With information and technology at the heart of creating value for enterprises, it is more important than ever for organizations to optimize their IT risk approach in order to effectively identify related risks, opportunities and meet enterprise objectives.

To that purpose, this publication:

- Provides guidance on how to use the COBIT 5 framework to establish the risk governance and management functions for the enterprise
- Provides guidance and a structured approach on how to use the COBIT 5 principles to govern and manage IT risk
- Demonstrates how COBIT 5 for Risk aligns with other relevant standards

The preceding pages provide a preview of the information contained in COBIT 5 for Risk.

To purchase COBIT 5 for Risk, or to learn more visit [www.isaca.org/cobit5](http://www.isaca.org/cobit5).

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ACKNOWLEDGEMENTS

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Special recognition for financial support:
Los Angeles Chapter
# TABLE OF CONTENTS

List of Figures ........................................................................................................................................... 7

Executive Summary ................................................................................................................................. 9
  Introduction ................................................................................................................................. 9
  Terminology .............................................................................................................................. 9
  Drivers for Risk Management....................................................................................................... 9
  Benefits of Using This Publication .............................................................................................. 10
  Target Audience for This Publication ......................................................................................... 10
  Overview and Guidance on Use of This Publication ................................................................... 11
  Prerequisite Knowledge ............................................................................................................... 13

Section 1. Risk and Risk Management ............................................................................................... 15
  Chapter 1. The Governance Objective: Value Creation ............................................................... 15

Chapter 2. Risk ....................................................................................................................................... 17

Chapter 3. Scope of This Publication ................................................................................................. 19
  3.1 Perspectives on Risk With COBIT 5.......................................................................................... 19
  3.2 Scope of COBIT 5 for Risk ....................................................................................................... 20

Chapter 4. Applying the COBIT 5 Principles to Managing Risk ....................................................... 23
  4.1 Meeting Stakeholder Needs .................................................................................................... 23
  4.2 Covering the Enterprise End-to-end ....................................................................................... 24
  4.3 Applying a Single Integrated Framework .............................................................................. 24
  4.4 Enabling a Holistic Approach ................................................................................................. 24
  4.5 Separating Governance From Management.......................................................................... 25

Section 2A. The Risk Function Perspective ......................................................................................... 27
  Chapter 1. Introduction to Enablers .............................................................................................. 27
    1.1. Introduction .......................................................................................................................... 27
    1.2. Dimensions of the Generic Enabler Model .......................................................................... 27
    1.3 COBIT 5 for Risk and Enablers ............................................................................................. 28

Chapter 2. Enabler: Principles, Policies and Frameworks ........................................................................ 29
  2.1 The Principles, Policies and Frameworks Model ...................................................................... 29
  2.2 Risk Function Perspective: Principles and Policies Related to Risk Governance and Management ........................................................................................................................................................................... 30

Chapter 3. Enabler: Processes .............................................................................................................. 33
  3.1 The Processes Model ............................................................................................................... 33
  3.2 Risk Function Perspective: Processes Supporting the Risk Function ................................... 34

Chapter 4. Enabler: Organisational Structures ..................................................................................... 37
  4.1 The Organisational Structures Model ..................................................................................... 37
  4.2 Risk Function Perspective: Risk Governance- and Management-related Organisational Structures ........................................................................................................................................................................... 38

Chapter 5. Enabler: Culture, Ethics and Behaviour ............................................................................. 41
  5.1 The Culture, Ethics and Behaviour Model ............................................................................. 41
  5.2 Risk Function Perspective: Risk Governance- and Management-related Culture and Behaviour ........................................................................................................................................................................... 42

Chapter 6. Enabler: Information ............................................................................................................ 45
  6.1 The Information Model ........................................................................................................... 45
  6.2 Risk Function Perspective: Risk Governance- and Management-related Information .......... 47

Chapter 7. Enabler: Services, Infrastructure and Applications ................................................................ 51
  7.1 The Services, Infrastructure and Applications Model ............................................................ 51
  7.2 Risk Function Perspective: Risk Governance- and Management-related Services, Infrastructure and Applications ........................................................................................................................................................................... 52
# List of Figures

