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Kenya Medical Training College



RISK MANAGEMENT POLICY

MAY 2019

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PREFACE

On behalf of the Kenya Medical Training College (KMTc) Board of Directors, I am delighted to approve this Policy for use by Management. The KMTc Board is determined to improve access to and equity of quality medical training and to ensure that the institution plays its role in the realization of Sustainable Development Goals (SDGs), Vision 2030, health sector policies and the government agenda on the “Big Four”. The Board continues to realize the set milestones which contribute to improving the quality and quantity of essential health care providers. Inadequate numbers of skilled care providers have had a negative impact on efforts to expand access and improve the quality of health services. This situation is compounded by continued high prevalence of communicable and non-communicable diseases in the country.

Towards this end, the KMTc Board of Directors under my leadership is determined to critically address the task of defining long-term strategies for addressing the constraints to training and development of quality health care providers through:

- i. Improved policy and corporate governance for enhancing accountability and decision making.
- ii. Enhanced access, quality, relevance and equity in medical training.
- iii. Prudent resource utilization and good infrastructural management.
- iv. Increased visibility of Kenya Medical Training College nationally and internationally as a premier institution focusing on training, research and consultancy.
- v. Improved resource base, partnership and linkages.

Risk Management, like other management activities, must be practical, cost effective, and help the organization survive and prosper. This Policy outlines the College’s commitment to facilitating strategic and operational goals and objectives through risk management, enabling continuous improvement in decision-making and performance. I affirm that this document will guide the implementation of the risk management process at KMTc for the posterity of the College.

I believe successful implementation of the Policy will be realized through total commitment of the entire staff, students and other key stakeholders.



Prof. Philip Kaloki, MBS,

Chairperson, KMTc Board of Directors.

FOREWORD

Risk management is a part of the College's day-to-day operations and is undertaken at individual, departmental and all levels of management. The aim of risk management is to ensure that the College's resources are employed in an economical, efficient and effective manner. It is in realization of the College's risk management, that this Policy has been developed.

This policy document outlines the Risk Management framework for all activities within the College, its operations and entities. The framework defines the Colleges risk management processes, methodology, risk appetite, training and reporting and also establishes the responsibilities for implementation.

Further, the Policy provides a framework to identify, assess and mitigate incidences of risk in the College by managing exposure to risk, which could destroy or deplete assets or cause harm to persons. The framework provides a structured framework to assist management, employees and students to integrate risk into their decision making processes. It is thus a requirement for all members of staff and students to understand the nature of risks associated with their areas of operation and accept responsibility for managing risks.



Prof. Michael Kiptoo,

Chief Executive Officer.

ABBREVIATIONS

BoD	:	Board of Directors
KMTC	:	Kenya Medical Training College
RSC	:	Risk Steering Committee

DEFINITION OF TERMS

Enterprise Risk Management:	This is a continuous, proactive and integrated process used to identify assess and manage risks across all areas and at all levels of the organization. It ensures an alignment of strategic planning to risk management.
Risk:	The threat or possibility that an action or event will adversely or beneficially affect the college's ability to achieve its goals. Risk is measured in terms of likelihood and impact
Risk Appetite:	This is the amount of risk an entity is willing to accept in pursuit of value.
Risk Management:	This involves taking action to reduce the likelihood or impact of a risk event.
Risk Register:	This is a central repository for all risks identified by an organization.
Raw Risk:	The level of risk faced by an organization before any internal controls is applied.
Risk Management:	The culture, processes and structures that are directed towards the effective management of potential opportunities and possible adverse effects within the college's environment.
Risk Management Process:	The systematic application of management policies, procedures and practices to the tasks of communicating, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk
Residual Risk:	The risk remaining after implementation of risk treatment.
Risk Appetite:	The degree of risk, on a broad-based level, that a company or other entity is willing to accept in pursuit of its goals
Internal Controls:	The processes, policies and procedures used to govern the College's work, or any additional mitigating actions taken to deal with a particular, or potential situation.
Risk Treatment:	The process of selection and implementation of measures to modify risk.
Strategic Risks:	Risks that affect the ongoing work of the College as outlined in the College's Strategic Plan.
Operational Risks:	All other corporate risks associated with the operations of the College.
Risk Identification:	The process of determining what might have happened, how, when and why.
Risk Analysis:	The systematic process applied to understand the effect of the uncertainty of the risk on our goals and objectives.
Risk Evaluation:	The process of comparing the significance of the risks to define the order in which they should be dealt with
Risk Mitigation:	Refers to actions that must be taken to lower the likelihood of the risk occurring and/or to minimize the impact if the risk did occur. Risk may never be totally eliminated, but it can be mitigated to lessen its likelihood and or impact.

