risk control mechanisms

- ⚡ Are controls in place in relation to each risk which are:
  - Based on active consideration of the options for controlling that risk to an acceptable level of residual exposure?
  - Promulgated to all those who need to know about the controls?
  - Regularly reviewed to consider whether they continue to be Effective?
  - The best value for money response to the risk?
  - Documented by the relevant managers?
  
- ⚡ In respect of key risks, including those which lie out with the control of the organisation, are plans developed and documented contingent against the risk being materially realised despite the controls which are in place?
  
- ⚡ Are there adequate Business Continuity arrangements?
  
- ⚡ Are reliable contingency arrangements in place so that if problems arise services to the public will be maintained and the adverse impact on key programme outcomes such as late delivery or reduced quality will be minimised?

#### 5.2.5 Review and assurance mechanisms

- ⚡ Are review and assurance mechanisms in place to ensure that each level of management, including the Board, regularly reviews the risks and controls for which it is responsible?
  - Are these reviews monitored by / reported to the next level of management?
  - Is any need to change priorities or controls clearly recorded and either actioned or reported to those with authority to take action?
  
- ⚡ Are lessons that can be learned from both successes and failures identified and promulgated to those who can gain from them?
  
- ⚡ Is an appropriate level of independent assurance provided on the whole process of risk identification, evaluation and control?
  - Is the methodology for gaining independent assurance defined with particular reference to the role of internal audit and to the role of any other review bodies working within the organisation?
  
- ⚡ Has any system of peer review been used?

#### 5.2.6 Communications

- ⚡ Are there adequate means of communicating with staff about risk issues?
  
- ⚡ Is there adequate communication with external stakeholders?
  
- ⚡ Are the principles of communicating on risk to public being implemented fully?
  
- ⚡ Are trusted sources used to communicate on risk to the public? (e.g. best use of arms-length bodies?)
  
- ⚡ Is there a reliable communications strategy in place so that if risks mature those most affected by the potential adverse consequences fully understand and have confidence in the remedial action that the organisation may need to take?

## 6.Risk Handling

Are risks handled well?

### Summary of progress

Level 1: <input type="checkbox"/> No evidence	Level 2: <input type="checkbox"/> Satisfactory	Level 3: <input type="checkbox"/> Good	Level 4: <input type="checkbox"/> Very Good	Level 5: <input type="checkbox"/> Excellent
No clear evidence that risk management is being effective	Limited evidence that risk management is being effective in at least most relevant areas	Clear evidence that risk management is being effective in all relevant areas	Very clear evidence that risk management is being very effective in all areas and leading to the production of very good results	Very clear t evidence of excellent results due to risk management i being highly effective in all areas and that improvement is being pursued

### Evidence

**Has risk management action led to:**

#### 6.1 Improved anticipation and management of strategic risks

- ⊘ Reduction in levels of threat?
- ⊘ Higher risk 'opportunities' being successfully pursued?
- ⊘ Successful anticipation of shocks or other risk events?
- ⊘ Reduced adverse impact of unexpected/low likelihood events?
- ⊘ Crises being avoided/mitigated (eg analysis of near misses, avoiding issues escalating into crises)?
- ⊘ Successful application of contingency or business continuity plans?

#### 6.2 Improved decision and policy making

- ⊘ A better evidence base for decisions?
- ⊘ Better identification of opportunities?
- ⊘ Better stakeholder involvement and understanding of stakeholder issues?
- ⊘ Better allowance for delivery issues in policy development?
- ⊘ Innovation being encouraged by well managed risk taking?
- ⊘ Better allocation of resources (including skills/capabilities) and prioritisation?
- ⊘ Better quality risk assessments and risk management plans in policy formulation?
- ⊘ Fewer significant and unanticipated weaknesses arising?
- ⊘ Fewer policy failures (e.g. fewer legal challenges)?
- ⊘ Fewer issues resulting in reputational damage?
- ⊘ Increased customer/stakeholder satisfaction?

#### 6.3 Better handling of cross cutting issues

- ⊘ Improved coordination with service delivery partners?
- ⊘ Improved coordination of policies and actions between Departments?
- ⊘ Fewer surprises from other government Departments' policies & activities?

#### 6.4 Improved review and assurance

- ⊘ Improved use of independent assurance (eg internal audit, interdepartmental exchanges, external experts etc) of quality of risk management?

⚡ Better accountability for key risk management decisions?

### **6.5 Improved planning and target setting**

⚡ Improvement in setting of objectives and targets (eg are they SMARTer)?

⚡ Clearer setting of risk appetite?

⚡ Better understanding & management of the overall level of risk taken on?

⚡ Improved understanding of the capability to manage this level of risk?

⚡ Improved quality of risk handling in business and delivery plans?

### **6.6 Improved management of risk to the public**

⚡ Improved openness and transparency in respect of risks to the public?

⚡ More successful engagement with the public, media and representational organisations on risk decisions?

⚡ Clearer explanation of risks and the evidence for decisions?

⚡ Greater proportionality in decisions on risk management?

⚡ Improved responsibility by the public in risk matters?

⚡ Greater satisfaction from the public with the way risks are handled?

### **6.7 Improved risk allocation**

⚡ Improved allocation of risk to those best able to handle it? (e.g. public, partner organisations, staff within the organisation)?

⚡ Better consideration of the potential impact on the total portfolio of risks before a new initiative, project etc is taken on?

## 7. Outcomes

Does risk management contribute to achieving outcomes?

### Summary of progress

Level 1: <input type="checkbox"/> No evidence	Level 2: <input type="checkbox"/> Satisfactory	Level 3: <input type="checkbox"/> Good	Level 4: <input type="checkbox"/> Very good	Level 5: <input type="checkbox"/> Excellent
No clear evidence of improved outcomes	Limited evidence of improved outcome performance consistent with improved risk management	Clear evidence of significant improvements in outcome performance demonstrated by measures including, where relevant, stakeholders' perceptions	Very clear evidence of very significantly improved delivery of all relevant outcomes and showing positive and sustained improvement	Excellent evidence of markedly improved delivery of outcomes which compares favourably with other organisations employing best practice

Evidence

**Has risk management action contributed to:**

#### 7.1. Improved delivery: achievement of business objectives

- ⊘ Improved project success rate?
- ⊘ Improved overall PSA target achievement rate?
- ⊘ Reduced proportion of NAO reports citing failures of risk management?

#### 7.2 Improved financial outcomes

- ⊘ Improved value for money?
- ⊘ Better delivery within budget (e.g. fewer calls on reserves arising from inadequate risk management)?
- ⊘ Less fraud?
- ⊘ Better cash management?

#### 7.3 Improved management of risks to the public

- ⊘ Improved public understanding of risk, uncertainty and risk management?
- ⊘ Increased public confidence that risks are well managed?
- ⊘ Increased trust in Government/Department risk based decisions?
- ⊘ Better achievement of targets for risks to the public?