Figure 1—COBIT 5 Product Family ................................................................. 9  
Figure 2—COBIT 5 for Risk Target Audience and Benefits ........................................ 10  
Figure 3—COBIT 5 for Risk Overview ............................................................. 12  
Figure 4—The Governance Objective: Value Creation ........................................... 15  
Figure 5—IT Risk Categories ........................................................................ 17  
Figure 6—Risk Duality .................................................................................... 18  
Figure 7—Interrelationship of Inherent, Current and Residual Risk ......................... 18  
Figure 8—Two Perspectives on Risk ................................................................ 19  
Figure 9—Illustration of Two Perspectives on Risk .............................................. 20  
Figure 10—Scope of COBIT 5 for Risk ............................................................ 21  
Figure 11—COBIT 5 Principles ....................................................................... 23  
Figure 12—COBIT 5 Enterprise Enablers ............................................................ 24  
Figure 13—COBIT 5 Enablers: Generic .............................................................. 27  
Figure 14—COBIT 5 Enabler: Principles, Policies and Frameworks ....................... 29  
Figure 15—Principles for Risk Management ....................................................... 30  
Figure 16—Risk Policy Examples .................................................................. 31  
Figure 17—COBIT 5 Enabler: Processes ............................................................. 33  
Figure 18—Supporting Processes for the Risk Function ........................................ 35  
Figure 19—Key Supporting Processes for the Risk Function ................................ 35  
Figure 20—Other Supporting Processes for the Risk Function .............................. 36  
Figure 21—COBIT 5 Enabler: Organisational Structures ..................................... 37  
Figure 22—Key Organisational Structures ......................................................... 38  
Figure 23—Lines of Defence Against Risk ........................................................ 38  
Figure 24—Other Relevant Structures for Risk ................................................... 39  
Figure 25—COBIT 5 Enabler: Culture, Ethics and Behaviour ............................... 41  
Figure 26—Relevant Behaviour for Risk Governance and Management .................. 42  
Figure 27—COBIT 5 Enabler: Information ........................................................ 45  
Figure 28—Information Items Supporting Risk Governance and Management ........ 48  
Figure 29—COBIT 5 Enabler: Services, Infrastructure and Applications ................ 51  
Figure 30—Risk-Management-related Services .................................................. 52  
Figure 31—COBIT 5 Enabler: People, Skills and Competencies ............................ 55  
Figure 32—Risk Management Skill Sets and Competencies .................................. 56  
Figure 33—Core Risk Processes ...................................................................... 57  
Figure 34—Risk Scenario Overview .................................................................. 59  
Figure 35—Risk Factors ............................................................................... 61  
Figure 36—Risk Scenario Structure .................................................................. 63  
Figure 37—Risk Scenario Technique Main Focus Areas ....................................... 64  
Figure 38—Example Risk Scenarios ................................................................ 67  
Figure 39—Aggregation of Risk Maps—Disjoint Risk .......................................... 77  
Figure 40—Aggregation of Risk Maps—Shared Risk ........................................... 77  
Figure 41—Defined Risk Terms ...................................................................... 79  
Figure 42—Risk Response Workflow .................................................................. 80  
Figure 43—Risk Response Prioritisation Workflow ............................................. 82  
Figure 44—ISO 31000 Risk Management Principles Covered by COBIT 5 for Risk ... 85  
Figure 45—ISO 31000 Risk Management Framework Covered by COBIT 5 for Risk ... 86  
Figure 46—ISO 31000 Risk Management Processes Covered by COBIT 5 for Risk ... 87
Figure 47—Information Security Risk Management Process ........................................................... 89
Figure 48—ISO/IEC 27005 Process Steps Covered by COBIT 5 for Risk .................................................. 90
Figure 49—COSO ERM Components Covered by COBIT 5 for Risk .......................................................... 93
Figure 50—Comparison of ISO Guide 73 With COBIT 5 for Risk Definitions .................................................. 97
Figure 51—Comparison of COSO ERM and COBIT 5 for Risk Definitions ...................................................... 100
Figure 52—Risk Principles .................................................................................................................. 105
Figure 53—Risk Policy Table of Contents Example .............................................................................. 105
Figure 54—Validity Aspects to be Identified in a Risk Policy ................................................................. 106
Figure 55—Risk Function Key Supporting Processes ............................................................................ 109
Figure 56—Enterprise Risk Management (ERM) Committee ................................................................. 111
Figure 57—Enterprise Risk Group ....................................................................................................... 113
Figure 58—Risk Function ..................................................................................................................... 114
Figure 59—Audit Department ............................................................................................................... 115
Figure 60—Compliance Department ................................................................................................... 116
Figure 61—Risk Profile ....................................................................................................................... 119
Figure 62—Template Risk Register Entry ............................................................................................ 123
Figure 63—Risk Communication Plan ................................................................................................. 124
Figure 64—Risk Report ....................................................................................................................... 127
Figure 65—Risk Awareness Programme ............................................................................................ 129
Figure 66—Risk Map .......................................................................................................................... 131
Figure 67—Risk Universe, Appetite and Tolerance .............................................................................. 133
Figure 68—Risk Capacity, Risk Appetite and Actual Risk .................................................................... 135
Figure 69—What Is a Key Risk Indicator? ............................................................................................. 137
Figure 70—Example KRIIs .................................................................................................................. 141
Figure 71—Emerging Risk Issues and Factors ..................................................................................... 142
Figure 72—Risk Taxonomy ................................................................................................................ 145
Figure 73—Business Impact Analysis .................................................................................................. 147
Figure 74—Risk Event ........................................................................................................................ 150
Figure 75—Risk and Control Activity Matrix (RCAM) ....................................................................... 153
Figure 76—Risk Assessment ............................................................................................................... 155
Figure 77—Programme/Project Risk Advisory Services .................................................................... 159
Figure 78—Incident Management Services ......................................................................................... 159
Figure 79—Architecture Advisory Services ......................................................................................... 160
Figure 80—Risk Intelligence Services ................................................................................................ 160
Figure 81—Risk Management Services ................................................................................................ 160
Figure 82—Crisis Management Services ............................................................................................. 161
Figure 83—Risk Manager ................................................................................................................... 163
Figure 84—Risk Analyst ..................................................................................................................... 164
Figure 85—Core Risk Management Processes .................................................................................... 165
Executive Summary