Risk responses:

The means by which an organization elects to manage individual risks. The main categories are to tolerate the risk; to treat it by reducing impact or likelihood; to transfer it to another organization or to terminate the activity creating it. Internal controls are one way of treating a risk.

Transfer of risk:

Management and control strategy that involves the contractual shifting of a pure risk from one party to another. One example is the purchase of an insurance policy, by which a specified risk of loss is passed from the policyholder to the insurer.

Risk exclusion:

Foresees the non-execution of the activity that involves a risk that cannot be transferred and/or is considered to be unacceptable. Naturally, the result is a loss of opportunity that the activity at risk would have represented in any case.

Risk reduction:

Involves the adoption of managerial, technological and behavioural actions that lower the probability of risk and/or the seriousness of the possible consequences. The persistence of residual risk is often, in any case, unavoidable both for reasons inherent to the context (institutional, managerial, technological, etc.) in which the organization operates, as well as for the possible simplifications and/or omissions of the analysis.

Risk Acceptance:

Involves acceptance of risks that are not transferred and/or excluded. The conscious acceptance of residual risk occurs, in general, when at least one of the following conditions applies:

- i. Sufficiently low probability of the event.
- ii. Consequences of the event are proportionally of little relevance.
- iii. Great benefits if successful.

1.0 INTRODUCTION

Risk Management is becoming an increasingly important activity within firms and organizations. Like other management activities, Risk Management helps an organization meet its objectives through the allocation of resources to undertake planning, make decisions, and carry out productive activities. Risk management is unique in that it focuses on uncertainties that an organization faces: uncertainties in the probability of occurrence of events, uncertainties in the value to the organization of consequences of events, and other uncertainties that fall outside the “normally expected” range of variation. Generally risks are low probability, but high consequence events that can cause major disruption to the organization. Risk management, like other management activities, must be practical, cost effective, and help the organization survive and prosper. The growth in risk management is directly linked to the increasing number of risks an organization faces due to more complexity and interactions in the world, greater scrutiny by stakeholders, the media and so forth.

This document will guide the implementation of the Risk Management process at KMTC for the posterity of the College.

1.1 About the Policy

The Risk Management Policy explains the College's underlying approach to risk management. It gives key aspects of the risk management process, and identifies the main reporting procedures. The Policy shall be reviewed and/or amended periodically by the Risk Steering Committee. The Policy shall be approved by the BoD.

1.2 Purpose

- i. This Risk Management Policy forms part of the College's internal controls and governance arrangements.
- ii. The Policy explains the College's underlying approach to risk management. It gives key aspects of the risk management process, and identifies the main reporting procedures.
- iii. It describes the process the BoD will use to evaluate the effectiveness of the College's internal controls procedures.

1.3 Approach to Risk Management

The following key principles outline the College's approach to risk management:

- i. As a principal executive and policy-making body of the College, the BoD shall be responsible for Risk Management.
- ii. The BoD shall be responsible for maintaining a sound system of internal controls that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the College statutes.
- iii. There shall be an open and receptive approach to solving risk problems.
- iv. The Risk Steering Committee shall advise the BoD on Risk Management.
- v. The College shall make conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.
- vi. College Principals, Senior Managers and Heads of Departments shall be responsible for encouraging and implementing good risk management practice within campuses and departments.
- vii. Early warning mechanisms will be put in place and monitored to alert the College so that remedial action can be taken to manage any potential hazards.