Introduction

Information is a key resource for all enterprises. From the time information is created to the moment it is destroyed, technology plays a significant role in containing, distributing and analysing information. Technology is increasingly advanced and has become pervasive in enterprises and the social, public and business environments.

COBIT 5 provides a comprehensive framework that assists enterprises in achieving their objectives for the governance and management of enterprise information technology (IT). Simply stated, COBIT 5 helps enterprises to create optimal value from IT by maintaining a balance between realising benefits and optimising risk levels and resource use. COBIT 5 enables IT to be governed and managed in a holistic manner for the entire enterprise, taking into account the full end-to-end business and IT functional areas of responsibility and considering the IT-related interests of internal and external stakeholders.

COBIT 5 for Risk, highlighted in figure 1, builds on the COBIT 5 framework by focusing on risk and providing more detailed and practical guidance for risk professionals and other interested parties at all levels of the enterprise.

Terminology

COBIT 5 for Risk discusses IT-related risk. Section 1, chapter 2 defines what is meant by IT-related risk; however, for ease of reading, the term ‘risk’ is used throughout the publication, which refers to IT-related risk. The guidance and principles that are explained throughout this publication are applicable to any type of enterprise, whether it operates in a commercial or non-commercial context, in the private or the public sector, as a small, medium or large enterprise.

COBIT 5 for Risk presents two perspectives on how to use COBIT 5 in a risk context: risk function and risk management. The risk function perspective focuses on what is needed to build and sustain the risk function within an enterprise. The risk management perspective focuses on the core risk governance and management processes of how to optimise risk and how to identify, analyse, respond to and report on risk on a daily basis. These perspectives are explained in detail in section 1, chapter 2. Risk; section 2A, The Risk Function Perspective; and section 2B, The Risk Management Perspective and Using COBIT 5 Enablers.

Drivers for Risk Management

The main drivers for risk management in its different forms include the need to improve business outcomes, decision making and overall strategy by providing:

- Stakeholders with substantiated and consistent opinions on the current state of risk throughout the enterprise
- Guidance on how to manage the risk to levels within the risk appetite of the enterprise
• Guidance on how to set up the appropriate risk culture for the enterprise
• Wherever possible, quantitative risk assessments that enable stakeholders to consider the cost of mitigation and the required resources against the loss exposure

To that purpose, this publication:
• Provides guidance on how to use the COBIT 5 framework to establish the risk governance and management functions for the enterprise
• Provides guidance and a structured approach on how to use the COBIT 5 principles to govern and manage IT risk
• Demonstrates how COBIT 5 for Risk aligns with other relevant standards

Benefits of Using This Publication

Using COBIT 5 for Risk increases the enterprise risk-related capabilities, which provide benefits such as:
• More accurate identification of risk and measurement of success in addressing that risk
• Better understanding of risk impact on the enterprise
• End-to-end guidance on how to manage risk, including an extensive set of measures
• Knowledge of how to capitalise on investments related to IT risk-management practices
• Understanding of how effective IT risk management optimises value, with business process effectiveness and efficiency, improved quality and reduced waste and costs
• Opportunities to integrate IT risk management with enterprise risk and compliance structures
• Improved communication and understanding amongst all internal and external stakeholders due to the common and sustainable globally accepted framework and language for assessing and responding to risk
• Promotion of risk responsibility and acceptance across the enterprise
• A complete risk profile, identifying the full enterprise risk exposure and enabling better utilisation of enterprise resources
• Improved risk awareness throughout the enterprise

Target Audience for This Publication

The intended audience for COBIT 5 for Risk is extensive, as are the reasons for adopting and using the framework and the benefits that each enterprise role and function can find in this publication. The roles and functions that are listed in figure 2 are considered stakeholders for the management of risk. These stakeholders do not necessarily refer to individuals, but to roles and functions within the enterprise or its environment.

<table>
<thead>
<tr>
<th>Role/Function</th>
<th>Benefit of/Reason for Adopting and Adapting COBIT 5 for Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board and executive management</td>
<td>• Better understanding of their responsibilities and roles with regard to IT risk management and the implications of IT risk to enterprise strategic objectives</td>
</tr>
<tr>
<td></td>
<td>• Better understanding of how to optimise IT use for successful strategy execution</td>
</tr>
<tr>
<td>Risk function and corporate risk managers for enterprise risk management (ERM)</td>
<td>Assistance with managing IT risk, according to generally accepted ERM principles, and incorporating IT risk into enterprise risk</td>
</tr>
<tr>
<td>Operational risk managers</td>
<td>• Linkage of their framework to COBIT 5 for Risk</td>
</tr>
<tr>
<td></td>
<td>• Identification of operational losses or development of key risk indicators (KRIs)</td>
</tr>
<tr>
<td>IT management</td>
<td>Better understanding of how to identify and manage IT risk and how to communicate IT risk to business decision makers</td>
</tr>
<tr>
<td>IT service managers</td>
<td>Enhancement of their view of operational risk, which should fit into an overall IT risk management framework</td>
</tr>
<tr>
<td>Business continuity</td>
<td>Alignment with ERM, because assessment of risk is a key aspect of their responsibility</td>
</tr>
<tr>
<td>IT security</td>
<td>Positioning security risk amongst other categories of IT risk</td>
</tr>
<tr>
<td>Information security</td>
<td>Positioning IT risk within the enterprise information risk management structure</td>
</tr>
<tr>
<td>Chief financial officer (CFO)</td>
<td>Gaining a better view of IT risk and its financial implications for investment and portfolio management purposes</td>
</tr>
<tr>
<td>Enterprise governance officers</td>
<td>Assistance with their review and monitoring of governance responsibilities and other IT governance roles</td>
</tr>
<tr>
<td>Business</td>
<td>Understanding and management of IT risk—one of many business risk items, all of which should be managed consistently</td>
</tr>
</tbody>
</table>
Figure 2—COBIT 5 for Risk Target Audience and Benefits (cont.)