1.4 Benefits of Risk Management

- i. The College will not operate in a risk-free environment, and the risk management process does not create such an environment. Effective risk management will assist the College to achieve its performance and service delivery targets and to reduce the potential loss of resources. This results in effective responsibility and performance as well as compliance with laws and regulations, thus avoiding damage to its reputation and other undesirable consequences. Key specific benefits include.
- ii. Greater likelihood of achieving pre-stated objectives.
- iii. Effective and efficient service delivery.
- iv. A rigorous basis for strategic management through consideration of key elements of risk.
- v. Enhanced risk management strategy decisions through quantification of risk tolerances.
- vi. More focus internally on doing the right things in the right way.
- vii. Identification and management of risks affecting different departments and/or different processes.
- viii. Identification and implementation of cost effective, integrated responses to multiple risks.
- ix. Minimizing operational surprises, costly and time consuming litigation and unexpected losses.
- x. Rationalization of capital and financial resources.
- xi. Continuity of service delivery.
- xii. Greater transparency in decision making and ongoing management processes.
- xiii. Enhanced accountability and corporate governance processes.

2.0 CORPORATE GOVERNANCE

The College is required to include in its annual financial statement a statement on internal controls, including how the following broad principles of corporate governance have been applied:

- i. The identification and management of risk should be a continuous process linked to the achievement of the College's objectives.
- ii. The approach to internal controls should be risk based including one valuation of the likelihood and impact of risks becoming a reality.
- iii. Review procedures must cover business, operational and compliance as well as financial risk.
- iv. Risk assessment and internal controls should be embedded in ongoing operational procedures.
- v. The governing body or relevant committee should receive regular reports during the year on internal controls and risk.
- vi. The principal results of risk identification, evaluation and management review of its effectiveness should be reported to, and reviewed by, the governing body.
- vii. The governing body acknowledges that it is responsible for ensuring that a sound system of controls is maintained and that it has reviewed the effectiveness of the above process.
- viii. Where appropriate, set out details of actions taken or proposed, to deal with significant internal control issues.

3.0 RESPONSIBILITIES

This Policy outlines the College's commitment to facilitating strategic and operational goals and objectives through risk management, enabling continuous improvement in decision-making and performance. The College will promote continuous improvement and review of risk management through regular training, monitoring, audit and reporting processes. Employees in all areas and activities of the College are responsible for applying risk management principles and practices in their work areas; employees in supervisory and managerial positions are responsible for ensuring that risk management principles and practices are applied by those under their supervision.

3.1 Role of the Board of Directors (BoD)

The BoD has a significant role to play in the management of risk by setting the tone and influencing the culture of risk management within the College. This includes:

- i. Determining whether the College is 'risk taking' or 'risk averse' as a whole or on any relevant individual issue.
- ii. Determining what types of risks are acceptable and which are not.
- iii. Setting the standards and expectations of staff with respect to conduct.
- iv. Determine the appropriate risk appetite or level of exposure for the College.
- v. Determine the College's risk prioritization protocol.
- vi. Approve major decisions affecting the institution's risk profile or exposure.
- vii. Monitor the management of fundamental risks.
- viii. Satisfy itself that the less fundamental risks are being actively managed, with the appropriate controls in place and effective.
- ix. Annually review the College's approach to Risk Management and approve changes or improvements to key elements of its processes and procedures.

3.2 Role of Heads of Departments

Key roles of Heads of Departments are to:

- i. Implement policies on risk management and internal controls.
- ii. Identify and evaluate the fundamental risks faced by the College for consideration by the Risk Steering Committee.
- iii. Provide adequate information in a timely manner to the RSC on the status of risks and controls.
- iv. Assist the RSC to undertake an annual review of risk management and the effectiveness of the system of internal control.
- v. Embedding risk management as part of the system of internal control.