<table>
<thead>
<tr>
<th>Role/Function</th>
<th>Benefit of/Reason for Adopting and Adapting COBIT 5 for Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal auditors</td>
<td>Improved analysis of risk in support of audit plans and reports</td>
</tr>
<tr>
<td>Compliance</td>
<td>Support with the role as key advisors to the risk function with regards to compliance requirements and their potential impact on the enterprise</td>
</tr>
<tr>
<td>General counsel</td>
<td>Support with the role as key advisor for the risk function on regulation-related risk and potential impact or legal implications</td>
</tr>
<tr>
<td>Regulators</td>
<td>Support of their assessment of regulated enterprise IT risk management approach and the impact of risk on regulatory requirements</td>
</tr>
<tr>
<td>External auditors</td>
<td>Additional guidance on exposure levels when establishing an opinion on the quality of internal control</td>
</tr>
<tr>
<td>Insurers</td>
<td>Support with establishing adequate IT insurance coverage and seeking agreement on exposure levels</td>
</tr>
<tr>
<td>Rating agencies</td>
<td>In collaboration with insurers, a reference to assess and rate objectively how an enterprise is managing IT risk</td>
</tr>
<tr>
<td>IT contractors and subcontractors</td>
<td>• Better alignment of utility and warranty of IT services provided</td>
</tr>
<tr>
<td></td>
<td>• Understanding of responsibilities arising from risk assessment</td>
</tr>
</tbody>
</table>

Note: The guidance and principles that are provided in this publication are applicable to all enterprises, irrespective of size, industry and nature.

Overview and Guidance on Use of This Publication

COBIT 5 for Risk addresses fundamental questions and issues about IT risk management. Figure 3 shows these questions and explains how and where COBIT 5 for Risk addresses them, if they are within the scope of this guide.

COBIT 5 for Risk refers to the seven enablers of COBIT 5:
• Principles, Policies and Frameworks
• Processes
• Organisational Structures
• Culture, Ethics and Behaviour
• Information
• Services, Infrastructure and Applications
• People, Skills and Competencies

The unique character of each enterprise will result in these enablers being implemented and used in many different ways to manage risk in an optimal manner. This guide provides a pervasive view that explains each concept of COBIT 5 from a risk function perspective through additional guidance and examples.

To facilitate and guide the reader through the comprehensive collection of information, COBIT 5 for Risk is divided into three sections and six appendices. Following is a brief description of each section and how those sections are interconnected.

Section 1—Elaborates on risk and risk management and describes briefly how the COBIT 5 principles can be applied to risk management-specific needs. This section provides the reader with a conceptual baseline that is followed throughout the rest of the document.

Section 2—Elaborates on using COBIT 5 enablers for risk management in practice. Governance of enterprise IT (GEIT) is systemic and supported by a set of enablers. In this section, the two perspectives on how to apply the COBIT 5 enablers are explained. Detailed guidance regarding these enablers is provided in the appendices.

Section 2A—Describes the COBIT 5 enablers that are required to build and sustain a risk function.

Section 2B—Describes how the core risk management process of identifying, analysing and responding to risk can be assisted by the COBIT 5 enablers. This section also provides some generic risk scenarios.

Section 3—Introduces the alignment of COBIT 5 for Risk with relevant IT or ERM standards and practices, including COSO ERM, ISO 31000, ISO/IEC 27005 and ISO Guide 73. This section also includes a comparison between COBIT 5 for Risk and these standards.
### Figure 3—COBIT 5 for Risk Overview