3.3 Internal Audit

- i. Internal Audit is an independent, objective assurance and consulting activity. Its roles with regard to risk management are to provide an independent and objective assurance to the Board of Director on the effectiveness of risk management framework and recommending appropriate mitigation factors.
- ii. Internal Audit will be required to review the risk management process as part of the audit cycle based on the risk registers in place and provide an opinion as to the adequacy and effectiveness of the risk management arrangements and propose improvements where necessary.

3.4 Other Members of Staff and Students

Effective risk management depends on the commitment and co-operation of all members of staff and students. They shall have a significant role in the management of risk, particularly within their own areas of control. Consequently, they shall be responsible for accountability for adherence to the principles outlined in this Policy.

4.0 INTERNAL CONTROL SYSTEM

The system of internal controls incorporates risk management. It encompasses a number of elements that together facilitate an effective and efficient operation, enabling the College to respond to a variety of risks.

These elements include:

i. Policies and procedures.

Attached to fundamental risks are a series of policies that underpin the internal control process. The policies are set by BoD and written procedures support the policies where appropriate.

ii. High level risk framework (fundamental risks only).

This framework is compiled by the Risk Steering Committee and helps to identify, assess and monitor risks significant to the College. The risk register is revised formally annually but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly.

iii. Constituent campuses and department risk frameworks.

Principals of the constituent campuses and Heads of Departments develop and use this framework to ensure that risks in campuses and departments are identified, assessed and monitored. The risk register is formally revised annually but emerging risks are added as required, and improvement actions and risk indicators are monitored regularly.

iv. Audit Committee.

The Audit Committee reports to BoD on internal controls and alerts the Board of Directors on any emerging issues. In addition, the Audit Committee oversees internal and external audits as required in its review of internal controls. The Audit Committee should provide advice to the Board on the effectiveness of the RSC on the internal controls system, including the College's system for the management of risk.

v. Internal audit programme.

Internal audit is responsible for aspects of the annual review of the effectiveness of the internal controls system within the College. The internal audit strategy will be developed around the college's objectives and use the assessment of the fundamental risks. The work programme should include an assessment of the effectiveness of the risk management process.

5.0 BOARD'S ANNUAL REVIEW OF EFFECTIVENESS

The BoD, on the advice by the RSC, will undertake an annual review to consider:

- i. Whether risk management continues to be linked to the achievement of the College's objectives.
- ii. The appropriate risk appetite or level of exposure for the College as a whole.
- iii. Whether risk review procedures cover fundamental reputational, governance, staff, research, teaching, operational, compliance, student experience, financial and other risks to achieving the College's objectives.

- iv. Whether risk assessment and risk-based internal control are embedded in ongoing operations and form part of its culture.
- v. Changes in the nature and extent of fundamental risks and the College's ability to respond to changes in its internal and external environment since the last assessment.
- vi. The scope and quality of management's on-going process of monitoring the system of internal controls including such elements as the effectiveness of internal audit and other assurance functions.
- vii. The extent and frequency of reports on internal controls to BoD and whether this is sufficient for BoD to build up a cumulative assessment of the state of controls and effectiveness of risk management.
- viii. The incidence of any fundamental control failings or weaknesses identified at any point within the year and the impact that they have had or could have on financial results.
- ix. The effectiveness of the overall approach and policy to risk management and whether changes or improvements to processes and procedures are necessary.

6.0 RISK STEERING COMMITTEE

BoD shall approve the formation of the Risk Steering Committee (RSC).

The Risk Steering Committee shall advise the BoD on risk management, and shall submit its minutes and annual report to the Board. It also has regular contact with the Audit Committee of the Board.

Its membership and Terms of Reference shall be reviewed annually.

6.1 Membership

The membership of the RSC membership will comprise:

- i. Chief Executive Officer
- ii. Corporation Secretary
- iii. Deputy Director Academics
- iv. Deputy Director Finance and Administration
- v. Registrar
- vi. Risk Management Officer
- vii. Finance Manager
- viii. Legal Services Manager

6.2 Role of the Risk Steering Committee (RSC)

The RSC is an operational committee set up by the Board to oversee the risk management process in the College. Its Terms of Reference shall be approved by BoD.