<table>
<thead>
<tr>
<th>Question</th>
<th>Where to Find Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is risk?</strong></td>
<td><strong>Section 1</strong> defines risk, and describes briefly how the COBIT 5 principles can be applied to risk management-specific needs.</td>
</tr>
<tr>
<td><strong>How do the COBIT 5 enablers relate to providing risk management?</strong></td>
<td>In general, two perspectives on how to use COBIT 5 in a risk context can be identified:</td>
</tr>
<tr>
<td></td>
<td>• The <strong>risk function perspective</strong>—Describes what is needed in an enterprise to build and sustain efficient and effective core risk governance and management activities</td>
</tr>
<tr>
<td></td>
<td>• The <strong>risk management perspective</strong>—Describes how the core risk management process of identifying, analysing and responding to risk, can be assisted by the COBIT 5 enablers</td>
</tr>
<tr>
<td></td>
<td>These perspectives are introduced in <strong>section 1.3.1</strong>.</td>
</tr>
<tr>
<td><strong>How do I set up and maintain an efficient risk function? What is the risk function perspective?</strong></td>
<td><strong>Section 2A</strong> provides guidance on what is needed to set up and maintain an effective and efficient risk function. It does so by listing and briefly describing the COBIT 5 enablers required, e.g., processes, organisational structures, culture, ethics and behaviour. Putting these enablers in place will result in a performance risk function adding value for the enterprise.</td>
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<tr>
<td></td>
<td><strong>Appendix B</strong> includes detailed descriptions for each enabler listed in section 2A.</td>
</tr>
<tr>
<td><strong>How does risk relate to the COBIT 5 principles?</strong></td>
<td>Risk is defined as the potential of enterprise objectives not being achieved or as any opportunity that can enhance enterprise objectives. Maintaining an optimal risk level is one of the three components of the overall value creation objectives of an enterprise, which in turn is supported by the five COBIT 5 principles.</td>
</tr>
<tr>
<td><strong>What are key aspects from risk management in practice?</strong></td>
<td>Key components of practical risk management are the risk scenarios. In <strong>section 2B</strong>, risk scenarios and all related topics are explained.</td>
</tr>
<tr>
<td><strong>Are there any practical examples of risk scenarios and how to address them?</strong></td>
<td>Yes. <strong>Section 2B, chapter 4</strong> contains a comprehensive list of example IT-related risk scenarios. The section also contains some practical advice on how to best use these example scenarios. In <strong>appendix D</strong>, a set of detailed examples is given on how risk scenarios from each category can be mitigated by using a combination of COBIT 5 enablers.</td>
</tr>
<tr>
<td><strong>How does COBIT 5 for Risk help me in responding to risk?</strong></td>
<td><strong>COBIT 5 for Risk</strong> makes the link between risk scenarios and an appropriate response. If the response of choice is “mitigate”, COBIT 5 contains a wealth of ‘controls’—enablers in COBIT 5 terminology—that can be put in place to respond to the risk. <strong>Appendix D</strong> contains a comprehensive set of examples on how that can be done in practice.</td>
</tr>
<tr>
<td><strong>Does COBIT 5 align with risk management standards?</strong></td>
<td>Yes. A detailed comparison, in the form of a mapping or qualitative description, is included in <strong>section 3</strong>. The following related standards are discussed in this section: ISO 31000, ISO/EC 27005, COSO ERM and ISO Guide 73.</td>
</tr>
<tr>
<td><strong>Does COBIT 5 for Risk help me in defining detailed risk analysis methods?</strong></td>
<td>No. Additional guidance on detailed risk analysis methods, taxonomies, tools, etc., is available from multiple sources, including ISACA.</td>
</tr>
</tbody>
</table>

### Appendices

- **Appendix A**—Glossary
- **Appendix B**—Detailed information on enablers for risk governance and management regarding the enablers:
  - B.1—Principles, Policies and Frameworks
  - B.2—Processes
  - B.3—Organisational Structures
  - B.4—Culture, Ethics and Behaviour
  - B.5—Information
  - B.6—Services, Infrastructure Applications
  - B.7—People, Skills and Competencies
EXECUTIVE SUMMARY

- **Appendix C**—Detailed description of core risk management processes
- **Appendix D**—Risk scenarios guidance, containing a comprehensive set of examples on how to mitigate risk scenarios using COBIT 5 enablers
- **Appendix E**—Comparison between COBIT 5 for Risk and the legacy Risk IT Framework
- **Appendix F**—Template for risk scenario description

**Prerequisite Knowledge**

COBIT 5 for Risk builds on COBIT 5. Most key concepts of COBIT 5 are repeated and elaborated on, making this guide a fairly standalone book—in essence, not requiring any prerequisite knowledge. However, an understanding of COBIT 5 and its enablers at the foundation level will accelerate the understanding of this guide.