The RSC shall:

- i. Oversee the risk management process of the College as a whole, on behalf of BoD.
- ii. Recommend an appropriate risk appetite or level of exposure for the College.
- iii. Identify and quantify fundamental risks affecting the College, and ensure that arrangements are in place to manage those risks.
- iv. At least annually, review fundamental risks and their controls and report to BoD.

- v. Inform the Audit Committee on risks and controls that should be included in the Audit reports, ensuring the integration of Internal Audit into risk management.
- vi. Help embed a risk management culture into all major decisions, through risk education, high level controls and procedures.
- vii. Consider major decisions affecting the College's risk profile or exposure.
- viii. Recommend to the Board identified need for review of the College Risk Management Policy.

7.0 RISK ACCEPTANCE

The College's view of acceptable risk shall be based on a balanced view of all the risks in its operating environment. It shall aim to ensure an appropriate balance between risk aversion and opportunity and gains.

7.1 Strategic Objective

To ensure the college follows good practice of risk management by prioritizing the College's risks based on both qualitative and quantitative measures.

The strategies to achieve this are:

- i. Risk management process as a whole shall be managed by the Executive Management coordinated by the Risk Management Officer.
- ii. Continuous risk assessment shall be done by the Internal Audit function.
- iii. Arrangements to manage fundamental risks shall be put in place and the effectiveness of those arrangements shall be examined. Where risk management is judged weak or limited in effect, controls shall be enhanced.
- iv. The review of risks and their management shall continue to be carried out at least annually.
- v. Risk management shall continue to be embedded in the operation of the College and be part of its culture by action through raising awareness through workshops, training and communications; documentation of risk assessment in decision-making; review of risk management arrangements; monitoring and independent assurance by internal audit; anticipation of risks by early warning mechanisms and promoting risk management at all levels.

7.2 Risk Appetite

A risk appetite for the College shall be established, documented and communicated to all stakeholders. It will define the College's willingness to accept risk in pursuit of its objectives assessed against the key drivers of success and it is intended to guide employees in their actions and ability to accept and manage risks.

8.0 BUSINESS CONTINUITY PLAN

The College shall conduct business continuity planning on an enterprise-wide basis as one major components of risk management. In this case the College defines business continuity planning as a process whereby the organization ensures maintenance of critical operations when confronted with adverse events such as natural disasters, technology failures, human errors, or terrorism. The College has an obligation to protect and provide for students, faculty, staff, and visitors in the event of a major interruption of its mission or operations. These obligations extend to a responsibility for each department to be able to meet its individual obligations. This includes the ability to provide the services expected of them and to carry out services critical to the mission of the College should an event occur that interrupts the normal course of operations. The College will therefore have in place an adequate continuity plan that will prevent such effects as financial disaster, interruption of academic classes, failure of research projects, and delays in completing other mission critical activities.

9.0 POLICY IMPLEMENTATION

9.1 Implementation Date

This Policy takes effect on the date it is approved by the KMTC Board of Directors.

9.2 Monitoring and Evaluation

- i. The College shall conduct monitoring and evaluation of the effectiveness of this Policy in line with the Monitoring, Evaluation and Reporting framework.
- ii. The College shall:
 - a. Develop and maintain strategies and mechanisms for monitoring and evaluation of this Policy.
 - b. Undertake regular check on implementation of the Policy.
 - c. Carry out annual evaluation on the implementation of the Policy.
 - d. Use the information for planning and management.
 - e. Propose potential areas for review.

9.3 Review

The Policy will be reviewed after every five (5) years or earlier as need arises with an aim to enhance efficient delivery of effective outcomes.

APPROVAL

Title : Risk Management Policy

Contact : Deputy Director Finance and Administration

Approval Authority : The Board of Directors

Commencement Date : May 2019

SIGNED



Prof. Philip Kaloki, MBS,
Chairperson, KMTC Board of Directors.

15th May 2019

Date



KMTC is ISO 9001:2015 Certified.

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