If readers wish to know more about the COBIT 5 concepts beyond what is required for risk management purposes, they are referred to the COBIT 5 framework.

COBIT 5 for Risk also refers to the COBIT Process Assessment Model (PAM): Using COBIT 5 and the COBIT 5 processes described therein. If readers want to know more about the COBIT 5 processes, e.g., to implement or improve some of them as part of a risk response, they are referred to the COBIT 5: Enabling Processes publication.

The COBIT 5 product set also includes a process capability model that is based on the internationally recognised ISO/IEC 15504 Software Engineering—Process Assessment standard. Even though the process assessment model is not prerequisite knowledge for COBIT 5 for Risk, readers can use this model as a means to assess the performance of any of the governance or management processes and to identify areas for improvement.
Section 1. Risk and Risk Management

Chapter 1
The Governance Objective: Value Creation

Enterprises exist to create value for their stakeholders. Consequently, any enterprise, commercial or not, has value creation as a governance objective.

Value creation means realising benefits at an optimal resource cost while optimising risk (figure 4). Benefits can take many forms, e.g., financial for commercial enterprises or public service for government entities.

Enterprises have many stakeholders, and ‘creating value’ means different, and sometimes conflicting, things to each stakeholder. Governance is about negotiating and deciding amongst different stakeholder value interests.

The risk optimisation component of value creation shows that:

- Risk optimisation is an essential part of any governance system.
- Risk optimisation cannot be seen in isolation, i.e., actions taken as part of risk management will influence benefits realisation and resource optimisation.
Risk is generally defined as the combination of the probability of an event and its consequence (ISO Guide 73). Consequences are that enterprise objectives are not met. COBIT 5 for Risk defines IT risk as business risk, specifically, the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise. IT risk consists of IT-related events that could potentially impact the business. IT risk can occur with both uncertain frequency and impact and creates challenges in meeting strategic goals and objectives.

IT risk always exists, whether or not it is detected or recognised by an enterprise.

**Figure 5—IT Risk Categories**

- **IT Benefit/Value Enablement**
  - Technology enabler for new business initiatives
  - Technology enabler for efficient operations

- **IT Programme and Project Delivery**
  - Project quality
  - Project relevance
  - Project overrun

- **IT Operations and Service Delivery**
  - IT service interruptions
  - Security problems
  - Compliance issues

**Business Value**

**Fail to Gain**  **Gain**

**Lose**  **Preserve**

**Business Value**

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IT risk can be categorised as follows:

- **IT benefit/value enablement risk**—Associated with missed opportunities to use technology to improve efficiency or effectiveness of business processes or as an enabler for new business initiatives
- **IT programme and project delivery risk**—Associated with the contribution of IT to new or improved business solutions, usually in the form of projects and programmes as part of investment portfolios
- **IT operations and service delivery risk**—Associated with all aspects of the business as usual performance of IT systems and services, which can bring destruction or reduction of value to the enterprise

**Figure 5** shows that for all categories of downside IT risk (‘Fail to Gain’ and ‘Lose’ business value) there is an equivalent upside (‘Gain’ and ‘Preserve’ business). For example:

- **Service delivery**—If service delivery practices are strengthened, the enterprise can benefit, e.g., by being ready to absorb additional transaction volumes or market share.
- **Project delivery**—Successful project delivery brings new business functionality.

It is important to keep this upside/downside duality of risk in mind (see **figure 6**) during all risk-related decisions. For example, decisions should consider:

- The exposure that may result if a risk is not mitigated versus the benefit if the associated loss exposure is reduced to an acceptable level.
- The potential benefit that may accrue if opportunities are taken versus missed benefits if opportunities are foregone.
Risk is not always to be avoided. Doing business is about taking risk that is consistent with the risk appetite, i.e., many business propositions require IT risk to be taken to achieve the value proposition and realise enterprise goals and objectives, and this risk should be managed but not necessarily avoided.

When risk is referenced in COBIT 5 for Risk, it is the current risk. The concept of inherent risk is rarely used in COBIT 5 for Risk. Figure 7 shows how inherent, current and residual risk interrelate. Theoretically, COBIT 5 for Risk focuses on current risk because, in practice, that is what is used.